

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2121-01  
Bill No.: SB 495  
Subject: Employment Security; Labor and Industrial Relations Department  
Type: Original  
Date: March 23, 2009

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Bill Summary: This proposal modifies various provisions relating to unemployment security.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Unemployment Compensation Trust Fund	\$24,273,694	\$42,325,678	\$84,282,781
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$24,273,694</b>	<b>\$42,325,678</b>	<b>\$84,282,781</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume Section 288.036 would cause an increase in annual contributions occurring in fiscal year 2010. The expected increase is \$24,273,694. In 2011, the expected increase would be \$42,325,678. For those two years there would be no additional benefit pay out per the proposed language. It is estimated in FY 2012, the increase in contributions would be \$100,733,334 with an increase in benefit payout of \$16,450,553. For FY 2012, the net affect would be a \$84,282,781 increase in contribution dollars received.

DOLIR assumes Section 288.038 attempts to provide unemployment benefits at a reasonable rate of wage replacement. DOLIR estimates that the increase in benefit payout for calendar year 2012, 2013, and 2014 would be \$16,450,553, \$14,683,431, and \$27,854,188 respectively.

DOLIR assumes that changes to Section 288.090 would result is a no fiscal impact.

DOLIR assumes that Section 288.120.1 establishes a new tax rate table beginning in calendar year 2010 for all employers that are not participating in a shared work plan under Section 288.500 RSMo. The tax rates in the current table have been increased by 30% to create the new tax rate table. Additionally, this section clarifies which table is to be utilized in determining the correct contributions rate.

DOIIR assumes Section 288.330 would eliminate the maximum dollar amount of unpaid principal the Board of Unemployment Fund Financing is authorized to have outstanding at any one time.

DOLIR assumes the deletion of Section 288.121 and Section 288.122 removes the DOLIR's authority to adjust employers' tax rates based on the balance of the Unemployment Compensation Trust Fund.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Office of the State Treasurer, Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Economic Development** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Revenue - DOLIR</u>			
increase in annual contributions	\$24,273,694	\$42,325,678	\$100,733,334
<u>Cost - DOLIR</u>			
increase in benefit pay-outs	<u>\$0</u>	<u>\$0</u>	<u>(\$16,450,553)</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
	<b><u>\$24,273,694</u></b>	<b><u>\$42,325,678</u></b>	<b><u>\$84,282,781</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

All businesses could see an adjustment in the unemployment contribution rate.

FISCAL DESCRIPTION

Currently, the taxable wage base for calendar year 2010 and each calendar year thereafter shall be determined by the average balance of the unemployment compensation trust fund of the four preceding calendar quarters less federal advances, and principal, interest, and expenses related to credit instruments and financial agreements. If the balance is \$350 million or less, the base is increased by \$1,000. If it is \$650 million or more, it is decreased by \$500 not to increase beyond \$13,000 or decrease to less than \$7,000.

This computation is altered so that the base for every other calendar year beginning in calendar year 2010 is increased from the previous base by 10% rounded to the nearest \$100 increment. This biennial increase is suspended when the balance in the trust fund reaches an average high cost multiple (as defined by the United States Department of Labor) of .45 or greater and, whereupon the base shall decrease every calendar year by 10% rounded to the nearest \$100 increment.

FISCAL DESCRIPTION (continued)

The average weekly benefit amount for calendar year 2012 and all years beyond that shall increase by 4%.

All contributions and payments in lieu of contributions paid by employers to the unemployment compensation trust fund shall only be deposited in the fund and be used solely for the purposes enumerated in Chapter 288, RSMo.

The contribution rate for employers is modified for calendar year 2010 and beyond.

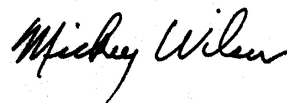
Currently, the total amount of outstanding obligations under agreements entered into by the Board of Unemployment Fund Financing in issuing credit instruments shall not exceed the difference of \$450 million and the principal amount of outstanding credit instruments. This act removes this provision.

Sections 288.121 and 288.122, RSMo. that increase and decrease an employer's contribution rate when the balance in the trust fund is under or over certain thresholds are repealed with a delayed effective date of January 1, 2010.

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  
Office of the Attorney General  
Office of the State Treasurer  
Department of Economic Development  
Department of Insurance, Financial Institutions and Professional Registration



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