An Economic Analysis
Of
House Bill 150
On Missouri Families

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A Report by the

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I. Review of Provision of HB 150

House Bill No. 150 was introduced in the 98th General Assembly (2015) to repeal Sections 288.036, 288.060, 288.120, 288.122, and 288.330, RSMo and to enact in lieu of those five new sections relating to employment security. Section 288.060 proposes to modify the maximum duration of benefits payable to any insured worker during any benefit year. Under current law, the maximum duration for an individual to receive unemployment benefits in Missouri is 20 weeks. HB150 would reduce the number of weeks that benefits would be paid by indexing the number of weeks that unemployment benefits would be paid to the "Missouri average unemployment rate."[1] The indexed number of weeks that benefits would be payable were proposed as follows:

1. Twenty weeks if the Missouri average unemployment rate is 9.0% or higher;
2. Nineteen weeks if the Missouri average unemployment rate is between 8.5% -9.0%;
3. Eighteen weeks if the Missouri average unemployment rate is 8.0% up to and including 8.5%;
4. Seventeen weeks if the Missouri average unemployment rate is between 7.5% and 8.0%;
5. Sixteen weeks if the Missouri average unemployment rate is 7.0% up to and including 7.5%;
6. Fifteen weeks if the Missouri average unemployment rate is between 6.5% and 7.0%;
7. Fourteen weeks if the Missouri average unemployment rate is 6.0% up to and including 6.5%;
8. Thirteen weeks if the Missouri average unemployment rate is below 6.0%

[1] The rate used would be that rate as published by the Bureau of Labor Statistics for the period January 1 – March 31 and July 1 – September 30.

In House Bill No. 150, it is also proposed that Section 288.122 be modified with respect to the method of repaying federal advances to the Unemployment Compensation Fund. Under the current provisions of the law, when the average balance in the fund increase from between $600.0 million and $720.0 million, an employer's contribution rate is reduced by 7.0% for the following year. If the fund is greater than $750.0 million, an employer's contribution rate is decreased by 12.0% the following year unless the employers contribution rate is 6.0% or greater. In that instance, the decrease can't be more than 10%. The proposed bill adjusts the threshold levels to between $720.0 million and $870.0 million for a decrease of 7.0% and $870.0 million for a decrease of 12.0%. If the employer's contribution rate is greater than 6.0%, then the decrease cannot be greater than 10.0%.

II. Unemployment Insurance Program - Overview

The federal-state unemployment insurance system (UI) was designed to help people who have lost their jobs by temporarily replacing part of their wages while they search for work. The unemployment insurance program was created in 1935 as a form of a social insurance safety net in which taxes that are collected from employers are paid into the UI system on behalf of working people to provide them with income support if they lose their jobs. Utilizing the 1st quarter of 2015 data, the average weekly benefit amount for the past twelve months in the United States ($317.47) replaces approximately only 32.9% of the average weekly wage; in Missouri the average weekly benefit of $244.87 replaces approximately only 29.3% of the average weekly wage.[2]

[2] United States Department of Labor. Employment and Training Administration. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

The unemployment insurance system also serves as an economic stabilizer by softening the decrease in aggregate demand during economic downturns by providing a replacement of a portion of a household's income for consumption expenditures. Unemployment benefits are designed to initially provide partial income support for workers and their families. They also provide the additional benefit of stimulating economic activity. Unemployment insurance is one of the most potent forms of economic stimulus. That is why the fiscal multipliers are very high for unemployment insurance benefits. If a government dollar goes into the hands of consumers, it will make the most difference to a low-income household or an unemployed person who has no paycheck at all. That is the reason why fiscal multipliers are the highest for those programs that target the poor and/or unemployed.

III. Structure of Unemployment Insurance Program

Duration of Unemployment Benefits

Although the United States Department of Labor oversees the unemployment insurance system, it is administered by the various states. In most states, the UI system provides 26 week of benefits to unemployed workers. There are forty states that provides benefits for 26 weeks.[3] There are eight states that are contiguous to Missouri.[4] Of those states, Illinois, Iowa, Kentucky, Nebraska, Oklahoma, and Tennessee provide 26 weeks of unemployment benefits and Arkansas provides 25 weeks of unemployment benefits.

In Kansas, the duration of unemployment benefits is indexed to the state unemployment rate. In Kansas, unemployment benefits will be for a maximum

[3] Center for Budget and Policy Priorities. Policy Basics. How Many Weeks of Unemployment Compensation are Available? March 24, 2015. http://www.cbpp.org/research/economy/policy-basics-how-many-weeks-of-unemployment-compensation-are-available

