

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 593 (Delegate Dobson, *et al.*)
 Economic Matters

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

This bill expands the eligibility for unemployment benefits to an individual who: (1) 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: FY 2003 general fund expenditures could increase by \$280,000 to pay for one-time, contractual programming costs. Revenues would be unaffected.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	280,000	0	0	0	0
Net Effect	(\$280,000)	\$0	\$0	\$0	\$0

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

Unemployment Insurance Trust Fund: Unemployment Insurance Trust Fund (UITF) expenditures could increase by \$81.6 million in FY 2003. FY 2003 revenues could increase by \$50.6 million. Out-year estimates reflect projected increases in weekly benefit amounts and employer charge backs.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
NonBud Rev.	\$50.6	\$53.1	\$55.6	\$58.4	\$61.3
NonBud Exp.	81.6	85.7	89.7	94.1	98.9
Net Effect	(\$31.0)	(\$32.6)	(\$34.1)	(\$35.8)	(\$37.6)

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

Local Effect: To the extent that employees of local governments use the benefits available under the bill, those governments would have to reimburse the UITF for 100% of benefits paid.

Small Business Effect: Potential meaningful.

Analysis

Current Law: New birth or adoptive parents are not authorized to receive unemployment or dependent allowance benefit payments from the UITF.

Background: This bill, known as “Baby UI,” would allow eligible employed individuals to receive temporary compensation for “unemployment” while spending time with a newborn or adopted child, whether or not the individual plans to return to work.

The State UITF is partially 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, 2001, was \$836 million, and the actual UITF balance was \$867 million -- \$31 million above the trigger. Although there has been no surtax in the past few years of record low unemployment, since 1998 the UITF has fluctuated between \$3 million and \$70 million above the surtax trigger.

Unemployment Insurance Trust Fund: Fiscal 2003 expenditures from the UITF would increase by \$81.6 million in payments to covered beneficiaries.

Revenues would increase \$50.6 million from expected charge backs to employers. The Office of Unemployment Insurance (OIU) reports that recent experience has shown that an average of three employers are charged for 62% of the payments from the fund and that 38% are non-charged due to closed businesses, employers at the maximum rate, and specific non-charging provisions.

Out-years reflect a projected 5% annual increase in weekly benefits and a continuing charge back rate of 62%.

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

Weekly Unemployment Insurance Benefits: It is estimated that \$81.6 million in new benefits would be paid in fiscal 2003 under this bill (see **Exhibit 1**). There were 75,782 births or adoptions in the State in 2000 (the most recent year for which data are available). Slightly less than half (48.5%) of all women are in the work force with 92% of these covered by the State unemployment insurance law. Accordingly, 33,814 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 16,907 employee parents being eligible for eight weeks of benefits under this bill. The other 16,907 working parents are eligible for the full 12 weeks of benefits under this bill. In fiscal 2003 the average weekly benefit amount will be \$237.

Exhibit 1	
Fiscal 2003 Annualized Weekly Unemployment Benefits Increase	
Benefits for employees who get four weeks leave	16,907 x \$237 x 8 weeks = \$32,055,672
Benefits for employees who get no leave	16,907 x \$237 x 12 weeks = \$48,083,508
Total Annual Increase in Weekly Benefits Paid	\$80,139,180

Dependent's Allowance Benefits: UITF expenditures for dependent's allowance (DA) benefits will increase by about \$1.5 million in fiscal 2003 (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 54.5% of the 33,814 beneficiaries would be eligible for DA, with half the recipients eligible for 8 weeks and half eligible for 12 weeks.

Exhibit 2	
Fiscal 2003 Annualized Weekly Dependent's Allowance Benefits Increase	
Benefits for employees who get four weeks leave	18,428 x 50% x \$8 x 8 weeks = \$589,6960
Benefits for employees who get no leave	18,428 x 50% x \$8 x 12 weeks = \$884,544
Total Annual Increase in Weekly Benefits Paid	\$1,474,240

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, nor does the federal law. 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.

State Fiscal Effect: Fiscal 2003 general fund expenditures would increase \$280,000 for one-time programming costs and computer time. Although the OUI is federally funded, they would be unable to pass through unbudgeted costs related to implementation of a new State program.

Small Business Effect: In addition to higher charge backs affecting their UI rates, small businesses would be exposed to the increased likelihood that the surtax will be triggered. For every \$18 million that the UTF goes below the trigger rate there is a .1% rate increase levied on all employers in addition to their current experience ratings.

Additional Information

Prior Introductions: In 2001, HB 933 received an unfavorable report in the Economic Matters Committee. The Economic Matters Committee also gave unfavorable reports to HB 983 in 2000 and HB 1124 in 1999.

Cross File: None.

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

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