

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2728S.01I
Bill No.: SB 622
Subject: Employment Security
Type: Original
Date: March 29, 2021

Bill Summary: This proposal modifies the duration of unemployment benefits based on the unemployment rate.

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
Various State Agencies, Colleges & Universities	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Unemployment Compensation Trust Fund*	More than or Less than \$10,259,411	More than or Less than \$10,259,411	More than or Less than \$10,259,411
Unemployment Compensation Administration Fund (0948)	(\$194,206)	(\$39,812)	(\$40,807)
Total Estimated Net Effect on <u>All</u> Federal Funds	More than or Less than \$10,062,205	More than or Less than \$10,219,599	More than or Less than \$10,218,604

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

*Oversight notes changes to Section 288.060 from HB 150 (2015 – Governor’s veto was overridden) were declared unconstitutional; therefore, the current maximum number of weeks eligible for benefits is still 20 weeks. This proposal reinstates these changes.

☐ 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 (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

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

FISCAL ANALYSIS

ASSUMPTION

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

Division of Employment Security (DES):

Section 288.060 will change the methodology used by the Division of Employment Security (DES) to calculate unemployment benefits for Missourians.

Section 288.060 is amended to remove the current language used to determine unemployment benefit duration and indexes the maximum number of weeks of unemployment benefits that are payable to the average statewide unemployment rate, twice each calendar year.

Oversight notes that based on data from the U.S. Bureau of Labor Statistics, the average weekly wage for an employed Missourian is \$920, and the average tenure of an employee over age 25 is 5.0 years. During the 12-month period ending June 30, 2019, DOLIR made 73,347 initial payments.

DES estimates eligible claimants receiving from \$0 (no change) to \$60.6 million less in regular unemployment insurance (UI) benefits if the indexing method is implemented. This chart, based on the current claims level, estimates a yearly decrease in benefits paid for each week reduction in the duration of unemployment benefits:

If Unemployment Rate Is	# Regular UI Weeks Reduced	Maximum Duration for Regular UI	Estimated Regular UI Benefits NOT Paid to Eligible Recipients (Trust Fund)	Incremental Difference For Additional Week
>=9.0%	0 weeks (no change)	20 weeks		
8.6% - 8.9%	1 week	19 weeks	\$7,115,130	\$7,115,130
8.0% - 8.5%	2 weeks	18 weeks	\$14,788,119	\$7,672,989
7.6% - 7.9%	3 weeks	17 weeks	\$22,895,864	\$8,107,744
7.0% - 7.5%	4 weeks	16 weeks	\$31,566,066	\$8,670,202
6.6% - 6.9%	5 weeks	15 weeks	\$40,659,390	\$9,093,324
6.0% - 6.5%	6 weeks	14 weeks	\$50,359,156	\$9,699,766
< 6.0%	7 weeks	13 weeks	\$60,605,653	\$10,246,497

These numbers are based on last year's totals because with the pandemic; the 2020 numbers would be unrealistically high.

Oversight notes that according to the U.S. Department of Labor, a Missouri's average seasonally adjusted unemployment rate for the time period of September to October 2020 was 4.8%.

The DOLIR also states if the number of individuals receiving benefits increases or decreases from current claim levels, the estimated amount of UI benefits not paid from the trust fund would also increase or decrease accordingly.

ITSD Response:

It is a big change as it deals with changing the Weekly Benefit Amount (WBA) and Maximum Benefit Amount (MBA) rules and also how do we adjudicate to make the correct payments. It also includes changes to Termination and Severance Pay which is impacting several areas in the application.

At a minimum we would need to make the following changes:

- Need to develop a screen to allow the entry of the monthly UI rate that the system will use to calculate the average rate for the appropriate period in order to determine the calculation of WBA
- Updates to Claim Re-Determination process
- Updates to Payment process
- Updates to Claimant's notice
- Updates to Reporting

Oversight notes that DOLIR - ITSD costs according to DOLIR are contracted at \$111 per hour. ITSD assumes this proposal would result in \$194,206 (1,749.60 hours x \$111) in FY 2022, \$39,812 costs in FY 2023, and \$40,807 in FY 2023 for ongoing maintenance.

