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FIRST REGULAR AND FIRST SPECIAL SESSIONS

Final Report
of the

COMMISSION TO STUDY THE UNEMPLOYMENT COMPENSATION SYSTEM

February 9, 1998

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Executive Summary

The Commission to Study the Unemployment Compensation System was created by Resolves 1997, chapter 65. The Commission was first convened on September 24, 1997, and it met at least monthly through January 27, 1998. The Department of Labor abstained from participating in the decision making, which left nine voting members.

The Commission was charged with studying the unemployment compensation system to assess whether it is meeting the changing needs of the labor force and the business community. In particular, the Commission was to examine and report on the following issues:

- The seasonality exclusion;
- The disqualification from benefits of persons who lose work due to child care problems;
- The disqualification from benefits of persons who lose work due to transportation problems;
- The disqualification from benefits of persons who seek part-time work;
- The timeliness of the extended benefit trigger;
- The adequacy of benefit duration in the dislocated worker benefit program;
- The solvency of the Unemployment Compensation Fund and the experience rating system; and
- The minimum earnings thresholds.

The Commission was unable to agree on all recommendations and therefore issued both a majority report and a minority report. Despite disagreement over the total proposal, however, the entire Commission did agree on a number of basic issues:

1. The Unemployment Compensation Fund (the Fund) should have a level of financial cushion to protect against a downturn in the economy and the resulting increase in demand for unemployment benefits;

2. Reserve levels in the Fund should be measured in light of the recommendations of the national Advisory Council on Unemployment Compensation (ACUC), which suggests averaging the state's three highest cost benefit years to gauge the amount of reserve funds necessary;

3. The taxable wage base should be increased; and

4. An array system should be used to determine employers' experience rating.

A majority of the Commission (five out of the nine voting members) made the following additional recommendations.

1. Attain a Fund balance of $233,900,000 by the year 2003--enough money to cover 12 months of benefit payments at ACUC levels.

2. Raise the taxable wage base to $12,000.

3. Implement a schedule in the first year the array system is used to cushion the significant increases in employer tax rates that could otherwise result.

4. Increase total employer taxes by approximately 36.1% annually.

5. Maintain the existing 6.0% reduction in maximum benefit amounts.

6. Eliminate the seasonality exclusion, so that qualifying seasonal employees may collect unemployment insurance benefits.

7. Eliminate the requirement that individuals seek full-time work in order to be eligible for unemployment benefits.

8. Impose an employee tax of 0.2% per year on the first $12,000 of wages.

9. Dedicate to the Fund $10,000,000 from the revenue generated by the cigarette tax in each of the five years beginning in 1999 and ending in 2003.

10. Implement these recommendations beginning January 1, 1999, and repeal the implementing legislation December 31, 2003.

11. Require the Department of Labor to collect data on the recommended changes, as well as on child care and transportation problems experienced by benefit claimants.

12. Require the Department of Labor to report to the Joint Standing Committee having jurisdiction over labor issues by January 31, 2002, regarding the data collected and the impact the changes have had on Fund solvency and the economy, so that the Committee may evaluate whether the recommended changes should be continued beyond 2003.

In contrast, three of the voting Commission members endorsed a minority report with the following recommendations.

1. Increase the taxable wage base from $7,000 to $9,000.

2. Change the weekly benefit formula from 1/22 to 1/26 of high quarter earnings.

3. Reduce the maximum weekly benefit from 52% to 48% of the average weekly wage.

4. Attain a 2005 Fund balance sufficient to cover approximately six months of benefits, based on the average of Maine's three most expensive benefit cost years in the past 20 years.

One Commission member chose not to endorse either the majority or the minority proposals.

Majority Report

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I. INTRODUCTION

The Commission to Study the Unemployment Compensation System (the Commission) was created by Resolves 1997, chapter 65, a copy of which is attached as Appendix A. The Resolve notes that Maine's labor force has undergone dramatic change since the unemployment compensation system was first established and that the system is not meeting the labor force's current needs. The Resolve also notes that the solvency of the Unemployment Compensation Fund (the Fund) is an on-going problem, requiring short-term legislative fixes in the 116th, 117th and the 118th Legislatures.

The Commission was first convened on September 24, 1997, and held five day-long meetings, as well as one half-day meeting. A copy of the Commission's membership list is attached as Appendix B. The Department of Labor abstained from participating in the decision-making, which left nine voting Commission members.

The Commission was charged with studying the unemployment compensation system to assess whether it is meeting the changing needs of the labor force and the business community. In particular, the Commission was to examine and report on the following issues:

- The seasonality exclusion;
- The disqualification from benefits of persons who lose work due to child care problems;
- The disqualification from benefits of persons who lose work due to transportation problems;
- The disqualification from benefits of persons who seek part-time work;
- The timeliness of the extended benefit trigger;
- The adequacy of benefit duration in the dislocated worker benefit program;
- The solvency of the Unemployment Compensation Fund and the experience rating system; and
- The minimum earnings thresholds.

II. BACKGROUND

The unemployment compensation system is outlined in the Maine Employment Security Law, 26 MRSA §1041 et seq. It is an insurance program, not a welfare program, which is designed to provide an economic safety net for individuals who are out of work through no fault of their own.[1] The right to benefit payments is earned through employment, and each recipient must meet certain statutory eligibility requirements. In contrast to a welfare program, there is no assessment of the unemployed person's financial needs. Instead, assessment is made of the person's employment and wage history.[2]

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[1] *An Overview of Unemployment Compensation,* Maine Department of Labor, October 27, 1997.
[2] *Id*.

The unemployment insurance program was first adopted in the late 1930's, in the midst of the Great Depression. The two original objectives of the program were to provide "an initial line of economic defense for working Americans who become unemployed through no fault of their own", thereby "spar[ing]many of them the indignities of public relief," and to "accumulate[] reserves during periods of prosperity. These reserves are then used during economic downturns to assist unemployed workers in meeting their necessary expenses. This function serves the important macroeconomic role of helping to stabilize the economy during recessions."[3]

The workforce that existed when the unemployment compensation system was first established is very different from today's workforce. The types of employees, as well as the types of jobs, have changed significantly. As noted by the federal Advisory Council on Unemployment Compensation (ACUC),

> Married men who are the sole breadwinners for their families no longer constitute the majority of the work force. Taken together, women, contingent workers, part-time workers, temporary workers, single heads of households, and single individuals now make up the majority of workers.[4]

Thus, the people most likely to need unemployment compensation benefits are women, low-wage workers and temporary workers. The ACUC also stated:

> Although the original goals of the Unemployment Insurance program remain valid, much else has changed. Increasingly, jobs are part-time, contingent, or temporary. Many workers find that they must either accept these jobs or have no job at all. At the same time, states compete more fiercely with each other to attract and retain employers than they did in the past. This competition creates great pressure for states to sacrifice the solvency of their Unemployment Insurance systems by reducing Unemployment Insurance taxes during periods of prosperity. As solvency has declined, the system has increasingly been forced to rely on tax hikes during recessions. This pay-as-you-go financing has eroded the system's macroeconomic stabilization capacity.[5]

The changes in the workforce require reevaluation of the unemployment compensation system, because many of the employees that have most recently become part of the workforce are the least likely to be covered. If the Fund is to remain solvent and citizens are to be protected against times of economic hardship, changes in Maine's existing system must be considered and, where necessary, implemented. Maine's economy has improved significantly since the recession in the early 1990's, and now is the time to strengthen our reserves.

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[3] *Unemployment Insurance in the United States: Benefits, Financing, Coverage* (hereafter "ACUC 1995 report"), Advisory Council on Unemployment Compensation, Washington D.C., February 1995, page 3.
[4] *Report and Recommendations*, Advisory Council on Unemployment Compensation, Washington D.C., February 1994, page 5.
[5] *Id.*

III. PROCESS

1. Procedure

Due to the complex nature of the issues to be evaluated, the Commission decided that it needed input from a variety of experts. As a result, a series of panels were convened, during which a number of presentations were made. The panel members represented the Maine Department of Labor, the United States Department of Labor, the National Federation of Independent Business, the National Employment Law Project, the Maine Chamber & Business Alliance and the Maine Center for Economic Policy.

The Commission also considered the recommendations made by the ACUC, which was established in 1991 and issued annual reports to the President and Congress in 1994, 1995 and 1996. The reports focused on different aspects of unemployment compensation systems and made many recommendations for both federal and state laws.

Some of the most helpful and pertinent information was provided by the state Department of Labor (DOL). The DOL generated a large amount of data specific to unemployment in Maine, to assist the Commission in determining viable means of ensuring the solvency of the Fund and providing benefits to as many unemployed Maine workers as reasonably possible.

A list of additional references considered by the Commission during its deliberations is found in Appendix C.

2. Philosophy

Instead of simply recommending a means for ensuring the solvency of the Fund, the Commission was cognizant of the many issues playing into unemployment taxes and benefits. The Commission made a point of reviewing and reaffirming the original policy goals enacted as part of the Maine Employment Security Law, specified in 26 MRSA §1042. The Commission focused on four of the original goals in its deliberations: preventing the spread and lightening the burden of unemployment; accumulating reserve funds; maintaining citizen purchasing power in times of unemployment; and limiting the serious social consequences of unemployment. As a result, the Commission made fairness a priority in its deliberations--fairness to employers, to employees, to women, and to low-wage workers.

Recognizing that the current problems in the unemployment compensation system did not develop overnight, the Commission became convinced that a reasonable solution to the problems would not involve immediate results. To date, short-term fixes have only produced short-term benefits. Instead, the Commission focused on long-term solutions that would create solvency and stability and provide more coverage over a period of years.

Additionally, the Commission felt that balance was critical and generated the most reasonable solutions. Therefore, the Commission chose not to endorse recommendations that insured against worst case scenarios. The Commission's goals were to pay benefits to as many unemployed workers as was reasonable and to keep the Fund from constantly teetering on the brink of insolvency. While not every unemployed worker in Maine will receive benefits and the Fund may, on occasion, need to borrow money in order to make payments, the majority of the Commission considers the recommendations in this report to provide a realistic and reliable system of compensation.

IV. SCOPE OF THE PROBLEM

1. Status of the Unemployment Compensation Fund

The Unemployment Compensation Fund is on the brink of insolvency and has been for many years. In the First Regular Session of the 116th Maine Legislature, the Governor submitted LD 978 (PL 1993, c. 22), an emergency bill to address the Fund's looming insolvency. At that time, the Fund was projected to experience a deficit of $14,400,000 in 1993 and a deficit of $43,600,000 for 1994, based on insured unemployment rates of 4.8% and 4.6%, respectively.

LD 978 addressed the solvency dilemma by increasing employer contributions and limiting unemployment benefits. Benefits were reduced by freezing the maximum weekly benefit amount until June 1, 1995, and by reducing the weekly benefit amount by $6 for all new claims filed from April 1, 1993, to December 31, 1994. The bill also charged employers a flat surtax of 0.7% of covered wages in 1993 and 0.8% in 1994, while increasing the maximum contribution (tax) rate by 1.0%. As a result of the emergency action taken in LD 978, the Fund was estimated to have ending balances of $11,000,000 in 1993 and $1,100,000 in 1994.

LD 978 prevented the State from having to borrow money to pay benefits. And, far better than projected, the Fund balance was about $70,000,000 by the end of 1994. However, solvency was still an issue. In the First Regular Session of the 117th Maine Legislature, another emergency bill, LD 842 (PL 1995, c. 9), was introduced to again take "stop-gap" measures to avoid the insolvency predicted for 1998.

LD 842 also reduced benefits. It limited maximum weekly benefit amounts to 94% of what otherwise would have been available and lowered the weekly benefit amount by $3 on all new claims filed between April 1, 1995, and December 31, 1997. The bill also imposed a 0.4% surtax on employers for 1995, 1996 and 1997 and eliminated the sunset provisions that were in effect for the alternate base period and the Dislocated Worker Benefit program. It was estimated that, with the assistance of LD 842, the Fund would attain balances of $41,950,000 for 1998 and $6,450,000 for 1999.

Unfortunately, the public laws enacted in 1993 and 1995 did not solve Maine's unemployment problems. In the First Special Session of the 118th Maine Legislature, LD 1753 (PL 1997, c. 380) was passed. It extended the 6% reduction in maximum weekly benefits, the $3 reduction in all weekly benefits and the 0.4% surtax on employers until 1998. The bill also forced a tax schedule of P, the tax schedule with the highest rates.

Despite these short-term fixes, the unemployment crisis still exists. As can be seen in Appendix D, even moderate unemployment rates will bankrupt the Fund by the year 2002. If no changes are made to the current system, the Fund deficit is anticipated to approach $200,000,000 by the year 2005.

2. Consequences of insolvency.

A deficit in the Fund creates a number of serious ramifications. First and foremost, a deficit creates an inability to pay benefits. The State would then have to borrow money from the federal government to cover the costs of payable benefits.

Any funds borrowed from the United States Department of Labor must be paid back with interest, at a rate that is not necessarily competitive. Current Maine law automatically imposes an additional employer surtax in an amount sufficient to pay the interest due in that year on borrowed funds. And if the principal of the federal loan is not repaid within a specified time (22 to 34 months), employers suffer another financial detriment. The federal government penalizes employers with lost federal tax credits, which increase each year that the principal on the loan is not repaid.

Another important consequence of insolvency is the significant amounts of interest that are lost. In 1996 alone, the Fund generated $6,626,075 in interest. See Appendix E. Thus, Fund solvency is an issue not only of collected money, but also of earned money.

A list and a spread sheet indicating the costs that will be incurred under existing law is found in Appendix F. If no changes to the current law are made, total costs and lost revenue will reach $296,800,000 in 2005 and will only continue to climb.

3. Inadequacy of benefits.

At the same time that Fund solvency is critical, the low percentage of people who receive unemployment benefits is also a serious issue. The United States Department of Labor stated that only four out of ten of Maine's unemployed workers receive benefits; and, as noted above, the change in the workforce has resulted in a situation in which most of the new workforce participants are the individuals least likely to be covered under the current unemployment compensation system.

One significant area of concern is those claimants who are denied benefits because they have either child care or transportation problems. With a few specific exceptions, an employee in Maine is disqualified from receiving unemployment benefits if the employee voluntarily leaves work without good cause attributable to the employment.[6] Child care and transportation problems are not included in the list of permissible reasons for voluntarily leaving work. Additionally, even individuals who do not voluntarily leave work but continue to have child care

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[6] 26 MRSA §1193, sub-§1, ¶A.

and transportation problems may be unable to meet the “able and available for work” requirement.[7]

The United States Department of Labor, the National Employment Law Project, the Maine Center for Economic Policy, the Maine Blue Ribbon Commission on Hunger and Food Security and the Maine Commission to Study Poverty Among Working Parents all recommend extending benefits to claimants who are unemployed due to either child care or transportation problems. An informal survey of Maine benefit adjudicators estimated that in 1997, 1,581 workers were denied benefits due to transportation problems and 540 workers were denied benefits due to loss of child care. See Appendix G. However, the Commission discovered no exact data on those claimants either in Maine or elsewhere in the country.

The Commission decided that an informed decision could only be made with more precise data and chose not to extend benefits to claimants who have child care or transportation problems for the time being. However, the majority of the Commission did recommend collecting data on those claimants for further evaluation in 2002.

The majority of the Commission also recommends narrowing the gap between the total unemployed and those receiving benefits by providing coverage for individuals seeking part-time work and for individuals who work for seasonal employers. The Commission anticipates that the data collected on those newly-eligible claimants will show that the four out of ten unemployed individuals currently receiving benefits has become a much higher percentage.

