

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE
Revised

House Bill 905 (Delegates Rosenberg and McHale)
 Economic Matters

Unemployment Insurance - Vocational and Academic Training

This bill provides that unemployment (UI) benefits, or extended benefits, may not be denied to a claimant who is in an accredited educational or training program that leads to a college degree, unless the Secretary of the Department of Labor, Licensing, and Regulation (DLLR) determines that the program will not prepare the claimant for employment in a career in which there are no job opportunities.

Fiscal Summary

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

Unemployment Insurance Trust Fund (UITF): UITF expenditures could increase by \$92.3 million in FY 2003. FY 2003 revenues could increase by \$57.2 million. Out-year estimates reflect unchanging benefit amounts and employer charge backs.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
NonBud Rev.	\$57.2	\$57.2	\$57.2	\$57.2	\$57.2
NonBud Exp.	92.3	92.3	92.3	92.3	92.3
Net Effect	(\$35.0)	(\$35.0)	(\$35.0)	(\$35.0)	(\$35.0)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Under current regulations, education leading to a college or post-graduate degree is specifically excluded from the definition of “approved training” unless the degree will be attained within 26 weeks in a field in which there are employment opportunities.

Unemployment Insurance Trust Fund: Fiscal 2003 expenditures from the UITF would increase by \$92.3 million in payments to covered beneficiaries.

According to the Maryland Higher Education Commission, in fall 2000, 242,552 students were enrolled in degree-seeking programs in Maryland public and private colleges and universities. According to the Bureau of Labor Statistics, approximately half of all college students work at least part-time, and at the University of Maryland, 75% of juniors and seniors work while in school. Based on a number of other assumptions, the Office of Unemployment Insurance (OUI) estimated that 21,258 students in Maryland, or approximately 9% of the students enrolled in degree-seeking programs, would be eligible for benefits under the bill.

Revenues would increase \$57.2 million from expected charge backs to employers. OUI 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. However, OUI further notes that if an employee is employed year-round on a part-time basis, the employer cannot be charged for UI benefits. Therefore, UITF revenues could be significantly less than projected at 62%, which would cause a correspondingly higher net effect on the fund.

Because of a number of assumptions made due to the unavailability of data, out-years reflect a continuing charge back rate of 62%, a steady number of claimants (21,258), a steady benefit amount of \$167, and an average benefit period of 26 weeks.

Small Business Effect: Although businesses may not have to pay UITF charge backs for former permanent part-time employees, they would be exposed to the increased likelihood that the surtax will be triggered. For every \$18 million that the UITF fund balance goes under the trigger amount, there is a .1% increase levied on all employers in addition to their current experience ratings.

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

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