**SB 167**

# Department of Legislative Services

Maryland General Assembly
2000 Session

## FISCAL NOTE

Senate Bill 167 (Senator Conway)
Finance

### Unemployment Insurance - Eligibility for Benefits - Birth or Adoption of Child

The bill expands the eligibility for unemployment benefits to an individual: (1) who is otherwise eligible for benefits; (2) voluntarily leaves employment immediately following the birth or adoption of a child; (3) is the primary provider of care for the child; and (4) is not receiving or is entitled to wages or salary from the individual's employer. These claimants are entitled to receive a total of 12 weeks of benefits. The bill also allows these individuals to receive "dependents allowances" for up to 12 weeks in accordance with current law.

## Fiscal Summary

**State Effect:** The bill would not materially change State activities or operations.

**Local Effect:** None.

**Unemployment Insurance Trust Fund:** Unemployment Insurance Trust Fund (UITF) expenditures would increase by approximately $68.5 million in benefits paid and $280,000 in operating costs in FY 2001. Out-year expenditures reflect growth in the weekly benefits amount but fluctuate some based on birth and adoption rates. Out-year operating costs would greatly decrease after the first year because most of the costs are for computer upgrades.

| (in millions) | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|
| UITF Revenues | $0 | $0 | $0 | $0 | $0 |
| UITF Expenditures | $68.5 | $69.2 | $70.1 | $70.8 | $71.5 |
| Net Effect | ($68.5) | ($69.2) | ($70.1) | ($70.8) | ($71.5) |

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

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** New birth or adoptive parents are not authorized to receive unemployment or dependent allowance benefits.

The U.S. Department of Labor and the Maryland Office of Unemployment Insurance advise that the bill would need to conform to the pending federal regulations regarding parental leave. The proposed federal regulations would allow states to provide both parents with paid medical or family leave. It is anticipated that the federal regulations will be effective by year's end.

**Background:** The State UITF is funded by the federal government through the unemployment taxes paid by employers. The U.S. Department of Labor approves the State's unemployment office budget, and any increases to its planned expenditures after its budget has been approved cannot be passed through to the federal government and must be absorbed by the State.

If, on September 30 of a given year, the State's UITF balance is below a certain level, a surtax is triggered on employers, starting on the following January 1. The trigger balance as of September 30, 1999, was $780 million; the actual UITF balance was $813 million.

The unemployment rate in 1999 was 3.6% (the lowest in 20 years) and the UITF paid an average of $6 - $7 million a week in unemployment benefits and was $20 - $30 million above the trigger balance. In 1998 the unemployment rate was 4.6% and the UITF account was within $3 million of triggering the surtax.

**Unemployment Insurance Trust Fund:** Total expenditures from the UITF would increase by $68.5 million in payments and by $280,000 in operating start-up costs in fiscal 2001.

There are two types of unemployment benefits provided by this bill.

*Weekly Unemployment Insurance Benefits:* It is estimated that $67.1 million in new benefits will be paid in fiscal 2001 under this bill (see **Exhibit 1** below). There were 72,418 births or adoptions in the State in 1997 (the most recent year for which data are available). Slightly less than half (48.2%) of all women are in the work force with 92% of these covered by the State unemployment insurance law. Accordingly, 32,000 of the births and adoptions could be covered by this bill.
It is estimated that about half of the employers in the State already have a four-week leave program in effect, resulting in 16,000 employee parents being eligible for eight weeks of benefits under this bill. The other 16,000 working parents are eligible for the full 12 weeks of benefits under this bill. In fiscal 2001 the average weekly benefit amount will be $209.

**Exhibit 1**
**Fiscal 2001 Annualized Weekly Unemployment Benefits Increase**

| | |
|---|---|
| Benefits for employees who get four weeks leave | 16,056 x $209 x 8 weeks = $26,845,632 |
| Benefits for employees who get no leave | 16,056 x $209 x 12 weeks = $40,268,448 |
| **Total Annual Increase in Weekly Benefits Paid** | **$67,114,080** |

Based on increases in weekly benefits, the out-years will increase by about $1 million a year.

*Dependent's Allowance Benefits:* UITF expenditures for dependent's allowance (DA) benefits will increase by about $1.5 million in fiscal 2001 (see **Exhibit 2** below). The DA benefit pays $8 a week per dependent for up to five dependents. Only those who do not receive the maximum unemployment benefit are eligible for DA. It is estimated that 57% (18,300) of all unemployment insurance recipients are eligible for DA, with half the recipients eligible for eight weeks and half eligible for 12 weeks (see above).

**Exhibit 2**
**Fiscal 2001 Annualized Weekly Dependent's Allowance Benefits Increase**

| | |
|---|---|
| Benefits for employees who get four weeks leave | 18,304 x 50% x $8 x 8 weeks = $587,776 |
| Benefits for employees who get no leave | 18,304 x 50% x $8 x 12 weeks = $881,664 |
| **Total Annual Increase in Weekly Benefits Paid** | **$1,469,440** |

In these calculations it is assumed that only one parent would utilize the program, but the bill does not explicitly state that as a restriction and the federal law does not state this as a restriction either. The only restriction in the bill is that the individual must be the "primary care provider." This could be defined as either or both parents. It is also assumed that the percentage of women in the workforce and birth/adoption rate will hold steady.

The per person cost of utilizing this program ranges between $1,672 and $2,604.

*Start-up Costs*: Start-up costs, estimated at $280,000, would have to be absorbed within the Maryland Unemployment Office's current budget because these costs cannot be passed to the federal government. These costs are almost exclusively to pay for contractual computer upgrade services for one year. Once the computer systems are upgraded the costs of administering the program will be minimal.

**Small Business Effect:** The major effect on small businesses would be the increased likelihood that the surtax will be triggered. For every $16 million that the UITF goes over the trigger rate there is a .1% increase in the surtax. Under this bill the surtax would have increased by an average of .3% - .4% during the past three years.

## Additional Information

**Prior Introductions:** An identical bill, HB 1124 was introduced in 1999. It received an unfavorable report from the House Economic Matters Committee.

**Cross File:** HB 983 (Delegate Dobson, *et al.*) - Economic Matters.

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

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