

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

DATE: 3-30-98

(Filing No. H-1101)

MINORITY
LABOR

Reproduced and distributed under the direction of the Clerk of the House.

STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "B" to H.P. 1604, L.D. 2230, Bill, "An Act to Implement the Majority Report Recommendations of the Commission to Study the Unemployment Compensation System"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

Sec. 1. 26 MRSA §1191, sub-§2, as amended by PL 1997, c. 380, §1, is further amended to read:

2. Weekly benefit amount for total unemployment. Each eligible individual establishing a benefit year on or after October 1, 1983 who is totally unemployed in any week must be paid with respect to that week benefits equal to 1/22 of the wages, rounded to the nearest lower full dollar amount, paid to that individual in the high quarter of the base period, but not less than \$12. The maximum weekly benefit amount for claimants requesting insured status determination beginning October 1, 1983 and thereafter from June 1st of a calendar year to May 31st of the next calendar year may not exceed 52% of the annual average weekly wage, rounded to the nearest lower full dollar amount, paid in the calendar year preceding June 1st of that calendar year. No increase in the maximum weekly benefit amount may occur for the period from June 1, 1992 to October 28, 1995. For the periods from October 29, 1995 to May 31, 1997 and from September 28, 1997 to ~~September 26, 1998~~ December 31, 1999, the maximum weekly benefit amount is limited to 94% of the amount calculated previously in this subsection, rounded to the nearest lower full dollar amount. For claimants requesting insured status determination on or after April 1, 1993 and before January 1, 1995, the weekly benefit amount must be the amount determined by this subsection minus \$6. For claimants requesting insured status determination on or after April 1, 1995 and before January

COMMITTEE AMENDMENT

1, 1999 ~~2000~~, the weekly benefit amount must be the amount determined by this subsection minus \$3.

Sec. 2. 26 MRSA §1221, sub-§2, ¶C, as amended by PL 1997, c. 380, §2, is further amended to read:

C. Each employer subject to this chapter, other than those liable for payments in lieu of contributions, shall pay, in addition to the contribution rate as prescribed in subsection 4, 7/10 of 1% of the wages paid by the employer with respect to employment during the calendar year 1993, 8/10 of 1% of the wages paid by the employer with respect to employment during the calendar year 1994 and 4/10 of 1% of the wages paid by the employer with respect to employment during calendar years 1995, 1996, 1997, ~~1998~~ and ~~1998~~ 1999.

Sec. 3. 26 MRSA §1221, sub-§4, ¶C, as amended by PL 1997, c. 380, §3, is further amended to read:

C. To designate the contribution rate schedule to be effective for a rate year, a reserve multiple must be determined. The reserve multiple must be determined by dividing the fund reserve ratio by the composite cost rate. The determination date is September 30th of each calendar year, and the schedule of contribution rates to apply for the 12-month period commencing January 1st, is determined by this reserve multiple, except that for the 1998 and 1999 rate year years Schedule P is in effect.

Sec. 4. Public hearings. The Department of Labor, within existing resources, shall conduct public hearings across the State in major population and geographic areas to inform the public of and to solicit public comments regarding the condition of the Unemployment Compensation Fund. All hearings must be held by January 1, 1999.

Sec. 5. Report and recommendations. The Department of Labor, within existing resources, shall report to the First Regular Session of the 119th Legislature by January 1, 1999. The report must include legislation for ensuring the long-term solvency of the Unemployment Compensation Fund. In developing its legislative recommendations, the department shall review tax and benefit structures, as well as other systemic issues that affect the health of the Unemployment Compensation Fund, such as:

1. Benefit overpayments, including any fraud overpayments, and delinquent contributions; and

2 The membership and role of the state advisory council
3 established in the Maine Revised Statutes, Title 26, section
4 1082, subsection 5.

5 In making its recommendations, the Department of Labor shall
6 consider the public comments received at public hearings
7 conducted under section 4 of this Act.

8 **Sec. 6. Appropriation.** The following funds are appropriated
9 from the General Fund to carry out the purposes of this Act.

12 1998-99

14 **AGRICULTURE, FOOD AND RURAL RESOURCES,**
15 **DEPARTMENT OF**

16 **Departmentwide**

18 Personal Services \$2,875

20 Provides funds for additional unemployment
21 compensation costs. Notwithstanding the
22 Maine Revised Statutes, Title 5, section
23 1585, the State Budget Officer is authorized
24 to transfer funds within the department to
25 General Fund accounts as required to provide
26 funding for these unemployment compensation
27 costs.

