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Maine Enterprise Option Report, 2009

Maine Bureau of Employment Services

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LAURA A. FORTMAN
COMMISSIONER

March 25, 2009

The Honorable Troy D. Jackson, Senate Chair
The Honorable John L. Tuttle, Jr., House Chair
Members of the Joint Standing Committee on Labor
124th Maine State Legislature
100 State House Station
Augusta, ME 04333-0100

Dear Senator Jackson, Representative Tuttle and Members of the Joint Standing Committee on Labor:

Enclosed is the 2009 Maine Enterprise Option (MEO) Report as required by Title 26, M.R.S.A., §1197.

Any questions regarding this report may be addressed to Eloise Vitelli, Director of Program and Policy Development at the Maine Centers for Women, Work and Community, at 621-3432, or Laura Boyett, Director, Bureau of Unemployment Compensation, at 621-5156.

Sincerely,

Laura A. Fortman
Commissioner

LAF/lm

enc.

cc: Eloise Vitelli
Laura Boyett

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Maine Enterprise Option Program (MEO)
Annual Report for 2008 to the Joint Standing Committee on Labor of the
124th Maine Legislature
March 6, 2009

An annual report of activities under the self-employment assistance program for 2008 is respectfully submitted herewith in accordance with Title 26, M.R.S.A. §1197.

The MEO provides eligible unemployment insurance recipients the option of collecting self-employment assistance allowance at the same level as regular unemployment insurance benefits while developing a small business. To be eligible to apply for self-employment assistance benefits under MEO an individual claimant must be profiled as "likely to exhaust." The self-employment assistance opportunity was made possible by passage in Congress of the North American Free Trade Agreement (NAFTA) in December, 1993 and by Maine statute enacted in April, 1994. On October 28, 1998, President Clinton signed the bill (H.R. 4558), which removed the sunset provision for self-employment assistance programs.

The first eligible unemployment compensation recipients were notified of the availability of the self-employment option in October 1995. The following summarizes the program's operation for the past six years.

Program Component	PY 2008	PY 2007	PY 2006	PY 2005	PY 2004	PY 2003	Total since program start
Eligible UI recipients	8,367	7,704	7,956	10,369	15,746	10,235	82,997
Applicants	333	367	435	588	629	354	3,625
Accepted into Program	134	201	255	346	492	201	2,182
Appeals of Denial	41	7	42	40	41	33	313

Program Overview

New, initial UI claimants found eligible by the MEO profiling screen are mailed a notice of the opportunity to apply for acceptance into the self-employment program. Profiling is a statistical method for "predicting" those most likely to exhaust their benefits and is required by the U.S. Department of Labor to ensure no additional costs accrue to the unemployment trust fund. Applications are filed through a local CareerCenter office and forwarded to the Review Board for approval. Applicants are notified by mail if they have been accepted into the program or not. Denials may be appealed first to the Review Board. This year, four appeals went the next step to a formal hearing through the Administrative Appeals Division. In each case, the decision of the Review Board was upheld. The criteria that generate the overwhelming majority of informal appeals are low score, followed by insufficient weeks of benefits remaining (18 weeks are required), and/or late filing of application (60 days after initial claim is filed).

The profiling score is reviewed from time to time to ensure that the criteria is at an appropriate level in relation to the model exhaustion rate, that is, the rate that best protects the cost neutrality of the program. The profiling cut-off score for eligibility was revised upward in July 2005 to a score of 28 from 23. The Department is currently undertaking a review of the profiling model.

Demographic information about those accepted into MEO during 2008

- Gender – 63 were males and 71 were females
- Race - 97 were white, 37 were Other.
- Education – 58 had high school degrees or below; 28 had certificate, associate degrees or some college; 23 had attained college degrees and 25 had advanced degrees or were working towards advanced degrees.
- Age – The majority (84 individuals) were forty-five and over, including 9 individuals over the age of 60; while 50 were between the ages of 24 and 44
- Occupational Background – Among the participants' previous occupations, Professional and Related ranked first with 35, Management, Business and Financial at 17; Sales and Related occupations at 16; Office and Administrative and Service occupations both at 15; Construction and Extraction at 9; Installation, Maintenance and Repair at 8; and Transportation and Material Moving at 7.
- The participant level from each county is as follows:

