



GOVERNOR OF MISSOURI

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June 17, 2014

TO THE SECRETARY OF STATE OF THE STATE OF MISSOURI

Herewith I return to you Senate Substitute for Senate Bill No. 673 entitled:

AN ACT

To repeal sections 288.060, 288.122, and 288.330, RSMo, and to enact in lieu thereof three new sections relating to employment security.

I disapprove of Senate Substitute for Senate Bill No. 673. My reasons for disapproval are as follows:

Senate Substitute for Senate Bill No. 673 would reduce the benefits that an eligible claimant may receive under our state's unemployment benefits system. It would do so by replacing the maximum number of weeks of unemployment benefits that an eligible claimant can receive, which is currently 20 weeks, through a calculation indexed to the average statewide unemployment rate. Under this new calculation, claimants eligible for unemployment benefits would be limited to no more than 13 weeks of benefits if the average statewide unemployment rate were below 6%. Claimants could only receive the current maximum of 20 weeks of benefits if the statewide average unemployment rate were 9% or higher. This reduction in benefits would unfairly impact eligible claimants, have a disparate impact on regions of the state experiencing slower economic growth and impede economic recovery. This legislation is particularly unnecessary given that the state retired its unemployment trust fund obligations to the federal government last month.

The reduction to 13 weeks mandated under Senate Substitute for Senate Bill No. 673 would occur in a system that is hardly lucrative when measured against the rest of the country. Missouri's average weekly unemployment benefit amount is currently the 46<sup>th</sup> lowest in the nation. Missouri, at 20 weeks, is one of only eight states that pay less than the national norm of 26 weeks of benefits. If this legislation became law, Missouri, at 13 weeks, would have the third lowest benefit duration in the country, behind only Florida and North Carolina. Missouri's current unemployment benefits system is already among the most restrictive in the country. Measured against the status quo, therefore, the additional limitations mandated by Senate Substitute for Senate Bill No. 673 are clearly unnecessary.

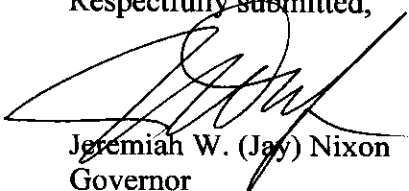
Supporters of Senate Substitute for Senate Bill No. 673 claim the legislation is an attempt to address the solvency of the unemployment trust fund, and cite the state's debt to the federal government incurred to provide benefits during the most recent recession. The need underpinning their purported solution, however, no longer exists. As noted above, last month, the state repaid its obligations to the federal government, and this legislation would do little to curtail the need to borrow during future economic downturns.

Senate Substitute for Senate Bill No. 673 also fails to take into account regional disparities in unemployment rates with a one size fits all approach that would reduce the duration of benefits based on a statewide average rate, while ignoring unique local economic conditions. For example, in February 2014, the unemployment rate for the state was 6.4%, while at the same time ten Missouri counties had an unemployment rate of 10% or higher. Indexing the duration of unemployment benefits to a statewide rate would result in significant reductions in benefits for unemployed individuals in areas of the state with much higher unemployment rates, and would dramatically slow the recovery in those regions. If a large local employer had massive layoffs or ceased operations, the impact to the county or region's unemployment rate could be profound without materially increasing the statewide rate. In such a situation, the number of unemployed in the affected county or region could far exceed the number of jobs available in the area. Those unemployed individuals would be faced with less time for benefits to assist them while searching for gainful employment in an extremely competitive market saturated with more unemployed individuals than available jobs.

Lastly, Senate Substitute for Senate Bill No. 673 would render Missouri's unemployment benefits system unable to respond to sudden spikes in unemployment often accompanying economic downturns. The bill would base current benefits on previous economic conditions. The duration of benefits reduced under Senate Substitute for Senate Bill No. 673 would apply to all unemployed individuals in the state for an entire year based upon a snapshot of the statewide average unemployment rate taken during the third quarter of the previous calendar year. This would minimize the ability of the unemployment system to help stabilize the economy in instances where dramatic increases in unemployment occur in the first or second quarter of the calendar year. Under such circumstances, the duration of benefits, pegged at the previous year's calculated rate, would remain unchanged and artificially low despite the increase in unemployment.

In accordance with the above stated reasons for disapproval, I am returning Senate Substitute for Senate Bill No. 673 without my approval.

Respectfully submitted,



Jeremiah W. (Jay) Nixon  
Governor