V. RECOMMENDATIONS

The entire Commission agreed on four fundamental issues:

1. The Unemployment Compensation Fund should have a level of cushion to protect against a downturn in the economy and the resulting increase in demand for unemployment benefits;

2. Reserve levels in the Fund should be measured in light of the recommendations of the national Advisory Council on Unemployment Compensation (ACUC), which suggests averaging the state’s three highest cost benefit years to gauge the amount of reserve funds necessary;

3. The taxable wage base should be increased; and

4. An array system should be used to determine employers’ experience rating.

This is the majority report of the Commission, endorsed by five of the nine voting Commission members. In light of the four issues noted above, the majority of the Commission

[7] 26 MRSA §1192, sub-§3.

makes the following specific recommendations (analyzed in detail in Appendix F) for the immediate attention of the Legislature.

1. Attain an Unemployment Compensation Fund balance of $233,900,000 by the year 2003--enough money to cover 12 months of benefit payments at ACUC levels.

Several recommendations were made to the Commission as to what qualifies as an adequate reserve account. The current federal standard suggests that the Fund have 1.5 times the amount required to pay 12 months of benefits at the same level as was paid in the most expensive year of benefit payments in the past 20 years (the "1.5 reserve multiple"). Others recommend having at least 18 months of benefits in reserve. The ACUC recommended that the Fund have enough in reserve to pay at least one year's worth of benefits at levels comparable to its previous "high cost year", the average of the three highest annual levels of unemployment benefits in any of the previous 20 calendar years.[8]

The entire Commission felt the ACUC approach of averaging the three most expensive benefit years was the most reasonable. Rather than simply gauging need by the worst case scenario, it provides a more accurate idea of what the state can expect in another high-cost benefit year. The Commission did not agree, however, on the number of months of reserves that should be attained. Some members of the majority were more comfortable with 18 months of reserves but agreed that a 12-month reserve was a reasonable and more realistic goal.

The majority of the Commission recommends that the Fund reach $233,900,000 in the year 2003 to cover 12 months of benefits at ACUC levels. As seen in Appendix F, adding that number to the projected deficit in 2003 brings the total mount of new funds needed by 2003 to $322,400,000. However, also noted in Appendix F, this proposal distributes those new funds equitably between employer-based and non-employer-based sources. Forty-three percent of the new funds are generated by non-employer resources, and 57% of the new funds are generated by employer resources. In addition, the array system more fairly distributes payments among employers. The specific funding sources are described in the recommendations that follow.

2. Raise the taxable wage base to $12,000.

The taxable wage base is the ceiling on the taxable wages for each employee in the State. The federal wage base is $7,000, and no state may establish a wage base less than that. Maine is one of 11 states that have a wage base of $7,000[9]. Appendix H shows the wage bases in every state, which reach as high as $26,000. Maine is the only New England state with a wage base of $7,000, and Rhode Island, at $17,600, has the highest wage base in New England.

The wage base in Maine today represents about one third of the average person's total wages. By way of comparison, 100% of an employee's wages were taxed when the unemployment compensation system first began in 1938. The wage base did not fall below 50%

[8] ACUC 1995 report, Recommendation 1995-2, page 9.
[9] 26 MRSA §1043, sub-§19.

of average wages until 1980, and it has declined steadily since then. A chart depicting the taxable wage bases in effect since the system's inception is found in Appendix I. Also of note is the fact that, while Maine's taxable wage base increased at regular intervals in 1972, 1978 and 1983, it has not been increased in 15 years.[10]

The minimum wage in Maine is currently $5.15.[11] An employee working 40 hours per week, year-round would earn $10,712, nearly $4,000 more than the taxable wage base. Many more employees earn well over that amount. Weekly unemployment benefit amounts are determined based on the person's previous earnings, so anyone who earns more than $7,000 per year could receive benefits that were not entirely paid for. As seen in Appendix J, from July 1995 to June 1997, only 22.5% of all unemployment claimants earned wages of $7,000 or less. On the other hand, over three-fourths of all claimants in that time period earned more than $7,000 and, as a result, received benefits not entirely paid for by their employers.

The entire Commission felt that raising the taxable wage base would more closely reflect actual wages in Maine, while helping to ease the burden placed on the Fund by a wage base that has not kept pace with inflation. A person who earns at least $16,000 per year is entitled to the maximum weekly benefit, and it was suggested that the wage base be raised to $16,000 so that taxed wages correspond to benefits. However, a majority of the Commission reached a compromise and recommends raising the taxable wage base to $12,000. That wage base ranks 18th out of the 28 different taxable wage rates currently in effect around the country.

3. Implement a schedule in the first year the array system is used to cushion the significant increases in employer tax rates that could otherwise result.

4. Increase total employer taxes by approximately 36.1% annually.

Not all employers pay the same tax rate on taxable wages. Individual employer tax rates are based on an employer's experience rating. Maine currently uses a reserve ratio system to determine individual employer tax rates, which means that all the benefits charged against an employer are subtracted from all the taxes the employer has paid into the Fund. The balance is then divided by the employer's average payroll for the past three years, and the employer's tax rate is determined based on that number and the employer contribution rate schedule in effect for that year.

Maine is currently at Schedule P, the schedule with the highest permissible tax rates under the reserve ratio system. There are currently 33 tax rates, but 51% of Maine's employers have the lowest tax rate. See Appendix K. No more than 3.3% of all Maine employers are in any other tax bracket, with the exception of the highest tax bracket, which represents 8.5% of employers. This imbalance in the reserve ratio system has contributed significantly to the insolvency problem. With over half of Maine's employers paying the lowest possible tax rate, not nearly enough revenue is generated to cover benefit costs. Another downside to the reserve ratio system is that

[10] *Id.*
[11] 26 MRSA §664.

it makes it very difficult for employers to improve their tax rates; therefore, employers have no incentive to reduce unemployment.

To combat the problem of bottom-heavy experience ratings, the entire Commission was in favor of adopting an "array contribution system". A detailed explanation of the specific computations used in the array system can be found in Appendix L. In an array system, employers are listed in order of their reserve ratios. The list is then divided into 20 contribution ranks (rather than the current 33), each representing 5% of total taxable wages. In that way, tax rates are distributed evenly among employers--only 5% of all taxable wages can be represented in any tax rate. Additionally, the array system generates a predetermined amount of money, which provides predictability for the Fund. Additionally, employers in an array system can more easily improve their experience ratings, thus creating an incentive to reduce unemployment and lower their tax rates.

The array system does not require any additional work from either employers or the State. The same reporting requirements that exist now for the reserve ratio system would also be required under the array system. One drawback to the array system is the disproportionately severe tax rates that may result in the first year the system is adopted. To avoid that, a majority of the Commission recommends using a schedule in the first year that eliminates the severity of the change.

A majority of the Commission also recommends that the amount generated by the array system be $182,500,000 from 1999 to 2003, which represents an increase in employer taxes of approximately 36.1% per year. See Appendix F. Incorporated into the increased taxes is the $60,000,000 that would have been generated if the 0.4% surtax currently in effect were continued beyond its sunset date in 1998. Appendix M shows projected Fund balances through 2005, and Appendix N lists estimated yearly tax rates that result with the majority's proposal.

5. Maintain the existing 6% reduction in maximum benefit amounts.

As noted in Section IV, maximum weekly benefits have been reduced by 6% since 1995. Maintaining that reduction would help generate necessary new funds from non-employer sources. The total amount that would be generated from 1999 to 2003 is $24,500,000. See Appendix O.

6. Eliminate the seasonality exclusion, so that qualifying seasonal employees may collect unemployment insurance benefits.

Under current Maine law, employees who work in seasonal industries are restricted in their collection of unemployment benefits. A seasonal industry is one that operates only during a regularly recurring period or periods of less than 26 weeks in a calendar year.[12] A list of currently recognized seasonal industries is attached as Appendix P.

[12] 26 MRSA §1251.

A person employed in seasonal work is eligible to collect unemployment benefits only when unemployed during the season in which the base period wages were earned.[13] If a person has both seasonal and non-seasonal base period wages, the person may collect the maximum available benefits for seasonal unemployment. For non-seasonal unemployment, however, the person may only collect the amount of available benefits to which the person would have been entitled if benefits were determined solely on the non-seasonal base period wages.[14]

ACUC recommendation number 1995-29 urges states to eliminate seasonality exclusions and subject seasonal employees to the same eligibility requirements as all other unemployed workers.[15] The National Employment Law Project, the Maine Center for Economic Policy, the Maine Commission to Study Poverty Among Working Parents and the National Commission for Employment Policy also recommend eliminating Maine's seasonality exclusion.

Maine is one of only 14 states that have seasonality provisions.[16] As noted in Appendix P, there are a total of 1,178 seasonal employers in Maine. There is no precise data on the number of seasonal employees, but eliminating the seasonality provisions would make unemployment benefits available to a much greater number of workers. That would, in turn, help alleviate the hardship created for Maine employees due to the decrease in the number of full-time, year-round jobs. It would also prevent an individual's attachment to the workforce from being measured solely by the status of the individual's employer. Therefore, a majority of the Commission recommends eliminating the seasonality exclusion and permitting otherwise qualified seasonal employees to collect unemployment benefits.

7. Eliminate the requirement that individuals seek full-time work in order to be eligible for unemployment benefits.

Maine requires unemployed workers to be available for full time work, at least 35 hours per week, in order to receive unemployment benefits.[17] It is one of 39 states that disqualify employees for seeking only part-time work.[18] According to a survey conducted by the Interstate Conference of Employment Security Administrators (ICESA) in Washington, D.C., 14 states permit an employee to receive benefits while seeking part-time work if the employee has a history of part-time work, and nine states authorize benefits if the employee has been advised by a physician to work part-time due to a physical or mental condition.[19]

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[13] *Department of Labor Rules Governing the Administration of the Employment Security Law* (hereafter *"Rules"*), Ch. 6, §2, sub-§B, ¶2.
[14] *Rules*, Ch. 6, §2, sub-§B, ¶3.
[15] ACUC 1995 report, page 18.
[16] *Highlights of State Unemployment Compensation Laws,* National Foundation for Unemployment Compensation & Workers' Compensation, Washington D.C., January 1997, Table 24, page 63.
[17] 26 MRSA §1192, sub-§3.
[18] ACUC 1995 report, page 104.
[19] *Id.*

During the recession that began in 1990, 6% of Maine's jobs were lost. Nearly all jobs have been recovered, but the jobs that replaced those lost during the recession are not of the same caliber as the ones they replaced. Most new jobs are in service and trade industries, which typically hire the most part-time workers.[20]

The ACUC's recommendation numbered 1995-20 states: "Workers who meet a state's monetary eligibility requirements should not be precluded from receiving Unemployment Insurance benefits merely because they are seeking part-time, rather than full-time, employment."[21] The United States Department of Labor, the National Employment Law Project and the National Commission for Employment Policy also urge coverage for part-time workers, arguing that attachment to the labor force should not be measured solely by full-time work. A majority of the Commission agreed and recommends that persons seeking even part-time work in Maine be eligible for unemployment benefits.

8. Impose an employee tax of 0.2% per year on the first $12,000 of taxable wages.

The total cost of eliminating the seasonality exclusion (Recommendation 6) and permitting those seeking part-time work to receive benefits (Recommendation 7) from 1999 to 2003 is $39,100,000. See Appendix F. Rather than impose even greater tax burdens on employers to cover that cost, a majority of the Commission agreed that it was equitable to require employees to pay a small tax.

An employee tax of 0.2% on the first $12,000 of taxable wages per year would generate $44,000,000 over the five-year period. Employees earning $12,000 or more would pay only $24 per year, and those who do not earn at least $12,000 would pay even less. The tax would make the benefits extended in Recommendations 6 and 7 revenue neutral, and the $4,900,000 difference would contribute to solvency.

The majority of the Commission determined that taxing employees while they are working makes more sense than denying benefits when those same people are unemployed and need assistance the most. For a very small price on an individual employee basis, a great number of workers in Maine who have never before been eligible for benefits now will be, thus helping to stabilize the economy during a recession, carry out the purposes of the unemployment compensation system and increase the percentage of Maine's unemployed workers who receive benefits.

9. Dedicate to the Fund $10,000,000 per year from the revenue generated by the cigarette tax.

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[20] *Food for Life and Work Through Normal Channels: Ending Hunger in Maine,* report of the Maine Blue Ribbon Commission on Hunger and Food Security, November 1, 1996, Executive Summary, page 10; *Structural Changes in Maine's Labor Market,* Maine Department of Labor, Division of Economic Analysis and Research, November 1995.

[21] ACUC 1995 report, page 18.

Public Law 1997, chapter 560 created a new cigarette tax of 37 mills per cigarette. Money generated by that tax is deposited into the Tobacco Tax Relief Fund and is expended as provided in 22 MRSA §1546. Unallocated money generated by the new tax is expected to be $28,900,000 in Fiscal Year 1999. Thereafter, the available money will likely decline by 3% to 9% per year.

In light of the serious insolvency issue faced by the unemployment compensation system, as well as the Commission's desire to mitigate the significant increase in the tax burden imposed on employers, the Commission considered an appropriation from the Tobacco Tax Relief Fund. The Commission fully realizes that this is an unusual approach, but the solvency crisis is also unusual. The appropriation would last only five years, and it would be a significant help to employers, who will annually be paying 36.1% more in taxes, even with this assistance. Therefore, the majority of the Commission recommends allocating $10,000,000 of the cigarette tax relief money each year from 1999 to 2003 to the Unemployment Compensation Fund.

10. Implement these recommendations beginning January 1, 1999, and repeal the implementing legislation December 31, 2003.

The changes recommended in this report, while considered by a majority of the Commission to be necessary, are extensive and may have effects that cannot be fully predicted at this time. Additionally, by 2003, the Fund may be rebuilt to the point that the precautions recommended here are no longer necessary. Therefore, the entire Commission felt it crucial to build in a mechanism to eventually terminate these measures. If the unemployment compensation situation changes so greatly in the next five years that the recommendations in this report are unnecessary or even detrimental, the sunset provision will automatically eliminate them.

11. Require the Department of Labor to collect data on the recommended changes, as well as on child care and transportation problems experienced by benefit claimants.

One of the obstacles the Commission encountered during its deliberations was the lack of data, both at state and federal levels. For example, data on Maine's seasonal employees was not available simply because seasonal employees have never factored into Maine's unemployment compensation system. As a result, the entire Commission saw the need for more data.

To assist in future evaluations of the unemployment compensation system, the Commission recommends that the Department of Labor be directed to collect data on persons seeking part-time work, on claimants who are denied benefits due to child care problems and on claimants who are denied benefits due to transportation problems. The information that should be collected include the claimant's gender, the weekly benefit amount on the claim, the claimant's qualifying wages, and the industry in which the claimant works. Those elements will generate much-needed information for future decision-makers.

12. Require the Department of Labor to report to the Joint Standing Committee having jurisdiction over labor issues by January 31, 2003, regarding the data collected and the impact the changes have had on Fund solvency and the economy, so that the Committee may evaluate whether the changes recommended here should be continued beyond 2003.

The sunset provision in Recommendation 10 and the data collection in Recommendation 11 will only be helpful if the Department of Labor reports back to the legislative committee that has jurisdiction over labor issues in time to make any necessary alterations. Legislation implementing the recommendations in this report will sunset on December 31, 2003, so a report by January 31, 2003, will give the committee time to evaluate the unemployment compensation system, and to enact any legislation considered necessary, in light of the new data.

VI. LEGISLATION

Legislation recommended by a majority of the Commission is attached as Appendix Q.

Minority Report

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Page

I. ANALYSIS

1. Background

The minority believes that the primary issue that needs to be addressed with Maine's unemployment compensation system is the solvency of the Unemployment Compensation Trust Fund (the Fund). Without legislative changes that address the tax and benefit structures, the Department of Labor estimates that the Fund will become insolvent in 2002, even with moderate unemployment rates. That insolvency will grow to more than $170 million by 2005. Should that occur, the state would be required to borrow from the federal unemployment trust fund in order to continue benefit payments. Those loans would bear interest and would have to be repaid by escalating penalty taxes on employers. At the same time, in order to avert further insolvencies, the state would have to enact substantial tax increases and/or benefit cuts. The imposition of substantial state tax increases at a time when federal penalty taxes are in effect could have serious economic implications, particularly during an economic downturn.

