

Department of Legislative Services  
 Maryland General Assembly  
 2002 Session

FISCAL NOTE

House Bill 918 (Delegate Moe, *et al.*)  
 Economic Matters

**Labor and Employment - Unemployment Insurance - Weekly Benefits Calculation**

This bill would provide an alternative base period for determining eligibility for unemployment insurance (UI) benefits.

**Fiscal Summary**

**State Effect:** FY 2003 general fund expenditures could increase by \$390,900. Out-years reflect ongoing contractual expenses and computer time. Revenues would be unaffected.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	390,900	372,500	382,800	393,500	404,500
Net Effect	(\$390,900)	(\$372,500)	(\$382,800)	(\$393,500)	(\$404,500)

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

**Unemployment Insurance Trust Fund (UITF):** UITF revenues could increase by \$55.5 million in FY 2003. FY 2003 expenditures could increase by \$89.6 million. Out-years reflect projected increases in weekly benefits and employer charge backs.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
NonBud Rev.	\$55.5	\$58.2	\$61.2	\$64.2	\$70.8
NonBud Exp.	89.6	94.0	98.8	103.6	114.3
Net Effect	(\$34.0)	(\$35.7)	(\$37.5)	(\$39.4)	(\$43.5)

*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**

**Bill Summary:** The bill provides that if an individual does not have sufficient wages in the base period to qualify for benefits, then an alternative base period will be the last four complete calendar quarters immediately preceding the first day of the individual's benefit year. Wages used in the alternative base period calculation may not be used in qualifying for a subsequent benefit year.

**Current Law:** Eligibility for benefits is based on the first four of the last five completed calendar quarters prior to filing a claim. The quarter immediately prior to filing a claim is not used because employers don't report those earnings until the following quarter (the quarter in which the claim is filed).

**Background:** The State UITF is partially funded by the federal government through the unemployment taxes paid by employers. The U.S. Department of Labor funds and approves the budget of the State Office of Unemployment Insurance (OUI), and any increases to its approved budget 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 the following January 1. The trigger balance as of September 30, 2001 was \$836 million, and the actual 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 from \$3 million to \$70 million above the surtax trigger.

**Unemployment Insurance Trust Fund:** OUI advises that in fiscal 2001 there were 26,181 claimants who were ineligible for UI benefits that would be eligible under this bill. OUI projects an additional 9,163 individuals may become eligible and pursue claims either on their own or through public assistance programs administered through the Department of Human Resources. OUI also assumes that all 35,344 individuals would be eligible for a weekly benefit equaling 50% of the average weekly wage (\$185 in 2003, and 5% annual increases each year thereafter) and would receive benefits for the actual 2001 average duration of 13.7 weeks. Thus, in fiscal 2003 the impact on UITF expenditures would be \$89,579,368.

Charge backs to employers are assumed to remain at the current experience rate of 62%, so for fiscal 2003 the UITF would receive revenue from charge backs of \$55,539,208.

Out-years assume the same number of individuals (35,344) and the same duration of benefits (13.7 weeks) with 5% annual increases in the average weekly benefit amounts.

**State Fiscal Effect:** Fiscal 2003 general fund expenditures could increase \$390,905 for initial comprehensive reprogramming of UI computer software (\$119,000), computer processing (\$12,600), maintenance programming (\$45,900), and contractual positions (\$213,405). Out-years reflect annualization and inflation but maintain 2003 rates for computer processing and maintenance programming costs.

**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 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; Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2002  
ncs/jr

---

Analysis by: Mitchell J. McCalmon

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510