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**Testimony of Suzan McKechnie,
Bureau of Unemployment Compensation, Maine Department of Labor
Opposed
LD 1538, An Act to Index Unemployment Benefits to the Unemployment Rate
To the Joint Standing Committee on Labor
Hearing, April 16, 2025**

Good morning, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor. My name is Suzan McKechnie, Director of the Bureau of Unemployment Compensation at the Maine Department of Labor. I am here to testify in opposition to LD 1538, "An Act to Index Unemployment Benefits to the Unemployment Rate."

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" each year. This rate is typically issued between October 20 to 27* 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 - 2024, 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 17 of the 23 years, limiting the number of available benefit weeks to 14. 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 the proposed minimum of 14 weeks.

Additionally, even though Extended Benefits (EB) had already gone into effect, these individuals could only have received 7 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 to individuals during 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 February 2025 was 4.0% but county rates for the same month ranged for a low of 3.1% in Cumberland County to a high of 7.0% 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 14 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 - 2024 identified 11 Counties that would have lost weeks of benefit availability using the statewide seasonally adjusted unemployment rate proposal in LD 1538. The 11 Counties include: Androscoggin, Aroostook, Franklin, Hancock, Oxford, Penobscot, Piscataquis, Somerset, Waldo, Washington, and York. This proposal appears to adversely impact rural counties, where the time it takes an individual living there to find another job that is a good fit, is generally longer.

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 14 times their established weekly benefit amount under LD 1538. 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 reduced.

The Maine Unemployment Insurance Program currently pays up to 26 weeks of unemployment benefits. This is not a uniform 26 weeks for all individuals filing claims; benefits are indexed to an individual's base period earnings. If collecting 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 a benefit year. This is the most common approach among states. In New England, only one state, Massachusetts, indexes benefit week availability to unemployment rates. 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.

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The Maine Department of Labor is committed to serving Maine workers and businesses by helping employers recruit and train a talented workforce, providing workers with skills needed to compete in our economy, assisting individuals when jobs are lost, aiding people with disabilities reach career goals, ensuring safe and fair workplaces for people on the job and providing research and analysis of employment data to support job growth.