

# 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)
- (Coming) 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
  - 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

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### 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
- Maine paid out more in benefits during the first 4 *months* of the Pandemic than in 3 *years* of the Great Recession
- Governor Mills transferred \$294 million in CARES Act Relief Funds to the UI Trust Fund to help maintain solvency and mitigate the impact on employer-paid taxes for 2021

## 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

# Benefits Services Division

## Components

## Activities

### Claims Centers

- Augusta, Bangor & Presque Isle
- Take & Process unemployment claims
- Adjudicate benefit eligibility issues
- Provide customer service to individuals & employers who have questions about benefit eligibility and processes, or experiencing issues with claims

### Benefit Payment Control

- Fraud Investigation
- Overpayment Recovery

# Employer Services Division

## Components

## Activities

### Registration, Status & Account Services

- Register new employers
- Maintain individual employer accounts
- Process quarterly billing & Wage reports
- Provide customer service to employers around unemployment tax matters
- Delinquent tax collection activities
- Resolve 'blocked' claims

### Audit & Employer Advisory Services

- Liaisons to employers on unemployment tax matters such as employment coverage, liability and successorship
- Conduct business compliance audits

## Administrative Hearings Division

### Components

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#### Administrative Hearings to resolve decision disputes

### Activities

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- 1<sup>st</sup> level of appeal
  - Benefit eligibility decisions
  - Tax liability determinations
  - Appeals can be filed online (best), & by phone
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## Unemployment Insurance Commission

#### Unemployment Insurance Commission

- 2nd level of appeal before moving into court system
- Primarily administrative review of appeals of first level appeal decisions
- **Separate** from the Maine Department of Labor but funded by the Federal administrative funding provided to fund the UI program within MDOL
- Only UI function not federally mandated but most states have a 2nd appeal level – state models vary
- Appeals need to be filed in writing

## Program Policy & Performance Division

Components	Activities
<b>Benefit Accuracy Measurement</b>	<ul style="list-style-type: none"> <li>Review accuracy of claims processing</li> </ul>
<b>Benefit Timeliness &amp; Quality</b>	<ul style="list-style-type: none"> <li>Review of adjudication decisions for both timeliness and accuracy of unemployment law application</li> </ul>
<b>Tax Performance</b>	<ul style="list-style-type: none"> <li>Review accuracy of tax processes and system financial functions, and audit effectiveness</li> </ul>
<b>Staff Training Unit</b>	<ul style="list-style-type: none"> <li>Develops &amp; delivers training to new &amp; existing staff on new programs, program changes &amp; system use</li> </ul>
<b>Production System Support</b>	<ul style="list-style-type: none"> <li>Works with IT support to design, develop &amp; test new programs, make program changes, investigate &amp; resolve program issues affecting service delivery</li> </ul>
<b>Record Maintenance</b>	<ul style="list-style-type: none"> <li>Document management &amp; Imaging services</li> </ul>

## Bureau of Unemployment Compensation

### Staffing: Pre-pandemic & the Present

	Pre-Pandemic	Present Day
<b>UC Administration</b>	5	5
<b>Benefit Services</b>	48	95
<b>Employer Services</b>	22	32
<b>Admin Hearings</b>	10	17
<b>Program Policy &amp; Performance</b>	15	24
<b>UI Commission</b>	5	5
Subtotal (contact center)	105	177
<i>Adjunct staff (temporary)</i>		100
<b><u>Total</u></b>	<b><u>105</u></b>	<b><u>277</u></b>