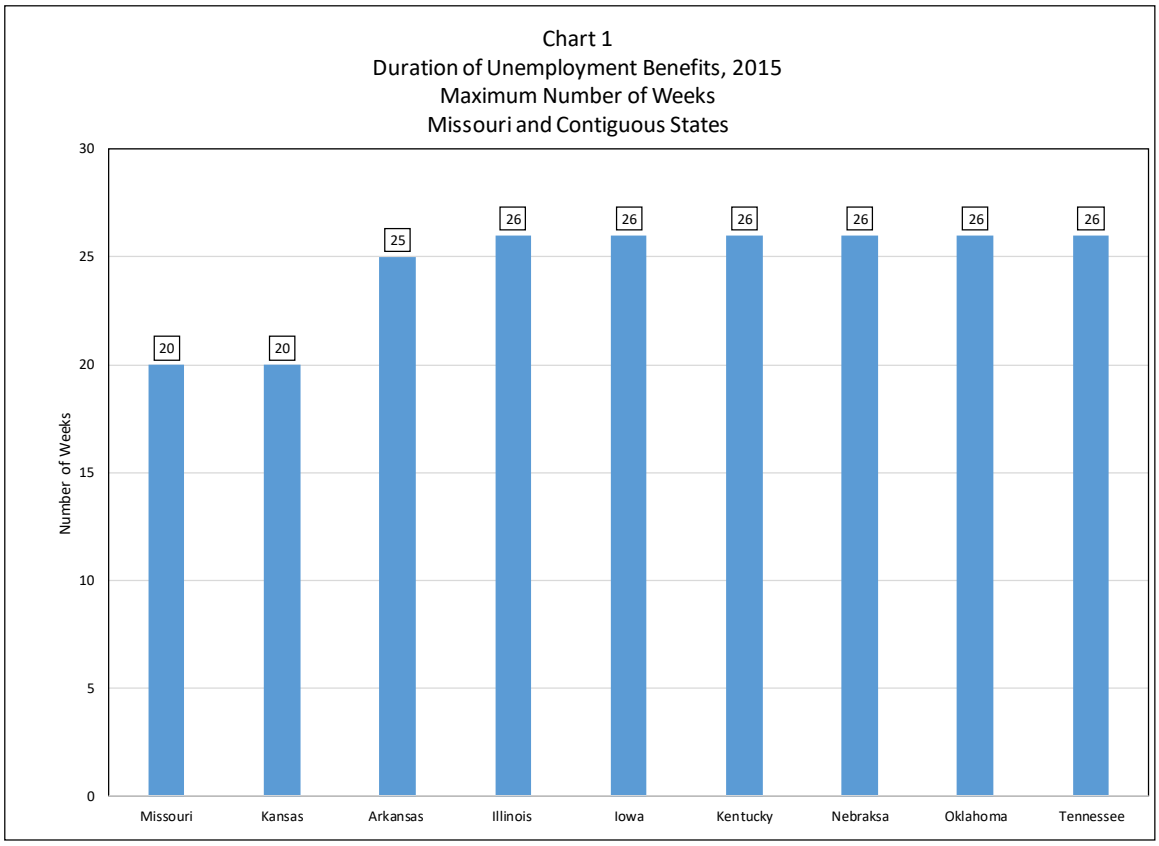
[4] The eight states that are contiguous to Missouri are Kansas, Arkansas, Illinois, Iowa, Kentucky, Nebraska, Oklahoma, and Tennessee.

of 16 weeks if the unemployment rate is less than 4.5%; if the unemployment rate is between 4.5%-6.0%, unemployment benefits will be for a maximum of 20 weeks; if the unemployment rate is greater than 6.0%, unemployment benefits will be for a maximum of 26 weeks.[5] The current unemployment rate in Kansas is 4.6% which means that Kansas would have a maximum duration of 20 weeks of unemployment benefits. As a comparison with proposed HB 150, if the unemployment rate in Missouri was the identical 4.6%, the maximum number of weekly benefits would be only 13 weeks. This is the shortest duration of all contiguous states; it is 7 weeks shorter in duration than Kansas. Chart 1 illustrates the duration of unemployment benefits in Missouri and the contiguous states. For Kansas, I have utilized the current unemployment rate (4.6%) and resulting duration of weekly benefits (20 weeks).

