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In Opposition to LD 1995, An Act to Bolster Maine's Workforce and Economy by Increasing  
Assistance for Parents Pursuing Education and Employment and by Indexing Unemployment Benefits  
to the Unemployment Rate

To the Joint Standing Committee on Health and Human Services  
Public Hearing, January 16, 2024

Good afternoon, Senator Baldacci, Representative Meyer, and members of the Joint Standing Committee on Health and Human Services. My name is Laura Boyett, and I am the Director of the Bureau of Unemployment Compensation at the Maine Department of Labor. I am here to testify in opposition to LD 1995, but only to the section that pertains to Indexing Unemployment Benefits to the Unemployment Rate. I defer to my colleagues at the Department of Health and Human Services on the elements of the proposal pertaining to the Temporary Assistance for Need Families block grant as that is not my area of expertise.

The language of this bill pertaining to indexing the number of weeks of potential unemployment benefit coverage to the unemployment rate was presented as LD 1272 in the first session of 131<sup>st</sup> Maine Legislature and heard by the Committee of Labor and Housing. The bill did not pass.

The bill uses the seasonally adjusted unemployment rate as issued by the U.S. Department of Labor for the 3-month period ending September 30<sup>th</sup> each year. This rate is typically issued between October 20 to 27<sup>th</sup> so we assumed it would go into effect for new initial claims established on or after November 1st each year to ensure that we have received this information. However, the seasonally adjusted rate is a rolling 12-month (4 quarter) period and is designed to temper or smooth out the volatility of unadjusted rates that can occur month to month.

If this proposal had been in effect between 2002 – 2023, a period that included a mild economic downturn in 2001 (March through November), the Great Recession (December 2007 – June 2009), and the Pandemic Emergency beginning in February 2020, the seasonally adjusted unemployment rate would have been 5.5% or less in 15 of the 22 years, limiting the number of available benefit weeks to 12. Of further concern, even though the Great Recession was considered a deep recession, the seasonally adjusted unemployment rate did not reflect the economic reality experienced in Maine until the fall of 2009, when it jumped from 5.5% to 8.5%. Similarly, while the level of unemployment that hit Maine starting in March 2020 was the highest ever experienced, the seasonally adjusted unemployment rate would not have increased the number of unemployment benefit weeks available until November. Individuals who established claims prior to November 1, 2020, would have only been eligible for 12 weeks of benefits. Additionally, even though Extended Benefits (EB) had already gone into effect, these individuals could only have received 6 weeks of EB as a person can only collect 50% of what they receive in regular unemployment benefits under the extended program. Under current law, a person would have been able to collect up to 13 weeks of Extended Benefits. In addition to reducing access to critically needed benefits for individuals during periods of often severe periods of

unemployment, the potential delay that occurs by indexing available unemployment benefits to the seasonally adjusted unemployment rate may not align with actual economic conditions statewide, and significantly undermines the ability of the Unemployment Insurance Program to function as an economic stabilizer for business and communities as it was designed to do.

An additional concern is that while the seasonally adjusted unemployment rate is a statewide figure, the actual unemployment rate can vary significantly from county to county. To illustrate, county rates are not seasonally adjusted. Maine's *unadjusted* unemployment rate for last February 2023 was 3.1% but county rates for the same month ranged for a low of 2.2% in Cumberland County to a high of 5.8% in Washington County. If the number of available benefit weeks were tied to a seasonally adjusted unemployment rate for the state, available weeks might be limited at 12 weeks because the State rate is 5.5% or lower, yet one or more counties may be experiencing unemployment at a rate higher than 5.5% and would be impacted harder than other counties by this proposal. A comparison of counties using *estimated* seasonally adjusted county unemployment rates between 2009 – 2023; identified 11 Counties that would have lost weeks of benefit availability using the statewide seasonally adjusted unemployment rate proposal in LD 1995. The 11 Counties include: Androscoggin, Aroostook, Franklin, Hancock, Lincoln, Oxford, Penobscot, Piscataquis, Somerset, Waldo, and Washington. This proposal potentially reduces benefit assistance for all unemployed workers but disproportionately more so for those who live in rural counties.

The proposal as written also eliminates dependency allowance as a supplemental benefit received by the individual filing a claim. The maximum benefit amount (MBA) an individual could receive and their weekly benefit amount (WBA), are calculated from their base period earnings. Dependency allowance is a supplemental allowance determined separately. However, under this proposal, dependency allowance becomes part of the calculation of the potential maximum benefit a person might receive. For instance, if the seasonally adjusted rate is 5.5%, the maximum amount of benefits a person could receive *including* dependency allowance, cannot exceed 12 times their established weekly benefit amount under LD 1995. An individual who qualifies for dependency allowance may receive an increased weekly benefit early in their claim series but will reach their maximum benefit limit sooner than a claimant who does not have dependents, as the number of weeks of potential benefits available is further reduced.

The Maine Unemployment Insurance Program currently pays *up to* 26 weeks of unemployment benefits. It is not a uniform 26 weeks across all individuals filing claims, benefits are indexed to an individual's base period earnings. Based on this, if collects a full weekly benefit each week a claim is filed, the number of weeks a person might receive benefits ranges between 15 and 26 weeks in their benefit year. This is the most common approach among states. In New England, only one state indexes benefit week availability to unemployment rates – Massachusetts. However, their method is quite different from the current proposal, Massachusetts sets the maximum benefit availability at 26 times the weekly benefit amount during periods of low to moderate unemployment and increases it to 30 weeks during high unemployment periods.

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