

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0592H.011  
Bill No.: HB 59  
Subject: Crimes and Punishment; Law Enforcement Officers and Agencies; County Government; County Officials; Counties; Unemployment Compensation  
Type: Original  
Date: January 22, 2021

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Bill Summary: This proposal establishes provisions to protect law enforcement officers and first responders.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	(\$55,145)	(\$11,305)	(\$11,588)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$55,145)</b>	<b>(\$11,305)</b>	<b>(\$11,588)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Federal Funds*	\$0 to (\$44,900,000)	\$0 to (\$44,900,000)	\$0 to (\$44,900,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 to (\$44,900,000)</b>	<b>\$0 to (\$44,900,000)</b>	<b>\$0 to (\$44,900,000)</b>

\*Officials from the Department of Labor and Industrial Relations state new language in the bill may put Missouri out of federal compliance and may result in certain federal funding being withheld.

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

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 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 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume the proposal could contain federal conformity issues. Subsections 565.050.3, 565.052.4, 565.054.3, 565.056.4, and 578.710.4 appear to be inconsistent with 26 U.S.C. § 3304(a)(10). The federal statute provides as follows:

“...compensation shall not be denied to any individual by reason of cancellation of wage credits or total reduction of his benefit rights for any cause other than discharge for misconduct connected with his work, fraud in connection with a claim for compensation, or receipt of disqualifying income....”

Additionally, such an eligibility provision applied to individuals that would not result in a total reduction of benefit rights and is not related to the fact or cause of the individual's unemployment, is not permitted.

Section 3304(a)(4), Federal Unemployment Tax Act (FUTA) requires, as a condition for employers in a state to receive credit against the Federal tax, that the state law provide that: ...all money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund.

Section 303(a)(5) of the Social Security Act (SSA) provides a similar requirement as a condition for a state to receive administrative grants. Section 3306(h), FUTA, defines compensation as "cash benefits payable to individuals with respect to their unemployment."

The payment (or non-payment) of unemployment compensation must be based on the fact or cause of the individual's unemployment, not on some other factor unrelated to the individual's current unemployment. The federal and state governments are jointly responsible for administering the unemployment insurance (UI) system. State laws must meet certain federal requirements for the state agency to receive the administrative grants needed to operate its UI program and for employers to qualify for certain tax credits.

Each year, on October 31, the Secretary of Labor certifies the state unemployment insurance programs that conform and comply substantially with federal law. (26 U.S.C. § 3304.) If, and only if, a state's unemployment insurance program is certified to be in conformity with Federal requirements, employers within the state are eligible to receive a credit against their FUTA taxes. (26 U.S.C. § 3302.)

Non-conformity with federal law will jeopardize the certification of Missouri's UI program. If the program fails to be certified, Missouri would lose approximately \$33.4 million in federal funds the state receives each year to administer the UI program. Additionally, Missouri would

lose the approximately \$11.5 million in federal funds each year the Department of Higher Education and Workforce Development (DHEWD) uses for Wagner-Peyser reemployment services.

The FUTA imposes a 6.0% payroll tax on employers. Most employers never actually pay the total 6.0% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4% against the FUTA payroll tax if the state UI law is approved by the Secretary of Labor. However, if this bill causes Missouri's program to be out of compliance or out of conformity, Missouri employers could pay the full 6.0%, or approximately an additional \$1.0 billion per year.

DOLIR also assumes there would be IT changes in the Claims Management Screens/Flow requiring new questions to be added for information on criminal records. The claim eligibility rules would need to be updated based on law enforcement rules that are mentioned in the requirement. Development and testing of 496.8 hours of work at \$111 per hour would cost \$55,145 in federal funding in FY 22. On-going support would cost \$11,305 in FY 23 and \$11,588 in FY 24.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOLIR, but will range the impact from \$0 (Missouri is not deemed to be out of compliance or Federal government does not withhold the funds) to DOLIR's estimate.

For the purpose of the proposed legislation, and as a result of excessive caseloads, the **Missouri State Public Defender (MSPD)** cannot assume existing staff will be able to provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crime(s) concerning law enforcement officers under Chapter 565. The MSPD is currently providing legal representation in caseloads in excess of recognized standards. While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the MSPD will continue to request sufficient appropriations to provide competent and effective representation in all cases where the right to counsel attaches.

