

**Department of Legislative Services**  
 Maryland General Assembly  
 2011 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 58

(Chair, Finance Committee)(By Request - Departmental -  
 Labor, Licensing and Regulation)

Finance

Economic Matters

**Unemployment Insurance - Judicial Review of Board of Appeals Decision -  
 Passage of Order**

This emergency departmental bill removes the requirement that the Board of Appeals of the Department of Labor, Licensing, and Regulation (DLLR) pass an order upon a final decision in a judicial proceeding for an unemployment insurance appeal.

**Fiscal Summary**

**State Effect:** Federal fund expenditures for postage expenses associated with orders issued by the Board of Appeals for DLLR decrease by \$300 in FY 2011. Future years reflect annualization. Although not quantifiable, the Board of Appeals receives a meaningful operational benefit from no longer being required to issue an order after a judicial proceeding. Revenues are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
FF Expenditure	(300)	(1,100)	(1,100)	(1,100)	(1,100)
Net Effect	\$300	\$1,100	\$1,100	\$1,100	\$1,100

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** DLLR has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Analysis

**Current Law:** Upon final decision in a judicial proceeding, the Board of Appeals must pass an order in accordance with the decision.

**Background:** A claimant for unemployment insurance benefits who has been denied benefits may file an appeal of that denial to the Appeals Division of DLLR. Additionally, an employer may appeal a determination granting benefits to a former employee. If an appeal is filed, a hearing is held by a hearing examiner who then issues a written decision. That decision is appealable by a claimant, an employer, or DLLR to the Board of Appeals. A final decision by the Board of Appeals may be appealed to a circuit court by any party aggrieved by the decision. When the circuit court issues a decision on an appeal, the Board of Appeals is required to pass an order in accordance with the decision.

As a result of an increased number of unemployment insurance claimants in recent years, the number of benefit determinations appealed has increased. In calendar 2008, 335 cases were appealed to the circuit courts. This number increased to 645 in 2009 and to 829 in 2010.

The administration of the unemployment insurance program is financed through employer taxes, as specified under the Federal Unemployment Tax Act (FUTA). The federal tax is 6.2% of the first \$7,000 in wages paid to each employee. Employers receive credit of up to 5.4% for the taxes they pay under state unemployment compensation laws. The net tax (0.8%) collected by the federal government is used to finance state and federal administrative costs. The Maryland program is administered by the Division of Unemployment Insurance in DLLR with use of these federal funds.

**State Fiscal Effect:** Removing the requirement that the Board of Appeals pass an order in accordance with each judicial decision will reduce the number of orders that need to be mailed to the affected parties. At current appeals levels, the bill is anticipated to reduce the number of orders that need to be prepared and mailed by 829 per year. As a result, federal fund expenditures for postage decrease by \$276 in fiscal 2011, which accounts for the bill's emergency status and assumes a quarter-year of impact in fiscal 2011. Federal fund expenditures decrease by \$1,094 annually in fiscal 2012 and thereafter. This estimate assumes that appeals continue at the current level, each appeals case has three parties, and postage for each mailing is \$0.44.

As advised by DLLR, an order issued based on a judicial decision restates the judicial decision. Issuing an order requires staff to spend time preparing the order, processing the order, and mailing the order to the affected parties. Removing this requirement will reduce the administrative burden for staff at the Board of Appeals. Overall, the bill will

not result in a reduction of staffing as the current staffing level assumes approximately 300 cases appealed to the circuit courts annually; however, the bill will reduce the number of orders that need to be processed and will allow staff to perform other tasks on a more timely basis.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 21, 2011  
mc/rhh Revised - Senate Third Reader - March 3, 2011

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Unemployment Insurance – Judicial Review of Board of Appeals  
Decision – Passage of Order

BILL NUMBER: SB 58

PREPARED BY: Department of Labor, Licensing, and Regulation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.