

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 338 (Delegate Harrison, *et al.*)
 Economic Matters

Labor and Employment - Unemployment Insurance - Allowance for Dependents

This bill increases from \$8 to \$25 the weekly allowance for each dependent and eliminates the provision that unemployment benefits and this allowance may not exceed in any one week the highest weekly benefit amount in the schedule of benefits.

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 \$17.8 in FY 2004. Out-years reflect the 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	\$3.8	\$7.6	\$11.4	\$11.4
NonBud Exp.	17.8	17.8	17.8	17.8	17.8
Net Effect	(\$17.8)	(\$14.0)	(\$10.2)	(\$6.4)	(\$6.4)

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

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: In addition to the weekly unemployment insurance benefits to which a claimant is entitled, a claimant is paid \$8 per week for each child, adopted child, or stepchild who is wholly or partly supported by the claimant and under 16 years old, not to

exceed five dependents. The unemployment benefit plus the dependent allowance in any one week may not exceed the highest weekly benefit amount in the schedule of benefits, which is currently \$310.

Background: In fiscal 2002, there were 32,794 dependents for whom dependent allowances were paid with a total cost to UITF of \$3,632,955. There are 12 states, including Maryland, that pay dependent allowances ranging from \$3-100 per week. All states have a limit on the total amount of dependents' allowance payable in any week, either in terms of dollars, the number of dependents, or the percentage of basic benefits.

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

- raising the weekly benefit to \$25 per dependent will increase the current dependent allowance expenditure by 2.125 times;
- the percentage of dependents certified for payment to the number of dependents that actually receive payment is 74.1%;
- the number of dependents certified for payment of dependents' allowances for individuals at the maximum weekly benefit amount is 35,685;
- the average duration of benefits paid is 15.2 weeks (actual 2002 experience); and
- amount of benefits charged back to employers is 63.89%.

Based on the above assumptions, expenditures of UITF will increase in fiscal 2004 by \$7,720,030 for changing the dependent allowance from \$8 to \$25. Additionally, UITF expenditures will increase in fiscal 2004 by \$10,048,340 for dependent allowances in excess of the maximum weekly benefit schedule. Total UITF expenditures will increase by \$17,768,370 in fiscal 2004. Of that amount, \$11.3 million (or 63.89%) will be charged back over a three-year period to one or more previous employers beginning the year after benefits are paid. The \$6.6 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 \$6.6 million itself would minimally increase any premium increases or surcharges in effect.

Out-years reflect the projected increases in revenues from amounts charged back to employers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; U.S. Department of Labor; Department of Legislative Services

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mdf/jr

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