

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 77 (Chairman, Finance Committee)
(Departmental - Labor, Licensing, and Regulation)

Finance

Unemployment Insurance - Self-Employment Assistance Program - Modification of Termination Date

This departmental bill repeals the June 1, 2000, termination date for the Self-Employment Assistance Program (SEAP). It provides instead that SEAP will remain effective until the Department of Labor, Licensing, and Regulation (DLLR) determines that federal funding, as well as other funding sources, for the SEAP are no longer available. The bill also eliminates any linkage Maryland law has to any sunset or termination clauses in the federal law.

The bill is effective June 1, 2000.

Fiscal Summary

State Effect: None.

Local Effect: None.

Unemployment Insurance Trust Fund: No effect.

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: An individual is ineligible for unemployment insurance benefits if the individual is not actively seeking employment. The SEAP provides an exception -- individuals who qualify for this training program receive unemployment insurance benefits (called self-employment assistance) while attending training and establishing a business. The size of this program is limited to a maximum of 5% of the total number of individuals receiving assistance.

Background: The SEAP became effective October 1, 1995. This program was enacted in response to a provision of the North American Free Trade Act (NAFTA), which permitted states to amend their unemployment insurance laws to allow certain categories of unemployment insurance claimants to receive benefits while working full-time towards starting their own business. Applicants must be in the group of claimants who are profiled as “most likely to exhaust their unemployment insurance benefits.”

In Maryland, the ten-week training course is funded through the federal Workforce Investment Act (WIA, formerly the Job Training Partnership Act). The funding level for fiscal 2000 was \$350,000. The vendor is selected through the competitive bid process. The current vendor is Women Entrepreneurs of Baltimore, Inc.

The federal self-employment assistance legislation under NAFTA was set to expire December 8, 1998, but legislation was enacted removing the expiration date and thus allowing it to continue indefinitely. When the State legislation was enacted, the original expiration date was June 1, 1999, but that date was extended one year to June 1, 2000, by Chapter 309 of 1999.

As a result of legislation passed in the 1999 session (Chapter 309), the Unemployment Insurance Office (UIO) submitted a report to the Senate Finance Committee and the House Economic Matters Committee (due by December 1, 1999) on a proposal to use available alternative sources of funds for the program in the event that the federal government no longer funds the program. The UIO reports that there are no alternative sources of funding at this time. Based on limitations on uses for the Special Administrative Expense Fund and private sector considerations, the WIA is the only source of funding available for fiscal 2001.

To date, the program has assisted entrepreneurs establish 160 new businesses ranging from telecommunications to pet day care.

Unemployment Insurance Trust Fund: At this time no State expenditures are required. DLLR advises that the federal government has made funding available for the SEAP to assist about 200 people in fiscal 2001. It is anticipated that at this funding level SEAP will be able to assist up to 200 entrepreneurs. The U.S. Department of Labor has also provided an

additional \$60,000 for administration and evaluation of the SEAP.

Additional Information

Prior Introductions: Chapter 309 of 1999 extended the termination date of the program until June 1, 2000.

Cross File: HB 97 (Departmental - Labor, Licensing, and Regulation) - Economic Matters.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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