

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 1229-01  
BILL NO.: HB 413  
SUBJECT: Denial of Unemployment Benefits  
TYPE: Original  
DATE: March 29, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None *	\$0*	\$0*	\$0*
<b>Total Estimated Net Effect on <u>All</u> Federal Funds *</b>	<b>\$0*</b>	<b>\$0*</b>	<b>\$0*</b>

**\*DOES NOT REFLECT POTENTIAL LOSS OF FEDERAL ADMINISTRATIVE GRANTS DUE TO POSSIBLE NONCOMPLIANCE WITH FEDERAL LAW.**

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>School Districts</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **Department of Labor and Industrial Relations (DOL)** state that the proposed legislation does not appear to conform to Federal law. If Missouri's law is determined to be out of conformity with Federal law, DOL officials assume the consequence could be a loss of certification for Federal Unemployment Tax Act credits. DOL estimates that a loss of certification would cause contributing Missouri employers to lose as much as \$997 million annually in Federal Unemployment Tax Act credits and the Division of Employment Security to lose approximately \$40 million annually in administrative funds.

DOL officials stated that an informal response from the United States Department of Labor indicates that the proposed legislation targets a select group of claimants and does not appear to conform to the Federal standards of equal treatment. Section 3304(a)(6)(a), of the Federal Unemployment Tax Act, requires equal treatment in the payment of compensation to employees of governmental entities and nonprofit organizations. All qualifying, benefit formula, eligibility, and disqualification provisions applicable to other claimants must apply equally to claimants whose benefits are based on employment with State and local governments and nonprofits.

DOL officials stated that the proposed legislation also conflicts with the current language under Section 288.020, which indicates unemployment compensation is "for the benefit of persons unemployed through no fault of their own." The proposed legislation would deny benefits to substitute teachers under the voluntarily quit provisions although they may have actually become unemployed and continue to remain unemployed due to a lack of work. DOL officials cited an instance where the proposed legislation would deny benefits to a substitute teacher, who removes their name from the list to relocate to a more favorable job market to seek full time work although they may have been unemployed for some time due to a lack of work and no other work was available.

Officials of the **Department of Elementary and Secondary Education (DES)** state that their department defers to DOL for the impact of this proposal. DOL assumes that, based on the information obtained from DOL, the proposal could cause Missouri to fall out of compliance with Federal equal treatment laws that govern employee eligibility for unemployment benefits. This would occur because substitute teachers would be treated differently from other employees under this proposal. Falling out of compliance would reduce Federal Unemployment Tax Act moneys by approximately \$970 million. This money would have to be recovered through additional taxes on businesses. Additionally, DOL would lose approximately \$40 million in Federal Unemployment Tax Act moneys that currently support their administrative budget.

DES officials state that the DOL indicates that school districts may experience some savings  
ASSUMPTION (continued)

resulting from reduced payments of unemployment benefits to substitute teachers. The amount of savings is not known but it is assumed it could exceed \$100,000 annually statewide.

**Oversight** assumes that any loss of federal funds would depend upon determination of a noncompliance by the U.S. Department of Labor and the imposition of sanctions by the U.S. Department of Labor. The likelihood of such sanctions would be speculative. For fiscal note purposes, no impact to federal funds is reflected. Savings to local school districts in an unknown amount are reflected.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>

**\*DOES NOT REFLECT POTENTIAL  
 LOSS OF FEDERAL ADMINISTRATIVE  
 GRANTS DUE TO POSSIBLE  
 NONCOMPLIANCE WITH FEDERAL  
 LAW.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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**SCHOOL DISTRICTS**

<u>Savings - Reduced Unemployment Benefits Paid</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal, depending upon conformity with federal law and any sanctions imposed by the U.S. Department of Labor. However, this proposal could cause an additional tax on businesses to cover Federal Unemployment Tax Act moneys that would no longer come to the state.

DESCRIPTION

Under this proposal, if a claimant for unemployment benefits withdraws or has previously withdrawn his or her name from a list of available substitute teachers for a school district, the Director of the Division of Employment Security is required to find that the claimant has left work voluntarily and is subject to being disqualified for waiting week credit or benefits and unemployment benefits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Department of Elementary and Secondary Education



Jeanne Jarrett, CPA  
Director

March 29, 2001