

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

SECOND REGULAR SESSION-1998

Legislative Document

No. 2231

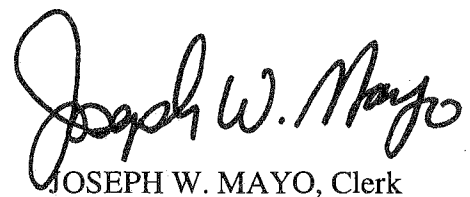
H.P. 1605

House of Representatives, February 25, 1998

**An Act to Implement the Minority Report Recommendations of the
Commission to Study the Unemployment Compensation System.**

Reported by Speaker MITCHELL for the Commission to Study the Unemployment Compensation System pursuant to Resolve 1997, chapter 65.

Reference to the Joint Standing Committee on Labor suggested and printing ordered under Joint Rule 218.


JOSEPH W. MAYO, Clerk

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

2
3 **Sec. 1. 26 MRSA §1043, sub-§19, ¶A**, as amended by PL 1983, c.
4 13, §2, is further amended to read:

6 A. For purposes of section 1221, the term "wages" shall
7 ~~does not include that part of remuneration which after~~
8 ~~remuneration equal to that exceeds the first \$3,000 through~~
9 ~~December 31, 1971,; \$4,200 through December 31, 1977,;~~
10 ~~\$6,000 through December 31, 1982,; \$7,000 through December~~
11 ~~31, 1998; and on and after January 1, 1983, that part of~~
12 ~~remuneration equal to \$7,000 has been 1999, \$9,000 that is~~
13 ~~paid in a calendar year to an individual by an employer or~~
14 ~~his the employer's predecessor with respect to for~~
15 ~~employment during any calendar year, is paid to the~~
16 ~~individual by the employer during that calendar year, unless~~
17 ~~that part of the remuneration is subject to a tax under a~~
18 ~~federal law imposing a tax against which credit may be taken~~
19 ~~for contributions required to be paid into a state~~
20 ~~unemployment fund. The wages of an individual for employment~~
21 ~~with an employer shall be are subject to this exception~~
22 ~~whether earned in this State or any other state when the~~
23 ~~employer-employee relationship is between the same legal~~
24 ~~entities;~~

26 **Sec. 2. 26 MRSA §1191, sub-§2**, as amended by PL 1997, c. 380,
27 §1, is further amended to read:

28 **2. Weekly benefit amount for total unemployment.** Each
29 eligible individual establishing a benefit year on or after
30 October 1, 1983 who is totally unemployed in any week must be
31 paid with respect to that week benefits equal to ~~1/22~~ 1/26 of the
32 wages, rounded to the nearest lower full dollar amount, paid to
33 that individual in the high quarter of the base period, but not
34 less than \$12. The maximum weekly benefit amount for claimants
35 requesting insured status determination beginning October 1, 1983
36 and thereafter from June 1st of a calendar year to May 31st of
37 the next calendar year may not exceed 52% ~~48%~~ of the annual
38 average weekly wage, rounded to the nearest lower full dollar
39 amount, paid in the calendar year preceding June 1st of that
40 calendar year. No increase in the maximum weekly benefit amount
41 may occur for the period from June 1, 1992 to October 28, 1995.
42 For the periods from October 29, 1995 to May 31, 1997 and from
43 September 28, 1997 to September 26, 1998, the maximum weekly
44 benefit amount is limited to 94% of the amount calculated
45 previously in this subsection, rounded to the nearest lower full
46 dollar amount. For claimants requesting insured status
47 determination on or after April 1, 1993 and before January 1,
48 1995, the weekly benefit amount must be the amount determined by
49 this subsection minus \$6. For claimants requesting insured
50

2 status determination on or after April 1, 1995 and before January
1, 1999, the weekly benefit amount must be the amount determined
4 by this subsection minus \$3.

6 **Sec. 3. 26 MRSA §1221, sub-§4-A is enacted to read:**

8 4-A. Employer's experience classifications after January 1,
9 1999. On and after January 1, 1999, the commissioner shall
10 compute annually contribution rates for each employer based on
11 the employer's own experience rating record and shall designate a
12 schedule and planned yield.

