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Senator John Loudon's Unemployment Compensation Solvency Act Approved by Legislature

Legislation Bails, Keeps Missouri Out of Debt to Feds; Sustains State Benefit Program

JEFFERSON CITY – Legislation drafted by Senator John Loudon, R-Ballwin, designed to stabilize and return to solvency the state's bankrupt unemployment compensation fund cleared the General Assembly today and now moves to the governor's desk.

Financed by employers, Missouri's unemployment insurance fund is in debt to the federal government and has been for more than a year.

Loudon's reforms, originally introduced in SB 737 and subsequently rolled into an omnibus employment security bill (HB 1268), are designed to maintain unemployment benefit availability while at the same time lowering the program's costs to employers.

"Managed as it is now, the unemployment compensation fund is some $290 million in the red, and that debt load is growing by about $1 million each and every day," Loudon said. "It's imperative that we pay this off by September or Missouri loses out on valuable tax credits."

Loudon's legislation creates a board empowered to issue up to $450 million in bonds to pay off the federal debt.

"Bond interest will be well below the nearly 6 percent interest we're paying on the federal loans," Loudon said.

Wages subject to unemployment tax will be adjusted and surcharges will be added to top rate payers for three years to rebuild the state fund.

Along with raising revenue, Loudon's legislation cuts expenses by making fired workers ineligible to collect unemployment benefits in most circumstances. The act also requires the Division of Employment Security to regularly check to ensure that Missouri unemployment compensation recipients are not also earning wages.

"Unemployment benefits are fully warranted by the vast majority of those receiving them," Loudon said. "This bill merely implements a set of checks and balances to keep claim fraud in check and pull the fund out of the red and into the black."

The bill also sets in place a graduated maximum weekly benefit schedule – beginning with $250 for 2004-2005 and capped at $320 by 2010.

"Establishing in advance what the fund will pay out over the next several years eliminates a financial variable and allows for a more accurate budgeting process," Loudon said. "The overarching goals here are to pay off the federal debt, build the state fund back up, and ensure that unemployment benefits are available to those genuinely deserving them."

With the governor's signature, Loudon's unemployment compensation reforms will take effect August 28, 2004.