

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 983

(Senator Hafer, *et al.*)

Finance

Economic Matters

Unemployment Insurance - Military Disability Severance Payments

This bill prohibits an individual's unemployment insurance benefits from being reduced or delayed because of a military disability severance payment.

The bill takes effect July 1, 2005 and applies to determinations on or after July 3, 2005.

Fiscal Summary

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

Unemployment Insurance Trust Fund (UITF): The bill would have no net effect on the UITF as unemployment benefits to ex-service members are reimbursed by the federal government. It is assumed that the bill will apply to a limited number of individuals.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Severance payments or wages in lieu of notice are deductible from unemployment insurance benefits unless the individual's job is abolished. If an individual's job is abolished, severance payments will not reduce unemployment benefits unless the individual is receiving payments at the same wage amount and the same employee benefits package received while employed.

In the case of an individual that received a military disability severance payment, that payment would be allocated to the individual's last rate of pay and benefits would not be paid until such time that the payment is exhausted. As an example, if an individual had been earning \$500 a week in the military and they received a \$5,000 disability severance payment, benefits would be delayed for 10 weeks. The individual does not lose 10 weeks of benefits but payments cannot begin until after the 10 weeks.

Background: The Department of Defense provides disability severance payments to service members who are determined to be unfit for duty, who have less than 20 years of military service, and who are assigned a disability rating of less than 30%. The payment is a one-time lump-sum payment calculated on monthly base pay times twice the years of service (up to 12 years). In federal fiscal 2000, disability severance payments were made to 8,486 service members. The average officer received \$51,065 and the average enlisted member received \$17,750.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; United States General Accounting Office; Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2005
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