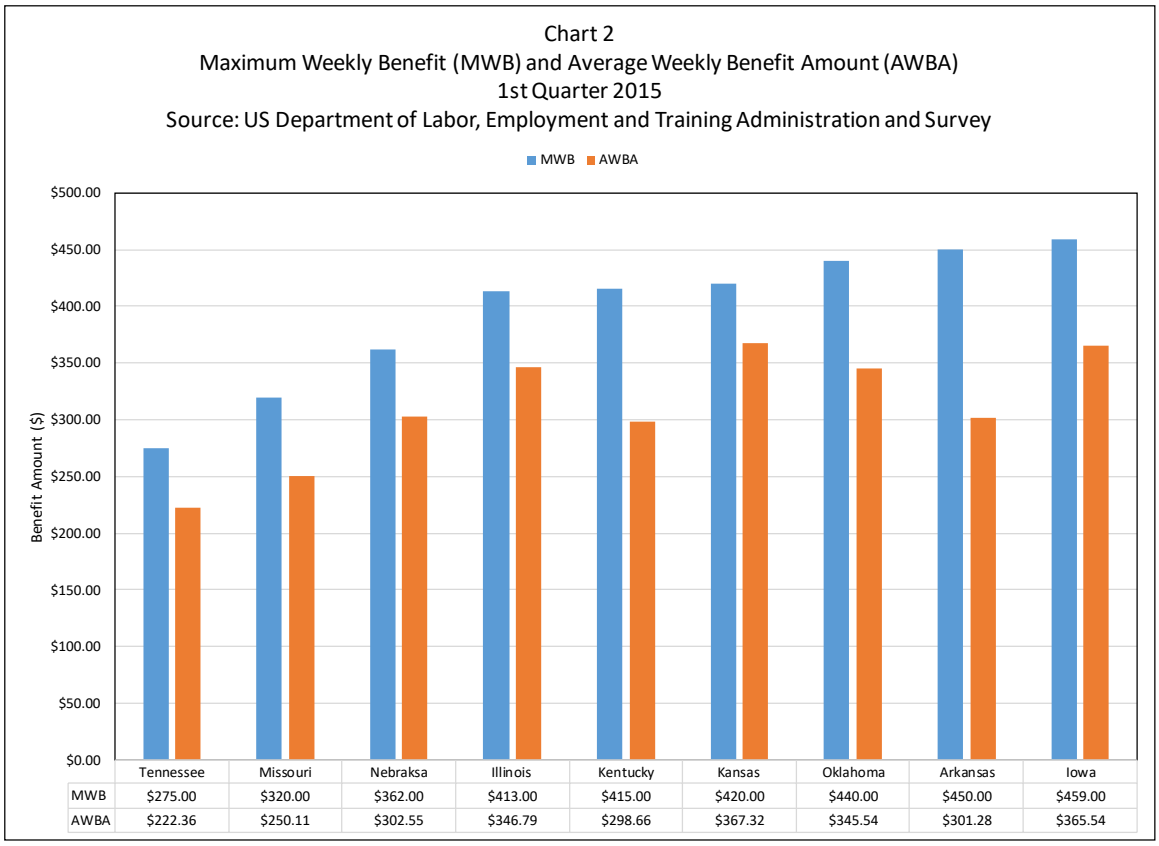
Weekly Benefit Analysis

There is also a large difference in the amount of weekly maximum benefit in Missouri and the contiguous states. The maximum weekly benefit in Missouri is $320. Of the eight contiguous states to Missouri, only Tennessee has a lower maximum weekly benefit amount ($275) and a lower percent of average weekly benefit as a percentage of average weekly wage (26.2% for Tennessee and 29.3% for Missouri). The remaining seven contiguous states have an average maximum weekly benefit of $409.88 which is 28.1% higher than Missouri. For those contiguous states who have a significant border with Missouri, the differences are more striking.

[5] Kansas Department of Labor. Claims and Benefits. http://www.dol.ks.gov/UI/EnSec10_DBR.aspx



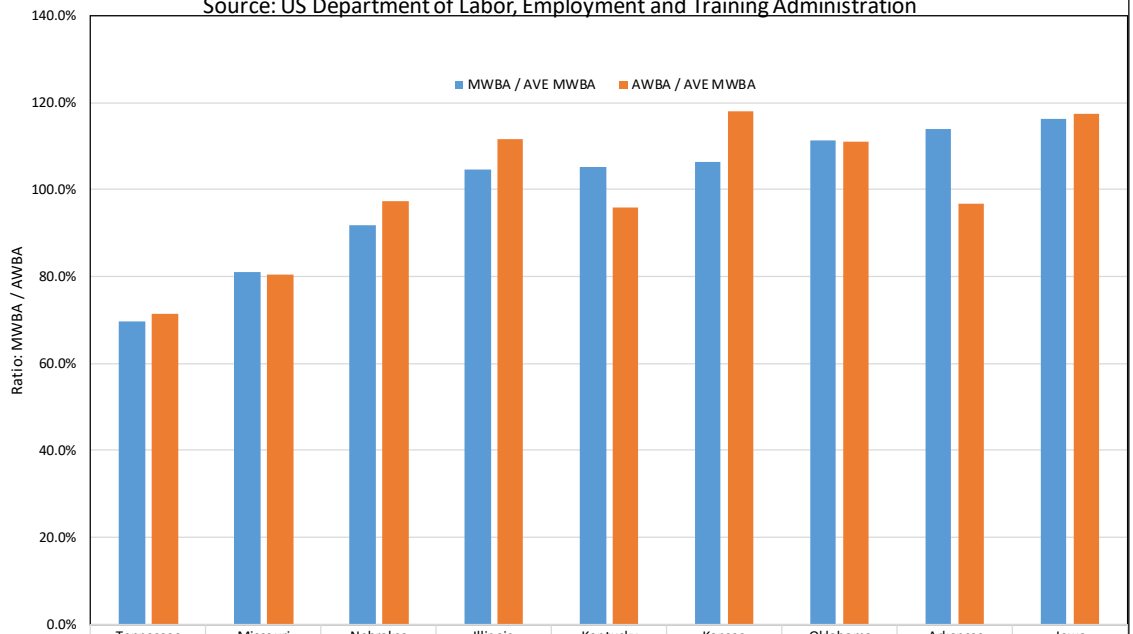
The weekly benefit in Kansas is currently 31.2% higher than in Missouri. In Illinois, Arkansas, and Iowa, the maximum weekly benefits are 29.7%, 40.6%, and 43.4% higher, respectively, in those states than in Missouri (Chart 2). The differences in the average weekly benefit amount is even greater for Missouri in comparison to the regional states. The average weekly benefit amount in Missouri is $250.11. Except for Tennessee, Missouri has the lowest weekly average benefit amount of the remaining contiguous states to Missouri. The remaining seven contiguous states have an average weekly benefit amount of $332.53 which is 33.0% higher than in Missouri.



	Tennessee	Missouri	Nebraksa	Illinois	Kentucky	Kansas	Oklahoma	Arkansas	Iowa
MWB	$275.00	$320.00	$362.00	$413.00	$415.00	$420.00	$440.00	$450.00	$459.00
AWBA	$222.36	$250.11	$302.55	$346.79	$298.66	$367.32	$345.54	$301.28	$365.54