14 A. The standard rate of contributions is 5.4%. A
15 contributing employer's rate may not be varied from the
16 standard rate, unless the employer's experience rating
17 record has been chargeable with benefits throughout the
18 24-consecutive-calendar-month period ending on the
19 computation date applicable to such a year. A contributing
20 employer newly subject to this chapter shall pay
21 contributions at a rate equal to the predetermined yield
22 until the employer's experience rating record has been
23 chargeable with benefits throughout the
24 24-consecutive-calendar-month period ending on the
25 computation date applicable to such a year. For rate years
26 thereafter, the employer's contribution rate is determined
27 in accordance with this subsection and subsection 3.

28 B. Subject to paragraph A, an employer's contribution rate
29 for the 12-month period commencing January 1st of each year
30 is based upon the employer's experience rating record and
31 determined from the employer's reserve ratio. The
32 employer's reserve ratio is the percent obtained by dividing
33 the amount, if any, by which the employer's contributions
34 credited from the time the employer first or most recently
35 became an employer, whichever date is later, and up to and
36 including June 30th of the preceding year, including any
37 part of the employer's contributions due for that year paid
38 on or before July 31st of that year, exceed the employer's
39 benefits charged during the same period, by the employer's
40 average annual payroll for the 36-consecutive-month period
41 ending June 30th of the preceding year. The employer's
42 contribution rate is determined under subparagraphs (1) to
43 (7).

44
45 (1) The commissioner shall prepare a schedule listing
46 all employers for whom a reserve ratio has been
47 computed pursuant to this paragraph, in the order of
48 their reserve ratios, beginning with the highest
49 ratio. For each employer, the schedule must show:
50

- 2 (a) The amount of the employer's reserve ratio;
- 4 (b) The amount of the employer's annual taxable payroll; and
- 6 (c) A cumulative total consisting of the amount of the employer's annual taxable payroll plus the amount of the annual taxable payrolls of all other employers preceding that employer on the list.

10 (2) The commissioner shall segregate employers into contribution categories in accordance with the cumulative totals under subparagraph (1), division (c). The contribution category is determined by the cumulative payroll percentage limits in column B. Each contribution category is identified by the contribution category number in column A that is opposite the figures in column B, which represent the percentage limits of each contribution category. If an employer's taxable payroll falls in more than one contribution category, the employer must be assigned to the lower-numbered contribution category, except that an employer may not be assigned to a higher contribution category than is assigned any other employer with the same reserve ratio.

	<u>A</u>	<u>B</u>		<u>C</u>
	<u>Contribution Category</u>	<u>% of Taxable Payrolls From To</u>		<u>Experience Factors</u>
30	<u>1</u>	<u>00.00</u>	<u>05.00</u>	<u>.30</u>
32	<u>2</u>	<u>05.01</u>	<u>10.00</u>	<u>.35</u>
34	<u>3</u>	<u>10.01</u>	<u>15.00</u>	<u>.40</u>
36	<u>4</u>	<u>15.01</u>	<u>20.00</u>	<u>.45</u>
38	<u>5</u>	<u>20.01</u>	<u>25.00</u>	<u>.50</u>
40	<u>6</u>	<u>25.01</u>	<u>30.00</u>	<u>.55</u>
42	<u>7</u>	<u>30.01</u>	<u>35.00</u>	<u>.60</u>
44	<u>8</u>	<u>35.01</u>	<u>40.00</u>	<u>.65</u>
46	<u>9</u>	<u>40.01</u>	<u>45.00</u>	<u>.70</u>
48	<u>10</u>	<u>45.01</u>	<u>50.00</u>	<u>.75</u>
50	<u>11</u>	<u>50.01</u>	<u>55.00</u>	<u>.85</u>
	<u>12</u>	<u>55.01</u>	<u>60.00</u>	<u>.95</u>
	<u>13</u>	<u>60.01</u>	<u>65.00</u>	<u>1.05</u>
	<u>14</u>	<u>65.01</u>	<u>70.00</u>	<u>1.20</u>
	<u>15</u>	<u>70.01</u>	<u>75.00</u>	<u>1.35</u>
	<u>16</u>	<u>75.01</u>	<u>80.00</u>	<u>1.50</u>
	<u>17</u>	<u>80.01</u>	<u>85.00</u>	<u>1.65</u>
	<u>18</u>	<u>85.01</u>	<u>90.00</u>	<u>1.85</u>
	<u>19</u>	<u>90.01</u>	<u>95.00</u>	<u>2.05</u>
	<u>20</u>	<u>95.01</u>	<u>100.00</u>	<u>2.30</u>

