

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 2087

6
7 H.P. 1577

House of Representatives, February 16, 1984

8 Reported by Representative Swazey from the Committee on
9 Unemployment Compensation Fund Study Commission. Sent up for
concurrency and ordered printed under Joint Rule 18.

EDWIN H. PERT, Clerk

10 Submitted by the Unemployment Compensation Fund Study Commission
pursuant to P&SL 1983 c. 46.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FOUR
16

17 AN ACT to Provide for Financial Solvency
18 in the Unemployment Compensation Fund.
19

20 Be it enacted by the People of the State of Maine as
21 follows:

22 Sec. 1. 26 MRSA §1043, sub-§2, as amended by PL
23 1983, c. 13, §1, is further amended to read:

24 2. Annual payroll. "Annual payroll" means the
25 total amount of wages paid by an employer during a
26 calendar year, not meaning, however, to include that
27 part of individual wages or salaries in excess of
28 \$3,000 in any calendar year through 1971, \$4,200 in
29 any calendar year through 1977, \$6,000 in any calen-
30 dar year through 1982 and, \$7,000 in any subsequent
31 calendar year through 1984, \$7,400 in 1985, \$7,900 in
32 1986 and \$8,500 in any subsequent calendar year .

33 Sec. 2. 26 MRSA §1043, sub-§19, ¶A, as amended
34 by PL 1983, c. 13, §2, is further amended to read:

1 A. For purposes of section 1221, the term
2 "wages" shall not include that part of remunera-
3 tion which after remuneration equal to \$3,000
4 through December 31, 1971, \$4,200 through Decem-
5 ber 31, 1977, \$6,000 through December 31, 1982,
6 and on and after January 1, 1983, that part of
7 remuneration equal to \$7,000 through December 31,
8 1984, \$7,400 through December 31, 1985, \$7,900
9 through December 31, 1986 and on and after Janu-
10 ary 1, 1987, that part of remuneration equal to
11 \$8,500 has been paid in a calendar year to an in-
12 dividual by an employer or his predecessor with
13 respect to employment during any calendar year,
14 is paid to the individual by the employer during
15 that calendar year, unless that part of the remu-
16 neration is subject to a tax under a federal law
17 imposing a tax against which credit may be taken
18 for contributions required to be paid into a
19 state unemployment fund. The wages of an indi-
20 vidual for employment with an employer shall be
21 subject to this exception whether earned in this
22 State or any other state when the
23 employer-employee relationship is between the
24 same legal entities;

25 Sec. 3. 26 MRSA §1193, sub-§1, ¶A, as amended by
26 PL 1979, c. 651, §46, is further amended to read:

27 A. For the week in which he left his regular em-
28 ployment voluntarily without good cause attribut-
29 able to such employment, or to a claimant who has
30 voluntarily removed himself from the labor market
31 where presently employed to an area where employ-
32 ment opportunity is less frequent, if so found by
33 the deputy, and disqualification shall continue
34 until claimant has earned 4 8 times his weekly
35 benefit amount in employment by an employer; pro-
36 vided no disqualification shall be imposed if the
37 individual establishes that he left employment in
38 good faith and accepted new employment on a per-
39 manent full-time basis and he became separated
40 from the new employment for good cause attributa-
41 ble to employment with the new employing unit.
42 Leaving work shall not be considered voluntary
43 without good cause when it is caused by the ill-
44 ness or disability of the claimant or of his im-
45 mediate family and the claimant took all reason-

1 able precautions to protect his employment status
2 by having promptly notified his employer as to
3 the reasons for his absence and by promptly re-
4 questing reemployment when he is again able to
5 resume employment; nor shall leaving work be con-
6 sidered voluntary without good cause if the leav-
7 ing was necessary for the claimant to accompany,
8 follow or join his spouse in a new place of resi-
9 dence and he can clearly show within 7 days upon
10 arrival at the new place of residence an attach-
11 ment to the new labor market and is in all re-
12 spects able, available and actively seeking suit-
13 able work;

14 Sec. 4. 26 MRSA §1193, sub-§2, as amended by PL
15 1979, c. 651, §§46 and 47, is further amended to
16 read:

17 2. Discharge for misconduct. For the week in
18 which he has been discharged for misconduct connected
19 with his work, if so found by the deputy, and dis-
20 qualification shall continue until claimant has
21 earned 4 8 times his weekly benefit amount in employ-
22 ment by an employer.

23 A. For the duration of any period for which he
24 has been suspended from his work by his employer
25 as discipline for misconduct, if so found by the
26 deputy, or until the claimant has earned 4 8
27 times his weekly benefit amount in employment by
28 an employer.