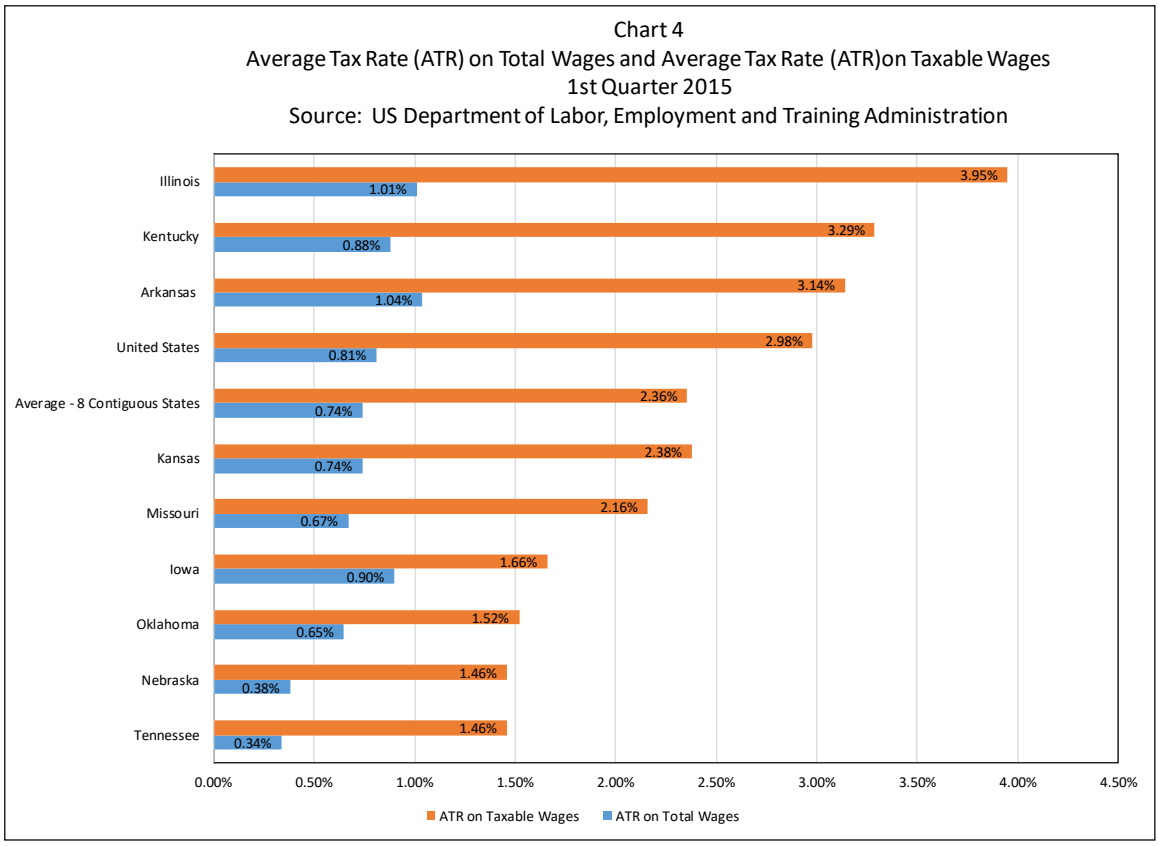
Chart 3 further illustrates the relationship of Missouri to the contiguous states by examining the ratio of the Maximum Weekly Benefit Amount (MWBA) in each state to the Average Weekly Benefit Amount for all nine contiguous states. (AWBA). Once again, Missouri ranks worse than all contiguous states except Tennessee. For Missouri, the ratio of MWBA / Average MWBA is 81.0%, which means that the maximum weekly benefit amount in Missouri is 81% of the average for all nine contiguous states. For comparison, the ratio in Kansas, Arkansas and Iowa are 106.4%, 114.0%, and 116.2%, respectively. The ratio of the Average Weekly Benefit Amount (AWBA) in each state to the Average Weekly Benefit Amount for all states shows similar results (Chart 3).

Chart 3
Ratio [Maximum Weekly Benefit Amount (MWBA) /
Average Weekly Benefit Amount-All States (AWBA)]
Source: US Department of Labor, Employment and Training Administration



	Tennessee	Missouri	Nebraksa	Illinois	Kentucky	Kansas	Oklahoma	Arkansas	Iowa
MWBA / AVE MWBA	69.6%	81.0%	91.7%	104.6%	105.1%	106.4%	111.4%	114.0%	116.2%
AWBA / AVE MWBA	71.5%	80.4%	97.2%	111.5%	96.0%	118.1%	111.1%	96.8%	117.5%

Chart 4 illustrate the average tax rate (ATR) on total wages and the average tax rate (ATR) on taxable wages for 2015:QTR1 for Missouri and the contiguous states to Missouri. For the entire United States, the ATR on total wages was 0.81% and the ATR on taxable wages was 2.98%. For the 8 contiguous states to Missouri, the ATR on total wages was 0.74% and the ATX on taxable wages was 2.36%. For Missouri, the ATR on total wages and the ATR on taxable wages was lower than the United States average and the average for the contiguous states to Missouri. In Missouri, the ATR on total wages was 0.67% and the ATR on taxable wages was 2.16%.



IV. Disproportionate Impact on Counties in Missouri

In addition to the fact that Missouri ranks near bottom in terms of maximum weeks of unemployment benefits that one may receive and the amounts of maximum weekly benefits before consideration of HB 150, the proposed HB150 would further make no distinction between (1) different employment conditions among Missouri's counties and the resulting unemployment rates among the counties in Missouri. I have attached as Table 1 to the end of this report which provides a table of the unemployment rate by county in Missouri for June, 2015. There are large differences among counties in Missouri with respect to the unemployment rate due to differing occupation compositions and other economic factors in the counties. For June, 2015, the Missouri average unemployment rate was 5.8%. An examination of Table 1 shows that the lowest county unemployment rate in the state is 4.0% in Worth County. The highest

county unemployment rate in Missouri is in Pemiscot County with an average unemployment rate of 10.6%. Of the 115 Missouri counties, 61, or 53%, have an unemployment rate in excess of the Missouri average unemployment rate of 5.8%. There are 32 counties in Missouri, or 27.8%, that have an average unemployment rate 6.8% or greater than the average unemployment rate of 5.8%; and there are 27 counties in Missouri, or 23.5%, that have an unemployment rate greater than 7.0%. By utilizing a statewide average unemployment rate, HB150 does not account for these differences among the counties in Missouri.

V. Disproportionate Impact on Construction Sector in Missouri

The proposed HB 150 further does not make any provision for large difference in the unemployment rate across industries and HB 150 would disproportionately impact those industries with higher, and sometimes substantially higher, unemployment rates than the Missouri average unemployment rate. An examination of the unemployment rate in construction versus all industry unemployment, both in Missouri and nationally, highlights this large difference. Chart 5 illustrates the national unemployment rate for all industries versus the national unemployment rate in the construction sector for the period January, 2008 – January, 2015. Chart 5 illustrates the huge spike in employment during the winter months in construction in comparison to the overall unemployment rate. For example, the unemployment rate in the construction sector nationally in February, 2013, February, 2014, and February, 2015 was 15.7%, 12.8%, and 10.6%, respectively; however, the overall unemployment rate nationally during those periods was only 7.7%, 6.7%, and 5.5%, respectively. For calendar years 2013-2015, the average unemployment rate in construction was 53.9%. 45.0%, and 46.4% higher, respectively, than the overall average unemployment rate.