2 (3) The commissioner shall compute a reserve multiple
 4 to determine the schedule and planned yield in effect
 6 for a rate year. The reserve multiple is determined by
 8 dividing the fund reserve ratio by the average benefit
 10 cost rate. The determination date is October 31st of
 12 each calendar year. The schedule and planned yield
 14 that apply for the 12-month period commencing every
 16 January 1st are shown on the line of the following
 18 table that corresponds to the applicable reserve
 20 multiple in column A except that Schedule A must be in
 22 effect for the 12-month period commencing January 1,
 24 1999 and Schedule C must be in effect for the 12-month
 period commencing January 1, 2000.

	A Reserve Multiple	B Schedule	C Planned Yield
18	.80 and over	A	0.7%
20	.60 - .79	B	0.8%
22	.40 - .59	C	0.9%
24	.20 - .39	D	1.0%
26	.00 - .19	E	1.2%
28	under .00	F	1.6%

26 (4) The commissioner shall compute the predetermined
 28 yield by multiplying the ratio of total wages to
 30 taxable wages for the 12-month period ending the
 preceding June 30th by the planned yield.

32 (5) The commissioner shall determine the contribution
 34 rates effective for a rate year by multiplying the
 36 planned yield by the experience factors for each
 38 contribution category. Contribution category 20 in the
 40 table in subparagraph (2) must be assigned a
 contribution rate of at least 5.4%. The employer's
 experience factor is the percent shown in column C in
 the table in subparagraph (2) that corresponds with the
 employer's contribution category in column A.

42 (6) If, subsequent to the assignment of contribution
 44 rates for a rate year, the reserve ratio of an employer
 46 is recomputed and changed, the employer must be placed
 48 in the position on the schedule prepared pursuant to
 subparagraph (1) that the employer would have occupied
 had the corrected reserve ratio been shown on the
 schedule. The altered position on the schedule does
 not affect the position of any other employer.

2 (7) In computing the contribution rates, only the
4 wages reported by employers liable for payment of
6 contributions into the fund and net benefits paid that
8 are charged to an employer's experience rating record
 or to the fund are considered in the computation of the
 average benefit cost rate and the ratio of total to
 taxable wages.

10 C. The commissioner shall:

12 (1) Promptly notify each employer of the employer's
14 rate of contributions as determined for the 12-month
16 period commencing January 1st of each year. The
18 determination is conclusive and binding upon the
20 employer unless within 30 days after notice of the
22 determination is mailed to the employer's last known
24 address or, in the absence of mailing, within 30 days
26 after the delivery of the notice, the employer files an
28 application for review and redetermination, setting
30 forth the employer's reasons. If the commission grants
32 the review, the employer must be promptly notified and
34 must be granted an opportunity for a hearing. An
36 employer does not have standing in any proceedings
38 involving the employer's rate of contributions or
40 contribution liability to contest the chargeability to
 the employer's experience rating record of any benefits
 paid in accordance with a determination,
 redetermination or decision pursuant to section 1194,
 except upon the ground that the services for which
 benefits were found to be chargeable did not constitute
 services performed in employment for the employer and
 only when the employer was not a party to the
 determination, redetermination or decision or to any
 other proceedings under this chapter in which the
 character of the services was determined. The employer
 must be promptly notified of the commission's denial of
 the employer's application, or the commission's
 redetermination, both of which are subject to appeal
 pursuant to Title 5, chapter 375, subchapter VII; and

42 (2) Provide each employer at least monthly with a
44 notification of benefits paid and chargeable to the
46 employer's experience rating record. In the absence of
48 an application for redetermination filed in the manner
50 and within the period prescribed by the commission, a
 notification is conclusive and binding upon the
 employer for all purposes. A redetermination made
 after notice and opportunity for hearing and the
 commission's findings of fact may be introduced in
 subsequent administrative or judicial proceedings

2 involving the determination of the rate of
4 contributions of an employer for the 12-month period
6 commencing January 1st of any year and is entitled to
8 the same finality as is provided in this section with
10 respect to the findings of fact made by the commission
12 in proceedings to redetermine the contribution rates of
14 an employer.

