HB 749

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 749 (Chair, Economic Matters Committee) (By Request – Departmental Labor, Licensing, and Regulation)

Economic Matters Finance

Unemployment Insurance - Eligibility - Voluntary Quit to Follow a Spouse

---

This departmental bill allows an individual who voluntarily leaves employment to follow a spouse – whose employer requires a transfer to a new location – to receive unemployment insurance benefits. However, the spouse has to be a member of the U.S. military or a civilian employee of the military or a related federal agency. If the "quit" is for valid circumstances, the benefits would be subject to a certain time delay (5 to 10 weeks) but would no longer be subject to the maximum disqualification under current law. The bill requires the Department of Labor, Licensing, and Regulation to provide a report to specified legislative committees by June 1, 2009 regarding the fiscal impact and administration of the bill.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: State expenditures to reimburse the trust fund would increase by $10,900 in FY 2009 and $16,200 in FY 2013.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Rev.	$0	$0	$0	$0	$0
GF/SF/FF Exp.	10,900	14,800	15,300	15,700	16,200
Net Effect	($10,900)	($14,800)	($15,300)	($15,700)	($16,200)

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

Unemployment Insurance Trust Fund: UITF expenditures could increase by $1.0 million in FY 2009, which reflects the June 1, 2008 effective date and a delay in filed claim benefits. UITF revenues would increase by $48,100 in FY 2009. Out-year estimates reflect projected increases in weekly benefit amounts and full-year reimbursement by the State, local governments, and nonprofit entities.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
NonBud Rev.	$48,100	$65,700	$67,600	$69,500	$71,700
NonBud Exp.	1,035,300	1,068,000	1,097,100	1,129,800	1,166,100
Net Effect	($987,200)	($1,002,300)	($1,029,500)	($1,060,300)	($1,094,400)

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

Local Effect: Local government expenditures could increase by an estimated $14,000 in FY 2009 and $20,800 in FY 2013 to reimburse the trust fund. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: A disqualification for unemployment insurance benefits is imposed if an individual leaves employment to • become self-employed; • accompany a spouse to a new location or joins a spouse in a new location; or • attend an educational institution. If good cause for voluntarily leaving work does not exist, an individual is disqualified from receiving unemployment insurance benefits until the individual • is reemployed; • has earned wages that cover 15 times the weekly unemployment insurance benefit amount; and • loses the subsequent employment through no fault of his or her own. If a valid circumstance does exist, an individual is disqualified from receiving unemployment insurance benefits for at least 5 but not more than 10 weeks after the last work day, based on the seriousness of the circumstances.

Unemployment insurance benefits may not be charged against a private-sector employer if an individual left employment voluntarily without good cause.

Background: Unemployment insurance is an employer-funded insurance program which provides benefits to persons who are unemployed through no fault of their own and who are ready, willing, and able to work. Under current law, there is no differentiation between the circumstances of a couple choosing to relocate for purely personal reasons and mandatory job relocation scenarios.

There are circumstances, particularly in the military, where the spouse receives transfer orders and must relocate. If the spouse of the military employee voluntarily quits his or her job to relocate with the military employee, the maximum disqualification of 15 times the weekly unemployment insurance benefit amount is imposed. For example, if the unemployment insurance benefit amount paid to an eligible individual is $200, a disqualified individual would have to earn $3,000 before once again becoming eligible for UI benefits.

DLLR advises that in fiscal 2007, 318 individuals were disqualified for voluntarily quitting employment to follow a spouse. A survey of five statewide UI claim centers indicated that 75% of those voluntarily quitting to follow a spouse involved a military transfer.

Several states, including Florida, Georgia, Indiana, Texas, and Washington provide UI benefits to a spouse who quits to follow a spouse, generally with some restrictions. Texas imposes a disqualification period of 6 to 25 weeks, and Florida and Georgia only allow it for certain military spouses.

Unemployment Insurance Trust Fund Effect: Assuming that 239 individuals receive a weekly benefit for 15.2 weeks each year, UITF expenditures would increase by $1,035,348 in fiscal 2009, which accounts for the June 1, 2008 effective date, the $285 weekly benefit that year, and a delay presumption between the time claims are filed and benefits are subsequently awarded. Private employers would not be charged back and the unrecoverable amount would, ultimately, be recovered through premiums paid by all employers. Payments made for State, local governments, and nonprofit employers would be charged in the same year and reimbursement would be made on a quarterly basis. In the first year, payment for three quarters would be collected. Thus, UITF revenues would increase by $48,144 in fiscal 2009 and $71,737 in fiscal 2013.

Out-years reflect the projected increases in the weekly benefit amount and annualization of revenue collection, while the number of individuals (239) and duration of benefits (15.2 weeks) remain the same.

State Expenditures: UI benefits are chargeable to the State at 1.4% and reimbursed on a quarterly basis. In the first year, payments for only three quarters would be collected. Thus, total State expenditures (general funds, special funds, and federal funds) could increase by $10,871 in fiscal 2009 and $16,199 in fiscal 2013.

Local Expenditures: UI benefits are chargeable to local governments at 1.8% and reimbursed on a quarterly basis. In the first year, payments for only three quarters would be collected. Thus, local jurisdictional expenditures could increase by $13,977 in fiscal 2009 and $20,827 in fiscal 2013.

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 26, 2008
mll/ljm Revised - House Third Reader - March 28, 2008

Analysis by: Michael P. Lee

Direct Inquiries to:
(410) 946-5510
(301) 970-5510