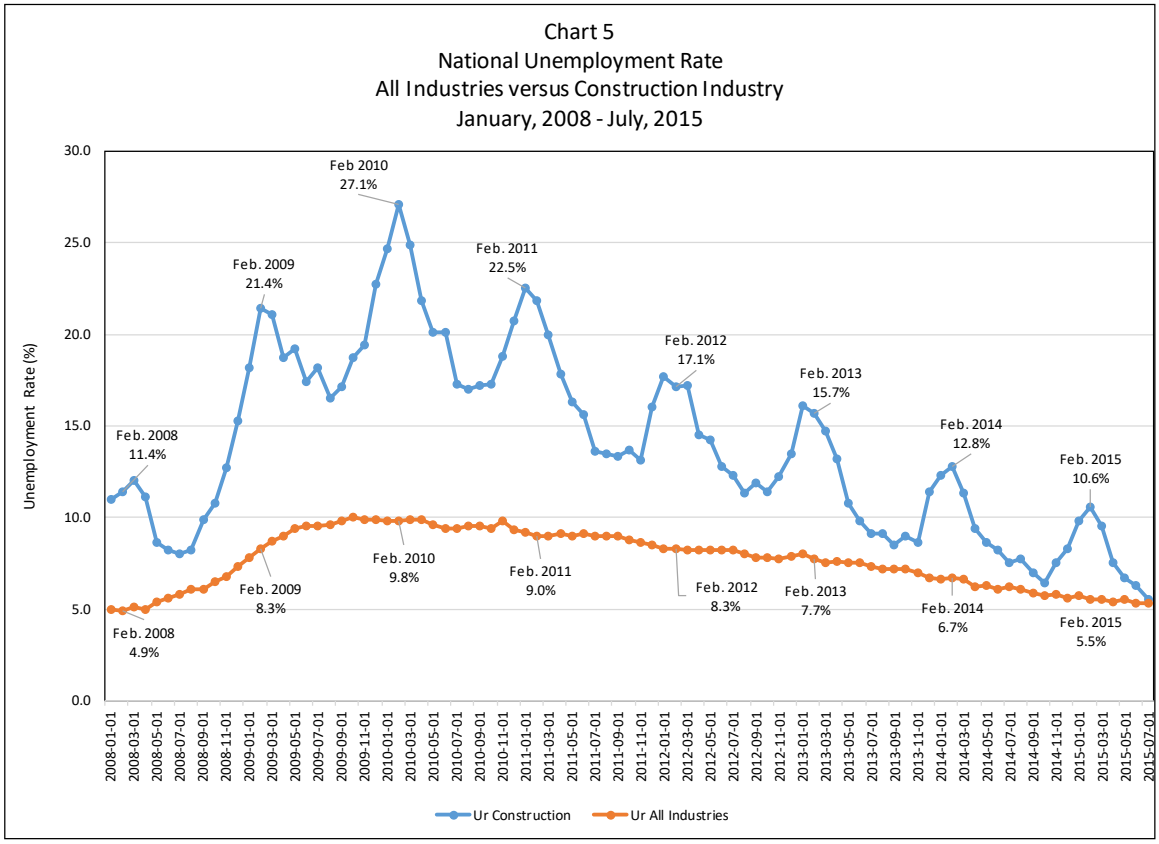
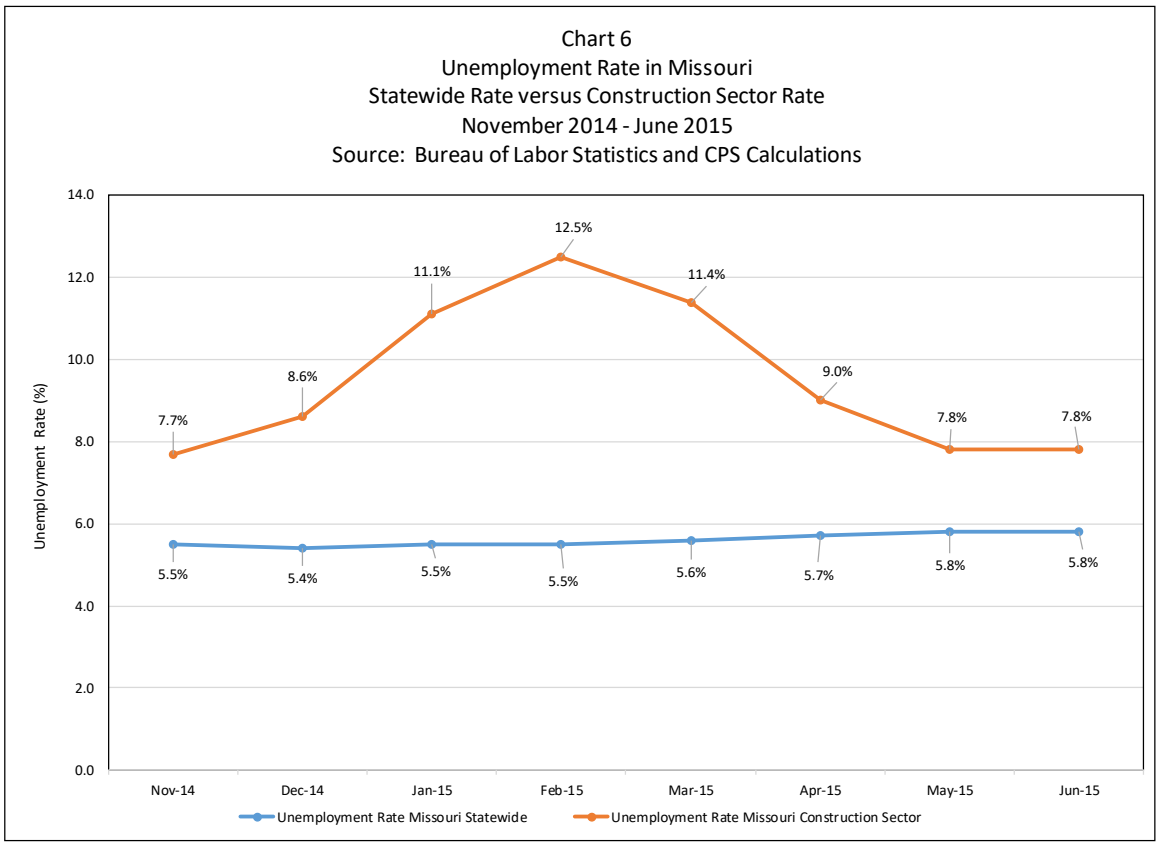