30 **Sec. 7. Allocation.** The following funds are allocated from
31 Other Special Revenue to carry out the purposes of this Act.

32 1998-99

34 **BAXTER STATE PARK AUTHORITY**

36 **Baxter State Park Authority**

38 Personal Services \$2,079

40 Provides funds for additional unemployment
41 compensation costs.

44 Further amend the bill by inserting at the end before the
45 summary the following:

FISCAL NOTE

1998-99

APPROPRIATIONS/ALLOCATIONS

General Fund	\$2,875
Other Funds	2,079

Changes in this bill will have the net effect of increasing the reserves in the Unemployment Compensation Trust Fund, administered by the Department of Labor. Projected unemployment trends have been factored by the Commission to Study the Unemployment Compensation System into current statutory provisions, which in turn determine the amounts of unemployment benefits paid by the fund and the revenues collected by the fund. Based on this analysis, it is likely that the fund will have a deficit of approximately \$188,300,000 by calendar year 2005. The overall effect of the changes in this bill will result in a fund balance of \$142,400,000 by the end of calendar year 1999. This amount represents a projected increase of approximately \$33,300,000.

For calendar year 1998, the effect of extending the existing reduction of maximum benefit amounts by 6% will result in a savings of \$700,000 in benefits paid from the fund. In calendar year 1999, the aforementioned extension combines with the effect of maintaining the \$3 reduction in all individuals' weekly benefit amounts to result in a savings of \$6,100,000 in benefits paid from the fund.

This bill also includes a number of changes that will increase revenues collected for the fund. In calendar year 1999, the total effect of continuing the 4% surtax and forcing a certain tax schedule in the current experience rating system will result in an increase of \$25,600,000 in unemployment compensation taxes raised for the fund.

The Department of Agriculture, Food and Rural Resources will require an additional General Fund appropriation of \$2,875 in fiscal year 1998-99 for increased unemployment compensation costs. The estimated General Fund appropriations required to fund the full-year costs will be approximately \$4,356 in fiscal year 1999-2000. In addition, the department may need additional Federal Expenditure Fund, Other Special Revenue and Enterprise Fund allocations in fiscal year 1998-99 for increased unemployment compensation costs. The amounts can not be determined at this time.

2 The Baxter State Park Authority will require an additional
3 Other Special Revenue allocation of \$2,079 in fiscal year 1998-99
4 for increased unemployment compensation costs. The estimated
5 Other Special Revenue allocations required to fund the full-year
6 costs will be approximately \$3,150 annually beginning in fiscal
7 year 1999-2000. The agency has adequate resources to cover this
8 additional expense.

9
10 Based on information developed by the Division of Labor
11 Market Information Services within the Department of Labor, the
12 changes in this bill that pertain to the unemployment taxes
13 collected for the fund from employers will result in a net
14 increase in costs for 200 municipalities and local units of
15 government. The total additional costs are estimated to be
16 \$88,110 for calendar year 1999.

17
18 The Atlantic Salmon Authority and the Maine Sardine Council
19 will incur some minor additional costs to cover additional
20 unemployment compensation taxes. These costs can be absorbed
21 within the agencies' existing budgeted resources.

22
23 The Department of Labor will incur some minor additional
24 costs to hold public hearings and to submit a required report to
25 the Legislature. These costs can be absorbed within the
26 department's existing budgeted resources.'

28 SUMMARY

29
30 This amendment replaces the bill and is the minority report
31 of the Joint Standing Committee on Labor. Under current law,
32 there are 4 solvency measures that will come to an end by January
33 1, 1999: a 0.4% surtax; Schedule P tax rates, the highest
34 permissible rates; a 6% reduction in maximum benefit amounts; and
35 a \$3 reduction in all benefit amounts. The amendment maintains
36 those measures through December 31, 1999.

37
38 The amendment also requires the Department of Labor to
39 conduct public hearings across the State to inform the public of
40 and to solicit comments regarding the condition of the
41 Unemployment Compensation Fund. The department must also report
42 to the First Regular Session of the 119th Legislature by January
43 1, 1999 with recommendations for ensuring the long-term solvency
44 of the fund.

45
46 The amendment also adds an appropriation, an allocation and
a fiscal note to the bill.