

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 34

(Senator Middleton, *et al.*) (Joint Committee on
Unemployment Insurance Oversight)

Finance

Economic Matters

**Joint Committee on Unemployment Insurance Oversight - Termination Date and
Study**

This bill establishes the Joint Committee on Unemployment Insurance Oversight as a permanent statutory committee. The joint committee must study the condition of the State unemployment insurance system as a result of the implementation of Chapter 169 of 2005. The joint committee may also examine the need for alterations to the unemployment insurance system in order to maintain the Unemployment Insurance Trust Fund and to ensure fairness of the system. Additionally, the bill requires the joint committee to study the current unemployment law and federal law as it relates to employing units engaged in seasonal industries. The study must include specified information and must be submitted to the Governor and the General Assembly by December 1, 2010.

The joint committee is currently scheduled to terminate on December 31, 2010.

Fiscal Summary

State Effect: Continued expense reimbursements for joint committee members and staffing costs for the Department of Legislative Services are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: Potential meaningful benefit to small business owners.

Analysis

Current Law: Chapters 50 and 51 of 2007 created the Joint Committee on Unemployment Insurance Oversight to continue the work of a prior committee that expired at the end of 2006. The prior committee, the Committee on Unemployment Insurance Oversight, was established under Chapter 169 of 2005 to study the condition of the unemployment insurance system resulting from the effects of that 2005 law, which replaced the experience-based tax rates and flat rate surcharge system with a single overall experience-based tax rated system and increased the maximum weekly benefit amount. The joint committee is authorized to examine the need for additional alterations to the system, including rate charging and taxation provisions and eligibility and benefit provisions. The joint committee is scheduled to terminate on December 31, 2010.

During the 2009 interim, the joint committee met several times to discuss the status of the Unemployment Insurance Trust Fund and possible changes to the unemployment insurance system.

Background: Unemployment insurance benefits are funded through Maryland employers' State unemployment insurance taxes. An employer's tax rate is based on the employer's unemployment history and ranges within a certain percentage of the total taxable wages of the employer's employees. The taxes are deposited in the Unemployment Insurance Trust Fund and can be used only to pay benefits to eligible unemployed individuals.

Chapter 269 of 2003 created the Unemployment Insurance Funding Task Force to study (1) the fairness of the existing charging and taxation system under Maryland Unemployment Insurance Law, taking into consideration the impact on employers; (2) the fairness of existing eligibility and benefit provisions under Maryland Unemployment Insurance Law; (3) the need for altering the system of charging and taxation in order to maintain the fund at a level sufficient to ensure the viability of the fund; and (4) the impact of changes in the national and State economics and their relationship to changes in the fund. The task force was required to make specific recommendations, including developing draft legislation, on what steps might be taken to ensure that payments into the fund remained adequate and equitable for both employees and employers. The Act specified that the unemployment insurance task force would terminate on December 31, 2003.

Chapter 260 of 2004 extended the task force from December 31, 2003, to December 31, 2004. The task force considered an extensive list of options for Maryland's unemployment insurance system and recommended a number of changes to the charging and taxation system. Those recommendations became Chapter 169 of 2005,

which also created the Committee on Unemployment Insurance Oversight, which expired at the end of 2006.

Small Business Effect: Members of the joint committee include representatives from the National Federation of Independent Business, the Maryland Chamber of Commerce, and the Maryland Retailers Association, all of which may represent the interests of small business owners.

Additional Information

Prior Introductions: None.

Cross File: HB 267 (Delegate Taylor, *et al.*) (Joint Committee on Unemployment Insurance Oversight) – Economic Matters.

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

Fiscal Note History: First Reader - January 15, 2010
mpc/rhh Revised - Enrolled Bill - May 27, 2010

Analysis by: Erik P. Timme

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