

**LD 1538, "An Act to Index Unemployment Benefits
to the Unemployment Rate"**

Joint Standing Committee on Labor

April 16, 2025

Senator Tipping, Representative Roeder and Distinguished Members of the Joint Standing Committee on Labor:

I am Trey Stewart; and I represent Senate District 2, which includes several communities in Penobscot and Aroostook Counties. I am here today to present LD 1538, "An Act to Index Unemployment Benefits to the Unemployment Rate."

The first piece of this legislation is related to the name of the unemployment insurance program in state statute. During the Great Depression, unemployment insurance started as a state program. New Deal reformers quickly seized on the idea of offering temporary support to unemployed workers while they transitioned to a new job and made the policy part of the landmark Social Security Act of 1935. In codifying this safety net for employment, they preserved the flexibility of states to design their programs in a way that foster immediate support for the needy and re-employment as soon as possible.

Outlining the broad contours of his agenda, President Franklin D. Roosevelt declared that "work and security...are the spiritual values, the true goal" of government policy. Through a job, the former provides the latter. Renaming the unemployment insurance program – today called the Maine Employment Security Law in statute – the "Reemployment Assistance Program" clarifies the purpose and mission of this program.

Clarification is certainly needed. A 2023 report by the U.S. Department of Labor showed that a majority of unemployed individuals do not apply for unemployment benefits because they aren't sure if the program applies to them.

The second piece of this legislation reinforces that this program exists to support a transition to one's next job by indexing, or tying the maximum unemployment benefit duration to prevailing economic conditions and job availability. When the unemployment rate is low and jobs are widely available, as they are now, then unemployment benefits will be available for just over three months (14 weeks); but if the economy takes a turn for the worse, the unemployment rate

risers and jobs become difficult to find, benefits will return to their current maximum of up to six months. This is done through a trigger mechanism where an additional week of benefits is added for every half-a-point increase in the unemployment rate past 5.5 percent.

Here's why this change benefits Maine:

First, it benefits Maine workers because states that have adopted this approach have seen workers return to work nearly twice as fast as states with a 26-week maximum duration of benefits. Right now, the average weekly wage in Maine is \$1,176 a week. The maximum unemployment benefit is \$595 a week and the average benefit is about \$480 a week. It pays more to be employed in Maine than to be on unemployment. Promoting faster re-employment is good for Maine workers.

Second, this change helps employers in Maine who are desperately seeking to hire new talent. The workforce shortage is real and there are no easy fixes. The 8,840 people applying for unemployment benefits represent the best, most immediately available pool of workers to enter or re-enter the workforce. As we saw during the pandemic, a poorly managed unemployment insurance policy can quickly turn into an off-ramp from the workforce; and we want to avoid that here.

Third, this change boosts the solvency of the state's unemployment insurance trust fund by prudently managing the payout of benefits in a strong job market. The unemployment insurance program is 100 percent funded by employers – not employees. The taxes paid to keep the program solvent are based on the balance of the trust fund and the frequency with which an employer's workforce uses the program.

States across the country have started moving to this model. Florida, Tennessee, North Carolina, and Kansas are among the near dozen states that index benefit duration to the unemployment rate. Iowa, South Carolina, and Arkansas have also revised their unemployment programs to have benefits available for less than 26 weeks. In each of these states, the results have been the same: workers returning to work faster, trust fund balances stabilized and taxes on employers reduced or held flat.

In closing, this is about the more than 17,000 unemployment claimants who have maxed out their six months of benefits over the past three years. It is about getting them on their feet in a stable, well-paying job again so they can support their families, their local communities and this great state. As we address workforce issues in Maine, this bill is the right reform at the right time.

I appreciate your time and attention and encourage you to support this legislation.