

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 336 (Delegate Sher, *et al.*)
Economic Matters

Unemployment Insurance - Voluntary Quit for New and Better Employment

This bill adds to the circumstances under which voluntarily quitting employment does not disqualify an individual from receiving unemployment insurance benefits.

The bill is effective July 1, 2002.

Fiscal Summary

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

Unemployment Insurance Trust Fund: Unemployment Insurance Trust Fund (UITF) expenditures could increase by \$6.4 million in FY 2003. FY 2003 revenues could increase by \$4 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.	\$4.0	\$4.2	\$4.3	\$4.6	\$4.8
NonBud Exp.	6.4	6.7	7.0	7.4	7.7
Net Effect	(\$2.4)	(\$2.5)	(\$2.7)	(\$2.8)	(\$2.9)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill allows the Secretary of the Department of Labor, Licensing, and Regulation (DLLR) to find that voluntarily leaving work for a cause directly attributable to, arising from, or connected with the conditions of what is determined to be new and better employment, may constitute good cause and thus does not disqualify an individual from receiving unemployment insurance benefits. The bill requires DLLR to adopt regulations by September 30, 2002 enumerating the circumstances under which voluntarily quitting employment for new and better employment may constitute good cause. This bill applies to all determinations of eligibility and appeals pending on or after September 30, 2002.

Current Law: An individual who is otherwise eligible to receive unemployment insurance benefits is disqualified from receiving benefits if the Secretary finds that unemployment results from voluntarily leaving work without good cause. The Secretary may find that a cause for voluntarily leaving work is good cause if the cause is directly attributable to, arising from, or connected with the conditions of employment, or the actions of the employing unit, or if an individual:

- is laid off through no fault of the individual;
- obtains employment that pays weekly wages that total less than 50% of the weekly wages the individual earned at his or her previous place of employment; and
- leaves the subsequent employment to attend an approved training program.

Background: In determining eligibility for unemployment benefits, the Unemployment Insurance Office (UIO) researches a person's previous 18-month work history. Among the variety of factors the UIO considers is a person's employment track record and job tenure. The UIO charges employers based on a variety of factors; however, when a person leaves employment for good cause the employer is not charged.

Prior to August 2000, if an individual voluntarily quit a job for a better job, then through no fault of the individual became unemployed from the new job, the individual may have been determined to have voluntarily left work for good cause. To determine good cause, the new job had to have had a definite start date, and other tangible factors such as salary and benefits were also considered.

In August 2000 the Maryland Court of Appeals ruled that voluntarily quitting a job for a new job could not be considered good cause. The UIO advises that if this bill were enacted there would be no practical change in the way good cause was determined before the court ruling.

Unemployment Insurance Trust Fund Effect: The UIO notes the following numbers were used to determine the fiscal impact of the bill on the trust fund:

- number of individuals projected to voluntarily quit work each year for a better job -- 1,962 (actual number for 12 months prior to 2000 court decision);
- projected average weekly benefit from 2003 through 2007 is as follows: 2003 = \$237; 2004 = \$249; 2005 = \$261; 2006 = \$274; 2007 = \$288;
- average duration of benefit paid to individual -- 13.7 weeks (actual 2001 average);
- amount of benefit charged back to employers -- 62% (actual 2001 experience); and
- average number of employers, per individual, being charged -- 3 (annual average of past several years).

Assuming that approximately 1,962 individuals receive the \$237 average weekly benefit for 13.7 weeks, UTF expenditures will increase by \$6.4 million in fiscal 2003. Of that amount, \$4 million (or 62%) will be charged back to one or more previous employers. The \$2.4 million that cannot be charged back to employers is, ultimately, recovered through premiums paid by all employers. The amount of premium increase for any individual firm would be minimal, and the \$2.4 million itself would not trigger any premium increases or surcharges.

Out-years reflect the projected increases in weekly benefit amount, while the number of individuals (1,962), duration of benefit (13.7 weeks), and percentage charged back to employers (62%) all remain the same.

Additional Information

Prior Introductions: In 2001, HB 1038 received an unfavorable report from the Economic Matters Committee.

Cross File: None, although SB 257 (Senator Ruben) is a substantially similar bill.

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

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lsc/jr

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