

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE  
 Revised

House Bill 402 (Delegate Harrison. *et al.*)

Economic Matters

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Unemployment Insurance Benefits - Maximum Benefit

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This bill extends the schedule of maximum weekly unemployment insurance benefits from \$250 to \$280.

The bill is effective July 1, 2000.

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Fiscal Summary

**State Effect:** To the extent that increased benefits result in an increase in taxable income, general fund revenues could increase. To the extent that the State has former employees who qualify for higher benefits, general fund expenditures could increase.

**Local Effect:** Local revenues would increase by about 55% of any general fund increase through local income taxes. Expenditures would increase based on the number of former employees who qualify for higher benefits.

**Unemployment Insurance Trust Fund Effect:** The Unemployment Insurance Trust Fund (UITF) balance could decrease by \$15 million in FY 2001. Out-year estimates reflect full implementation of the new benefits schedule and growth in the labor force. These new benefit pay outs are not expected to trigger the surtax in FY 2001 or in the out-years.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
UITF Revenues	\$0	\$0	\$0	\$0	\$0
UITF Expenditures	15	28	34	40	45
Net Effect	(\$15)	(\$28)	(\$34)	(\$40)	(\$45)

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

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** The maximum weekly unemployment benefit is \$250.

**Background:** Eligibility for unemployment 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.

**Unemployment Insurance Trust Fund:** The bill extends the schedule of weekly unemployment insurance benefits from a maximum of \$250 to a maximum of \$280. 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.

The Office of Unemployment Insurance (OUI) advises that the bill could have a significant effect on the surtax. With a taxable wage base of \$16 billion, and a current trust fund balance of approximately \$20 million above the surtax trigger amount, the account is very close to triggering the surtax now, however, OUI does not expect the new benefits schedule to trigger the surtax.

It is difficult to extrapolate the potential increase in UITF expenditures based on historical data because the OUI 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 UITF based on information provided by the Comptroller's Office.

If the unemployment rate remains at last year's 3.6%, then, based on the most recent data available (fiscal 1997 and 1998) from the Comptroller's Office, the trust fund balance would decrease by approximately \$15 million in fiscal 2001. Out-year estimates reflect full implementation of the new benefits schedule and growth in the labor force. The Department of Labor, Licensing, and Regulation (DLLR) estimates the duration of benefits to be 16 weeks.

During the first year, the trust fund balance would not decrease as much as in later years because a beneficiary is locked into his or her weekly benefit amount once benefits start being paid. Thus, individuals who are eligible for payments greater than \$250 a week under the bill, but are already receiving benefits under the current law, would not receive an adjustment.

**Small Business Effect:** According to DLLR, small businesses account for approximately 36% of total employment. The UITF is funded by employer payments through the federal government based on experience ratings. These ratings would increase, and employer payments, as the higher payments are being supported by the same wage base. To the extent that a surtax is triggered by the bill, small businesses would incur increased expenditures.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 1182, was introduced in 1999 and passed the House with amendments. A hearing was held in the Senate Finance Committee. An identical bill was introduced in 1998 as HB 1357. It received an unfavorable report from the House Economic Matters Committee.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing and Regulation; Cato Institute; Office the Comptroller; Department of Legislative Services

**Fiscal Note History:** First Reader - February 14, 2000  
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