

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0642-02
Bill No.: Truly Agreed To and Finally Passed SCS for SB 90
Subject: Employment Security; Department of Labor and Industrial Relations
Type: Original
Date: June 3, 2019

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
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Unemployment Compensation Administration Fund (0948)	Up to \$86,708	Up to \$130,404	Up to \$131,644
Total Estimated Net Effect on <u>All</u> Federal Funds	Up to \$86,708	Up to \$130,404	Up to \$131,644

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

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 \$30,883 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.

III. Cost Avoidance (Savings)	FY 2020	FY 2021	FY2022
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
TOTAL FUND SAVINGS	\$41,667	\$50,500	\$51,005
ESTIMATED NET EFFECT ON FUND	\$41,667	\$50,500	\$51,005

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.

This bill amends Section 288.160 to allow assessments to be delivered using certified mail to the last known address of the employer. Previously this notice was required to be delivered by registered certified mail.

III. Cost Avoidance (Savings)	FY 2020	FY 2021	FY2022
Salaries	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0
Equipment and Expense	\$0	\$0	\$0
Other Sources (Postage savings)	\$44,268	\$53,652	\$54,189
TOTAL FUND SAVINGS	\$44,268	\$53,652	\$54,189
ESTIMATED NET EFFECT ON FUND	\$44,268	\$53,652	\$54,189

Currently, the price to send an assessment by certified mail with a return receipt is \$6.70 and \$3.45 to send an assessment by certified mail. The DES estimates that in 2017, 16,345 assessments (for both claimants and employers) were sent by certified mail with a return receipt. The cost of DES to mail the assessments was \$109,511.50. If the DES was permitted to send the assessments by certified mail this would be an estimated savings of \$53,121.25.

Oversight notes that the Department of Labor and Industrial Relations has stated the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact provided by Department of Labor and Industrial Relations on the fiscal note.

ITSD:

In the UInteract system, there are three kinds of correspondence, these are General, Certified and Registered. This legislation requires DES to change the all the Registered correspondence to Certified; therefore, all Registered correspondences will need to be changed to a Certified correspondence in the system.

ITSD has completed the analysis of the UInteract system and identified all Registered correspondences. The analysis results were shared with Department of Employment Security management. They reviewed and agreed the Registered correspondence needs to be Certified.

ASSUMPTION (continued)

In summary, DOLIR assumes there will be a need for IT consultants (\$111 x 190.08 hours = \$21,099) for FY 2020. There will be ongoing maintenance of \$4,325 in FY 2021 and \$4,443 in FY 2022.

Section 288.247 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 contract (State Contract Number CT 181087001) and existing funds. However, until the FY 2020 budget is final, the Department cannot identify specific funding sources.

Oversight notes for this bill, ITSD assumes that 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 DOLIR has an existing maintenance contract that is paid by the Unemployment Compensation Administration Fund, supplemented by the Unemployment Automation Fund as funds are available. Therefore, Oversight will reflect IT consultant cost of \$0 up to \$3,357.

Officials from the **Office of Administration** and **City of Kansas City** both assume the proposal will have no 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 for these agencies.

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.

ASSUMPTION (continued)

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 (10 Mo.)	FY 2021	FY 2022
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND			
<u>Savings</u> - DOLIR Professional Services - Data Entry (\$288.130.2)	\$25,229	\$30,577	\$30,883
<u>Savings</u> - DOLIR - postage (\$288.247)	\$41,667	\$50,500	\$51,005
<u>Savings</u> - DOLIR - postage (\$288.160)	Up to \$44,268	Up to \$53,652	Up to \$54,189
<u>Costs</u> - DOLIR - ITSD (\$288.247)	Up to (\$3,357)	\$0	\$0
<u>Cost</u> - DOLIR - ITSD (\$288.160)	<u>(\$21,099)</u>	<u>(\$4,325)</u>	<u>(\$4,433)</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND	<u>Up to \$86,708</u>	<u>Up to \$130,404</u>	<u>Up to \$131,644</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act modifies various provisions relating to employment security.

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, provided that, if good cause is shown, the Director may permit filing in paper form;
- 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.

Under current law, the Division of Employment Security is required to send certain notices to employers personally or by registered mail to the last known principal place of business of the employer. This amendment modifies those provisions by requiring such notice to be served by certified mail directed to the last known address of the employer, except in the case of any notice of the assessment of contributions, interest, or penalties after an original assessment of contributions, interest, or penalties are not paid when due, in which case further notice may be sent by mail to the last known address of the employer.

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

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SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of Administration
City of Kansas City



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June 3, 2019

Ross Strobe
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June 3, 2019