Both the minority and the majority of the Commission believe that such a scenario can be avoided if the Legislature acts now. The two groups fundamentally disagree, however, on how that end should be achieved. The minority favors steps toward a permanent solution which seeks to balance the burdens placed on employers and employees. That can be done only if tax increases are accompanied by meaningful benefit reductions. Over the past several years, the Legislature has enacted three temporary but balanced measures to keep the Fund solvent. Each sought to bolster Fund balances by raising roughly two-thirds of the necessary funds through employer surtaxes and one-third through temporary benefit reductions. The majority's recommendations, however, lack such a balance and place a disproportionate burden on employers.

2. Taxable Wage Base

Under the majority recommendation, the state's taxable wage base would be increased from the current $7,000 to $12,000. For the average employer of full-time workers, this will represent more than a 70% increase in unemployment taxes. To place this in perspective, the average employer now pays a tax rate of approximately 3% (excluding the temporary surtax). Under current law, therefore, that employer pays $210 per employee ($7,000 x 3%). Under the majority's proposal, that same employer would pay $360 per employee ($12,000 x 3%). This wage base increase would raise an estimated $125 million between 1999 and 2003.

3. Increased Taxes and the Array System

The majority would also redesign the unemployment tax rate structure to develop an "array system" to raise an additional $60 million over the same period. For the average employer, this would represent an added increase over and above the 70% increase. We do not know the exact extent of the increase at this point, since the Department of Labor had yet to develop the array system at the time this report was prepared. And we stress the term <u>average</u> employer, because these proposals will affect different employers in different ways. Employers of part-time workers earning less than $7,000 annually, for example, will be unaffected by the wage base increase. One thing, however, is certain. Most employers, with the exception of some who rely on part-time workers, are likely to pay dramatically higher taxes.

4. Benefit Component

The majority report meaningfully addresses only one component of the solvency issue, the amount of revenues collected. It does virtually nothing to address the amount of benefits which are paid annually. This is the root of the Fund's current solvency problem. Under the current system, taxes are expected to remain relatively constant over the next several years, approximately $100 million per year. Benefits, however, are expected to grow dramatically, increasing from approximately $130 million in 1999 to $170 million in 2005. (These projections assume a moderate unemployment level of 3% over that period.) The only recommendation of the majority which addresses this side of the equation is an extremely modest proposal to continue the temporary reduction in maximum benefit levels until 2003. This is expected to save the Fund only $22 million between 1999 and 2003.

Not only does the majority fail to make any meaningful benefit reductions, it actually proposes to substantially broaden benefit eligibility at a substantial additional cost to the Fund. It proposes to repeal the seasonality provisions of existing law under which benefits are limited for seasonal workers. It also proposes to remove the disqualification for those who are either unavailable for or unwilling to accept full-time work. For comparison purposes, it should also be noted that Maine is by no means unique in disqualifying part-time workers now. Part-time workers are also disqualified in 39 other states. Together, these changes will increase benefit costs by more than $50 million between 1999 and 2003.

To offset those costs, the majority proposes enactment of a <u>temporary</u> employee tax of 0.2% of taxable wages, or $24 per employee per year. From a political perspective, it is difficult to conceive of that tax as becoming permanent. It is equally difficult, on the other hand, to conceive of the new entitlements created by broadened eligibility as being <u>anything but</u> permanent. Political reality, therefore, suggests that employers will ultimately be required to assume the burden of this expansion of eligibility.

5. Adequacy of Current Benefits

The majority's proposals to broaden benefit eligibility stem from the perception that the Maine system covers too few workers and that the existing benefits are not adequate. As to the first perception, no state provides benefits to all unemployed workers. In every state, workers must meet certain eligibility standards in order to be eligible. They must, for example, be able and available for work, and they must have sufficient base period earnings, just to name a few. They must also not have been separated from employment for reasons that result in benefit disqualification, e.g., voluntarily quitting, discharge for misconduct, etc. During the Commission's deliberations, advocates of expanded eligibility repeatedly lamented the fact that Maine's system provides benefits to only 40% of unemployed workers. In fact, according to the U. S. Department of Labor, the percentage is actually 42%. More importantly, the national average is only 35%. Maine's system, therefore, may not be perfect, but it is certainly not lagging in comparison with other states.

As to the issue of benefit adequacy, a number of points should be considered:

1. On average, Maine's system already replaces a higher percentage of an unemployed worker's prior wages than nearly 40 other states. (Recent comparisons suggest a less generous wage replacement rate. That, however, is due to the temporary benefit reductions which will expire after 1998.) In large part, this is due to the basic benefit computation formula under which a worker is entitled to weekly benefits which equal 1/22 of high quarter earnings. This issue is addressed in Recommendation #3.

2. Maine is one of relatively few states which pay dependency benefits in addition to a worker's normal weekly benefit amount. Under Maine law, an unemployed worker receives $10 per dependent per week. That is one of the reasons that Maine's maximum weekly benefit is higher than the maximum in nearly 40 states. This feature of Maine's system has cost nearly $20 million since 1990.

3. Maine is one of a handful of states that has a dislocated workers program, a program which provides dislocated workers with an additional 26 weeks of benefits while they are in an approved training program. This has cost the Fund more than $20 million since 1990.

4. Maine is one of a handful of states that has an alternate base period. In a word, the alternate base period allows a broader range of base period earnings to be considered in determining whether a worker is eligible for unemployment benefits. Since its inception in 1993, the alternate base period has cost the Fund nearly $16 million.

II. RECOMMENDATIONS

The minority recommendations seek to achieve a greater balance between the burdens assumed by employers and employees. And, in keeping with the spirit of compromise reflected in earlier temporary fixes, they incorporate employer tax increases with significant benefit reductions. While the majority report states that 12 or even 18 months of reserves are required for Fund solvency, the minority recommends a modest six months of reserves, based on the average of Maine's three most expensive benefit cost years in the past 20 years. Six months of reserves at that rate translates into a Fund balance of $125 million in 2005, which would require $322 million in new revenue: $125 million reserve added to the $197 million projected deficit. In addition, if the insured unemployment rate (IUR) is 3.0 in 1998, as the majority projects, these numbers should be adjusted to reflect an additional $20 million in benefit cost savings.

Under the minority recommendations, employers will pay $215 million in additional taxes between 1999 and 2005. Benefits, on the other hand, will be reduced by $105 over the same period of time. In comparing the dollar amounts in the majority and minority reports, one should bear in mind that the projections in the majority report cover the period from 1999 through 2003. The projections in this report reflect an additional two years, through 2005.

Therefore, the minority of the Commission makes the following specific recommendations for the immediate attention of the Legislature.

1.	Increase the taxable wage base from $7,000 to $9,000	$115 million
2.	Replace the existing tax rate schedule with an array system	$100 million
3.	Change the weekly benefit formula from 1/22 to 1/26 of high quarter earnings	$70 million
4.	Reduce maximum weekly benefits from 52% to 48% of the average weekly wage	$35 million
5.	Total Revenue Generated: (Eliminates deficit and leaves six or more months of benefits, depending on the IUR in 1998.)	$320 million

III. LEGISLATION

Legislation recommended by the minority of the Commission is attached as Appendix R.

Appendices

A. Authorizing Legislation

B. Commission Membership

C. Additional Reference Materials

D. Maine Unemployment Compensation Trust Fund Projections Based on Current Law

E. Disbursements and Revenues Under the State Unemployment Insurance Program, 1980-1996

F. Proposal for Unemployment Insurance Program Solvency

G. Adjudicator Survey on Part-Time and Voluntary Quit Denials

H. Unemployment Compensation Taxable Wage Bases

I. Taxable Wages as a Percent of Total Wages, Maine, 1938-1996

J. Distribution of Claimants Based on Their Base Period Wages, July 1995 to June 1997

K. Distribution of Employers by Tax Rate

L. Array Contribution System--Majority Proposal

M. Maine Unemployment Compensation Trust Fund Projections, 1996-2005

N. Estimated Tax Rates under the Majority Scenario

O. Projected Benefit Costs of Various Options, 1999-2005

P. Seasonal Industry for Tax Year 1997

Q. Legislation Recommended by the Majority

R. Legislation Recommended by the Minority

APPENDIX A

Authorizing Legislation

APPROVED

JUN 12 '97

BY GOVERNOR

CHAP

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RESOL'

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND NINETY-SEVEN

H.P. 268 - L.D. 332

Resolve, to Establish the Commission to Study the Unemployment Compensation System

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

Whereas, the nature of the labor force and economy has changed dramatically since the State's unemployment compensation system was established; and

Whereas, the Joint Standing Committee on Labor has been presented this session with substantial evidence that the unemployment compensation program is not meeting the changing needs of the labor force and the business community; and

Whereas, the Legislature has passed legislation in each of the last 2 legislative sessions creating short-term solutions to the problem of the solvency of the Unemployment Compensation Fund; and

Whereas, the solvency of the fund is a continuing issue that requires a long-term solution that would create more certainty for both employees and employers; and

Whereas, these issues are sufficiently urgent that they must be addressed during the next legislative session; and

Whereas, if the study commission to be established by this resolve were to begin its work 90 days after adjournment, it would not have enough time to study the issues and develop legislation to be considered during the next legislative session; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore, be it

Sec. 1. Commission established. Resolved: That the Commission to Study the Unemployment Compensation System, referred to in this resolve as the "commission," is established; and be it further

Sec. 2. Membership. Resolved: That the commission consists of 11 members as follows:

1. The 5 current members of the State Advisory Council as established by the Maine Revised Statutes, Title 5, section 12004-I, subsection 53;

2. Four members of the Legislature, including 2 Senators appointed by the President of the Senate, and 2 Representatives appointed by the Speaker of the House of Representatives;

3. The Commissioner of Labor or the commissioner's designee; and

4. One member representing women's issues appointed by the Governor; and be it further

Sec. 3. Appointments. Resolved: That all appointments must be made no later than 30 days following the effective date of this resolve. The appointing authorities shall notify the Executive Director of the Legislative Council upon making their appointments. When the appointment of all members is complete, the Chair of the Legislative Council shall call and convene the first meeting of the commission. The commission shall select a chair from among its legislative members; and be it further

Sec. 4. Staff assistance. Resolved: That the commission may request staffing and clerical assistance from the Legislative Council; and be it further

Sec. 5. Duties. Resolved: That the commission shall study the unemployment compensation program to assess whether it is meeting the changing needs of the labor force and the business community. The commission shall examine the seasonality exclusion, disqualification of persons who lose work because of problems with child care or transportation, the timeliness of the extended benefit trigger, the adequacy of benefit duration in the dislocated worker benefit program, the solvency of the

Unemployment Compensation Fund and the experience rating system, the disqualification of persons who seek part-time work, and minimum earnings thresholds; and be it further

Sec. 6. Reimbursement. Resolved: That the commission members who are Legislators are entitled to receive the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for travel and other necessary expenses for each day's attendance at meetings of the commission, upon application to the Executive Director of the Legislative Council. The Executive Director of the Legislative Council shall administer the commission's budget; and be it further

Sec. 7. Meetings. Resolved: That the commission may meet up to 4 times; and be it further

Sec. 8. Report. Resolved: That the commission shall submit a report to the Joint Standing Committee on Labor by January 1, 1998 with specific recommendations including legislation if necessary; and be it further

Sec. 9. Legislation. Resolved: That the Joint Standing Committee on Labor may report out legislation that the committee determines is necessary to address issues that the commission is required to study pursuant to section 5 of this resolve; and be it further

Sec. 10. Appropriation. Resolved: That the following funds are appropriated from the General Fund to carry out the purposes of this resolve.

	1997-98
LEGISLATURE	
Commission to Study the Unemployment Compensation System	
Personal Services	$880
All Other	1,300
TOTAL	$2,180

Provides funds for the per diem and expenses of legislative members and miscellaneous costs, including printing, of the Commission to Study the Unemployment Compensation System.

Emergency clause. In view of the emergency cited in the preamble, this resolve takes effect when approved.

REP. ELIZABETH H. MITCHELL
CHAIR

SEN. MARK W. LAWRENCE
VICE-CHAIR

RECEIVED
JAN 30 1998
OPLA

118th MAINE STATE LEGISLATURE

LEGISLATIVE COUNCIL

SEN. CHELLIE PINGREE
SEN. JANE A. AMERO
SEN. ANNE M. RAND
SEN. R. LEO KIEFFER
REP. CAROL A. KONTOS
REP. JAMES O. DONNELLY
REP. MICHAEL V. SAXL
REP. RICHARD H. CAMPBELL

SARAH C. TUBBESING
EXECUTIVE DIRECTOR

January 29, 1998

Honorable Sharon Anglin Treat, Chair
Commission to Study the Unemployment Compensation System
State House
Augusta, Maine 04333

Dear Senator Treat:

The Legislative Council considered your request for a further extension of the Commission's original reporting deadline at its meeting last week. After lengthy discussion, the Council agreed unanimously to authorize the Commission to hold its scheduled meeting on January 27, at which time the Commission should conclude its work on the Study. We think that, now that the Legislature is back in session, any additional work on this issue be carried out by the Joint Standing Committee on Labor and ask, therefore, that the Commission formally transmit its work to the Labor Committee. Again, our decision reflects our interest in making the best use of resources during the session and in ensuring that work on this particular issue is fully integrated with other work before the Labor Committee.

On behalf of the entire Legislative Council, I would like to thank you and all the Commission members for your work.

Sincerely,

Libby

Elizabeth H. Mitchell, Chair
Legislative Council

cc: David Boulter
Heather Henderson
Office of Policy and Legal Analysis

115 STATE HOUSE STATION, AUGUSTA, MAINE 04333-0115 TELEPHONE 207-287-1615 FAX 207-287-1621

APPENDIX B

Commission Membership

Members

Commission to Study the Unemployment Compensation System

Steve Clarkin
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Heather Henderson (staff)
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APPENDIX C

Additional Reference Materials

APPENDIX C

The following reference materials were provided to the Commission during its deliberations.

Baldwin, Marc, Roberta Spalter-Roth and Young-Hee Yoon, *Unemployment Insurance: Barriers to Access for Women and Part-Time Workers*, a project of the National Commission for Employment Policy, Washington, D.C., July 1995.

Collected Findings and Recommendations: 1994-1996, Reprinted from Annual Reports of the Advisory Council on Unemployment Compensation to the President and Congress, Washington, D.C., 1996.

Fitzgerald, John, *Working Hard Falling Behind: A Report on the Maine Working Poor Parents Survey*, a project of the Maine Center for Economic Policy, Augusta, Maine, March 1997.

Food for Life and Work Through Normal Channels: Ending Hunger in Maine", Report of the Maine Blue Ribbon Commission on Hunger and Food Security, Augusta, Maine, November 1, 1996.

Hastedt, Christine B. and Luisa S. Deprez, "Assistance to Poor Families: What's Next?", *Maine Choices 1997: A Preview of State Budget Issues*, edited by the Maine Center for Economic Policy, Augusta, Maine, November 1996.

Highlights of State Unemployment Compensation Laws, National Foundation for Unemployment Compensation & Workers' Compensation, Washington, D.C., January 1997.

Maine Commission to Study Poverty Among Working Parents, Report of the, Augusta, Maine, November 15, 1996.

Seguino, Stephanie, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, Margaret Chase Smith Center for Public Policy, Orono, Maine, January 1995.

Tannenwald, Robert and Christopher J. O'Leary, "Unemployment Insurance Policy in New England: Background and Issues", *New England Economic Review*, May/June 1997.

"Unemployment Compensation: Continuity and Change", *University of Michigan Journal of Law Reform*, Ann Arbor, Michigan, Special Issue, March 30 & 31, 1995.