16 **Sec. 4. 26 MRSA §1221, sub-§6**, as amended by PL 1985, c. 348,
18 **§11**, is further amended to read:

20 **6. Definitions.** The following ~~words~~ terms, as used in this
22 section, shall have the following meanings, unless the context
24 already ~~requires~~ otherwise indicates.

26 A. "Computation date" shall ~~be~~ is June 30th of each
28 calendar year, and the reserve ratio of each employer
30 ~~entitled to this section shall be~~ is determined by the
32 commissioner as of that date.

34 B. "Effective date" shall ~~be~~ means the date on which the
36 new rates shall become effective and shall ~~be~~ is January 1st
38 of each calendar year.

40 C. "Fund reserve ratio" means the percentage obtained by
42 dividing the net balance available for benefits payments as
44 of September 30th of each calendar year by the total wages
46 for the preceding calendar year.

48 D. "Cost rate" means the percentage obtained by dividing
50 net benefits paid for a calendar year by the total wages for
the same period.

E. "Net balance available for benefit payments" means the
sum of the balance in the trust fund, the benefit fund, and
the clearing account after adjustment for outstanding
checks, and adjustment for funds in transit between either
of said the funds or said the account.

F. "Rate year" shall ~~be~~ is the 12-month period commencing
January 1st of each year.

G. "Reserve multiple" is a measure of the fund reserve
which that expresses the current fund reserve ratio as a
multiple of the composite cost rate. The reserve multiple
shall must be rounded to 2 decimal places. For rate years
that begin on and after January 1, 1999, the "reserve
multiple" is a measure of the fund reserve that expresses
the current fund reserve ratio as a multiple of the average
benefit cost rate.

2 H. "Total wages" means the aggregate total wages paid in
4 Maine for a calendar year in covered employment by
contributing employers, as reported on employer contribution
6 reports.

8 I. "Composite Cost--Rate cost rate" means the arithmetic
10 average of the annual cost rates for the last 15 completed
12 calendar years multiplied by a factor of 1.95; either the
14 resulting composite rate ~~shall-apply~~ applies for the reserve
multiple calculation or the rate of 2.20, whichever is
greater; but in no case will may a composite cost rate
higher than 2.83 apply.

16 J. "Average benefit cost rate" means the percentage
18 obtained by averaging the 3 highest cost rates for the last
20 completed calendar years preceding the computation date.
The rate is rounded down to the nearest 0.1%.

22 K. "Planned yield" is the percentage of total wages
24 determined by the reserve multiple for the rate year in
accordance with the table in subsection 4-A, paragraph B,
subparagraph (3).

26 L. "Ratio of total wages to taxable wages" is the factor
28 obtained by dividing total wages for the 12-month period
ending June 30th by taxable wages for the same period.

30 M. "Predetermined yield" is determined by multiplying the
32 ratio of total wages to taxable wages by the planned yield.
The predetermined yield is rounded up to the nearest 0.01%
and is the calculated average contribution rate for the rate
34 year.

36 N. "Experience factors" means the weights in subsection
38 4-A, paragraph B, subparagraph (2) assigned to the
contribution categories and used to calculate the
contribution rates.

40 O. "Contributions credited" means the contributions
42 credited to the experience rating record of an employer as
provided in subsection 3, including all contributions due
44 and paid on or before July 31st following the computation
date.

46 P. "Benefits charged" means the benefits paid and charged
48 against the experience rating record of an employer as
provided in subsection 3, including all benefits paid and
charged on or before the computation date.

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SUMMARY

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This bill implements the recommendations of the minority of the Commission to Study the Unemployment Compensation System. It raises the taxable wage base from \$7,000 to \$9,000. It changes the weekly benefit formula from 1/22 to 1/26 of high quarter earnings, and it reduces the maximum weekly benefit from 52% to 48% of the average weekly wage. It also replaces the existing experience rating system for employers with an array contribution system.