

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 720

(Senator Middleton, *et al.*) (Unemployment Insurance
Oversight Committee)

Finance

Economic Matters

Joint Committee on Unemployment Insurance Oversight

This bill re-establishes the Joint Committee on Unemployment Insurance Oversight to study the condition of the unemployment insurance system as a result of the implementation of Chapter 169 of 2005. The committee may examine the need for additional alterations to the system, including charging and taxation provisions and the eligibility and benefit provisions. The committee must report its findings and recommendations to the Governor and the General Assembly by December 31 of each year.

A representative of the labor community and a representative of the National Federation of Independent Business are added to the committee's membership, increasing the total number of committee members from 13 to 15. The Department of Legislative Services (DLS) will staff the oversight committee and the Department of Labor, Licensing, and Regulation must report to the committee on the condition of unemployment insurance in the State.

The bill takes effect June 1, 2007 and terminates December 31, 2010.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DLS are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 169 of 2005 created a Joint Committee on Unemployment Insurance Oversight to study the condition of the unemployment insurance system resulting from the effects of that 2005 enactment, which replaced the experienced tax rates and flat rate surcharge system with a single overall experienced tax rated system and increased the maximum weekly benefit amount. The joint committee was authorized to examine the need for additional alterations to the system, including the charging and taxation provisions and the eligibility and benefit provisions and was required to make final recommendations by December 31, 2006. The joint committee has also monitored laws and policies that affect the State unemployment system, including administrative and federal funding issues. The joint committee issued a report with recommendations on January 31, 2007.

Background: Unemployment insurance benefits are funded through Maryland employers' State unemployment insurance taxes. An employer's tax rate is based on the employer's unemployment history and ranges within a certain percentage of the total taxable wages of the employer's employees. The taxes are deposited in the Unemployment Insurance Trust Fund and can be used only to pay benefits to eligible unemployed individuals.

Chapter 269 of 2003 created the Unemployment Insurance Funding Task Force to study (1) the fairness of the existing charging and taxation system under current Maryland Unemployment Insurance Law, taking into consideration the impact on employers; (2) the fairness of existing eligibility and benefit provisions under current Maryland Unemployment Insurance Law; (3) the need for altering the current system of charging and taxation in order to maintain the fund at a level sufficient to ensure the viability of the fund; and (4) the impact of changes in the national and State economics and their relationship to changes in the fund. The task force was required to make specific recommendations, including developing draft legislation, on what steps might be taken to ensure that payments into the fund remain adequate and equitable for both employees and employers.

Unable to complete its work, Chapter 260 of 2004 extended the termination date of the task force from December 31, 2003 to December 31, 2004. The task force considered an extensive list of options for Maryland's current unemployment insurance system and

recommended a number of changes to the charging and taxation system. Those recommendations became Chapter 169 of 2005.

Additional Information

Prior Introductions: None.

Cross File: HB 1031 (Delegate Taylor) (Unemployment Insurance Oversight Committee) – Economic Matters.

Information Source(s): Maryland Chamber of Commerce; Department of Business and Economic Development; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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