Wandner, Stephen A. and Thomas Stengle, "Unemployment Insurance: Measuring Who Receives It", *Monthly Labor Review*, July 1997.

Women, Low-Wage Workers and the Unemployment Compensation System: State Legislative Models for Change", National Employment Law Project, New York, New York, October 1997.

APPENDIX D

Maine Unemployment Compensation Trust Fund Projections Based on Current Law

MAINE DEPARTMENT OF LABOR

20 Union Street, Augusta, Maine 04330-6826

ATTACHMENT 2

DRAFT

Maine Unemployment Compensation Trust Fund Projections
Based on Current Law
1996-2005

Scenario I
Low Assumption

Year	IUR	Regular and Dislocated Worker Benefits	Extended Benefits	Interest & Contributions	FUTA Penalty	Ending Fund Balance Using Regular Only	Ending Fund Balance Using Regular & Extended
1996	3.3 %	$103,091,305	--	$121,670,721	--	$111,071,685	$108,400,000
1997*	3.0	100,500,000	--	113,200,000	--	125,200,000	125,200,000
1998	2.0	71,000,000	--	121,800,000	--	176,000,000	176,000,000
1999	2.0	74,600,000	--	92,600,000	--	194,000,000	194,000,000
2000	2.0	78,500,000	--	86,900,000	--	202,400,000	202,400,000
2001	2.0	82,000,000	--	86,200,000	--	206,600,000	206,600,000
2002	2.0	85,800,000	--	85,400,000	--	206,200,000	206,200,000
2003	2.0	89,700,000	--	85,000,000	--	201,500,000	201,500,000
2004	2.0	93,800,000	--	87,700,000	--	195,400,000	195,400,000
2005	2.0	98,000,000	--	84,600,000	--	182,000,000	182,000,000

Note: Tax Schedule in effect for 1996-P, 1997-O, 1998-P, 1999-N, 2000-N, 2001-N. 2002-N, 2003-N, 2004-O, 2005-O.

Scenario II
Moderate Assumption

Year	IUR	Regular and Dislocated Worker Benefits	Extended Benefits	Interest & Contributions	FUTA Penalty	Ending Fund Balance Using Regular Only	Ending Fund Balance Using Regular & Extended
1996	3.3 %	$103,091,305	--	$121,670,721	--	$111,071,685	$111,071,685
1997	3.0	100,500,000	--	113,200,000	--	125,200,000	125,200,000
1998	3.5	122,300,000	--	118,800,000	--	121,700,000	121,700,000
1999	3.5	129,100,000	--	91,500,000	--	84,100,000	84,100,000
2000	3.5	135,200,000	--	101,100,000	--	50,000,000	50,000,000
2001	3.5	141,500,000	--	101,600,000	--	10,100,000	10,100,000
2002	3.5	148,000,000	--	101,400,000	--	(36,500,000)	(36,500,000)
2003	3.5	154,800,000	--	102,800,000	--	(88,500,000)	(88,500,000)
2004	3.5	161,800,000	--	106,200,000	--	(144,100,000)	(144,100,000)
2005	3.5	169,100,000	--	105,900,000	$9,800,000	(197,500,000)	(197,500,000)

Note: Tax Schedule in effect for 1996-P, 1997-O, 1998-P, 1999-O, 2000-P, 2001-P. 2002-P, 2003-P, 2004-P, 2005-P.
A 0.3% Federal Unemployment Tax Act Penalty would be assessed on 2004 taxable wages with payment due on 1/31/2005.

Scenario III
High Assumption

Year	IUR	Regular and Dislocated Worker Benefits	Extended Benefits	Interest & Contributions	FUTA Penalty	Ending Fund Balance Using Regular Only	Ending Fund Balance Using Regular & Extended
1996	3.3 %	$130,091,305	--	$121,670,721	--	$111,071,685	$111,071,685
1997*	3.0	100,500,000	--	113,200,000	--	125,200,000	125,200,000
1998	5.0	172,800,000	$5,900,000	115,400,000	--	67,800,000	61,900,000
1999	5.0	181,900,000	7,900,000	101,100,000	--	(13,000,000)	(26,800,000)
2000	5.0	190,500,000	6,400,000	102,100,000	--	(101,400,000)	(121,600,000)
2001	5.0	199,200,000	6,800,000	107,200,000	$9,400,000	(174,600,000)	(201,600,000)
2002	5.0	208,400,000	7,200,000	112,400,000	$18,900,000	(232,800,000)	(267,000,000)
2003	5.0	218,000,000	7,500,000	117,800,000	$28,500,000	(276,000,000)	(317,700,000)
2004	5.0	227,900,000	7,800,000	123,500,000	$38,200,000	(304,000,000)	(353,500,000)
2005	5.0	238,100,000	7,800,000	125,100,000	$48,100,000	(320,800,000)	(378,100,000)

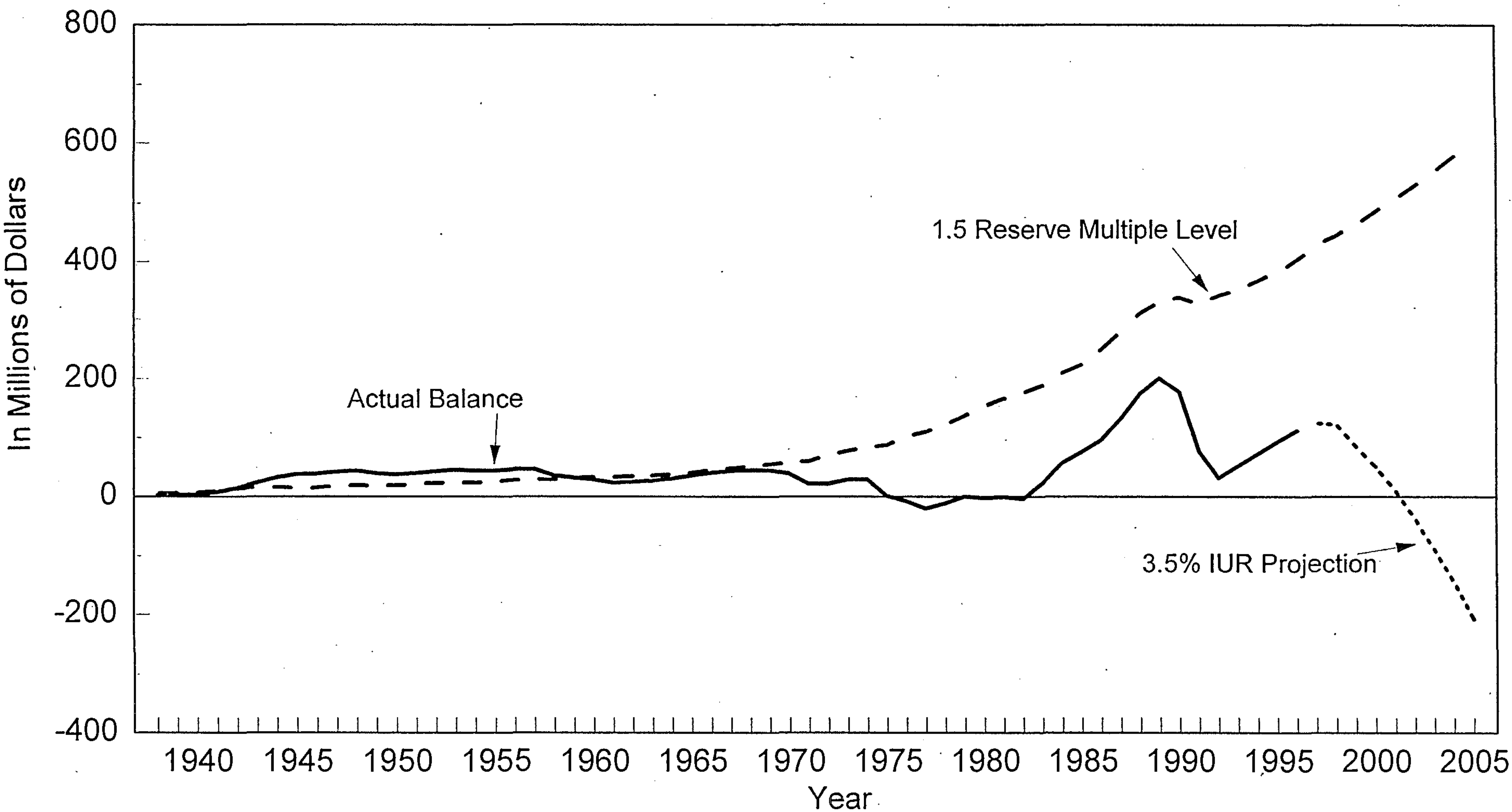
Note: Tax Schedule in effect for 1996-P, 1997-O, 1998-P, 1999-P, 2000-P, 2001-P. 2002-P, 2003-P, 2004-P, 2005-P.
Federal Unemployment Tax Act Penalties would be assessed starting on 2000 taxable wages with payment due on 1/31/2001.

* Actual data as of August 31, 1997.

10/23/97

Attachment 8

Net Fund Balances: Actual and 1.5 Reserve Multiple Level 1938-1996 with Projections for 1997-2005, Maine



APPENDIX E

Disbursements and Revenues
Under the State Unemployment Insurance Program
1980-1996

MAINE DEPARTMENT OF LABOR

20 Union Street, Augusta, Maine 04330-6826

DISBURSEMENTS AND REVENUES UNDER THE STATE UNEMPLOYMENT INSURANCE PROGRAM, 1980-1996

Year	Benefits Paid (Excluding Direct Reimbursable) Regular	Dislocated Worker**	Extended (State Share)	Contributions Received	Interest Earned	Year - End Fund Balance (Excluding Loans)	Number of Months of Benefits in Trust Fund***	Insured Unemployment Rate	Total Unemployment Rate
1980.....	$ 56,773,950	--	$ 4,332,311	$58,879,676	$	$ (2,512,726)	0.0	5.1	7.8
1981.....	58,765,990	--	3,057,350	59,804,507	34,226	(266,434)	0.0	4.9	7.2
1982.....	69,527,071	--	3,597,970	59,075,312	286,016	(3,763,573)	0.0	5.6	8.6
1983.....	65,500,960	--	2,950,249	77,086,465	591,417	22,577,077	2.2	5.2	9.0
1984.....	56,863,762	--	(6,684)*	85,703,286	3,110,322	56,310,096	4.9	4.1	6.1
1985.....	65,319,802	--	(501,587)*	77,631,971	6,224,229	75,396,401	6.1	4.1	5.4
1986.....	55,626,192	$ 432,342	(5,762)*	71,140,045	5,761,459	96,315,791	7.0	3.2	5.3
1987.....	48,420,211	181,038	(4,407)*	75,373,920	9,310,303	132,785,009	8.6	2.5	4.4
1988.....	47,136,726	2,251,201	(1,529)*	77,003,463	15,158,325	175,568,543	10.2	2.1	3.8
1989.....	64,970,242	837,874	(1,898)*	74,888,507	15,963,997	200,586,493	10.9	2.6	4.1
1990.....	109,109,766	2,060,678	(1,116)*	70,630,556	17,318,072	177,309,660	9.4	4.1	5.2
1991.....	167,213,775	2,045,191	10,660,872	66,807,440	12,303,621	76,008,867	4.2	6.5	7.6
1992.....	135,062,059	1,731,021	(435,273)*	86,431,895	4,510,408	31,015,749	1.6	4.7	7.2
1993.....	93,646,568	2,477,326	(18,960)*	113,505,395	2,428,521	50,849,458	2.6	3.3	7.9
1994.....	98,054,430	4,505,500	4,202,446	123,998,855	3,604,955	71,850,299	3.5	3.5	7.4
1995.....	97,144,459	4,384,047	(14,354)*	116,393,182	5,392,890	92,452,397	4.3	3.4	5.7
1996.....	99,472,253	3,619,052	(14,966)*	115,044,646	6,626,075	111,071,685	5.0	3.5	5.1

* Adjustments from disbursements made in prior years.
** Dislocated Worker Benefits became effective in 1986.
*** Based on the high cost multiple standards.

5/2/97

APPENDIX F

Proposal for Unemployment Insurance Program Solvency

PROPOSAL FOR UNEMPLOYMENT INSURANCE PROGRAM SOLVENCY
Made by Sen. John Cleveland
January 12, 1998

SOLVENCY TARGET: ACUC model; @ 12 months by 2003; $233,900,000

Funds required to achieve solvency:

$233,900,000	Solvency reserves by 2003.
+ (88,500,000)	Projected deficit 2003.
$322,400,000	**Total new funds needed to meet solvency target in 2003.**

POSSIBLE FINANCIAL RESOURCES

Current and new non-employer resources:

$9,000,000	3.0 → 2.8 IUR 1997 actual.
$20,000,000	3.5 → 3.0 IUR 1998 estimate.
$31,500,000	Additional interest income from new balances averaging $100,000,000/year (6.3% x $100,000,000/yr x 5 years; 1999-2003).
$24,500,000	Maintain 6% benefit reduction (1999-2003).
$4,900,000	Balance available from new 0.2% employee tax.
$50,000,000	Contribution from cigarette tax relief ($10,000,000/year x 5 years; 1999-2003).
$139,900,000	*SUBTOTAL, CURRENT & NEW NON-EMPLOYER RESOURCES (43% OF TOTAL)*

Current and New Employer Resources

$60,000,000	Maintain the resources from the 0.4% surtax ($12,000,000/year x 5 years; 1999-2003) to be incorporated into new array system.
$122,500,000	Employer tax increase ($24,500,000/year x 5 years; 1999-2003); approximate average annual increase: $24,500,000/year ÷ $101,000,000/year = 24.3%.
$182,500,000	*SUBTOTAL, CURRENT AND NEW EMPLOYER RESOURCES (57% OF TOTAL)*

* * * * *

$139,900,000	
+ $182,500,000	
$322,400,000	**TOTAL; FUND BALANCE BY 2003 FOR SOLVENCY ONLY**

UNEMPLOYMENT TAX APPLICATION

(1) Use array system.
(2) Base on $12,000 wage base.
(3) Begin in 1999.

Possible consequences of no action:

* ($188,300,000)	Deficit by 2005.
* $21,330,000	Interest costs go to Washington.
* $9,800,000	FUTA credit reduction in 2005.
* $31,500,000	Lost new interest earnings through 2003.
* $50,000,000	Lost cigarette tax relief revenue through 2003.
* $24,500,000	Lost revenue from continuing 6% benefit reduction through 2003.
* Lost federal tax credits	Unpaid borrowed funds from the USDOL may result in employers paying both their Maine unemployment tax and an additional 0.3-5.4% federal unemployment tax.
* Automatic surtax	Current Maine law requires an additional automatic surtax in an amount required to pay the interest due that year.
* Interest-free money	New federal laws will make it more difficult to borrow interest-free money in the future.
* Tax burdens	Heavy tax burdens on employers, possibly during recession, worsening state's economy.
* Employee burdens	Possible new/greater benefit cuts, further job cuts; wages/benefits are cut or not increased by employers; economic conditions, recession worsen.
* Crisis management	Decisions are made in crisis situation; results are poor for workers and employers.

SPREAD SHEET

FINANCIAL IMPACT OF NO ACTION

Costs and lost revenues through 2005: $296,800,000

The Unemployment Compensation Fund debt will still be $200,000,000

	1999	2000	2001	2002	2003	2004	2005
Amount Borrowed for Fund				28,100,000	51,700,000	55,300,000	53,200,000
FUTA Offset Penalty							9,800,000 (rate: 0.3%)
Interest Surtax				1,600,000 (rate: 0.1%)	3,200,000 (rate: 0.1%)	6,500,000 (rate: 0.2%)	9,900,000 (rate: 0.3%)
6% Reduction on Max Benefits	4,100,000	4,300,000	4,500,000	4,700,000	5,000,000	5,200,000	5,400,000
Lost Interest Earnings (based on $100m)	6,500,000	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000	6,300,000
TOTAL	10,600,000	10,600,000	10,800,000	40,700,000	66,200,000	73,300,000	84,600,000

BENEFITS

Revenue Source

$44,000,000 Employee tax of 0.2% per year, with a $12,000 wage base ($8,800,000/yr x 5 years; 1999-2003).

