

**Department of Legislative Services**  
Maryland General Assembly  
1999 Session

**FISCAL NOTE**

House Bill 614 (Delegate Harrison)

Economic Matters

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**Unemployment Insurance - Disqualifications**

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This bill prohibits the Department of Labor, Licensing, and Regulation (DLLR) from charging benefits paid to an unemployment insurance claimant against the earned rating record of an employing unit if the claimant was discharged by the employing unit for misconduct. The bill also eliminates the distinction in current law between “misconduct,” “gross misconduct,” and “aggravated misconduct” as it relates to an employee’s unemployment insurance claim following discharge from employment.

The bill provides that a person who is otherwise eligible to receive benefits is disqualified from receiving benefits for five to ten weeks if DLLR finds that unemployment results from a claimant’s failure to accept or apply for suitable work, voluntarily leaving work without good cause, or discharge or suspension as a disciplinary measure for misconduct in connection with employment.

Under current law, (1) a claimant who fails to accept or apply for suitable work may be disqualified from benefits until the individual is reemployed and has earned wages for covered employment that equal at least ten times the individual’s weekly benefit; (2) a claimant who leaves employment without good cause may be disqualified from benefits until the individual is reemployed and has earned wages for covered employment that equal at least 15 times the individual’s weekly benefit amount; (3) a claimant who is discharged or suspended as a disciplinary measure for gross misconduct is disqualified from benefits until the individual is reemployed and has earned wages for covered employment that equal at least 20 times the individual’s weekly benefit amount; and (4) a claimant who is discharged or suspended as a disciplinary measure for aggravated misconduct is disqualified from benefits until the individual is reemployed and has earned wages that equal at least 30 times the individual’s weekly benefit amount.

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## Fiscal Summary

**State Effect:** None.

**Local Effect:** Indeterminate increase in local government expenditures due to increased unemployment insurance claims. Local governments reimburse the trust fund dollar for dollar for claims by their former employees.

**Unemployment Insurance Trust Fund:** This bill would cause trust fund expenditures to increase by \$36,477,000, but would not affect trust fund revenues in FY 2000. Out-year revenue projections reflect the imposition of an increased surtax on employers. Out-year expenditure projections reflect a full year of unemployment insurance payouts and 2% growth in weekly claims.

(in thousands)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
UITF Revenues	\$0	\$66,601	\$85,726	\$86,926	\$70,515
UITF Expenditures	36,477	74,647	77,019	79,528	82,020
Net Effect	(\$36,477)	(\$8,046)	\$8,707	\$7,398	(\$11,505)

*Note: ( ) = decrease; UITF = Unemployment Insurance Trust Fund; - =indeterminate effect*

**Small Business Effect:** Meaningful. Employers would incur increased costs from the imposition of a surtax necessary to fund the increased claims resulting from the bill.

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## Fiscal Analysis

**Unemployment Insurance Trust Fund:** This bill would increase the number of claims resulting from voluntary quit, refusal to work, and gross and aggravated misconduct. In addition, all employers would be required to pay an increased surtax to fund the additional claims.

**Expenditures:** The expenditure estimates are based on a computer model developed by the Office of Unemployment Insurance. Expenditures would not be affected until December 1999. The assumptions entered into the model are listed below.

### *General Assumptions*

- \$208 average weekly benefit amount in fiscal 2000
- 1% annual growth in average weekly benefit amount
- Approximately 403,900 additional weeks claimed as a result of the bill
- 2% annual growth in number of weeks claimed

### *Voluntary Quit Disqualifications*

- 27,380 annual voluntary quit claims (number of voluntary quit disqualifications in 1998)  
9 additional payout weeks per claim (1998 average duration of 16 week penalty minus 7 week penalty)

#### *Gross Misconduct Disqualifications*

- 9,187 annual gross misconduct claims (number of gross misconduct disqualifications in 1998);
- 16 additional payout weeks per claim (duration under this bill is expected be 26 weeks minus 10 week penalty)

#### *Aggravated Misconduct Disqualifications*

- 410 annual aggravated misconduct claims (number of aggravated misconduct claims in 1998)
- 16 additional payout weeks per claim (duration under this bill is expected to be 26 weeks minus 10 week penalty)

#### *Refusal To Work Disqualifications*

- 432 refusal to work claims (number of refusal to work claims in 1998)
- 9 additional payout weeks per claim (duration under this bill is expected to be 16 weeks with a 7 week penalty)

**Revenues:** Currently, the ratio of Unemployment Insurance Trust Fund balances to taxable wages operates with a narrow margin of approximately \$3 million. As a result, it is expected that a surtax will be imposed in future years. However, a higher surtax would be necessary to fund approximately 403,900 additional weekly benefit amounts claimed as a result of the bill, and to fund approximately 75,033 simple misconduct weekly benefit amount payouts which were previously charged to the employer, but would be paid out of the trust fund as a result of the bill.

<b>Year</b>	<b>Actual/ Estimated Surtax (current law)</b>	<b>Actual/ Estimated Surtax (HB614)</b>	<b>Additional Surtax Funds</b>
1995	1.7		
1996	.6		
1997	0		
1998	0		
1999	0		
2000	.2	.2	\$0
2001	.4	.8	\$66,600,500
2002	.3	.8	\$85,726,200
2003	.3	.8	\$86,926,400
2004	.2	.7	\$70,514,700

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**Information Source(s):** Department of Labor, Licensing, and Regulation

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