Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1402 (Delegate Schade)
Economic Matters

Unemployment Insurance - Contributions

This bill requires the Secretary of Labor, Licensing, and Regulation to adopt regulations allowing an employing unit with 25 or fewer full-time employees to pay estimated contributions for the calendar year in four equal quarterly installments totaling the amount of contributions from the preceding calendar year. At the end of the year, the employing unit shall pay any additional contribution owed, or receive a refund.

Fiscal Summary

State Effect: Expenditures could be affected as discussed below. Revenues would not be affected.

Local Effect: None.

Unemployment Insurance Trust Fund Effect: Interest income could decline by an estimated $1.2 million in calendar 1996. Expenditures could be affected as discussed below in the State Expenditures section.

Fiscal Analysis

State Expenditures: State expenditures could increase by an estimated $235,100 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Accountant Auditor III, four Fiscal Associate I's, and five Fiscal Clerk II's to administer the quarterly payments, review complaints and other correspondence with employers, and reconcile the accounts at the end of the year and issue refunds or bills. It includes salaries of $140,000, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$201,600

One-time programming expenses	33,500
Total FY 1997 State Expenditures	**$235,100**

Future year expenditures reflect full salaries with 3.5% annual increases and 3% employee turnover.

The funding source for these expenditures is unclear. The Office of Unemployment Insurance, which is 100% federally funded, advises that no federal funds would be available for this purpose. The Department of Fiscal Services cannot verify this information at this time. If this is in fact the case, these expenditures would presumably come from the general fund.

Unemployment Insurance Fund Revenues: Contributions would decline under this bill because of lost interest. Under current law, contributions are based on the first $8,500 of wages paid to each employee annually. Therefore, the majority of contributions are received in the first quarter of the calendar year. Because this bill allows four equal payments, the contributions in the first quarter would be substantially smaller than those under current law, while those in the other three quarters would be somewhat larger.

Assuming that this bill would only apply to rated employers, that 32% of contributions are from employers with 25 or fewer employees, and that the unemployment insurance trust fund receives 7% interest, the maximum amount of lost interest in 1996 could total $1.2 million. The actual loss would be less because not all employers would choose to make contributions under these provisions. A further loss could occur because unpaid contributions on accounts which close during the year could be significantly higher than under current law. This amount cannot be reliably estimated.

Information Source(s): Department of Labor, Licensing, and Regulation (Office of Unemployment Insurance); Department of Fiscal Services

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