Benefit Changes

$7,100,000 Remove the seasonality exclusion.

$32,000,000 Remove the disqualification for seeking part-time work.

$39,100,000 *TOTAL COST OF CHANGES IN BENEFITS*

* * * * *

$44,000,000
- $39,100,000
$4,900,000 **NET GAIN**

SPREAD SHEET

Approximate Cash Resources by Year
12-month ACUC target: $233,900,000 by 2003

	1998	1999	2000	2001	2002	2003
IUR 2.8%	9,000,000 (1997)					
IUR 3.0%	20,000,000					
0.4% surtax		12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
6% reduction		4,100,000	4,300,000	4,500,000	4,700,000	5,000,000
Interest 6.3%		6,300,000	6,300,000	6,300,000	6,300,000	6,300,000
Employee tax excess		1,700,000	1,300,000	1,000,000	600,000	300,000
Cigarette tax contribution		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Employer tax increase		24,840,000	24,840,000	24,840,000	24,840,000	24,840,000
TOTAL	29,000,000	58,940,000	58,740,000	58,640,000	58,440,000	58,440,000

APPENDIX G

Adjudicator Survey
on Part-Time and Voluntary Quit Denials

Adjudicator Survey on
Part-Time and
Voluntary Quit Denials

Gail Thayer surveyed the claims adjudicators and asked them to guess the number of claimants who were denied benefits for the following reasons:

• **Availability limited to part-time work** [Several adjudicators commented that many individuals in this category were retirees, students and individuals without child care.]	**1048**
• **Quit due to loss of transportation**	**1581**
• **Quit due to loss of child care**	**540**

NOTE: These numbers are guesses and represent only individuals who filed claims and earned sufficient wages to satisfy the monetary eligibility requirements. If eligibility were expanded to allow benefits in these situations, we could expect an increase in the number of individuals filing claims--particularly in the part-time arena.

APPENDIX H

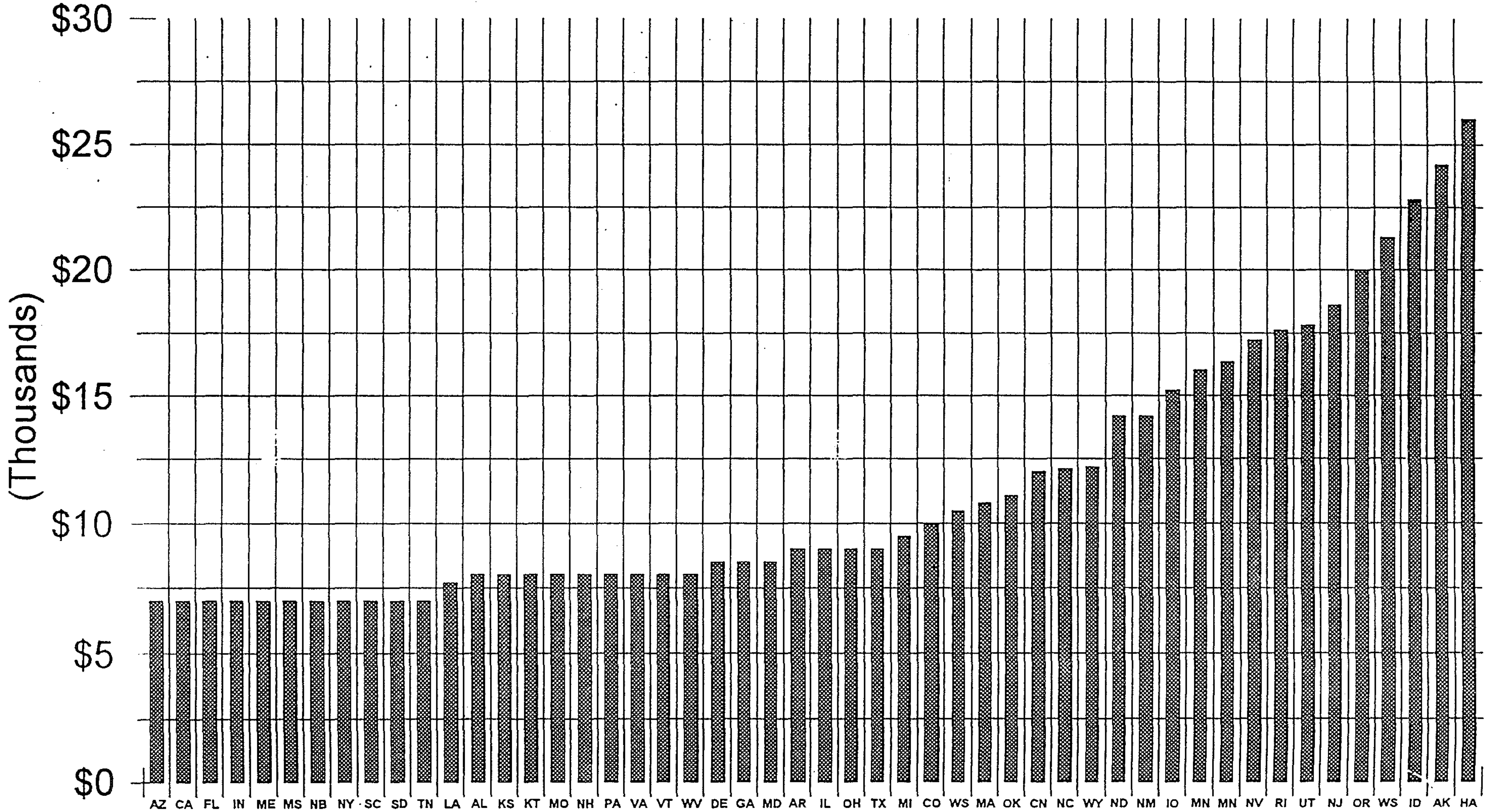
Unemployment Compensation
Taxable Wage Bases

UNEMPLOYMENT COMPENSATION TAXABLE WAGE BASES

Hawaii	26,000
Alaska	24,200
Idaho	21,600
Washington	21,300
Oregon	20,000
New Jersey	18,600
Utah	17,800
Rhode Island	17,600
Nevada	17,200
Minnesota	16,300
Montana	16,000
Iowa	15,200
Virgin Islands	14,400
New Mexico	14,200
North Dakota	13,900
Wyoming	12,200
North Carolina	12,100
Connecticut	12,000
Oklahoma	10,900
Massachusetts	10,800
Wisconsin	10,500
Colorado	10,000
Michigan	9,500
Arkansas	9,000
D.C.	9,000
Illinois	9,000
Ohio	9,000
Texas	9,000
Delaware	8,500
Georgia	8,500
Maryland	8,500
Alabama	8,000
Kansas	8,000
Kentucky	8,000
Missouri	8,000
New Hampshire	8,000
Pennsylvania	8,000
Vermont	8,000
Virginia	8,000
West Virginia	8,000
Louisiana	7,700
Arizona	7,000
California	7,000
Florida	7,000
Indiana	7,000
Maine	7,000
Mississippi	7,000
Nebraska	7,000
New York	7,000
South Carolina	7,000
South Dakota	7,000
Tennessee	7,000

US Department of Labor

UI Taxable Wage Bases

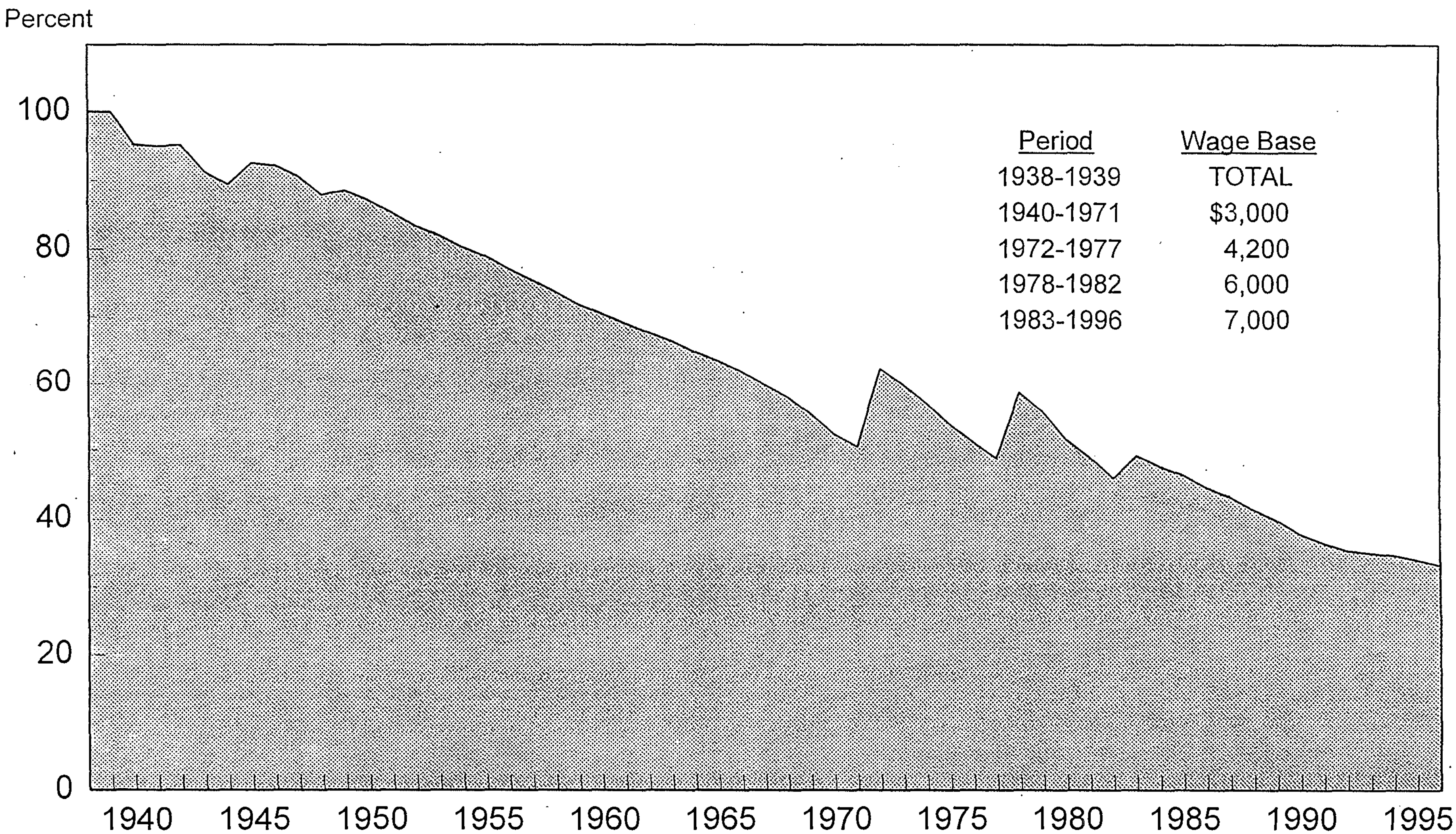


APPENDIX I

Taxable Wages
as a Percent of
Total Wages, Maine
1938-1996

MAINE DEPARTMENT OF
LABOR
20 Union Street, Augusta, Maine 04330-6826

Taxable Wages as a Percent of Total Wages, Maine, 1938-1996



ATTACHMENT 15

APPENDIX J

Distribution of Claimants
Based on Their Base Period Wages
July 1995 to June 1997

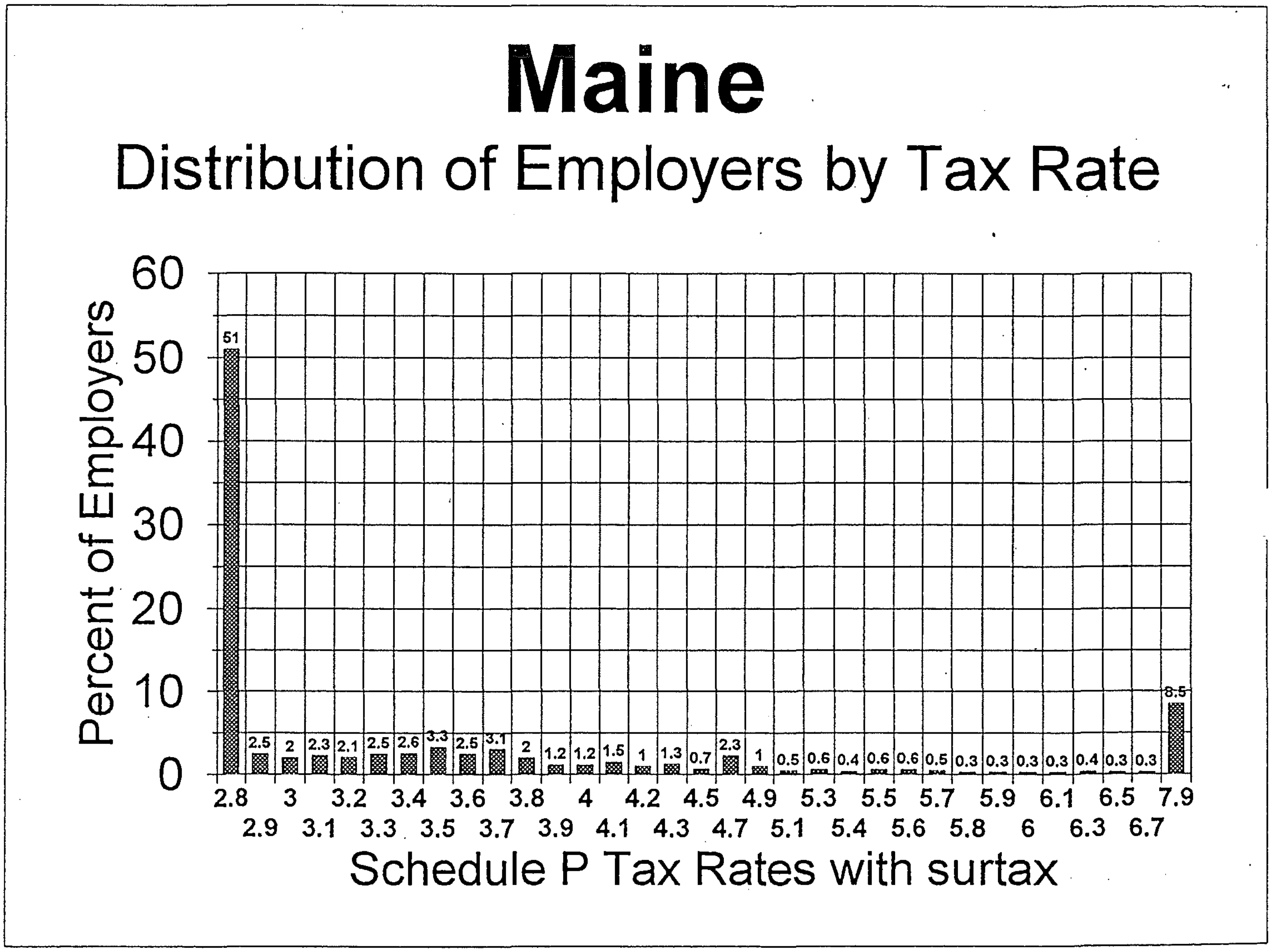
20 Union Street, Augusta, Maine 04330-6826

Distribution of Claimants Based on Their Base Period Wages
July 1995 to June 1997

Base Period Wages	Number of Claimants	Percent
7,000 or Less	21,692	22.5%
7,000 - 14,000	36,059	37.4%
14,000 - 21,000	22,345	23.2%
21,000 - 28000	9,495	9.9%
28,000 - 35,000	3,668	3.8%
35,000 - 42000	1,596	1.7%
42,000 or more	1,434	1.5%
Total	96,289	100.00%

APPENDIX K

Distribution of Employers by Tax Rate


Maine
Distribution of Employers by Tax Rate
Percent of Employers
60
50
40
30
20
10
0
51
2.5
2
2.3
2.1
2.5
2.6
3.3
2.5
3.1
2
1.2
1.2
1.5
1
1.3
0.7
2.3
1
0.5
0.6
0.4
0.6
0.6
0.5
0.3
0.3
0.3
0.3
0.4
0.3
0.3
8.5
2.8 3 3.2 3.4 3.6 3.8 4 4.2 4.5 4.9 5.3 5.5 5.7 5.9 6.1 6.5 7.9
2.9 3.1 3.3 3.5 3.7 3.9 4.1 4.3 4.7 5.1 5.4 5.6 5.8 6 6.3 6.7
Schedule P Tax Rates with surtax

APPENDIX L

Array Contribution System -- Majority Proposal

ARRAY CONTRIBUTION SYSTEM -- MAJORITY PROPOSAL

Process

The Array Contribution System, as designed for Maine, consists of the following:

1) Compute the reserve multiple
2) Determine the planned yield
3) Compute the ratio of total to taxable wages
4) Compute the predetermined yield
5) Compute the contribution rate
6) Compute employer reserve ratios
7) Array employers by reserve ratio and taxable wages

1) Compute the reserve multiple

The reserve multiple is determined by the following:

$$\text{Reserve multiple} = \frac{\text{Reserve ratio}}{\text{Average benefit cost rate of 3 highest years in last 20}}$$

$$\text{Reserve ratio} = \frac{\text{Sep 30 Fund balance (preceding the rate year)}}{\text{Total wages (for year preceding Sep 30)}}$$

$$\text{Average benefit cost rate of 3 highest years in last 20} = \frac{\text{3 highest benefit cost years in last 20}}{\text{3-year total wages for same period}}$$

2) Determine the planned yield

The planned yield is determined by the reserve multiple for that rate year according to the following:

Reserve Multiple	Schedule	Planned Yield % of Total Wages
1.50 & Over	A	0.8%
1.25 - 1.49	B	1.0
1.00 - 1.24	C	1.2
.75 - .99	D	1.4
.50 - .74	E	1.6
Under .50	F	1.8

Phase-In Provision: During the first two years (1999-2000) of implementation, Schedule A & B would be mandated.