29 Sec. 5. 26 MRSA §1193, sub-§7, as amended by PL
30 1983, c. 305, §5, is further amended to read:

31 7. Discharged for crime. For the period of unem-
32 ployment next ensuing with respect to which he was
33 discharged for conviction of felony or misdemeanor in
34 connection with his work. The ineligibility of such
35 individual shall continue for all weeks subsequent
36 until such individual has thereafter earned not less
37 than \$600 8 times his weekly benefit amount in em-
38 ployment by an employer.

EMPLOYER'S CONTRIBUTION RATE IN PERCENT OF WAGES

| Employer Reserve Ratio Equal to or more than | Employer Reserve Ratio Less than | When Reserve Multiple Is: | | | | | | | | | | | | | | | |
|---|---|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|-------------|-------------|--------------|
| | | over 2.50 | 2.37- 2.50 | 2.23- 2.36 | 2.09- 2.22 | 1.95- 2.08 | 1.81- 1.94 | 1.67- 1.80 | 1.53- 1.66 | 1.39- 1.52 | 1.25- 1.38 | 1.11- 1.24 | .97- 1.10 | .83- .96 | .68- .82 | .45- .67 | under .45 |
| | | Column A | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
| 19.0% | and over | 0.5% | 0.6% | 0.7% | 0.8% | 0.9% | 1.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.4% |
| 18.0% | 19.0% | 0.6% | 0.7% | 0.8% | 0.9% | 1.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.5% |
| 17.0% | 18.0% | 0.7% | 0.8% | 0.9% | 1.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.6% |
| 16.0% | 17.0% | 0.8% | 0.9% | 1.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.7% |
| 15.0% | 16.0% | 0.9% | 1.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.8% |
| 14.0% | 15.0% | 1.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.9% |
| 13.0% | 14.0% | 1.1% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 3.0% |
| 12.0% | 13.0% | 1.2% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 3.1% |
| 11.0% | 12.0% | 1.3% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 3.2% |
| 10.0% | 11.0% | 1.4% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 3.3% |
| 9.0% | 10.0% | 1.5% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.4% |
| 8.0% | 9.0% | 1.6% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.5% |
| 7.0% | 8.0% | 1.7% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.6% |
| 6.0% | 7.0% | 1.8% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.7% |
| 5.0% | 6.0% | 1.9% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.3% | 3.8% |
| 4.0% | 5.0% | 2.0% | 2.1% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.3% | 3.4% | 3.9% |
| 3.0% | 4.0% | 2.2% | 2.3% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 4.1% |
| 2.0% | 3.0% | 2.4% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 4.3% |
| 1.0% | 2.0% | 2.6% | 2.7% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.5% |
| .6% | 1.0% | 2.8% | 2.9% | 3.0% | 3.1% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.7% |
| Negative balance | | 3.1% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.5% | 5.0% |
| -1.0% | .0% | 3.0% | 3.1% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.9% |
| -2.0% | -1.0% | 3.2% | 3.3% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.5% | 4.6% | 5.1% |
| -3.0% | -2.0% | 3.4% | 3.5% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% | 4.8% | 5.3% |
| -4.0% | -3.0% | 3.6% | 3.7% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% | 4.8% | 4.9% | 5.0% | 5.5% |
| -5.0% | -4.0% | 3.8% | 3.9% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% | 4.8% | 4.9% | 5.0% | 5.1% | 5.2% | 5.7% |
| -6.0% | -5.0% | 4.0% | 4.1% | 4.2% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% | 4.8% | 4.9% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.9% |
| -7.0% | -6.0% | 4.2% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% | 4.8% | 4.9% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.5% | 5.6% | 6.1% |
| -8.0% | -7.0% | 4.4% | 4.5% | 4.6% | 4.7% | 4.8% | 4.9% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.5% | 5.6% | 5.7% | 5.8% | 6.3% |
| -9.0% | -8.0% | 4.6% | 4.7% | 4.8% | 4.9% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.5% | 5.6% | 5.7% | 5.8% | 5.9% | 6.0% | 6.5% |
| -10.0% | -9.0% | 4.8% | 4.9% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.5% | 5.6% | 5.7% | 5.8% | 5.9% | 6.0% | 6.1% | 6.2% | 6.7% |
| -11.0% | -10.0% | 5.0% | 5.1% | 5.2% | 5.3% | 5.4% | 5.5% | 5.6% | 5.7% | 5.8% | 5.9% | 6.0% | 6.1% | 6.2% | 6.3% | 6.4% | 6.9% |
| -12.0% | -11.0% | 5.2% | 5.3% | 5.4% | 5.5% | 5.6% | 5.7% | 5.8% | 5.9% | 6.0% | 6.1% | 6.2% | 6.3% | 6.4% | 6.5% | 6.6% | 7.1% |
| under | -12.0% | 5.4% | 5.5% | 5.6% | 5.7% | 5.8% | 5.9% | 6.0% | 6.1% | 6.2% | 6.3% | 6.4% | 6.5% | 6.6% | 6.7% | 6.8% | 7.3% |

1 Sec. 6. 26 MRSA §1221, sub-§2, ¶C is enacted to
2 read:

3 C. Each employer subject to this chapter, other
4 than those liable for payments in lieu of contri-
5 butions, shall pay, in addition to an amount
6 based on his contribution rate as prescribed in
7 subsection 4, a surtax equal to 16% of his con-
8 tribution rate multiplied by the wages paid by
9 him with respect to employment during the calen-
10 dar years 1985, 1986 and 1987. This paragraph is
11 repealed January 1, 1988.