Oversight notes that the existing Section 288.060 was changed in HB 150 (2015); however, those changes were deemed unconstitutional in 2016 because the General Assembly's veto override in 2015 was deemed untimely.

Oversight notes that the DOLIR has stated the proposal would have a direct fiscal impact on their organization. DOLIR estimates a savings to the Unemployment Compensation Trust Fund of \$60.6 Million if maximum benefits are claimed by Missouri employees.

Oversight notes that the average duration of unemployment claims in last three years was 12.4 weeks rounded to nearest tenth.

State	Year	Quarter	Exhaustions Rate Past 12 Months		Average Duration Past 12 Months	Insured Unemployment Rate	
			(%)	Rank	Weeks	(%)	Rank
MO	2018	1	33.2	25	12.3	1.1	34
MO	2018	2	32.2	27	12.1	0.8	37
MO	2018	3	32	28	12.2	0.8	34
MO	2018	4	31.5	30	12.3	0.7	40
MO	2019	1	30.9	27	12.5	1	34
MO	2019	2	30.6	27	12.8	0.6	41
MO	2019	3	31.8	23	12.8	0.7	36
MO	2019	4	32.6	23	12.9	0.7	39
MO	2020	1	32.7	24	10.9	1.2	35
MO	2020	2	41.1	24	10.7	8.1	45
MO	2020	3	100	1	13.3	4.4	46
MO	2020	4	35	28	13.9	1.9	47

Source: https://oui.doleta.gov/unemploy/data_summary/DataSummTable.asp

Oversight will note that U.S. DOL shows an average unemployment insurance rate in Missouri was 1.9% from 2018 to 2020 with 30% of total unemployed workers claiming maximum of 20 weeks at any time. (Source: <https://oui.doleta.gov/unemploy/claims.asp>) Therefore, Oversight will reflect impact of more than or less than \$10,246,497 (lowest stage of impact estimated by DOLIR) in annual savings to the Unemployment Trust fund on the fiscal note.

Oversight notes there is a change in the fiscal note if compared to similar legislation, HB 1409 from 2018. According to DOLIR the assumption was made that the amount of funding is based on the number of weeks paid which was incorrect, in fact the Federal funding for administration of the Unemployment Compensation Program is based on the number of initial claims processed, which they believe will not be changed by this proposal. Therefore, Oversight will not reflect any additional reduction to the Unemployment Compensation Administration Fund beyond the ITSD fiscal impact (0948). These changes were also noted in the fiscal note for HB 217 from 2019 session.

Officials from the **Missouri Department of Transportation (MoDOT)** assume the proposal will have a direct fiscal impact on their organization. MoDOT notes the HR division assume that this legislation could result in a minimal positive fiscal impact to the State Road Fund. MoDOT pays direct reimbursements. The potential lower number of weeks payable would be positive. However, our former employees rarely claim the full work weeks eligible.

Officials from the **Office of Administration (OA)** note that based on the weekly unemployment payments for the third quarter of 2020 the following has been determined. If this bill were to pass, the projected minimum cost savings for Office of Administration would be \$14,358.

Projected costs were derived from quarter three (3) of 2020. The calculation is based on the average weekly benefit paid of \$163.16 for the third quarter. There were 22 individuals the Office of Administration paid claims in quarter three (3), at \$3,589.52 a quarter. Annually this would be \$14,358.

There are many variables that impact the actual cost associated with this bill. The weekly benefit of each claimant will vary, whether the claimant finds full time employment sooner than the maximum weeks allowed and federal programs that may offset some of the costs.

Officials from the **University of Central Missouri** noted that their organization is unable to determine the actual fiscal impact as the amount will vary based on submitted claims.

Oversight notes that above OA, MoDOT, and University of Central Missouri each assume the proposal would have a direct fiscal impact on their respective organizations. Officials from the DOLIR assume there could be potential savings as the employer's paying less unemployment due to the proposal. Therefore, Oversight will note \$0 to Unknown positive fiscal impact on the fiscal note for various state agencies, universities, and colleges.

Officials from the **City of Kansas City** assume this legislation may have a small positive fiscal impact on the City of Kansas City, Missouri. If the state unemployment average is below 6 percent the max unemployment payout is 12 weeks instead of 13 weeks. So therefore this legislation may save Kansas City a small amount of money, perhaps 1/13th of whatever Kansas City's unemployment payout is currently (assuming unemployment is below 6 percent statewide).

