

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0642-01  
Bill No.: SB 90  
Subject: Employment Security; Labor and Industrial Relations, Department of  
Type: Original  
Date: January 29, 2019

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

**FISCAL SUMMARY**

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND                 |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2020    | FY 2021    | FY 2022    |
|  |            |            |            |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS                             |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2020    | FY 2021    | FY 2022    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2020</b>           | <b>FY 2021</b>           | <b>FY 2022</b>           |
| Unemployment Insurance Administration                         | \$264 to \$63,539        | \$446 to \$81,077        | \$576 to \$81,888        |
|   |                          |                          |                          |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$264 to \$63,539</b> | <b>\$446 to \$81,077</b> | <b>\$576 to \$81,888</b> |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2020</b>    | <b>FY 2021</b>    | <b>FY 2022</b>    |
| Unemployment Insurance Administration                     | 0 or 1 FTE        | 0 or 1 FTE        | 0 or 1 FTE        |
|   |                   |                   |                   |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0 or 1 FTE</b> | <b>0 or 1 FTE</b> | <b>0 or 1 FTE</b> |

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2020</b> | <b>FY 2021</b> | <b>FY 2022</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state:

#### Division of Employment Security (DES):

This bill amends section 288.040.1 (2) to add verbiage indicating that unless otherwise directed by a deputy the claimant shall make a minimum of three work search contacts during any week for which he or she claims benefits.

This bill amends section 288.130.2 to provide that all employers with 50 or more workers shall provide quarterly wage information in an electronic format prescribed by the division.

During 2017, approximately 4,257 employers with 51 to 250 employees filed paper wage reports containing approximately 409,113 wage items. Assuming data entry cost of \$0.074 per wage item, the DES estimates savings (cost avoidance) of \$25,229 in FY2020, \$30,577 in FY 2021, and \$30,577 in FY2022 if these reports are filed electronically.

This bill also amends section 288.245 to specify that the date of electronic transmission is equivalent to the date of mailing.

This bill will create a new section 288.247 indicating that the division is authorized to provide communications in an electronic format unless the employing unit or claimant requests an alternative method of transmittal. Further any protest, appeal or other paper filed by the employer or claimant may be filed in electronic format.

| <b>III. Cost Avoidance (Savings)</b> | <b>FY 2020</b>  | <b>FY 2021</b>  | <b>FY2022</b>   |
|--------------------------------------|-----------------|-----------------|-----------------|
| Salaries                             | \$0             | \$0             | \$0             |
| Fringe Benefits                      | \$0             | \$0             | \$0             |
| Equipment and Expense                | \$0             | \$0             | \$0             |
| Other Sources ( Postage savings)     | \$41,667        | \$50,500        | \$51,005        |
| <b>TOTAL FUND SAVINGS</b>            | <b>\$41,667</b> | <b>\$50,500</b> | <b>\$51,005</b> |
| <b>ESTIMATED NET EFFECT ON FUND</b>  | <b>\$41,667</b> | <b>\$50,500</b> | <b>\$51,005</b> |

For the year ending May 31, 2018, the DES spent approximately \$800,000 on postage costs. If this proposal were enacted, the DES estimates a postage savings greater than \$50,000 per year. Additional efficiencies would be gained by reductions in printing cost and staffing costs associated with the mailing correspondence.

ASSUMPTION (continued)

Over 29,000 claimants and 4,500 employers have notified the DES that they would like to receive electronic communications from the agency.

ITSD:

This will change the calculation of work search contacts that are required by a claimant. This will be done at the database layer, and the current program will pick up those changes and implement in the current program.

Claims Management and Benefits Adjustment and determinations Design Documents were referred to deduce the impact of this change and help in identifying the programs that uses this data.

The Department anticipates being able to absorb the implementation costs, including ITSD costs (\$3,357) through a current UI maintenance agreement and existing funds. However, until the FY 2020 budget is final, the Department cannot identify specific funding sources.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the design and development to implement a new program. ITSD estimates the project would take 30.24 hours at a contract rate of \$111 per hour for a total cost to the state of \$3,357. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$3,357) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

Officials from the **Platte County Board of Elections, Jackson County Election Board, St. Louis County Board of Elections, City of Springfield, City of Blue Springs, and Metropolitan Zoological Park and Museum District** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the Platte County Board of Elections, Jackson County Election Board, St. Louis County Board of Elections, City of Springfield, City of Blue Springs, and Metropolitan Zoological Park and Museum District has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

ASSUMPTION (continued)

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other political subdivisions were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

**Oversight** assumes the new work search contact requirements may have an impact on unemployment numbers; however, Oversight considers this impact to be indirect and will not reflect it in the fiscal note.

| <u>FISCAL IMPACT - State Government</u>   | FY 2020<br>(10 Mo.)               | FY 2021                         | FY 2022                         |
|---|-----------------------------------|---------------------------------|---------------------------------|
| <b>UNEMPLOYMENT INSURANCE<br/>ADMINISTRATION FUND</b>   |                                   |                                 |                                 |
| <u>Savings</u> - DOLIR  |                                   |                                 |                                 |
| Professional Services (Data Entry)  | \$25,229                          | \$30,577                        | \$30,883                        |
| <u>Savings</u> - DOLIR  |                                   |                                 |                                 |
| Postage   | \$41,667                          | \$50,500                        | \$51,005                        |
| <u>Cost</u> - DOLIR - ITSD costs (ranged from<br>contracting out programming to hiring<br>additional FTE IT Specialist) | (\$3,357) to<br><u>(\$66,632)</u> | \$0 to<br>(\$80,631)            | \$0 to<br>(\$81,312)            |
| <b>ESTIMATED NET EFFECT ON<br/>UNEMPLOYMENT INSURANCE<br/>ADMINISTRATION FUND</b>                                       | <b><u>\$264 to \$63,539</u></b>   | <b><u>\$446 to \$81,077</u></b> | <b><u>\$576 to \$81,888</u></b> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2020<br>(10 Mo.) | FY 2021           | FY 2022           |
|---|---------------------|-------------------|-------------------|
|   | <b><u>\$0</u></b>   | <b><u>\$0</u></b> | <b><u>\$0</u></b> |

FISCAL IMPACT - Small Business

Small businesses may be requested to fill out work search contact verifications as a result of this proposal.

### FISCAL DESCRIPTION

Under this act, a person claiming unemployment benefits is required to make three work search contacts during any week in which such benefits are claimed.

The act additionally modifies the following provisions to either require or allow for communication with the Division of Employment Security through electronic means:

All employers of 50 or more workers are required to report quarterly wage information to the Division in an electronic format prescribed by the Division;

Any notice, determination, decision, or other paper required under the employment security chapter may be transmitted solely by electronic means, unless an alternative manner is requested; and

Any function required to be performed by the Division may be performed by a computer or other automated means.

The records of the Division shall constitute prima facie evidence of the date of the electronic transmission of any notice, determination, or other paper electronically transmitted under the employment security chapter.

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  
Platte County Board of Elections  
Jackson County Election Board  
St. Louis County Board of Elections  
City of Springfield  
City of Blue Springs  
Metropolitan Zoological Park and Museum District



Kyle Rieman  
Director  
January 29, 2019

Ross Strobe  
Assistant Director  
January 29, 2019