

# MAINE STATE LEGISLATURE

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(EMERGENCY)

(New Draft of H.P. 407, L.D. 490)  
(New Title)

FIRST REGULAR SESSION

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ONE HUNDRED AND ELEVENTH LEGISLATURE

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Legislative Document No. 1561

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H.P. 1174 House of Representatives, May 5, 1983

Reported by Representative Beaulieu from the Committee on Labor and  
printed under Joint Rule 2.  
Original bill presented by Representative Nadeau of Lewiston.

EDWIN H. PERT, Clerk

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STATE OF MAINE

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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-THREE

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AN ACT to Protect the Integrity of the  
Unemployment Compensation Fund.

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Emergency preamble. Whereas, Acts of the Legis-  
lature do not become effective until 90 days after  
adjournment unless enacted as emergencies; and

Whereas, Maine's Unemployment Compensation Fund  
is presently in serious financial trouble; and

Whereas, the Federal Government has placed inter-  
est charges and other stringent standards on state  
borrowing to discourage reliance on federal loans to  
rescue state unemployment funds; and

Whereas, the Department of Labor's long-range  
projections indicate that by fiscal year 1987-88 the

1 fund may again be in difficult enough circumstances  
2 to require another large federal loan of the magni-  
3 tude of the debt incurred in the 1974-75 recession,  
4 which has still not been fully repaid; and

5 Whereas, unemployment benefits are of critical  
6 importance to the Maine workers and the health of the  
7 unemployment system directly affects the state's  
8 economy; and

9 Whereas, the seriousness and persistence of these  
10 concerns make it vitally important to deal with this  
11 problem directly and comprehensively; and

12 Whereas, in the judgment of the Legislature,  
13 these facts create an emergency within the meaning of  
14 the Constitution of Maine and require the following  
15 legislation as immediately necessary for the preser-  
16 vation of the public peace, health and safety; now,  
17 therefore,

18 Be it enacted by the People of the State of Maine as  
19 follows:

20 **Sec. 1. Commission established.** There is cre-  
21 ated an Unemployment Compensation Fund Study Commis-  
22 sion for the purpose of studying the fiscal integrity  
23 of the Unemployment Compensation Fund.

24 **Sec. 2. Staff and assistance.** The Department of  
25 Labor shall provide research, clerical and computer  
26 assistance to the commission and give unrestricted  
27 access to its records, rules, policies and data,  
28 except for those items which the department is  
29 legally obligated to keep confidential. The Office  
30 of Legislative Assistants shall provide further  
31 assistance to the commission.

32 **Sec. 3. Membership.** The commission shall have  
33 9 members, as follows:

34 1. Three members of the Legislature, including  
35 one Senator and 2 Representatives;

36 2. Two members representing organized labor;

37 3. Two members representing the business commu-  
38 nity;

1           4. One member familiar with administration of  
2 the Unemployment Compensation Fund; and

3           5. One member representing the general public.

4           **Sec. 4. Appointment.** The members of the commis-  
5 sion shall be appointed by the chairmen of the Joint  
6 Standing Committee on Labor.

7           **Sec. 5. Duties.** The commission shall inquire  
8 into the fiscal integrity of the Unemployment Compen-  
9 sation Fund, including, but not limited to, the fol-  
10 lowing areas of inquiry:

11           1. The financial condition of the fund from both  
12 short-term and long-range perspectives in order to  
13 adequately fund unemployment benefits and avoid the  
14 need to borrow money from the Federal Government;

15           2. The amount and type of employer contribu-  
16 tions, the standards used in determining who will  
17 receive benefits and the method used to collect them;

18           3. The amount and type of employee unemployment  
19 benefits, the standards used in determining who will  
20 receive benefits and the method of payment;

21           4. Possible changes to the seasonal unemployment  
22 provisions of the law;

23           5. The efficiency of program operations, adequa-  
24 cy of staffing and improvements in utilization of  
25 resources that are possible while remaining in com-  
26 pliance with federal law; and

27           6. Methods used successfully in other states's  
28 unemployment programs that could improve this state's  
29 system.

30           **Sec. 6. Reports.** The commission shall present  
31 its findings, together with any suggested legis-  
32 lation, to the Second Regular Session of the 111th  
33 Legislature.

34           **Sec. 7. Appropriation.** The members shall serve  
35 without pay, but the following funds shall be appro-  
36 priated from the General Fund to reimburse members

1 for reasonable and necessary travel and other  
2 expenses and to cover the per diem expenses of the  
3 Legislators. Any unexpended balance shall not lapse,  
4 but may remain a continuing carrying account until  
5 the purpose of this Act has been accomplished.

6 1983-84

7 UNEMPLOYMENT COMPENSATION FUND  
8 STUDY COMMISSION

9 All Other \$2,000

10 **Emergency clause.** In view of the emergency  
11 cited in the preamble, this Act shall take effect  
12 when approved.

13 STATEMENT OF FACT

14 Statistics show that the state's Unemployment  
15 Compensation Fund is in serious condition. The State  
16 still owes a portion of the \$36,000,000 it borrowed  
17 from the Federal Government during the 1974-75 recession  
18 and, therefore, employers are now making  
19 increased contributions to repay this debt. The  
20 Department of Labor anticipates a negative fund balance  
21 this spring which will require a temporary federal  
22 loan to cover payment of benefits to unemployed  
23 workers. While it is hoped this cash flow loan can  
24 be repaid by the end of the federal fiscal year to  
25 avoid interest charges, it illustrates the stringent  
26 new standards and interest charges the Federal Government  
27 has placed on state borrowing in order to  
28 discourage long-term reliance on federal loans to  
29 bail out troubled state unemployment funds. Long-  
30 range projections by the Department of Labor indicate  
31 that by fiscal year 1987-88 the Unemployment Compensation  
32 Fund may once again be in difficult circumstances  
33 requiring another major long-term federal  
34 loan of the magnitude of the debt incurred in the  
35 1970's. Another measure of the fund's condition is  
36 the Unemployment Compensation Fund reserve multiple.  
37 While the Federal Government recommends a 1.5 reserve  
38 multiple to insure a state's ability to pay out benefits  
39 during a recession, the state's current fund  
40 reserve multiple is approaching zero.

1       It is difficult for the Legislature to make sound  
2 policy decisions on individual bills affecting  
3 employer contributions and employee benefits while  
4 the condition of the fund remains in serious ques-  
5 tion. This issue is raised at most public hearings  
6 on bills dealing with the unemployment program, and  
7 the committee believes it is vitally important to  
8 deal with this problem directly and comprehensively.

9       The commission will study the central issues of  
10 the balance needed in the fund, the amount of  
11 employer contributions and the method used to collect  
12 them, and the amount and type of employee benefits  
13 paid out. In addition, it wishes to study related  
14 issues such as the law's provisions for seasonal  
15 workers, the efficiency of program operation and  
16 methods used with success in other state's employment  
17 programs that could improve this state's system. The  
18 commission will study not only the present condition  
19 of the fund, but also changes in contributions and  
20 benefits with a long-range perspective to avoid  
21 serious future problems which may harm both employees  
22 and employers.

23       Unemployment benefits are of critical importance  
24 to the many Maine workers who utilize this program,  
25 and the health of the unemployment system directly  
26 affects the state's economy. Because of the serious-  
27 ness and persistence of the concerns in this area,  
28 this subject deserves a more comprehensive examina-  
29 tion than could be given during the session on a  
30 bill-by-bill basis.

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