

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 1171
 Economic Matters

(Delegate Harrison, *et al.*)

Unemployment Insurance - Maximum Benefit

This bill increases the maximum weekly unemployment insurance (UI) benefit amount from \$310 to \$380.

The bill's effective date is July 1, 2003, and applies to all claims filed that establish a new benefit year on or after the effective date.

Fiscal Summary

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

Unemployment Insurance Trust Fund (UITF): UITF expenditures could increase by \$19.9 million in FY 2004. Out-years reflect projected increases in revenues from amounts charged back to employers.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
NonBud Rev.	\$0	\$4.2	\$16.9	\$30.0	\$39.3
NonBud Exp.	19.9	60.2	62.2	64.2	66.2
Net Effect	(\$19.9)	(\$56.0)	(\$45.3)	(\$34.2)	(\$26.9)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill revises the UI schedule of benefits to increase the maximum weekly benefit from \$310 to \$380.

Current Law: Chapter 239 of 2002 raised the maximum weekly benefit from \$280 to \$310.

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 highest earnings paid to an individual in the base period, which is the first four of the last five completed calendar quarters.

The Office of Unemployment Insurance (OUI) reports that the fiscal 2002 average weekly wage in Maryland was \$712. The current maximum weekly UI benefit of \$310 represents 43% replacement of that average wage. The \$380 maximum benefit under the bill would yield a wage replacement of 53% of average 2002 weekly wages.

Unemployment Insurance Trust Fund: OUI estimates were derived from extensive computer modeling using current economic projections on unemployment rates, claim loads, total taxable wages, and other data. The estimated increases in annual UITF payouts reflect a net impact to the fund that assumes an employer charge back rate of 63.89%. The \$21.7 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 could be significant, and the \$21.7 million itself could increase any premium increases or surcharges by approximately .1 - .2% each year a surcharge is assessed.

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 UITF balance is 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

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