Chart 6 illustrates similar trends in the state of Missouri. Chart 6 illustrates the unemployment rate in the construction sector and the overall unemployment rate in Missouri for the period November, 2014 to June, 2015. As was the case nationally in Chart 5, the unemployment rate in construction in Missouri spikes in the winter months compared to the overall average unemployment rate. In February, 2015, the unemployment rate in construction in Missouri was 12.5% while the unemployment in all industries was 5.5%; unemployment in the construction sector in Missouri in February, 2015 was 7.0% higher than in all industries, or 127.2% higher in construction than the average unemployment

rate. The proposed legislation makes no allowance for these large differences in the unemployment rate across industries.



VI. Economic Impact on Missouri Families and Taxing Authorities

Unemployment insurance is one of the most potent forms of economic stimulus. That is why the fiscal multipliers are very high for unemployment insurance benefits. If a government dollar goes into the hands of consumers, it will make the most difference to a low-income household or an unemployed person who has no paycheck at all. That is the reason why fiscal multipliers are the highest for those programs that target the poor and/or unemployed. Blinder and Zandi (2010) estimated fiscal multipliers for a variety of programs.[6] They estimated the fiscal multiplier for unemployment insurance benefits was 1.61

[6] Blinder, Alan S. and Mark Zandi. How the Great Recession was Brought to an End. July, 27, 2010. https://www.economy.com/mark-zandi/documents/End-of-Great-Recession.pdf

which means, for example, that a $100 million increase in unemployment benefits, boosts GSP by $161 million. Other empirical research has found similar results. Vroman (2010) found the multiplier effect of unemployment insurance benefits in the range of 1.7-2.5.[7] Monacelli, Perotti, and Trigari (2010) estimate an output multiplier in the range of 1.2-1.5.[8]

Loss in Income

In order to calculate the direct loss in income to Missouri workers due to a decrease in the maximum number of weeks one is entitled to draw unemployment benefits, I utilized three scenarios for the construction sector and three scenarios for the nonfarm payroll sector in Missouri. In order to calculate the first order impact of a reduction in income, I utilized several inputs.

Inputs Utilized in Calculating First Order Impact for Construction Sector.

- Input 1 – average construction employment for the period January, 2015 – July, 2015.
- Input 2 – average construction unemployment rate for the period January, 2015 – July, 2015.
- Input 3 – Construction Unemployment.
- Input 4 – Average Weekly Benefit Amount.
- Input 5 - Number of weeks unemployment benefits are reduced. Scenarios 1, 2, and 3 assume reductions in the weekly benefits of 3 weeks, 5 weeks, and 7weeks, respectively.
- Input 6 – Assume 75% of construction unemployment is affected by changes in unemployment insurance benefits as not all unemployed are eligible for unemployment benefits.

[7] Vroman, Wayne. The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession. July, 2010. IMPAQ International. http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf

[8]Monacelli, Tommasco and Roberto Perotti and Antonelli Trigari. Unemployment Fiscal Multipliers. Working Paper 15931. http://www.nber.org/papers.w15931.

Inputs Utilized in Calculating First Order Impact for Nonfarm Sector.

- Input 1 – average nonfarm employment for the period January, 2015 – July, 2015.
- Input 2 – average nonfarm unemployment rate for the period January, 2015 – July, 2015.
- Input 3 – Nonfarm Unemployment.
- Input 4 – Average Weekly Benefit Amount.
- Input 5 - Number of weeks unemployment benefits reduced. Scenarios 4, 5, and 6 assume reductions in the weekly benefits of 3 weeks, 5 weeks, and 7weeks, respectively.
- Input 6 – Assume 75% of nonfarm unemployment is affected by changes in unemployment insurance benefits as not all unemployed are eligible for unemployment benefits.

Table 2 illustrates the direct loss in income to Missouri residents in the construction sector and the nonfarm payroll sector as a result of proposed decrease in the maximum number of weeks one can receive unemployment benefits.