3) Compute the ratio of total to taxable wages

$$\text{Ratio of total to taxable wages} = \frac{\text{Total wages (for year preceding Jun 30)}}{\text{Taxable wages for same period}}$$

4) Compute the predetermined yield

The predetermined yield is determined by multiplying the ratio of total to taxable wages by the planned yield.

5) Compute the contribution rate

The contribution rate is computed by multiplying the predetermined yield by the experience factor in each of the following contribution ranks:

Contribution Rank	Experience Factor X	Predetermined Yield*	=	Contribution Rate*
1	.30	2.58		0.77%
2	.35	2.58		0.90
3	.40	2.58		1.03
4	.45	2.58		1.16
5	.50	2.58		1.29
6	.55	2.58		1.42
7	.60	2.58		1.55
8	.65	2.58		1.68
9	.70	2.58		1.81
10	.75	2.58		1.94
11	.85	2.58		2.19
12	.95	2.58		2.45
13	1.05	2.58		2.71
14	1.20	2.58		3.10
15	1.35	2.58		3.48
16	1.50	2.58		3.87
17	1.65	2.58		4.26
18	1.85	2.58		4.77
19	2.05	2.58		5.29
20	2.30	2.58		5.93

* Example using projected data for 1999 *with Schedule A mandated.*

6) Compute employer reserve ratios

The reserve ratio is the balance (contributions minus benefits charged) in each employer's account on the June 30 preceding the rate year, divided by the employer's average taxable payroll for the three years prior to June 30.

7) Array employers by reserve ratio and taxable wages

Employers are arrayed by reserve ratio from highest to lowest. Employers are then grouped into one of twenty contribution ranks according to their taxable payrolls for the year preceding the rate year. Contribution rank 1 would be made up of employers with the largest positive reserve ratios, while rank 20 would consist of those with the most negative ratios.

APPENDIX M

Maine Unemployment Compensation Trust Fund Projections 1996-2005

Maine Unemployment Compensation Trust Fund Projections
Updated Data for 1997 and 1998
1996-2005

Scenario XVI
Moderate Assumption Based on Current Law Using 3.0% Insured Unemployment Rate for 1998 and Actual Data through Dec. 1997

Year	IUR	Regular and Dislocated Worker Benefits	Extended Benefits	Interest & Contributions	Employee Tax Received	Cigarette Tax Received	FUTA Penalty	Ending Fund Balance Using Regular Only	Ending Fund Balance Using Regular & Extended
1996	3.3 %	$103,091,305	--	$121,670,721	XXXXXX	XXXXXX	--	$111,071,685	$111,071,685
1997*	2.8	92,803,788	--	113,663,033	XXXXXX	XXXXXX	--	131,874,707	131,874,707
1998	3.0	105,500,000	--	119,900,000	XXXXXX	XXXXXX	--	146,300,000	146,300,000
1999	3.5	129,100,000	--	91,900,000	XXXXXX	XXXXXX	--	109,100,000	109,100,000
2000	3.5	135,200,000	--	85,900,000	XXXXXX	XXXXXX	--	59,800,000	59,800,000
2001	3.5	141,500,000	--	100,000,000	XXXXXX	XXXXXX	--	18,300,000	18,300,000
2002	3.5	148,000,000	--	101,600,000	XXXXXX	XXXXXX	--	(28,100,000)	(28,100,000)
2003	3.5	154,800,000	--	103,100,000	XXXXXX	XXXXXX	--	(79,800,000)	(79,800,000)
2004	3.5	161,800,000	--	106,500,000	XXXXXX	XXXXXX	--	(135,100,000)	(135,100,000)
2005	3.5	169,100,000	--	106,100,000	XXXXXX	XXXXXX	9,800,000	(188,300,000)	(188,300,000)

Note: Tax Schedule in effect for 1996-P, 1997-O, 1998-P, 1999-O, 2000-O, 2001-P, 2002-P, 2003-P, 2004-P, 2005-P.

Majority Proposal
12 Months of Benefit Reserves by 2003
Based on Increasing the Taxable Wage Base from $7000 to $12000 and Using the Array System Based on ACUC 3 Year Average Cost Rate
Forcing Schedule A & B for the First 2 Years, Enacting an Employee Tax at 0.2%, Receiving $50 million in Cigarette Tax Relief,
Maintaining the 6% Benefit Reduction in the Maximum Weekly Benefit Amount, and Removing the Disqualifications for Seasonality and for Seeking Part-Time Work

Year	IUR	Regular and Dislocated Worker Benefits	Extended Benefits	Interest & Contributions	Employee Tax Received	Cigarette Tax Received	FUTA Penalty	Ending Fund Balance Using Regular Only	Ending Fund Balance Using Regular & Extended
1996	3.3 %	$103,091,305	--	$121,670,721	XXXXXX	XXXXXX	--	$111,071,685	$111,071,685
1997*	2.8	92,803,788	--	113,663,033	XXXXXX	XXXXXX	--	131,874,707	131,874,707
1998	3.0	104,100,000	--	119,900,000	XXXXXX	XXXXXX	--	147,700,000	147,700,000
1999	3.5	132,300,000	--	122,000,000	8,000,000	10,000,000	--	155,400,000	155,400,000
2000	3.5	138,200,000	--	129,200,000	9,000,000	10,000,000	--	165,400,000	165,400,000
2001	3.5	144,600,000	--	152,700,000	9,000,000	10,000,000	--	192,500,000	192,500,000
2002	3.5	151,100,000	--	172,200,000	9,100,000	10,000,000	--	232,700,000	232,700,000
2003	3.5	158,100,000	--	161,100,000	9,100,000	10,000,000	--	254,800,000	254,800,000
2004	3.5	165,300,000	--	166,400,000	9,200,000	XXXXXX	--	265,100,000	265,100,000
2005	3.5	172,700,000	--	174,400,000	9,300,000	XXXXXX	--	276,100,000	276,100,000

Note: Tax Schedule in effect for 1996-P, 1997-O, 1998-P, 1999-A, 2000-B, 2001-D, 2002-D, 2003-C, 2004-C, 2005-C.

* Actual data as of December 31, 1997.
** The Majority Proposal recommended at least 12 months of reserves in the Unemployment Compensation Trust Fund by the end of 2003 which is projected to be $233.9 million.
The array system and other benefit/financing changes results in a 2003 Trust Fund of $254.8 million which is within one month of reserves of the target balance.
*** ACUC refers to the Advisory Council on Unemployment Compensation.

02/05/98

APPENDIX N

Estimated Tax Rates under the Majority Scenario

1999 Projected Tax Rates under the Majority Scenario

Number of Employers	Taxable Wages	Reserve Ratios	1998 Actual Schedule P: Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	1998 Actual Schedule P: Maximum Cost Per Employee	Projected 1999 Schedule O Under the Current System: Tax Rates on $7,000 Wage Base (No Surtax)	Projected 1999 Schedule O Under the Current System: Maximum Cost Per Employee	Projected 1999 Schedule A Under the Array System: Contribution Category	Projected 1999 Schedule A Under the Array System: Projected New Tax Rates on $12,000 Wage Base	Projected 1999 Schedule A Under the Array System: Maximum Cost Per Employee
1,798	125,584,620.75	999.99 to 48.62	2.8	196	1.9	133	1	0.77	92.40
1,188	125,584,620.75	48.61 to 40.08	2.8	196	1.9	133	2	0.90	108.00
900	125,584,620.75	40.07 to 35.91	2.8	196	1.9	133	3	1.03	123.60
921	125,584,620.75	35.90 to 32.48	2.8	196	1.9	133	4	1.16	139.20
936	125,584,620.75	32.47 to 29.67	2.8	196	1.9	133	5	1.29	154.80
707	125,584,620.75	29.66 to 27.81	2.8	196	1.9	133	6	1.42	170.40
1,088	125,584,620.75	27.80 to 25.11	2.8	196	1.9	133	7	1.55	186.00
1,066	125,584,620.75	25.10 to 22.81	2.8	196	1.9	133	8	1.68	201.60
844	125,584,620.75	22.80 to 21.15	2.8	196	1.9	133	9	1.81	217.20
987	125,584,620.75	21.14 to 19.41	2.8	196	1.9	133	10	1.94	232.80
1,377	125,584,620.75	19.40 to 17.36	2.8-3.0	196-210	1.9-2.1	133-147	11	2.19	262.80
1,283	125,584,620.75	17.35 to 15.42	3.0-3.2	210-224	2.1-2.3	147-161	12	2.45	294.00
1,236	125,584,620.75	15.41 to 13.69	3.2-3.4	224-238	2.3-2.5	161-175	13	2.71	325.20
2,106	125,584,620.75	13.68 to 12.20	3.4-3.5	238-245	2.5-2.6	175-182	14	3.10	372.00
744	125,584,620.75	12.19 to 10.45	3.5-3.7	245-259	2.6-2.8	182-196	15	3.48	417.60
1,061	125,584,620.75	10.44 to 7.11	3.7-4.0	259-280	2.8-3.1	196-217	16	3.87	464.40
1,037	125,584,620.75	7.10 to 2.31	4.0-4.7	280-329	3.1-3.8	217-266	17	4.26	511.20
1,403	125,584,620.75	2.30 to -7.93	4.7-6.0	329-420	3.8-5.1	266-357	18	4.77	572.40
1,720	125,584,620.75	-7.94 to -40.41	6.0-7.9	420-553	5.1-7.0	357-490	19	5.29	634.80
1,860	125,584,620.75	-40.42 to -999.99	7.9	553	7.0	490	20	5.93	711.60

* The 0.4% surtax is effective only for 1998.

20 Union Street, Augusta, Maine 04330-6826

2000 Projected Tax Rates under the Majority Scenario

Number of Employers	Taxable Wages	Reserve Ratios			1998 Actual Schedule P		Projected 2000 Schedule O Under the Current System		Projected 2000 Schedule B Under the Array System		
					Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	Maximum Cost Per Employee	Tax Rates on $7,000 Wage Base (No Surtax)	Maximum Cost Per Employee	Contribution Category	Projected New Tax Rates on $12,000 Wage Base	Maximum Cost Per Employee
1,798	125,584,620.75	999.99	to	48.62	2.8	196	1.9	133	1	0.81	97.20
1,188	125,584,620.75	48.61	to	40.08	2.8	196	1.9	133	2	0.94	112.80
900	125,584,620.75	40.07	to	35.91	2.8	196	1.9	133	3	1.08	129.60
921	125,584,620.75	35.90	to	32.48	2.8	196	1.9	133	4	1.21	145.20
936	125,584,620.75	32.47	to	29.67	2.8	196	1.9	133	5	1.35	162.00
707	125,584,620.75	29.66	to	27.81	2.8	196	1.9	133	6	1.48	177.60
1,088	125,584,620.75	27.80	to	25.11	2.8	196	1.9	133	7	1.61	193.20
1,066	125,584,620.75	25.10	to	22.81	2.8	196	1.9	133	8	1.75	210.00
844	125,584,620.75	22.80	to	21.15	2.8	196	1.9	133	9	1.88	225.60
987	125,584,620.75	21.14	to	19.41	2.8	196	1.9	133	10	2.02	242.40
1,377	125,584,620.75	19.40	to	17.36	2.8-3.0	196-210	1.9-2.1	133-147	11	2.29	274.80
1,283	125,584,620.75	17.35	to	15.42	3.0-3.2	210-224	2.1-2.3	147-161	12	2.56	307.20
1,236	125,584,620.75	15.41	to	13.69	3.2-3.4	224-238	2.3-2.5	161-175	13	2.82	338.40
2,106	125,584,620.75	13.68	to	12.20	3.4-3.5	238-245	2.5-2.6	175-182	14	3.23	387.60
744	125,584,620.75	12.19	to	10.45	3.5-3.7	245-259	2.6-2.8	182-196	15	3.63	435.60
1,061	125,584,620.75	10.44	to	7.11	3.7-4.0	259-280	2.8-3.1	196-217	16	4.04	484.80
1,037	125,584,620.75	7.10	to	2.31	4.0-4.7	280-329	3.1-3.8	217-266	17	4.44	532.80
1,403	125,584,620.75	2.30	to	-7.93	4.7-6.0	329-420	3.8-5.1	266-357	18	4.98	597.60
1,720	125,584,620.75	-7.94	to	-40.41	6.0-7.9	420-553	5.1-7.0	357-490	19	5.51	661.20
1,860	125,584,620.75	-40.42	to	-999.99	7.9	553	7.0	490	20	6.19	742.80

* The 0.4% surtax is effective only for 1998.