In Process: Contracting for additional help in Appeals & Adjudication

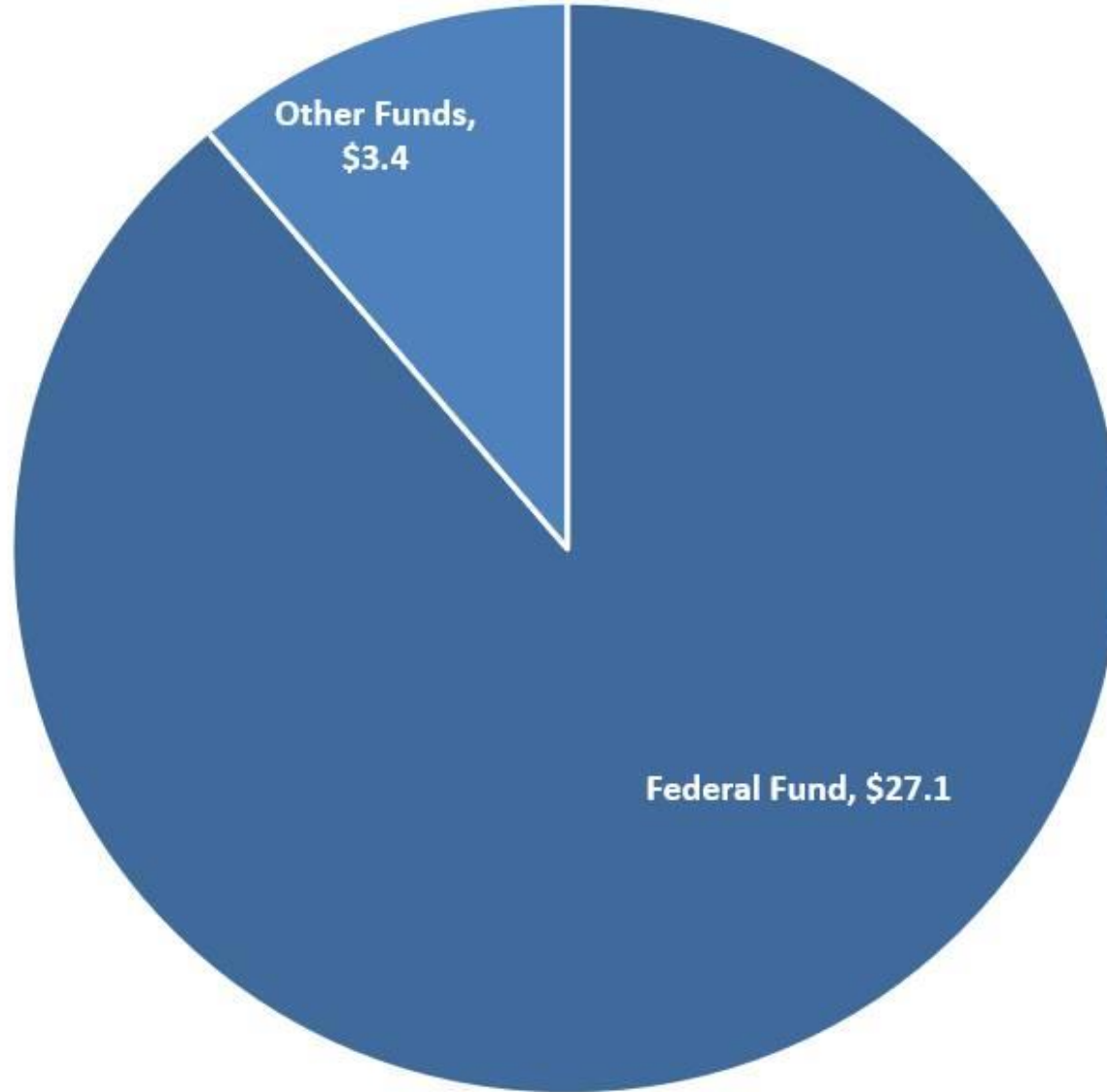
*During the pandemic, we've received **extensive** help from other MDOL bureaus & State agencies (Corrections, WCB, DHHS)*

## 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
- Dedicated Revenue
  - Labor Committee' support was *instrumental* in establishing supplemental dedicated revenue fund for UI program administration
  - 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



Bureau of Unemployment Compensation  
FY2021 Budget Allocation



QUESTIONS ?