

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0802S.01I
Bill No.: SB 115
Subject: Employment Security
Type: Original
Date: February 8, 2021

Bill Summary: This proposal modifies provisions relating to automation adjustments paid by employers subject to the unemployment compensation laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Unemployment Automation Fund (0953)	\$3,382,938 or up to \$5,000,000	\$3,382,938 or up to \$5,000,000	\$3,382,938 or up to \$5,000,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$3,382,938 or up to \$5,000,000	\$3,382,938 or up to \$5,000,000	\$3,382,938 or up to \$5,000,000

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Unemployment Trust Fund (0122)	(\$3,382,938) or up to (\$5,000,000)	(\$3,382,938) or up to (\$5,000,000)	(\$3,382,938) or up to (\$5,000,000)
Unemployment Compensation Administration Fund (0948)	\$0 up to (\$22,537)	\$0 up to (\$4,620)	\$0 up to (\$4,736)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$3,382,938) or up to (\$5,022,537)	(\$3,382,938) or up to (\$5,004,620)	(\$3,382,938) or up to (\$5,004,736)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Labor and Industrial Relations (DOLIR)** state the proposal would require each employer that is liable for contributions to pay an annual unemployment automation adjustment of fifteen one-thousands of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June thirtieth. The total adjustment due from all employers is not to exceed five million dollars.

In addition, for the first calendar quarter of each year, the total amount of tax contributions otherwise due for each employer liable for contributions shall be reduced by the dollar amount of the automation adjustment.

Taxable wage for period ending June 30, 2020: \$ 22,552,917,410 X 0.015% = \$3,382,938.

The Department anticipates being able to absorb the implementation costs, including ITSD costs through a current UI maintenance agreement and existing funds. However, until the FY 2022 budget is final, the Department cannot identify specific funding sources.

Oversight notes for this bill, **ITSD** assumes they will contract out the programming changes needed to update automation adjustment percentage, contribution rate of employers, and to create tables for unemployment automation fund. ITSD estimates the project would take 203.04 hours at a contract rate of \$111 per hour for a total cost to the state of **\$22,537**.

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. Additionally, DOLIR selects its ongoing consultancy rate dependent on difficulty of the programming and has a choice to employ in-house ITSD at \$95 per hour, or outside IT consultants at \$111 per hour. Therefore, Oversight will reflect IT consultant cost of \$0 up to (\$22,537).

Officials from the **Department of Conservation, Missouri Department of Transportation, and Office of Administration** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

Officials from the **City of Kansas City, City of Springfield, and City of Saint Louis Budget Division** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

The **University of Central Missouri** assume the fiscal impact is present. The amount will fluctuate based on annual payroll dollars and the percentage charged by the division for automation.

Oversight notes subsection 288.133.4 states that there shall be an offsetting reduction due from each employer liable to pay contributions under chapter 288. Therefore, Oversight will assume the proposal will net to zero fiscal impact to employers, including colleges, universities, and local political subdivisions.

Officials from **Missouri State University, Northwest Missouri State University, State Technical College of Missouri, University Of Central Missouri, and High Point R-III School District** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, colleges, and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
UNEMPLOYMENT AUTOMATION FUND (0953)			
<u>Transfer In - DOLIR</u> From Federal Unemployment Trust Fund	\$3,382,938 or up to <u>\$5,000,000</u>	\$3,382,938 or up to <u>\$5,000,000</u>	\$3,382,938 or up to <u>\$5,000,000</u>
NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND (0953)	\$3,382,938, or up to <u>\$5,000,000</u>	\$3,382,938, or up to <u>\$5,000,000</u>	\$3,382,938, or up to <u>\$5,000,000</u>

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2022 (10 Mo.)	FY 2023	FY 2024
UNEMPLOYMENT TRUST FUND (0122)			
<u>Transfer Out - DOLIR To State Unemployment Automation Fund</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>
NET EFFECT ON UNEMPLOYMENT TRUST FUND (0122)	(\$3,382,938) or up to <u>(\$5,000,000)</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>	(\$3,382,938) or up to <u>(\$5,000,000)</u>
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)			
<u>Cost - DOLIR - ITSD costs</u>	<u>\$0 up to (\$22,537)</u>	<u>\$0 up to (\$4,620)</u>	<u>\$0 up to (\$4,736)</u>
NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND	<u>\$0 up to (\$22,537)</u>	<u>\$0 up to (\$4,620)</u>	<u>\$0 up to (\$4,736)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

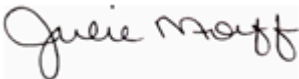
FISCAL DESCRIPTION

This act provides that any employer required to make contributions under the unemployment compensation laws shall pay an annual unemployment automation adjustment equal to .015% of its total taxable wages for the twelve-month period ending the preceding June 30th. The Division of Employment Security is permitted to lower this rate under certain circumstances.

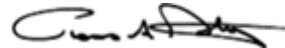
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of Administration
Department of Conservation
Missouri Department of Transportation
University of Missouri
State Technical College of Missouri
University of Central Missouri
Missouri State University
Northwest Missouri State University
High Point R-III School District
City of Kansas City, City of Springfield
City of Saint Louis Budget Division



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