12 Sec. 7. 26 MRSA §1221, sub-§4, ¶B, as amended by
13 PL 1981, c. 16, §1, is further amended to read:

14 B. Subject to paragraph A, each employer's con-
15 tribution rate for the 12-month period commencing
16 January 1st of each year shall be based upon his
17 experience rating record and determined from his
18 reserve ratio, which is the percent obtained by
19 dividing the amount by which, if any, his contri-
20 butions credited from the time he first or most
21 recently became an employer, whichever date is
22 later, and up to and including June 30th of the
23 preceding year, including any part of his contri-
24 butions due for that year payable on or before
25 July 31st of the preceding year, exceed his bene-
26 fits charged during the same period, by his aver-
27 age annual payroll for the 36-consecutive-month
28 period ending June 30th of the preceding year.
29 His contribution rate is the percent shown on the
30 line of the following table on which in column A
31 there is indicated his reserve ratio and under
32 the schedule within which the reserve multiple
33 falls as of September 30th of each year. The fol-
34 lowing table will apply for each 12-month period
35 commencing January 1st of each year as determined
36 by paragraph C. Notwithstanding any other provi-
37 sions of this paragraph, each employer's contri-
38 bution rate computed and effective as of July 1,
39 1981, shall be for the 6-month period ending De-
40 cember 31, 1981.

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STATEMENT OF FACT

This bill is one of 2 bills implementing the Unemployment Compensation Fund Study Commission's recommendations to restore solvency to the Trust Fund. The Department of Labor projects that under Maine's current law, Trust Fund reserves will decline and result in a deficit balance of (-)\$103.1 million by the end of 1990. Federal loans will be needed each year with only the 1984-85 loans being repaid in time to avoid the new 10% federal interest charges, even though the older interest-free 1975-78 loans took until 1983 to be totally paid off. Interest penalties for the 1986-90 period would be an estimated \$36.4 million and would be borne by the state's General Fund or direct employer taxation, because federal law does not allow financing from Trust Fund reserves. Obviously, current law must be changed to prevent this result.

The commission did not attempt a permanent cure of the fund's ills because there are so many uncontrollable variables that will affect it, including the overall economy, unemployment rates, state and national policies and other bills enacted by the Legislature. Instead, these recommendations will avert the financial crisis projected for the immediate future and avoid incurring a large federal debt.

The bill does the following:

Sections 1 and 2 raise the taxable wage base to which an employer's tax rates are applied. Currently, the first \$7,000 of a covered employee's wages are taxable, which is the federal minimum base. Under this bill, Maine would join the 25 other states with higher bases by raising the base to \$7,400 in 1985, \$7,900 in 1986 and \$8,500 in 1987 and thereafter, unless amended to change after 1987.

Sections 3 and 4 increase the penalties for a disqualification for voluntary quit or misconduct. Under this bill, a claimant remains disqualified until he has earned 8 times his weekly benefit amount, rather than only 4 times the weekly benefit amount.

1 Section 5 increases the penalty for a disqualifi-
2 cation for crime connected with work. The claimant
3 remains disqualified until he earns 8 times his week-
4 ly benefit amount rather than the current \$400.

5 Section 6 amends the employer's tax rate contri-
6 bution schedules by raising rates for negative bal-
7 ance employers whose former employees draw more bene-
8 fits than the employer has paid in taxes. Presently,
9 all negative balance employers are taxed at the same
10 rate, even those with large negative balances, in ef-
11 fect, forcing employers with better experience rat-
12 ings to subsidize those with poor ratings. This
13 weakens the incentives provided by the experience
14 rating system. This change also meets the new feder-
15 al requirement that the maximum tax rate in all
16 schedules be at least 5.4%.

17 Section 7 adds a "sliding scale" surtax on 16% of
18 an employer's contribution rate applied to covered
19 wages. For example, an employer with a 3.4% tax rate
20 would pay a .5% surtax, resulting in a total rate of
21 3.9%, while an employer with a 6.5% tax rate would
22 pay a 1% surtax, resulting in a 7.5% total rate.
23 This is more equitable than continuing the current
24 flat experience rating system by taxing those with
25 better records at a lower rate. The surtax is re-
26 pealed after 1987.

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