2001 Projected Tax Rates under the Majority Scenario

Number of Employers	Taxable Wages	Reserve Ratios	1998 Actual Schedule P: Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	1998 Actual Schedule P: Maximum Cost Per Employee	Projected 2001 Schedule P Under the Current System: Tax Rates on $7,000 Wage Base (No Surtax)	Projected 2001 Schedule P Under the Current System: Maximum Cost Per Employee	Projected 2001 Schedule D Under the Array System: Contribution Category	Projected 2001 Schedule D Under the Array System: Projected New Tax Rates on $12,000 Wage Base	Projected 2001 Schedule D Under the Array System: Maximum Cost Per Employee
1,798	125,584,620.75	999.99 to 48.62	2.8	196	2.4	133	1	0.97	116.40
1,188	125,584,620.75	48.61 to 40.08	2.8	196	2.4	133	2	1.13	135.60
900	125,584,620.75	40.07 to 35.91	2.8	196	2.4	133	3	1.29	154.80
921	125,584,620.75	35.90 to 32.48	2.8	196	2.4	133	4	1.45	174.00
936	125,584,620.75	32.47 to 29.67	2.8	196	2.4	133	5	1.61	193.20
707	125,584,620.75	29.66 to 27.81	2.8	196	2.4	133	6	1.77	212.40
1,088	125,584,620.75	27.80 to 25.11	2.8	196	2.4	133	7	1.93	231.60
1,066	125,584,620.75	25.10 to 22.81	2.8	196	2.4	133	8	2.09	250.80
844	125,584,620.75	22.80 to 21.15	2.8	196	2.4	133	9	2.25	270.00
987	125,584,620.75	21.14 to 19.41	2.8	196	2.4	133	10	2.42	290.40
1,377	125,584,620.75	19.40 to 17.36	2.8-3.0	196-210	2.4-2.6	133-147	11	2.74	328.80
1,283	125,584,620.75	17.35 to 15.42	3.0-3.2	210-224	2.6-2.8	147-161	12	3.06	367.20
1,236	125,584,620.75	15.41 to 13.69	3.2-3.4	224-238	2.8-3.0	161-175	13	3.38	405.60
2,106	125,584,620.75	13.68 to 12.20	3.4-3.5	238-245	3.0-3.1	175-182	14	3.86	463.20
744	125,584,620.75	12.19 to 10.45	3.5-3.7	245-259	3.1-3.3	182-196	15	4.35	522.00
1,061	125,584,620.75	10.44 to 7.11	3.7-4.0	259-280	3.3-3.6	196-217	16	4.83	579.60
1,037	125,584,620.75	7.10 to 2.31	4.0-4.7	280-329	3.6-4.3	217-266	17	5.31	637.20
1,403	125,584,620.75	2.30 to -7.93	4.7-6.0	329-420	4.3-5.6	266-357	18	5.96	715.20
1,720	125,584,620.75	-7.94 to -40.41	6.0-7.9	420-553	5.6-7.5	357-490	19	6.60	792.00
1,860	125,584,620.75	-40.42 to -999.99	7.9	553	7.5	490	20	7.41	889.20

* The 0.4% surtax is effective only for 1998.

MAINE DEPARTMENT OF
LABOR

20 Union Street, Augusta, Maine 04330-6826

2002 Projected Tax Rates under the Majority Scenario

			1998 Actual Schedule P		Projected 2002 Schedule P Under the Current System		Projected 2002 Schedule D Under the Array System		
Number of Employers	Taxable Wages	Reserve Ratios	Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	Maximum Cost Per Employee	Tax Rates on $7,000 Wage Base (No Surtax)	Maximum Cost Per Employee	Contribution Category	Projected New Tax Rates on $12,000 Wage Base	Maximum Cost Per Employee
1,798	125,584,620.75	999.99 to 48.62	2.8	196	2.4	133	1	1.07	128.40
1,188	125,584,620.75	48.61 to 40.08	2.8	196	2.4	133	2	1.25	150.00
900	125,584,620.75	40.07 to 35.91	2.8	196	2.4	133	3	1.42	170.40
921	125,584,620.75	35.90 to 32.48	2.8	196	2.4	133	4	1.60	192.00
936	125,584,620.75	32.47 to 29.67	2.8	196	2.4	133	5	1.78	213.60
707	125,584,620.75	29.66 to 27.81	2.8	196	2.4	133	6	1.96	235.20
1,088	125,584,620.75	27.80 to 25.11	2.8	196	2.4	133	7	2.14	256.80
1,066	125,584,620.75	25.10 to 22.81	2.8	196	2.4	133	8	2.31	277.20
844	125,584,620.75	22.80 to 21.15	2.8	196	2.4	133	9	2.49	298.80
987	125,584,620.75	21.14 to 19.41	2.8	196	2.4	133	10	2.67	320.40
1,377	125,584,620.75	19.40 to 17.36	2.8-3.0	196-210	2.4-2.6	133-147	11	3.03	363.60
1,283	125,584,620.75	17.35 to 15.42	3.0-3.2	210-224	2.6-2.8	147-161	12	3.38	405.60
1,236	125,584,620.75	15.41 to 13.69	3.2-3.4	224-238	2.8-3.0	161-175	13	3.74	448.80
2,106	125,584,620.75	13.68 to 12.20	3.4-3.5	238-245	3.0-3.1	175-182	14	4.27	512.40
744	125,584,620.75	12.19 to 10.45	3.5-3.7	245-259	3.1-3.3	182-196	15	4.81	577.20
1,061	125,584,620.75	10.44 to 7.11	3.7-4.0	259-280	3.3-3.6	196-217	16	5.34	640.80
1,037	125,584,620.75	7.10 to 2.31	4.0-4.7	280-329	3.6-4.3	217-266	17	5.87	704.40
1,403	125,584,620.75	2.30 to -7.93	4.7-6.0	329-420	4.3-5.6	266-357	18	6.59	790.80
1,720	125,584,620.75	-7.94 to -40.41	6.0-7.9	420-553	5.6-7.5	357-490	19	7.30	876.00
1,860	125,584,620.75	-40.42 to -999.99	7.9	553	7.5	490	20	8.19	982.80

* The 0.4% surtax is effective only for 1998.

20 Union Street, Augusta, Maine 04330-6826

2003 Projected Tax Rates under the Majority Scenario

Number of Employers	Taxable Wages	Reserve Ratios			1998 Actual Schedule P: Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	1998 Actual Schedule P: Maximum Cost Per Employee	Projected 2003 Schedule P Under the Current System: Tax Rates on $7,000 Wage Base (No Surtax)	Projected 2003 Schedule P Under the Current System: Maximum Cost Per Employee	Projected 2003 Schedule C Under the Array System: Contribution Category	Projected 2003 Schedule C Under the Array System: Projected New Tax Rates on $12,000 Wage Base	Projected 2003 Schedule C Under the Array System: Maximum Cost Per Employee
1,798	125,584,620.75	999.99	to	48.62	2.8	196	2.4	133	1	0.95	114.00
1,188	125,584,620.75	48.61	to	40.08	2.8	196	2.4	133	2	1.11	133.20
900	125,584,620.75	40.07	to	35.91	2.8	196	2.4	133	3	1.27	152.40
921	125,584,620.75	35.90	to	32.48	2.8	196	2.4	133	4	1.43	171.60
936	125,584,620.75	32.47	to	29.67	2.8	196	2.4	133	5	1.59	190.80
707	125,584,620.75	29.66	to	27.81	2.8	196	2.4	133	6	1.74	208.80
1,088	125,584,620.75	27.80	to	25.11	2.8	196	2.4	133	7	1.90	228.00
1,066	125,584,620.75	25.10	to	22.81	2.8	196	2.4	133	8	2.06	247.20
844	125,584,620.75	22.80	to	21.15	2.8	196	2.4	133	9	2.22	266.40
987	125,584,620.75	21.14	to	19.41	2.8	196	2.4	133	10	2.38	285.60
1,377	125,584,620.75	19.40	to	17.36	2.8-3.0	196-210	2.4-2.6	133-147	11	2.69	322.80
1,283	125,584,620.75	17.35	to	15.42	3.0-3.2	210-224	2.6-2.8	147-161	12	3.01	361.20
1,236	125,584,620.75	15.41	to	13.69	3.2-3.4	224-238	2.8-3.0	161-175	13	3.33	399.60
2,106	125,584,620.75	13.68	to	12.20	3.4-3.5	238-245	3.0-3.1	175-182	14	3.80	456.00
744	125,584,620.75	12.19	to	10.45	3.5-3.7	245-259	3.1-3.3	182-196	15	4.28	513.60
1,061	125,584,620.75	10.44	to	7.11	3.7-4.0	259-280	3.3-3.6	196-217	16	4.76	571.20
1,037	125,584,620.75	7.10	to	2.31	4.0-4.7	280-329	3.6-4.3	217-266	17	5.23	627.60
1,403	125,584,620.75	2.30	to	-7.93	4.7-6.0	329-420	4.3-5.6	266-357	18	5.86	703.20
1,720	125,584,620.75	-7.94	to	-40.41	6.0-7.9	420-553	5.6-7.5	357-490	19	6.50	780.00
1,860	125,584,620.75	-40.42	to	-999.99	7.9	553	7.5	490	20	7.29	874.80

* The 0.4% surtax is effective only for 1998.

2004 Projected Tax Rates under the Majority Scenario

Number of Employers	Taxable Wages	Reserve Ratios			1998 Actual Schedule P: Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	1998 Actual Schedule P: Maximum Cost Per Employee	Projected 2004 Schedule P Under the Current System: Tax Rates on $7,000 Wage Base (No Surtax)	Projected 2004 Schedule P Under the Current System: Maximum Cost Per Employee	Contribution Category	Projected 2004 Schedule C Under the Array System: Projected New Tax Rates on $12,000 Wage Base	Projected 2004 Schedule C Under the Array System: Maximum Cost Per Employee
1,798	125,584,620.75	999.99	to	48.62	2.8	196	2.4	133	1	0.99	118.80
1,188	125,584,620.75	48.61	to	40.08	2.8	196	2.4	133	2	1.15	138.00
900	125,584,620.75	40.07	to	35.91	2.8	196	2.4	133	3	1.32	158.40
921	125,584,620.75	35.90	to	32.48	2.8	196	2.4	133	4	1.48	177.60
936	125,584,620.75	32.47	to	29.67	2.8	196	2.4	133	5	1.65	198.00
707	125,584,620.75	29.66	to	27.81	2.8	196	2.4	133	6	1.81	217.20
1,088	125,584,620.75	27.80	to	25.11	2.8	196	2.4	133	7	1.97	236.40
1,066	125,584,620.75	25.10	to	22.81	2.8	196	2.4	133	8	2.14	256.80
844	125,584,620.75	22.80	to	21.15	2.8	196	2.4	133	9	2.30	276.00
987	125,584,620.75	21.14	to	19.41	2.8	196	2.4	133	10	2.47	296.40
1,377	125,584,620.75	19.40	to	17.36	2.8-3.0	196-210	2.4-2.6	133-147	11	2.80	336.00
1,283	125,584,620.75	17.35	to	15.42	3.0-3.2	210-224	2.6-2.8	147-161	12	3.13	375.60
1,236	125,584,620.75	15.41	to	13.69	3.2-3.4	224-238	2.8-3.0	161-175	13	3.45	414.00
2,106	125,584,620.75	13.68	to	12.20	3.4-3.5	238-245	3.0-3.1	175-182	14	3.95	474.00
744	125,584,620.75	12.19	to	10.45	3.5-3.7	245-259	3.1-3.3	182-196	15	4.44	532.80
1,061	125,584,620.75	10.44	to	7.11	3.7-4.0	259-280	3.3-3.6	196-217	16	4.94	592.80
1,037	125,584,620.75	7.10	to	2.31	4.0-4.7	280-329	3.6-4.3	217-266	17	5.43	651.60
1,403	125,584,620.75	2.30	to	-7.93	4.7-6.0	329-420	4.3-5.6	266-357	18	6.09	730.80
1,720	125,584,620.75	-7.94	to	-40.41	6.0-7.9	420-553	5.6-7.5	357-490	19	6.74	808.80
1,860	125,584,620.75	-40.42	to	-999.99	7.9	553	7.5	490	20	7.57	908.40

* The 0.4% surtax is effective only for 1998.

2005 Projected Tax Rates under the Majority Scenario

Number of Employers	Taxable Wages	Reserve Ratios			1998 Actual Schedule P: Tax Rates Including 0.4% Surtax* on $7,000 Wage Base	1998 Actual Schedule P: Maximum Cost Per Employee	Projected 2005 Schedule P Under the Current System: Tax Rates on $7,000 Wage Base (No Surtax)	Projected 2005 Schedule P Under the Current System: Maximum Cost Per Employee	Projected 2005 Schedule C Under the Array System: Contribution Category	Projected 2005 Schedule C Under the Array System: Projected New Tax Rates on $12,000 Wage Base	Projected 2005 Schedule C Under the Array System: Maximum Cost Per Employee
1,798	125,584,620.75	999.99	to	48.62	2.8	196	2.4	133	1	1.03	123.60
1,188	125,584,620.75	48.61	to	40.08	2.8	196	2.4	133	2	1.20	144.00
900	125,584,620.75	40.07	to	35.91	2.8	196	2.4	133	3	1.37	164.40
921	125,584,620.75	35.90	to	32.48	2.8	196	2.4	133	4	1.54	184.80
936	125,584,620.75	32.47	to	29.67	2.8	196	2.4	133	5	1.71	205.20
707	125,584,620.75	29.66	to	27.81	2.8	196	2.4	133	6	1.88	225.60
1,088	125,584,620.75	27.80	to	25.11	2.8	196	2.4	133	7	2.05	246.00
1,066	125,584,620.75	25.10	to	22.81	2.8	196	2.4	133	8	2.22	266.40
844	125,584,620.75	22.80	to	21.15	2.8	196	2.4	133	9	2.39	286.80
987	125,584,620.75	21.14	to	19.41	2.8	196	2.4	133	10	2.57	308.40
1,377	125,584,620.75	19.40	to	17.36	2.8-3.0	196-210	2.4-2.6	133-147	11	2.91	349.20
1,283	125,584,620.75	17.35	to	15.42	3.0-3.2	210-224	2.6-2.8	147-161	12	3.25	390.00
1,236	125,584,620.75	15.41	to	13.69	3.2-3.4	224-238	2.8-3.0	161-175	13	3.59	430.80
2,106	125,584,620.75	13.68	to	12.20	3.4-3.5	238-245	3.0-3.1	175-182	14	4.10	492.00
744	125,584,620.75	12.19	to	10.45	3.5-3.7	245-259	3.1-3.3	182-196	15	4.62	554.40
1,061	125,584,620.75	10.44	to	7.11	3.7-4.0	259-280	3.3-3.6	196-217	16	5.13	615.60
1,037	125,584,620.75	7.10	to	2.31	4.0-4.7	280-329	3.6-4.3	217-266	17	5.64	676.80
1,403	125,584,620.75	2.30	to	-7.93	4.7-6.0	329-420	4.3-5.6	266-357	18	6.33	759.60
1,720	125,584,620.75	-7.94	to	-40.41	6.0-7.9	420-553	5.6-7.5	357-490	19	7.01	841.20
1,860	125,584,620.75	-40.42	to	-999.99	7.9	553	7.5	490	20	7.87	944.40

* The 0.4% surtax is effective only for 1998.