Scenarios 1-3 Construction Sector: Table 2

Scenario 1 estimates the direct economic impact in lost income if the number of weeks one may draw unemployment benefits is reduced by ***3 weeks***. The total income reduction in the construction sector under Scenario 1 is **$5.34 million** *(7,271 * 0.75 * $244.87 * 3 equals $5.34 million).*

Scenario 2 estimates the direct economic impact in lost income if the number of weeks one may draw unemployment benefits is reduced by ***5 weeks***. The total income reduction in the construction sector under Scenario 2 is **$8.90 million** *(7,271 * 0.75 * $244.87 * 5 equals $8.90 million).*

Scenario 3 estimates the direct economic impact in lost income if the number of weeks one may draw unemployment benefits is reduced by 7 ***weeks***. The total income reduction in the construction sector under Scenario 3 is **$12.46 million** *(7,271 * 0.75 * $244.87 * 7 equals $12.46 million).*

Scenarios 4-6 Nonfarm Sector: Table 2

Scenario 4 estimates the direct economic impact in lost income if the number of weeks one may draw unemployment benefits is reduced by ***3 weeks***. The total income reduction in the nonfarm sector under Scenario 4 is **$88.57 million** *(120,568 * 0.75 * $244.87 * 3 equals $88.57 million).*

Scenario 5 estimates the direct economic impact in lost income if the number of weeks one may draw unemployment benefits is reduced by ***5 weeks***. The total income reduction in the nonfarm sector under Scenario 5 is **$147.62 million** *(120,568 * 0.75 * $244.87 * 5 equals $147.62 million).*

Scenario 3 estimates the direct economic impact in lost income if the number of weeks one may draw unemployment benefits is reduced by 7 ***weeks***. The total income reduction in the nonfarm sector under Scenario 3 is **$206.66 million** *(120,568 * 0.75 * $244.87 * 7 equals $206.66 million).*

This loss in annual income for Missouri workers represents the direct or first order impact of a proposed reduction in the maximum weeks one may receive unemployment benefits. This loss in annual income does not take account of the indirect or secondary affects, as it ignores multiplier effects which are large for unemployment benefits (e.g. induced or secondary effects) on other workers, families, and businesses in Missouri. It also ignores impacts on tax revenue bases in Missouri that are a function of the general level of income and economic activity in Missouri.

TABLE 2

Scenario 1 Economic Impact of Reduction in Unemployment Benefits Construction Sector: 2015 Reduction of 3 Weeks in Benefits	
Construction Employment: Average Jan, 2015 - July, 2015[1]	111,483
Unemployment Rate: Average Jan, 2015 - July, 2015[2]	8.0%
Construction Unemployment:- Average Jan, 2015 - July, 2015[3]	9,694
Average Weekly Benefit Amount [4]	$244.87
Number of Weeks Reduced - 3	**3**
Benefits Lost Per Worker	$735
Number of Workers (75% of Construction Unemployment)	7,271
Total Income Reduced	**$5,341,094**

[1] U.S. Bureau of Labor Statistics. Missouri Nonfarm Wage and Salary Employment http://www.bls.gov/eag/eag.mo.htm
[2] U.S. Bureau of labor Statistics and CPS Calculations
[3] Author calculations.
[4] United State Department of Labor. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

Scenario 4 Economic Impact of Reduction in Unemployment Benefits Nonfarm Sector: 2015 Reduction of 3 Weeks in Benefits	
Nonfarm Employment: Average Jan, 2015 - July, 2015[1]	2,762,100
Unemployment Rate: Average Jan, 2015 - July, 2015[2]	5.5%
Nonfarm Unemployment:- Average Jan, 2015 - July, 2015[3]	160,757
Average Weekly Benefit Amount [4]	$244.87
Number of Weeks Reduced -3	**3**
Benefits Lost Per Worker	$735
Number of Workers (75% of Nonfarm Unemployment)	120,568
Total Income Reduced	**$88,570,354**

[1] U.S. Bureau of Labor Statistics. Missouri Nonfarm Wage and Salary Employment http://www.bls.gov/eag/eag.mo.htm
[2] U.S. Bureau of labor Statistics and CPS Calculations
[3] Author calculations.
[4] United State Department of Labor. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

Scenario 2 Economic Impact of Reduction in Unemployment Benefits Construction Sector: 2015 Reduction of 5 Weeks in Benefits	
Construction Employment: Average Jan, 2015 - July, 2015[1]	111,483
Unemployment Rate: Average Jan, 2015 - July, 2015[2]	8.0%
Construction Unemployment:- Average Jan, 2015 - July, 2015[3]	9,694
Average Weekly Benefit Amount [4]	$244.87
Number of Weeks Reduced -5	**5**
Benefits Lost Per Worker	$1,224
Number of Workers (75% of Construction Unemployment)	7,271
Total Income Reduced	**$8,901,823**

[1] U.S. Bureau of Labor Statistics. Missouri Nonfarm Wage and Salary Employment http://www.bls.gov/eag/eag.mo.htm
[2] U.S. Bureau of labor Statistics and CPS Calculations
[3] Author calculations.
[4] United State Department of Labor. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

Scenario 5 Economic Impact of Reduction in Unemployment Benefits Nonfarm Sector: 2015 Reduction of 3 Weeks in Benefits	
Nonfarm Employment: Average Jan, 2015 - July, 2015[1]	2,762,100
Unemployment Rate: Average Jan, 2015 - July, 2015[2]	5.5%
Nonfarm Unemployment:- Average Jan, 2015 - July, 2015[3]	160,757
Average Weekly Benefit Amount [4]	$244.87
Number of Weeks Reduced -5	**5**
Benefits Lost Per Worker	$1,224
Number of Workers (75% of Nonfarm Unemployment)	120,568
Total Income Reduced	**$147,617,256**

[1] U.S. Bureau of Labor Statistics. Missouri Nonfarm Wage and Salary Employment http://www.bls.gov/eag/eag.mo.htm
[2] U.S. Bureau of labor Statistics and CPS Calculations
[3] Author calculations.
[4] United State Department of Labor. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

Scenario 1 Economic Impact of Reduction in Unemployment Benefits Construction Sector: 2015 Reduction of 7 Weeks in Benefits	
Construction Employment: Average Jan, 2015 - July, 2015[1]	111,483
Unemployment Rate: Average Jan, 2015 - July, 2015[2]	8.0%
Construction Unemployment:- Average Jan, 2015 - July, 2015[3]	9,694
Average Weekly Benefit Amount [4]	$244.87
Number of Weeks Reduced -7	**7**
Benefits Lost Per Worker	$1,714
Number of Workers (75% of Construction Unemployment)	7,271
Total Income Reduced	**$12,462,552**

