

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 86

(Chair, Finance Committee)(By Request - Departmental -
 Labor, Licensing and Regulation)

Finance

Economic Matters

**Unemployment Insurance - Exemption From Actively Seeking Work
 Requirement - Repeal**

This departmental bill removes an exemption from the general requirement that individuals must actively seek work in order to receive unemployment benefits. The current exemption applies to individuals who are age 60 or older and who have been temporarily furloughed and are subject to recall. The bill applies only to initial and reopened unemployment insurance (UI) claims filed on or after July 3, 2016.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: The Department of Labor, Licensing, and Regulation (DLLR) can implement the bill with existing budgeted resources. State expenditures (all funds) decrease by approximately \$66,300 annually beginning in FY 2017 from reduced chargeable UI benefits. Revenues are not affected.

Unemployment Insurance Trust Fund (UITF) Effect: UITF expenditures (benefits paid) decrease by approximately \$3.5 million annually, under the assumptions discussed below. UITF revenues decrease from reduced repayments by employers.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
UITF Revenues	(-)	(-)	(-)	(-)	(-)
UITF Exp.	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
Net Effect	-	-	-	-	-

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

Local Effect: Local government expenditures decrease beginning in FY 2017 from reduced chargeable UI benefits. Local government revenues are not affected.

Small Business Effect: DLLR has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: Generally, to be eligible for UI benefits an individual must be able to work, available for work, and actively seeking work. There are several caveats to these general requirements, including:

- An individual may not be denied benefits for any week of unemployment for failure to meet the requirement to seek work actively if the individual (1) is age 60 or older and (2) has been temporarily furloughed and is subject to recall.
- An individual may not be denied benefits for any week of unemployment for failure to meet the requirements to be able to work, be available to work, and be actively seeking work if the failure results from a summons to appear for jury duty.
- An individual who otherwise is unemployed may not be considered to be employed because the individual is engaged in inactive duty for training as a member of the National Guard or other reserve component of the U.S. Armed Forces.
- An individual is not eligible for benefits for any week that begins during a period between two successive athletic seasons or other similar period based on covered employment substantially all of which consists of training or preparing to participate or participating in sports and athletic events if (1) the individual performed the employment in the first season or similar period and (2) there is reasonable assurance that the individual will perform the service in the second season or similar period.
- In the case of full or partial plant closures, subject to specified conditions, the Secretary of Labor, Licensing, and Regulation may exempt employees of the plant from the requirement to actively seek work during the period of plant closure.

Determination of Actively Seeking Work

In determining whether an individual actively is seeking work, the Secretary must consider:

- whether the individual has made an effort that is reasonable and that would be expected of an unemployed individual who honestly is looking for work; and
- the extent of the effort in relation to the labor market conditions in the area in which the individual is seeking work.

A part-time worker may not be determined to be ineligible for the receipt of benefits for a week in which the part-time worker is available for and seeking only part-time work if the part-time worker is actively seeking part-time work and is in a labor market in which a reasonable demand exists for part-time work. For this limited determination, an individual is seeking only part-time work if the individual is able to work (1) hours that are comparable to the individual's work at the time of the most recent separation from part-time employment and (2) at least 20 hours per week.

Background: DLLR advises that a substantial number of individuals who claim the exemption removed by the bill work in seasonal employment, including the State government, local governments (especially the Town of Ocean City), and tax preparation services. In a recent analysis, 20% of the claimants with this work search exemption worked in the industries cited above. It is estimated that an additional 20% work in other seasonal industries. After working the first year, such individuals are eligible to receive UI benefits every year without looking for work. They will usually receive all 26 weeks of benefits every year, which are chargeable to their employers. In short, the employers may be employing the individuals for four to six months per year and are responsible for UI benefit charges for six months of the year. DLLR further advises that, according to the U.S. Department of Labor, Maryland is the only state with this exemption.

A significant proportion of individuals age 60 or older are still in the labor force. In 2014, the civilian labor force participation rate for individuals age 60 to 64 was 55.8%. For individuals age 65 to 69, it was 31.6%. Across all (working) age groups, it was 62.9%.

State Expenditures: DLLR can implement the bill with existing budgeted resources. State expenditures (all funds) decrease by approximately \$66,300 annually beginning in fiscal 2017 from reduced chargeable UI benefits. This estimate assumes that total UI benefit charges for seasonal State employees age 60 or older are reduced by 35%.

UITF Effect: UITF expenditures (benefits paid) decrease by approximately \$3.5 million annually beginning in fiscal 2017. This estimate assumes that total UI benefit charges for

seasonal employees age 60 or older are reduced by 35%. In 2014, 2,532 claimants exempt from the work search requirement were paid \$10.0 million in UI benefits. Reducing the annual payments by 35% reduces UITF expenditures (benefits paid) by \$3.5 million. These UI benefits are chargeable to employers; therefore, UITF revenues decrease from reduced repayments by employers.

Local Expenditures: Local government expenditures decrease beginning in fiscal 2017 from reduced chargeable UI benefits. Local governments with large numbers of seasonal employees age 60 or older experience relatively larger expenditure decreases. For example, expenditures for the Town of Ocean City are estimated to decrease by \$96,250 annually beginning in fiscal 2017 – which assumes that total UI benefit charges for seasonal Ocean City employees age 60 or older are reduced by 35%.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 15, 2016
min/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Unemployment Insurance – Work Search Exemption - Repeal

BILL NUMBER: SB 86

PREPARED BY: Susan Bass, Chief, Policy and Planning, Division of Unemployment Insurance, DLLR

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposed legislation would reduce the unemployment insurance costs of small businesses who utilize employees age 60 and over, particularly those who are seasonal employees. It is estimated that the unemployment insurance benefit charges for this group would be reduced by an estimated 35%. This estimate is based on data of claimants age 60 and over who are granted the work search exemption and further determining the percentage of these individuals who work in industries with seasonal employment. These include resort areas, recreation and tax services.