APPENDIX O

Projected Benefit Costs of Various Options 1999-2005

MAINE DE. .RTMENT OF

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20 Union Street, Augusta, Maine 04330-6826

Projected Benefit Costs of Various Options, Maine Unemployment Compensation Program, 1999-2005
*With Revised Benefit Costs

Options	Cost Impact	Projections Assuming Insured Unemployment Rate of 3.5% 1999	2000	2001	2002	2003	2004	2005	Total, 1999-2005
Total Benefit Costs, Current Law		$129,100,000	$135,200,000	$141,500,000	$148,000,000	$154,800,000	$161,800,000	$169,100,000	$1,039,500,000
Benefit Costs, Removing Seasonality	Increases by 1%	$1,300,000	$1,400,000	$1,400,000	$1,500,000	$1,500,000	$1,600,000	$1,700,000	$10,400,000
Benefit Costs, Eliminating Disqualification for Transportation & Child Care Issues	*Increases by 2.5%	$3,200,000	$3,400,000	$3,500,000	$3,700,000	$3,900,000	$4,000,000	$4,200,000	$25,900,000
Benefit Costs, Eliminating Disqualification for Seeking Part-Time Work	*Increases by 4.5%	$5,800,000	$6,100,000	$6,400,000	$6,700,000	$7,000,000	$7,300,000	$7,600,000	$46,900,000
Benefit Costs, Adopting Extended Benefit Trigger Using Seasonally Adjusted Total Unemployment Rate	Increases by 2%	$2,600,000	$2,700,000	$2,800,000	$3,000,000	$3,100,000	$3,200,000	$3,400,000	$20,800,000
Benefit Costs, Changing Monetary Qualifying Wages to High Quarter Wages of 4 X WBA and Base Period Wages of 13 X WBA	Increases by 1.4%	$1,800,000	$1,900,000	$2,000,000	$2,100,000	$2,200,000	$2,300,000	$2,400,000	$14,700,000
Cost of All Benefit Increases		$14,700,000	$15,500,000	$16,100,000	$17,000,000	$17,700,000	$18,400,000	$19,300,000	$118,700,000
Benefit Costs, Removing Dependency Allowances	Decreases by 2.4%	($3,100,000)	($3,200,000)	($3,400,000)	($3,600,000)	($3,700,000)	($3,900,000)	($4,100,000)	($25,000,000)
Benefit Costs, Changing the High Quarter Calculation from 1/22 to 1/24 of Average of Two Highest Quarters	Decreases by 9.9%	($12,800,000)	($13,400,000)	($14,000,000)	($14,700,000)	($15,300,000)	($16,000,000)	($16,700,000)	($102,900,000)
Benefit Costs, Increasing the Waiting Week from One to Two Weeks	Decreases by 3.7%	($4,800,000)	($5,000,000)	($5,200,000)	($5,500,000)	($5,700,000)	($6,000,000)	($6,300,000)	($38,500,000)
Benefit Costs, Increasing Monetary Qualifying Wages to 4 Times Average Wage for High Quarter and to 12 Times Average Wage for Base Period	Decreases by 1.4%	($1,800,000)	($1,900,000)	($2,000,000)	($2,100,000)	($2,200,000)	($2,300,000)	($2,400,000)	($14,700,000)
Benefit Costs, Reducing Maximum Weekly Benefit Amount by 6% per Year	Decreases by 3.2%	($4,100,000)	($4,300,000)	($4,500,000)	($4,700,000)	($5,000,000)	($5,200,000)	($5,400,000)	($33,200,000)
Cost of All Benefit Decreases		($26,600,000)	($27,800,000)	($29,100,000)	($30,600,000)	($31,900,000)	($33,400,000)	($34,900,000)	($214,300,000)

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APPENDIX P

Seasonal Industry
for
Tax Year 1997

MAINE DEPARTMENT OF LABOR

20 Union Street, Augusta, Maine 04330-6826

Seasonal Industry for Tax Year 1997	Number of Employers	Range of Tax Rates
Agricultural and Historical Societies Fairs	8	2.3 - 2.4
Amusement Parks	35	2.3 - 7.4
Amusement Rides	6	2.3 - 7.4
Auto Stock Car Racing	5	2.3 - 7.4
Boys and Girls Camps	30	0.0 - 4.2
Boys Camps	18	0.0 - 7.4
Camping Areas	117	2.3 - 7.4
Carnivals	4	3.0 - 7.4
Frozen Milk Products	49	2.3 - 7.4
Girls Camps	22	0.0 - 4.8
Harvesting of Apples	11	2.3 - 7.4
Harvesting, Packing, and Processing of Blueberries	36	2.3 - 7.4
Hotels	4	2.3 - 3.6
Hotels and Restaurants	7	2.3 - 2.9
Inns	32	2.3 - 7.4
Inns and Restaurants	11	2.3 - 4.6
Lodging Facilities	55	2.3 - 7.4
Marinas	51	2.3 - 7.4
Motels	85	2.3 - 7.4
Motels and Restaurants	5	2.3 - 3.1
Oceanariums	3	2.4 - 7.4
Party Boat Fishing	3	3.0 - 7.4
Party Boat Sight-Seeing	9	2.3 - 7.4
Potato Packing	5	4.6 - 7.4
Restaurants	217	2.3 - 7.4
Ski Industry	21	2.3 - 7.4
Sporting Camps	38	2.3 - 7.4
Summer Cruise Boats	47	0.0 - 7.4
Summer Recreation	165	0.0 - 7.4
Summer Theaters	4	2.3 - 3.1
Variety Stores	5	2.3 - 3.2
Whitewater Rafting	14	2.4 - 4.6
Wreath Making	26	2.3 - 7.4
Yacht Clubs	23	2.3 - 4.2
Other (Packing and Processing of Dandelions, Baseball, Trading Posts, and Ice Fishing Tip-Ups Manufacturing)	7	2.3 - 4.2
Total	1178	0.0 - 7.4

Total Tax Rated Employers	1028
Average Tax Rate (excluding direct reimbursables)-Seasonal Employers	3.3
Median Tax Rate (excluding direct reimbursables)-Seasonal Employers	2.6
Average Tax Rate (excluding direct reimbursables)-All Employers	3.7
Median Tax Rate (excluding direct reimbursables)-All Employers	3.0

APPENDIX Q

Legislation Recommended by the Majority

Title: An Act to Implement the Majority Recommendations of the Commission to Study the Unemployment Compensation System

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

Sec. 1. 22 MRSA §1546, sub-§3 is amended to read:

3. Payments from fund. After depositing funds under subsection 2, the State Controller shall make the following payments in the following order:

A. The State Controller shall transfer to the department for the Tobacco Prevention and Control Program established in section 272 funds sufficient for all allocations from the fund; ~~and~~

A-1. The State Controller shall transfer to the Unemployment Compensation Trust Fund established in Title 26, section 1141 $10,000,000 per year for the five years beginning in 1999 and ending in 2003; and

B. No other funds may be expended without the recommendations of the joint standing committee of the Legislature having jurisdiction over tax matters and enacted by the full Legislature.

Sec. 2. 26 MRSA §1043, sub-§19, ¶A is amended to read:

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

Sec. 3. 26 MRSA §1082, sub-§§ 14 and 15 is enacted to read:

14. Data collection. The Director of Unemployment compensation or a duly authorized representative of the commissioner shall collect the following data regarding claimants who seek part-time work, claimants who have child care problems and claimants who have transportation problems:

A. The claimant's gender;

B. The weekly benefit amount on the claim;

C. The claimant's qualifying wages; and

D. The industry in which the claimant works.

15. Review of certain changes to the employment security law. The Director of Unemployment Compensation or a duly authorized representative of the commissioner shall evaluate the changes made to the employment security law during the Second Regular Session of the 118th Legislature and shall report to the Joint Standing Committee of the Legislature having jurisdiction over labor issues no later than January 31, 2003. The Director of Unemployment Compensation or the duly authorized representative of the commissioner may enlist the help of the state advisory council. The report must include an evaluation of and any recommended changes regarding the following specific issues:

A. The solvency of the Unemployment Compensation Trust Fund;

B. The taxable wage base in section 1043, subsection 19, paragraph A.

C. The reduction in maximum weekly benefits found in section 1191, subsection 2;

D. A claimant's ability to collect benefits while seeking part-time work, as specified in section 1192, subsection 3, paragraph B.

E. The employee tax imposed by subchapter X.

F. The array system of experience rating specified in section 1221.

G. The data collected pursuant to subsection 14.

Sec. 4. 26 MRSA §1191, sub-§2 is 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 27, 2003, 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 1, 1999, the weekly benefit amount must be the amount determined by this subsection minus $3.

Sec. 5. 26 MRSA §1192, sub-§§ 1, 2 and 3 and 4-A are amended to read:

An unemployed individual ~~shall be~~ is eligible to receive benefits ~~with respect to~~ for any week only if:

1. Has claim for benefits. ~~He~~ The individual has made a claim for benefits ~~with respect to such~~ for all or part of the week ~~or part thereof~~ in accordance with ~~such~~ any regulations ~~as~~ the commission may prescribe;

2. Has registered for work. ~~He~~ The individual has registered for work at, and thereafter continued to report at, an employment office in accordance with ~~such~~ any regulations ~~as~~ the commission may prescribe, except that the commission may, by regulation, waive or alter either or both of the requirements of this subsection ~~as to~~ for individuals attached to regular jobs and ~~as to such~~ in other types of cases or situations with respect to which it finds that compliance with ~~such~~ the requirements would be oppressive, or would be inconsistent with the purposes of this chapter. ~~No such~~ A regulation ~~shall~~ may not conflict with section 1191, subsection 1;

3. Is able and available for work. ~~He~~ The individual is able to work, ~~and~~ is available for full-time work at ~~his~~ the individual's usual or customary trade, occupation, profession or business or in ~~such other~~ another trade, occupation, profession or business for which ~~his~~ the individual's prior training or experience shows ~~him~~ the individual to be fitted or qualified~~;~~ and, in addition to having complied with subsection 2, is ~~himself~~ actively seeking work in accordance with the regulations of the commission; ~~provided that no ineligibility may be found solely because the claimant is unable to accept employment on a shift, the greater part of which falls between the hours of midnight to 5 a.m., and is unavailable for that employment because of parental obligation, the need to care for an immediate family member, or the unavailability of a personal care attendant required to assist the unemployed individual who is a handicapped person; and~~ provided that an unemployed individual who is neither able nor available for work due to good cause as determined by the deputy ~~shall be~~ is eligible to receive prorated benefits for that portion of the week during which ~~he~~ the individual was able and available~~;~~. A claimant may not be denied benefits under this subsection if:

A. The claimant is unable to accept employment on a shift, the greater part of which falls between the hours of midnight and 5 a.m., because of parental obligation, the need to care for an immediate family member or the unavailability of a personal care attendant required to assist the unemployed individual who is a handicapped person; or

B. From January 1, 1999 through December 31, 2003, the claimant is able and available for part-time work and is willing to work a sufficient number of hours during the week to earn wages at least equal to the claimant's weekly benefit amount plus $5;

4-A. Has served a waiting period. For each eligible individual establishing a benefit year on or after May 10, 1981, ~~he~~ the individual has served a waiting period of one week of total or partial unemployment. No week may be counted as a week of total or partial unemployment for the purpose of this subsection:

A. If benefits have been paid ~~with respect to~~ for that week;

B. Unless it occurs within the benefit year which includes the week ~~with respect to~~ for which ~~he~~ the individual claims payment of benefits; and

C. Unless the individual was eligible for benefits ~~with respect to~~ for that week, as provided in this section and section 1193, except for the requirements of this subsection;

Sec. 6. 26 MRSA §1192, sub-§ 6-A is amended to read:

6-A. Prohibition against disqualification of individuals in approved training under the United States Trade Act of 1974. Notwithstanding any other provisions of this chapter, ~~no~~ an otherwise eligible individual may not be denied benefits for any week because ~~he~~ the individual is in training approved under the United States Trade Act of 1974, Section 236 (a) (1), nor may that individual be denied benefits by reason of leaving work to enter that training, provided the work left is not suitable employment, or because of the application to any such week in training of provisions in this chapter, or any applicable federal unemployment compensation law, relating to availability for work, active search for work or refusal to accept work. Benefits paid to any eligible claimant while in such training for which, except for this subsection, the claimant could be disqualified under section 1193, subsection 1 or 3, ~~shall~~ may not be charged against the experience rating record of any employer but ~~shall~~ must be charged to the General Fund.

For purposes of this subsection, the term "suitable employment" means with respect to an individual, work of a substantially equal or higher skill level than the individual's past adversely affected employment, as defined for purposes of the United States Trade Act of 1974, and wages for such work at not less than 80% of the individual's average weekly wage as determined for the purposes of the United States Trade Act of 1974.

Sec. 7. 26 MRSA §1192, sub-§§ 8 and 9 are amended to read:

8. No denial or reduction of benefits. Benefits ~~shall~~ may not be denied or reduced to an individual solely because ~~he~~ the individual files a claim in another state, or a contiguous country with which the United States has an agreement with respect to unemployment compensation, or because ~~he~~ the individual resides in another state or contiguous country at the time ~~he~~ the individual files a claim for benefits.

9. No denial of benefits for jury service. Benefits ~~shall~~ may not be denied to an individual solely because ~~he~~ the individual is selected to serve as a juror. Individuals~~,~~ who receive actual earnings for jury service~~, shall~~ must be paid a partial benefit in an amount equal to ~~his~~ the individual's weekly benefit amount less ~~that~~ the amount earned for jury service.

Sec. 8. 26 MRSA §1251 is repealed.

Sec. 9. 26 MRSA ch. 13, subch. X is enacted to read:

SUBCHAPTER X

EMPLOYEE'S CONTRIBUTIONS

§ 1271. Employee contribution

A. Contribution rate. Beginning January 1, 1999 and continuing through December 31, 2003, an individual employed by an employer subject to this chapter, except an employer who has elected to make reimbursement payments in lieu of contributions under section 1221, shall contribute to the fund established in section 1141 an amount equal to 0.2% of the first $12,000 of the individual's wages in each calendar year.

B. Calculating fractions. In calculating an individual's contribution amount, a fraction of a cent must be disregarded unless it amounts to 1/2 cent or more, in which case it must be increased to one cent.

§ 1272. Employer collects contributions

A. Deduction. Contributions required from each individual must be deducted from the individual's wages by the employer at the time the wages are paid.

B. Trust. The employer shall hold deductions in trust for the bureau until the employee contributions become due in accordance with regulations the commissioner may prescribe. The deducted funds are not subject to garnishment or attachment, and in the event of lien, judgment or bankruptcy, are not considered assets of the employer.

C. Liability. An employer who fails to deduct contributions from the wages of employees is liable to the commissioner for the payment of the required contributions.

D. Misappropriation. An employer who converts to personal use or misappropriates funds held in trust is guilty of a Class E crime.

E. Records. An employer shall maintain a record of the amount deducted from the wages of each employee and shall furnish a statement of the deductions to each employee at the times and in the manner the commissioner adopts by regulation.

Sec. 10. This section is reserved for language that creates an array system.

Sec. 11. Intent. It is the intent of the Legislature to avoid insolvency and its detrimental financial consequences for both employers and employees. It is, therefore, the intent of the Legislature that the balance in the Unemployment Compensation Fund at any given time be great enough to pay 12 months of benefits, at rates determined by the average of the three most expensive benefit years in the previous 20 years.

SUMMARY

This bill implements the recommendations of the majority of the Commission to Study the Unemployment Compensation System, and it does the following:

1. It dedicates to the Unemployment Compensation Fund $10,000,000 in cigarette tax relief money per year for the five years beginning in 1999 and ending in 2003.

2. It raises the taxable wage base from $7,000 to $12,000.

3. It requires the Department of Labor to collect data on unemployment benefit claimants who seek part-time work, who have child care problems or have transportation problems.

4. It requires the Department of Labor to report on the changes implemented by this bill to the Joint Standing Committee having jurisdiction over labor issues by January 31, 2003.

5. It extends the 6% reduction in maximum weekly benefits until December 27, 2003.

6. It prohibits a claimant from being denied benefits for seeking part-time work if that claimant is willing to work at least enough hours to earn the claimant's weekly benefit amount plus $5.

7. It eliminates the seasonality exclusion.

8. It imposes, from January 1, 1999 through December 31, 2003, an employee tax of 0.2% per year on the first $12,000 of wages.

9. It replaces the existing experience rating system with an array system.

10. It states the Legislature's intent to maintain a certain level of reserves in the Unemployment Compensation Fund.

APPENDIX R

Legislation Recommended by the Minority

Title: An Act to Implement the Minority Recommendations of the Commission to Study the Unemployment Compensation System

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

Sec. 1. 26 MRSA §1043, sub-§19, ¶A is amended to read:

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

Sec. 2. 26 MRSA §1191, sub-§2 is 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~~ 1/26 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%~~ 48% 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, 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 1, 1999, the weekly benefit amount must be the amount determined by this subsection minus $3.

Sec. 3. This section is reserved for language that creates an array system.

SUMMARY

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% ro 48% of the average weekly wage. It replaces the existing tax rate schedule with an array system that generates an Unemployment Compensation Trust Fund balance in 2005 that is sufficient to cover nearly six months of benefits, based on the average of Maine's three most expensive benefit cost years in the past 20 years.