[1] U.S. Bureau of Labor Statistics. Missouri Nonfarm Wage and Salary Employment http://www.bls.gov/eag/eag.mo.htm
[2] U.S. Bureau of labor Statistics and CPS Calculations
[3] Author calculations.
[4] United State Department of Labor. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

Scenario 6 Economic Impact of Reduction in Unemployment Benefits Nonfarm Sector: 2015 Reduction of 7 Weeks in Benefits	
Construction Employment: Average Jan, 2015 - July, 2015[1]	2,762,100
Unemployment Rate: Average Jan, 2015 - July, 2015[2]	5.5%
Construction Unemployment:- Average Jan, 2015 - July, 2015[3]	160,757
Average Weekly Benefit Amount [4]	$244.87
Number of Weeks Reduced -7	**7**
Benefits Lost Per Worker	$1,714
Number of Workers (75% of Nonfarm Unemployment)	120,568
Total Income Reduced	**$206,664,158**

[1] U.S. Bureau of Labor Statistics. Missouri Nonfarm Wage and Salary Employment http://www.bls.gov/eag/eag.mo.htm
[2] U.S. Bureau of labor Statistics and CPS Calculations
[3] Author calculations.
[4] United State Department of Labor. Unemployment Insurance Data Summary. http://ows.doleta.gov/unemploy/content/data.asp

Loss in Missouri Sales Tax Revenue

The current sales tax rate in Missouri is 4.225 percent on those items not exempt from the sales tax base. The average local (county and city) sales tax rate in Missouri in 2015 is approximately 3.58% statewide.[9] For the projected economic loss of sales tax revenue, I have used the Missouri sales tax rate statewide of 7.805% (4.225% *plus* 3.58% *equals* 7.175%). According to estimates of the taxable sales tax base in Missouri, I have utilized a conservative 25% sales tax base coverage. If income would decrease as a result of fewer weeks of unemployment benefits by $5.34 million to $12.42 million in the construction sector, and given that the estimated sales tax coverage is 25.0% and an average sales tax rate of 7.805% statewide, it is estimated that sales tax revenue would decrease by $264,451to $597,424.

If income would decrease as a result of fewer weeks of unemployment benefits by $88.57 million to $206.66 million in the nonfarm payroll sector and given that the estimated sales tax coverage is 25.0% and an average sales tax rate of 7.805% statewide, it is estimated that sales tax revenue would decrease by $4.39 million to $9.91 million annually.

Loss in Missouri Income Tax Revenue

State income taxes for Missouri would decrease as well. The current Missouri marginal income tax rate on income over $9,000 is 6.0%. I have made several conservative assumptions regarding the net increase in income taxes in Missouri:

(1) 25% would be taxed at an effective tax rate of 6.0% on the lost income;

(2) 50% would tax at an effective tax rate of 3.0%; and

(3) 25% would pay no additional Missouri Income tax.

[9]Tax Foundation. FiscalFact April, 2015. State and Local Tax Rates in 2015. Scott Drenkard and Jared Walczak. http://taxfoundation.org/sites/taxfoundation.org/files/docs/TaxFoundation_FF461.pdf

Based upon the three estimates (Scenarios 1-3) of the lost income due to a decrease in the maximum number of weeks one may draw unemployment benefits in the construction sector, and the overall effective income tax rate of 3.0%, the economic loss in state income taxes is estimated to be between $160,232 and $373,876 million in the construction sector annually.

Based upon the three estimates (Scenarios 4-6) of lost income due to a decrease in the maximum number of weeks one may draw unemployment benefits in the nonfarm payroll sector, and the overall effective income tax rate of 3.0%, the economic loss in state income taxes is estimated to be between $2.66 million and $6.20 million annually in the nonfarm payroll sector annually.

VII. Missouri Unemployment Trust Fund Projections

Supports of this legislation have claimed that the proposed Section 288.122 of HB 150 addresses the solvency of the Unemployment Trust Funds in regard to the repayment of advances made during the recent significant downturn in the economy. This is a nonissue under the current operating environment. The State of Missouri repaid all advances to the federal government in 2014. According to the United States Department of Labor Benefit Financing Model, they project that the Missouri Unemployment Trust Fund will remain solvent through 2023 and they project no Title XII Loans through 2023.

VIII. Conclusions

In summary,

- The proposal to decrease the maximum number of weeks a resident of Missouri can receive unemployment benefits is estimated to reduce construction income for workers and their families between $5.34 million and $12.46 million annually.
- The proposal to decrease the maximum number of weeks a resident of Missouri can receive unemployment benefits is estimated to

reduce sales tax revenue from construction income for workers and their families between $104,218 and $223,547 annually.

- The proposal to decrease the maximum number of weeks a resident of Missouri can receive unemployment benefits is estimated to reduce income tax revenue from construction workers and their families between $160,232 and $373, 877 annually.
- The proposal to decrease the maximum number of weeks a resident of Missouri can receive unemployment benefits is estimated to reduce nonfarm income for workers and their families between $88.57 million and $206.66 million annually.
- The proposal to decrease the maximum number of weeks a resident of Missouri can receive unemployment benefits is estimated to reduce sales tax revenue from nonfarm income for workers and their families between $1.73 million and $3.71 million annually.
- The proposal to decrease the maximum number of weeks a resident of Missouri can receive unemployment benefits is estimated to reduce income tax revenue from the nonfarm payroll sector and their families between $4.39 million and $9.91 million annually.
- Supports of this legislation have claimed that the proposed Section 288.122 of HB 150 addresses the solvency of the Unemployment Trust Funds in regard to the repayment of advances. This is not an issue under the current environment. According to the United States Department of Labor Benefit Financing Model, they project that the Missouri Unemployment Trust Fund will remain solvent through 2023 and they project no Title XII Loans through 2023.

REFERENCES

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