**Oversight** assumes the MSPD will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the MSPD for fiscal note purposes.

Officials at the **Ste. Genevieve County Collector's Office** have a computer that is available for public viewing of tax information. If the legislation passes, the Collector would likely eliminate public access to the computer and either have staff perform the tax information searches or make the historical tax information available online. The cost of these duties going forward would be unknown at this time. The cost of online tax lookup could be around \$2,000 to set up and around \$1,200 to maintain annually.

Officials from the **Kansas City Police Department (KCPD)** assume a negative unknown impact from this proposal. KCPD states there is not sufficient funding through the City for critical safety equipment. The forfeiture fund purchases supplement the City's funding in order to support law enforcement activities.

**Oversight** has requested additional information from the Kansas City Police Department regarding forfeiture fund purchases. Upon the receipt of this information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note if needed.

**Oversight** assumes there could be additional staffing duties to local political subdivisions relating to the provisions from this proposal. Therefore, Oversight will reflect a \$0 to unknown negative fiscal impact to local political subdivisions as a result of this proposal.

Officials from the **Office of the State Courts Administrator**, the **Attorney General's Office**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Revenue**, the **Department of Public Safety's Fire Safety and Missouri Highway Patrol** and the **Missouri Office of Prosecution Services** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from **St. Louis City**, the **Clay County Auditor**, the **Boone County Sheriff's Department**, the **Crestwood Police Department**, the **Ellisville Police Department**, the **Springfield Police Department**, the **St. Louis County Police Department**, the **Crawford County 911 Board**, the **Nodaway County Ambulance District** and the **Hermann Area Hospital District** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other counties, recorders, assessors, auditors, collectors, prosecutors, treasurers, sheriffs, police, fire protection districts, ambulance districts and hospital districts 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
<b>GENERAL REVENUE</b>			
<u>Cost</u> – DOLIR – IT changes to claim eligibility rule	<u>(\$55,145)</u>	<u>(\$11,305)</u>	<u>(\$11,588)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$55,145)</u></b>	<b><u>(\$11,305)</u></b>	<b><u>(\$11,588)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Loss</u> – DHEWD – on Wagner-Peyser funding	\$0 to <u>(\$11,500,000)</u>	\$0 to <u>(\$11,500,000)</u>	\$0 to <u>(\$11,500,000)</u>
<u>Loss</u> – DOLIR – on UI Admin funding	\$0 to <u>(\$33,400,000)</u>	\$0 to <u>(\$33,400,000)</u>	\$0 to <u>(\$33,400,000)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0 to</u></b> <b><u>(\$44,900,000)</u></b>	<b><u>\$0 to</u></b> <b><u>(\$44,900,000)</u></b>	<b><u>\$0 to</u></b> <b><u>(\$44,900,000)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost – additional staffing duties implemented</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>

FISCAL IMPACT – Small Business

There are over 166,000 small businesses (less than 50 employees) covered under Missouri's unemployment insurance system. Because Missouri's UI program is certified in conformity with Federal UI laws, most employers never actually pay the total 6.0% in FUTA taxes due to the credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. However, this bill could cause Missouri employers to pay the full 6.0%.

FISCAL DESCRIPTION

This proposal establishes provisions to protect law enforcement officers and first responders.

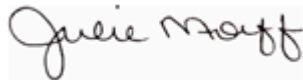
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

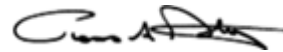
Department of Labor and Industrial Relations  
Office of the State Public Defender  
Ste. Genevieve County Collector's Office  
Kansas City Police Department  
Office of the State Courts Administrator  
Attorney General's Office  
Department of Health and Senior Services  
Department of Corrections  
Department of Revenue

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Department of Public Safety  
Fire Safety  
Missouri Highway Patrol  
Missouri Office of Prosecution Services  
St. Louis City  
Clay County Auditor  
Boone County Sheriff's Department  
Crestwood Police Department  
Ellisville Police Department  
Springfield Police Department  
St. Louis County Police Department  
Crawford County 911 Board  
Nodaway County Ambulance District  
Hermann Area Hospital District



Julie Morff  
Director  
January 22, 2021



Ross Strobe  
Assistant Director  
January 22, 2021