

Maine Unemployment Insurance Program

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Orientation to the Maine Unemployment Insurance Program

❖ Unemployment Insurance (UI) 101

- ❖ What it is
- ❖ Federal/State Partnership
- ❖ Programs Administered & Who is Covered
- ❖ Benefit Cost Financing, Trust Fund & Solvency

❖ Administration of Maine UI Program

- ❖ Bureau of Unemployment Compensation Organization
- ❖ Staffing & Administrative Funding

What is Unemployment Insurance (UI)?

Temporary financial bridge to new employment

- Payable to people who have lost their jobs through no fault of their own
- Temporary, partial wage replacement for basic needs

Economic Stabilizer

- 1st line of economic defense against the adverse effects of unemployment
- Benefits flow immediately into towns and communities

Social Insurance Program

- Initial eligibility Requirements – monetary(earnings thresholds), qualifying job separation, Able & Available to work, actively seeking new employment
- ongoing eligibility requirements that must be met each week to receive benefits

Not means-tested

- All qualifying workers, regardless of income, are entitled to benefits from this program

Federal & State Partnership

Federal-State partnership based on Federal Laws

- Social Security Act (SSA) & Federal Unemployment Tax Act (FUTA) laws - overarching framework for all State UI Programs
- Define broad coverage provisions, some benefit provisions, Federal tax base & rate, and administrative requirements
- Federal Government - U.S. Department of Labor (USDOL):
 - Ensures State conformity & compliance
 - Determines administrative fund requirements & provides state administrative funding
 - Sets broad overall policies for state program administration including performance metrics & monitoring, reporting processes
 - Provides technical assistance & guidance
 - Provides loan advances to pay benefits when State Trust Funds are insufficient

Administered by State employees under State Law

- States have flexibility in enacting laws around eligibility conditions & benefit financing model
- State laws & regulations must remain in conformity & compliance with Federal Law to receive FUTA tax credits
- States establish & administer financing model to collect employer-paid taxes to fund benefit costs
- Administer **multiple** federal & state unemployment insurance (UI) programs

Unemployment Programs Administered

Type of unemployment program

List of programs

Permanent Unemployment (UI) Programs

- Regular State (UI)
- Military (UCX)
- Federal Employees (UCFE)
- Extended Benefits (EB)
- Dislocated Worker Benefits (DWB)
- Trade Readjustment Assistance (TRA)
- Alternate Trade Assistance (ATAA)
- Disaster Unemployment Assistance (DUA)
- Reemployment Services & Eligibility Assessment (RESEA)

Temporary Programs

- Pandemic Unemployment Assistance (PUA)
- Pandemic Emergency Unemployment Compensation (PEUC)
- Federal Pandemic Unemployment Compensation (FPUC)
- FEMA Lost Wages Payments (LWA)
- Pandemic Relief Payments (PRP)
- Mixed Earners Unemployment Compensation (MEUC)

Who is covered?

- Most employees are covered ('insured') by State or Federal unemployment programs
- State laws must include unemployment insurance protection coverage for all occupations covered under the Federal Unemployment Tax Act (FUTA)
- Self-employed are not covered by unemployment insurance at either the Federal or State level
- Exceptions that allow benefits for those not normally covered:
 - Incorporated business – regular state UI as owners are 'employees' of the corporation
 - PUA – new, temporary program covers self-employed and others not covered by regular state UI who are unemployed due to COVID-19 (now ended)
 - DUA – disaster unemployment assistance that is authorized by the President during certain state declared emergencies

How are benefit costs financed?

State Unemployment Tax

- Benefit costs are financed by employer-paid State UI taxes
- Paid **only** on first \$12,000 in wages paid per employee (calendar year)
- Experience-rated
- Schedule B in effect for 2021
- Rates range from 0.49% to 5.81% (\$58.00 - \$697.20 a year per employee]
- New employer rate is 2.11% or \$253.20 a year per employee

Federal Unemployment Tax (FUTA tax)

- Employer-paid on first \$7,000 in wages paid per employee (calendar year)
- Rate is normally 6%, if state maintains federal conformity, awarded FUTA credits reducing rate to 0.6%
- Maine employers pay \$42 per employee paid \$7,000 a year
- FUTA used to cover Federal & State administrative costs, Federal share of EB, Loan Fund for states to access when Trust Funds are insolvent, and to fund labor exchange services, employment & training services for disabled veterans, and some labor market information activities.

State Unemployment Trust Fund

- State unemployment taxes are collected quarterly and deposited in the unemployment trust fund **solely** to pay benefits to qualified unemployed individuals
- Each state maintains its own trust fund but the monies are held and invested by the U.S. Treasury until withdrawn by States to pay benefits
- States must accrue enough funds to pay immediate benefit costs and maintain a benefit reserve in the event of an economic downturn

State Trust Fund Solvency

- States with insufficient trust funds can take out interest-bearing loans from the federal government to cover benefit costs:
 - UI taxes cannot be used to pay the loan interest, normally done through an employer surtax (increased tax burden on employers)
 - If loan is not repaid within approx. 2 yrs, states start losing FUTA credits
- UI Trust Fund *insolvency* can adversely affect the State's Bond Rating
- Maine has **not** borrowed money since the current benefit financing model was implemented in 1999, & was one of *only* 10 states that remained solvent throughout the Great Recession
- In 2020, Governor Mills transferred \$294 million in CARES Act Relief Funds to the UI Trust Fund to maintain solvency & mitigate the impact on employer UI taxes in 2021
- 2021: Governor Mills is transferring another \$80 million of ARPA funds to the Trust fund to help mitigate the employer-paid taxes in 2022

Maine Unemployment Insurance Program Administration

- Administered by the Maine Department of Labor
 - Bureau of Unemployment Compensation
 - Benefit Services
 - Employer Services
 - Administrative Hearings
 - Program Policy & Performance
- Funded by the Federal UI Grant but Separate from MDOL
 - Unemployment Insurance Commission (UIC)

Bureau of Unemployment Compensation

Staffing: Pre-pandemic & the Present

	Pre-Pandemic	Present Day
UC Administration	5	4
Benefit Services	48	104
Employer Services	22	35
Admin Hearings	10	16
Program Policy & Performance	15	20
UI Commission	5	5
Total	<u>105</u>	<u>184*</u>

- *Data as of 9/28/2021 – hiring activity is underway across the bureau*

During the pandemic emergency, we were also supplemented with contract personnel: 100 contact center staff plus supervisors, and 70 adjudication and appeal hearing staff plus 12 administrative staff and supervisors. Additionally, we had staff assistance from all MDOL bureaus, the Workers Compensation Board, Corrections and Health & Human Services.

Administrative Funding

- Counter-cyclical in response to economic conditions
- Federal Funding (Primary)
 - Federal funding had been declining for decades & is inadequate to cover basic, minimal staffing & operations costs
- Unemployment Program Administration Fund (UPAF) **effective 2021**
 - Employer-paid tax collected with UI tax
 - Employer's unemployment tax is **reduced** by the amount of the admin tax to keep it cost neutral
 - Fund Cap in place to prevent Fund from building up beyond what is needed to meet conservative operational need
 - Excess collected above cap is deposited into the UI Trust Fund to pay benefits and help maintain solvency

QUESTIONS ?