



126th MAINE LEGISLATURE

LD 690

LR 1588(01)

An Act To Ensure Efficiency in the Unemployment Insurance System

Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Rep. Herbig of Belfast

Committee: Labor, Commerce, Research and Economic Development

Fiscal Note Required: Yes

Preliminary Fiscal Impact Statement

Potential loss of Federal Unemployment Tax Act (FUTA) tax credits
Potential current biennium revenue decrease - Federal Expenditures Fund

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	\$712,954	\$994,801	\$1,031,009	\$1,078,932
Appropriations/Allocations				
General Fund	\$712,954	\$994,801	\$1,031,009	\$1,078,932

Fiscal Detail and Notes

The Employment Security Services program within the Department of Labor will require ongoing General Fund appropriations of \$712,954 in fiscal year 2013-14 and \$994,801 in fiscal year 2014-15 for 16 Claims Adjudicator positions and related all other costs that the department indicates will be needed in order to make the determinations on all nonmonetary issues related to unemployment benefit eligibility within the required timeframe proposed in this legislation. The fiscal year 2013-14 General Fund cost assumes an October 1, 2013 start date.

The Department of Labor also indicates that the language in this legislation that provides an individual eligibility determination cannot exceed 30 days after the date a nonmonetary issue is identified may result in a federal conformity issue. According to the department, the Federal Unemployment Tax Act (FUTA) only permits the payment of unemployment benefits to individuals determined to be eligible. If it is the intent of this legislation that benefits are to be paid within 30 days even if eligibility has not been established, the State could potentially be ruled out of conformity with federal law. Being out of conformity could jeopardize employers' FUTA tax credits and Maine's unemployment administrative grants. According to the Department of Labor, if Maine's Employment Security Law is ruled out of conformity, the federal unemployment taxes for all Maine employers would increase to 6% on all employment, increasing FUTA taxes from \$30 million to \$210 million annually. Additionally, funding of between \$13 million and \$15 million from unemployment administrative grants that the Bureau of Unemployment Compensation receives annually would be at risk.