



**Testimony of Laura Boyett, Bureau of Unemployment Compensation  
Maine Department of Labor**

**In Opposition to LD 1464**

**An Act to Remove the Waiting Period for Benefits  
under the Maine's Unemployment Insurance System**

**BEFORE THE JOINT STANDING COMMITTEE ON LABOR**

**Sponsored by: Senator Daughtry  
Date of Hearing: April 19, 2023**

Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor, my name is Laura Boyett, and I am the Director of the Unemployment Compensation Bureau for the Department of Labor. I am here to testify in opposition to LD 1464, "An Act to Remove the Waiting Period for Benefits under the Maine Unemployment Insurance System."

This bill would eliminate the required one-week waiting period on an unemployment compensation claim before benefits are paid. Currently, only eight (8) states do not have a waiting week. We oppose this bill because it would increase the cost of unemployment benefits in Maine by approximately 10% under current economic conditions.

Individuals who exhaust their unemployment benefits before finding new employment would not receive additional benefits under this proposed bill. Their benefits would just run out one week earlier than under current statute. However, most individuals who file unemployment claims become re-employed prior to exhausting their unemployment benefits. This bill would increase the benefit payout to these individuals by one week. In 2022, approximately 19,000 individuals would have received an additional week of unemployment benefits had this bill been in place. Using the average weekly benefit amount, the cost to provide this additional week of benefits to this group would have been approximately \$7,500,000.00.

There are also individuals who initiate unemployment claims but only serve the waiting week before becoming re-employed. Under current statute, these individuals would not receive an unemployment payment. Under the proposed bill, they would. Of the 19,000 indicated above, there were approximately 5,200 individuals in 2022 who did not continue filing claims after serving a waiting week. The cost of paying benefits for the waiting week in these circumstances would have been just over \$2,000,000.00. Some of these individuals returned or obtained work and stopped filing, but many filed their claims during a temporary, sometimes annually recurring, shutdown of the business and did so to satisfy the waiting week requirement in the event there were additional periods of layoff during the year. However, these individuals were still employed and not actually available to seek jobs in the labor market. Removing the waiting week and raising benefit costs for these yearly temporary shutdowns may negatively impact the unemployment experience ratings of these businesses and potentially increase their unemployment taxes.

Another area in which this proposed bill would increase costs would be in the federal Extended Benefits program. This program only “triggers on” during periods of very high unemployment. The last time it was in effect in Maine was during the Covid-19 Pandemic Emergency. The cost of benefits paid out for the first week paid under the Extended Benefits program are fully reimbursed by federal dollars *only* if the state law includes a benefit waiting week. If the state does not have a waiting week, the state must absorb the cost of benefits paid during the first week from its unemployment trust fund. The projected cost of picking up the benefit cost for the first week of extended benefits is an additional \$1 to 2 million depending on how long the Extended Benefit program remains in effect.

Based on the unemployment level in Maine during 2022, the projected increase in benefit costs would have been approximately \$7,500,000.00 under this bill. The benefit cost increase projected during a low to moderate recession is projected to be between \$20,100,000.00 to \$24,500,000.00. During a period of high unemployment as experienced during the Great Recession, the cost increase is projected to be between \$32,400,000.00 to \$41,700,000.00 (the recession projections include the cost of the first week of Extended Benefits being paid from the Maine Trust Fund).

The Unemployment Contribution Rate Schedule is set annually using the September 30<sup>th</sup> unemployment trust fund balance as one of the calculation factors. Increasing benefits paid would decrease the balance available at the end of September, which in turn, could also increase the average benefit cost rate used in the rate calculation as well. Decreasing the trust fund balance and or increasing the average benefit cost rate could reduce the reserve multiple, which is used as a measure of the trust fund solvency, and to determine the Unemployment Contribution Rate Schedule for the upcoming year. If the reserve multiple decreases below the range of the current contribution rate schedule, the schedule in effect for the coming year would increase the unemployment tax rate for contributory employers. The current unemployment contribution schedule in place is Schedule A, which is the lowest schedule under Maine law. Each schedule increases total annual unemployment taxes by approximately \$27,000,000.00 million.

There are many factors that could cause an increase in the unemployment contribution schedule. However, given the benefit cost increase proposed in LD 1464, it is likely that the Contribution Schedule would increase within 2 to 5 years.

Thank you for your time and attention. I would be happy to answer any questions you may have now or at a future work session.