

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE
Revised

House Bill 714
 Economic Matters

(Delegate Harrison, *et al.*)

Finance

Unemployment Insurance - Maximum Benefit

This bill increases the maximum weekly unemployment insurance (UI) benefit amount from \$280 to \$310, and increases the amount of weekly wages from \$70 to \$90 that a claimant may earn without affecting the benefit calculation.

If, on September 30, 2002, the Department of Labor, Licensing, and Regulation (DLLR) determines that the ratio between the UI trust fund and the total taxable wages for the four completed calendar quarters immediately preceding that date is less than 4.7% (which would trigger a surtax on employers' UI payments), DLLR must notify the General Assembly within 15 days, and the provisions of this bill become null and void without further action.

Subject to the above condition, the bill is effective January 1, 2003 and applies to all UI claims filed that establish a new benefit year on or after January 5, 2003.

Fiscal Summary

State Effect: The bill would not directly affect State operations or finances.

Unemployment Insurance Trust Fund (UITF): UITF expenditures could increase by \$7.6 million in FY 2003 to pay higher benefits. UITF revenues could decrease \$204,000 due to less earned interest on the fund balance. Out-years are adjusted for annualization and assume no surtax is triggered.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
NonBud Rev.	(\$204,000)	(\$1,337,500)	\$6,663,800	\$34,571,300	\$28,048,600
NonBud Exp.	7,618,400	25,618,900	30,033,400	31,539,300	30,944,300
Net Effect	(\$7,822,400)	(\$26,956,400)	(\$23,369,600)	\$3,032,000	(\$2,895,700)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: Chapter 369 of 2000 raised the maximum weekly benefit from \$250 to \$280. The current “disregard amount” of wages that a claimant may earn without affecting the calculation of UI benefits is \$70 per week.

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 three months previous to becoming unemployed.

The Office of Unemployment Insurance (OUI) reports that the fiscal 2001 average weekly wage in Maryland was \$681. The current maximum weekly UI benefit of \$280 represents 41.1% replacement of that average wage. The \$310 maximum benefit under the bill would yield a wage replacement of 45.5% of average 2001 weekly wages.

On March 18, 2002, \$142.9 million was deposited to the UITF as part of a federal economic stimulus package. Because of this additional money, the UITF balance on this September 30 is not expected to fall low enough to trigger a UI surtax on employers.

Unemployment Insurance Trust Fund: UITF expenditures could increase \$7.6 million in fiscal 2003, which reflects the bill’s effective date. Out-years are adjusted for annualization.

UITF revenues could decrease \$204,000 in fiscal 2003 due to less earned interest because of an increase in benefits paid. Out-years are adjusted for annualization, reflect incremental increases in employers’ UI tax rates, and assume that no surtax would be triggered.

UITF revenue and expenditure estimates were derived from extensive computer modeling using economic projections on unemployment rates, claim loads, current experience, and other economic data. Because of the following factors, the increase in expenditures will not fully reflect UITF revenues for four years, and never on a dollar-for-dollar basis:

- assumed losses of 38% for unrecoverable benefits paid;
- rounding of benefits ratios to determine an employer's UI tax rate; and
- employer's tax rates are adjusted based on a three-year history.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 18, 2002
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