

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1357 (Delegate Harrison)

Economic Matters

Unemployment Insurance Benefits - Adjustment

This bill extends the schedule of maximum weekly unemployment insurance benefits from \$250 to \$573.

Fiscal Summary

State Effect: To the extent that increased benefits results in an increase in taxable income, general fund revenues could increase. Expenditures would not be affected.

Local Effect: Local revenues could increase by about 55% of any general fund increase through the local income tax. Expenditures would not be affected.

Unemployment Insurance Trust Fund Effect: The trust fund balance could decrease by \$49 million in FY 1999; increasing to \$189 million by FY 2002.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
UITF Revenues	\$0	\$0	\$0	\$0	\$0
UITF Expenditures	\$49	\$101	\$156	\$189	\$189
Net Effect	(\$49)	(\$101)	(\$156)	(\$189)	(\$189)

Note: () - decrease; UITF - Unemployment Insurance Trust Fund

Small Business Effect: Indeterminate effect.

Fiscal Analysis

Background: Eligibility for unemployment insurance benefits is determined by the circumstances of an individual's dismissal, employment history, and participation in the workforce. The amount of weekly benefits an individual is entitled to receive is calculated according to a formula based on the amount of earnings paid to an individual in the previous three months. Currently, the maximum weekly benefit that an individual is eligible to receive is \$250.

Unemployment Insurance Trust Fund Effect: The bill extends the schedule of weekly unemployment insurance benefits from a maximum of \$250 to a maximum of \$573. Covered employees with quarterly earnings greater than \$6,000 and total annual earnings of at least \$9,000 would be entitled to increased weekly benefits that are proportional to their earnings.

It is difficult to extrapolate the potential increase in Unemployment Insurance Trust Fund expenditures based on historical data because the Office of Unemployment Insurance treats all persons earning an annual salary of at least \$24,000 the same. However, because unemployment insurance benefits are considered taxable income, it is possible to estimate the effect on the Unemployment Insurance Trust Fund based on information provided by the Comptroller's Office.

The Office of Unemployment Insurance expects the trust fund balance to decrease by approximately \$49 million in fiscal 1999; by \$101 million in fiscal 2000; by \$151 million in fiscal 2001; and by \$189 million annually thereafter. The estimated effect on the Unemployment Insurance Trust Fund assumes that the unemployment rate will remain constant at 5%, that the number of claims will not increase significantly as a result of the bill, and that the duration of benefits is 15.4 weeks.

During the first two years, the trust fund balance would not decrease as much as in subsequent years because once a person begins to draw unemployment insurance benefits, the weekly rate is locked in for one year. Thus, persons who are eligible for payments greater than \$250/week under the bill, but who have already begun to receive the maximum rate of \$250/week under current law, would not receive an adjustment.

The Office of Unemployment Insurance advises that the bill could have a significant effect on surtax experience. With a current trust fund balance of approximately \$700 million, a taxable wage base of \$14 billion, and Unemployment Insurance benefit charges of \$200 million, the surtax is neutral. However, assuming that the trust fund balance is reduced by

nearly \$189 million by fiscal 2002 and that the unemployment rate remains constant, this bill would trigger a surtax of 1.1%. In periods of high unemployment, additional surtaxes would be assessed.

Small Business Effect: Small businesses account for approximately 36% of total employment. The Unemployment Insurance Trust Fund is funded by employer payments. Employer experience ratings would increase as the tax rating process resulted in higher benefits costs being divided by relatively fixed taxable wages. To the extent that a surtax is applied as a result of this bill, small businesses would incur increased expenditures.

Information Source: Department of Labor, Licensing, and Regulation (Office of Unemployment Insurance)

Fiscal Note History: First Reader - March 17, 1998

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