Oversight notes the above organizations have stated the proposal would have a direct fiscal impact on their organizations. The threshold balance of the Trust Fund is required to be met to trigger a discount for employers. Oversight notes the state government and larger municipal governments would not be impacted; however, smaller municipalities may be impacted (an increase in the threshold balance required to receive the discount may reduce the discounts received by smaller political subdivisions). Oversight is unable to determine the potential cost to employers that would be a result of this proposal; therefore, Oversight will reflect a zero to potential unknown negative impact to smaller local political subdivisions.

Officials from the **Attorney General's Office, Missouri Department of Conservation, Office of the State Courts Administrator, City of Corder, City of Springfield, City of Saint Louis – Budget Division, Missouri University, Northwest Missouri State University, Missouri State University, State Technical College of Missouri, and Springfield R-XII School District** each assume the proposal would not have direct fiscal impact on their respective organization.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other schools, colleges, universities and political subdivisions 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 – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
OTHER STATE FUNDS			
<u>Savings – Colleges & Universities and other state agencies reduction of weekly benefits base on unemployment rate</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
NET EFFECT ON OTHER STATE FUNDS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)			
<u>Costs — DOLIR Expense - IT Consultants</u>	<u>(\$194,206)</u>	<u>(\$39,812)</u>	<u>(\$40,807)</u>
NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)	<u>(\$194,206)</u>	<u>(\$39,812)</u>	<u>(\$40,807)</u>
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Savings — DOLIR Reduction of weekly benefits base on unemployment rate</u>	More than or Less than <u>\$10,259,411</u>	More than or Less than <u>\$10,259,411</u>	More than or Less than <u>\$10,259,411</u>

ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	More than or Less than <u>\$10,259,411</u>	More than or Less than <u>\$10,259,411</u>	More than or Less than <u>\$10,259,411</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Cost - potential decrease in discount for employer contribution rate with the increase of fund balance - Section 288.122	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL IMPACT – Small Business

Changes to Missouri's unemployment insurance laws have the potential to increase or decrease the amount of unemployment taxes small businesses pay depending on the state's average unemployment rate.

FISCAL DESCRIPTION

Under current law, the maximum duration for an individual to receive unemployment benefits is 20 weeks. This act modifies the duration an individual can receive such benefits on the Missouri average unemployment rate, as follows:

- 20 weeks if the Missouri average unemployment rate is higher than nine percent;
- 19 weeks if the Missouri average unemployment rate is higher than 8.5% but no higher than 9%;
- 18 weeks if the Missouri average unemployment rate is higher than 8% but no higher than 8.5%;
- 17 weeks if the Missouri average unemployment rate is higher than 7.5% but no higher than 8%;
- 16 weeks if the Missouri average unemployment rate is higher than 7% but no higher than 7.5%;
- 15 weeks if the Missouri average unemployment rate is higher than 6.5% but no higher than 7%;
- 14 weeks if the Missouri average unemployment rate is higher than 6% but no higher than 6.5%;
- 13 weeks if the Missouri average unemployment rate is higher than 5.5% but no higher than 6%; and
- 12 weeks if the Missouri average unemployment rate is at or below 5.5%.

These provisions take effect beginning January 1, 2022.

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

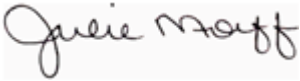
Department of Labor and Industrial Relations
Missouri Department of Conservation
Office of Administration
Attorney General's Office
Missouri Department of Transportation
Office of the State Courts Administrator
Attorney General's Office
Missouri Department of Conservation
Office of the State Courts Administrator
City of Corder
City of Springfield
City of Saint Louis – Budget Division
Missouri University
Northwest Missouri State University
Missouri State University
State Technical College of Missouri
Springfield R-XII School District

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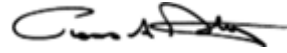
March 29, 2021

A handwritten signature in cursive script, reading "Julie Morff", written in black ink on a light-colored background.

Julie Morff

Director

March 29, 2021

A handwritten signature in cursive script, reading "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe

Assistant Director

March 29, 2021