

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 933
 Economic Matters

(Delegate Dobson, *et al.*)

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

This 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 and is not entitled to wages or salary from the individual's employer. These claimants are entitled to receive up to 12 weeks of benefits. The bill also allows these individuals to receive an allowance for dependents 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 \$74.6 million in benefits paid and \$280,000 in operating costs in FY 2002. Out-year expenditures reflect growth in the weekly benefits amount and fluctuate based on birth and adoption rates. To the extent that a surcharge is assessed to businesses, UITF revenues would increase.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
NonBud Rev.	-	-	-	-	-
NonBud Exp.	74.6	77.9	81.1	84.3	87.6
Net Effect	(\$74.6)	(\$77.9)	(\$81.1)	(\$84.3)	(\$87.6)

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.

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, 2000, was \$815 million; the actual UITF balance was \$885 million.

The unemployment rate in 2000 was 3.9% and the UITF paid an average of \$5 - \$6 million a week in unemployment benefits and was \$70 million above the trigger balance. In 1999 the unemployment rate was 3.6%, a 20-year low, and the UITF was within \$20 to \$30 million of triggering the surtax. 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 \$74.6 million in payments and by \$280,000 in operating start-up costs in fiscal 2002.

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

Weekly Unemployment Insurance Benefits: It is estimated that \$73.1 million in new benefits would be paid in fiscal 2002 under this bill (see **Exhibit 1**). There were 73,328 births or adoptions in the State in 1999 (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, 32,500 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 16,250 employee parents being eligible for eight weeks of benefits under this bill. The other 16,250 working parents are eligible for the full 12 weeks of benefits under this bill. In fiscal 2002 the average weekly benefit amount will be \$225.

Exhibit 1	
Fiscal 2002 Annualized Weekly Unemployment Benefits Increase	
Benefits for employees who get four weeks leave	16,250 x \$225 x 8 weeks = \$29,250,000
Benefits for employees who get no leave	16,250 x \$225 x 12 weeks = <u>\$43,875,000</u>
Total Annual Increase in Weekly Benefits Paid	\$73,125,000

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

The variable that has the largest impact on total cost estimates for Birth and Adoption Unemployment Insurance (BAA-UI) is the average number of weeks that leave will be taken. A recent study by the Urban Institute concluded that “a sizeable share of new mothers can be expected to utilize their full entitlement.” The Department of Legislative Services believes it is valid to assume a new parent will use as many weeks of leave as possible, especially with much medical evidence emphasizing the importance of developing a strong parent-child bond in the first few months of a baby’s life. However, other models assume that parents will take less than all of the available leave. For comparison purposes, **Exhibit 2** presents the cost estimate for Maryland under varying weeks of leave taken.

Exhibit 2
Cost Estimates of the BAA-UI Program
Under Different Scenarios in FY 2002

<u>Average Length of Leave (weeks)</u>	<u>Annual Cost*</u>
1	\$7,316,100
2	\$14,632,200
3	\$21,948,300
4	\$29,264,400
5	\$36,580,500
6	\$43,896,600
7	\$51,212,700
8	\$58,528,800
9	\$65,844,900
10	\$73,161,000
12	\$87,793,200

*Estimates use \$225 as the weekly UI benefit amount and assume 32,516 beneficiaries.

Dependent's Allowance Benefits: UITF expenditures for dependent's allowance (DA) benefits will increase by about \$1.5 million in fiscal 2002 (see **Exhibit 3** 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% (18,525) of all unemployment insurance recipients are eligible for DA, with half the recipients eligible for eight weeks and half eligible for 12 weeks.

Exhibit 3	
Fiscal 2002 Annualized Weekly Dependent's Allowance Benefits Increase	
Benefits for employees who get four weeks leave	18,525 x 50% x \$8 x 8 weeks = \$592,800
Benefits for employees who get no leave	18,525 x 50% x \$8 x 12 weeks = \$889,200
Total Annual Increase in Weekly Benefits Paid	\$1,482,000

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 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 the birth/adoption rate will hold steady.

The per person cost of utilizing this program ranges between \$1,800 and \$2,700.

The fiscal estimate for a similar bill in New Jersey is \$95.1 million a year to cover approximately 44,500 workers, or about \$2,140 per beneficiary. A similar bill in Florida was estimated to cost approximately \$140 million a year.

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 for contractual computer upgrade services for one year. Once the computer systems are upgraded the costs of administering the program would 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: This bill was introduced as HB 983 and SB 167 in 2000 and HB 1124 in 1999. HB 983 and HB 1124 received unfavorable reports from the House Economic Matters Committee and SB 167 did not receive a report from the Senate Finance Committee.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; The Urban Institute; New Jersey Department of Legislative Services; State Archives; Department of Legislative Services

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