Androscoggin	14
Aroostook	7
Cumberland	31
Franklin	3
Hancock	9
Kennebec	16
Knox	5
Oxford	3
Penobscot	11
Piscataquis	4
Lincoln/Sagadahoc/Somerset	5
Waldo	5
Washington	5
York	16

The types of business proposed include a wide array of service, product and retail ventures including: education and counseling; business services such as web page design, internet brokerage, secretarial, marketing and communications, graphic design, bookkeeping, courier/delivery and engineering services; retail businesses include restaurants, used clothing and furnishings, equipment sales, art gallery; product related ventures include ventilated shelving, fishing rod building and repair, wood canoes, wooden storm windows, jewelry and crafts, cheese-making and wholesale seafood; tourist related businesses include bed and breakfast, ecotourism services, travel agent, entertainment company. Other business proposals include: equestrian center, horse stable, pet kennel, small engine repair, home modeling, title searches and environmental compliance sampling.

The demographics of MEO participants have not changed significantly in the ten and a quarter years of program operation; perhaps reflective of Maine's aging population, older workers (45 and older) continue to be in the majority. The occupational backgrounds have shifted slightly from year to year with most coming from professional and managerial fields, with others from administrative, production, and service fields. Most applicants propose businesses in industry areas where they have significant work experience, although others venture into areas that have been avocations or side interests. Particularly for those applicants who are older, have less than a college education, yet who have significant work experience and industry knowledge, starting their own business can present a viable economic opportunity.

Services Provided

MEO participants are required to attend an *Introduction to Small Business Seminar*, meet at least two times with a qualified business counselor, and participate in an approved training program. In addition, they are required to report on their weekly claim form forty hours of activities related to developing and implementing their business idea and to provide a midpoint progress report. A detailed weekly MEO claim form and other information about the program are available on-line through the Department of Labor website.

During program year 2008 (January – December) the Maine Small Business Development Centers (SBDC) provided 155.5 hours of one-on-one counseling to 107 MEO participants and 28 three-hour *Introduction to Small Business Seminars* throughout the state attended by 206 individuals. In the fall, 2006, the SBDC launched an on-line Introduction to Self-employment workshop that reached 641 individuals during 2008. The CareerCenters encourage MEO participants to participate in this on-line class prior to meeting with the business counselor. Individuals who successfully complete the class receive a certificate. Both live and on-line workshops are open to the public and are attended by non-MEO clients as well. The seminars address the following topics:

1. Developing a Business Mind Set – personal qualities required for business, personal financial requirements, setting long and short term business goals
2. Forms of Business Organization – sole proprietorship, partnership, corporation
3. Overview and review of the Business Plan – contents and purpose
4. Resources and Information on getting started – next steps.

In addition, participants in MEO are provided with a copy of a *Step By Step Business Plan* Workbook upon acceptance into the program. Participants may select from the list of approved training programs and/or use the www.mainebusinessworks.org website to locate training specific to their needs. On-line training is accessible at www.mainesbdc.org.

CareerCenter staff provide an initial orientation to MEO as well as follow-up services to program participants as needed.

Program Costs

As required under state and federal laws, no additional costs have accrued to Maine's unemployment trust fund as a result of the MEO program. Expenses for coordinating and providing the required training and technical assistance during program year 2006 were as follows:

<u>Category</u>	<u>Expense</u>	<u>Source of Funds</u>
Assistance, coordination	\$8,000	Wagner-Peyser Funds

Counseling and Technical Assistance \$12,891.56 Special Administrative Expense Fund

In addition, the SBDC provided \$34,335 of in-kind services to MEO participants. In-kind services include the introductory seminars and counseling over and above the required two sessions.

The Maine Small Business Development Centers, a statewide network of business information, counseling and financing service providers, is working under a contract with the Maine Department of Labor (MDOL) to provide technical assistance and counseling to MEO participants on a priority basis. Maine Centers for Women, Work, and Community has a contract with MDOL to provide coordination and technical assistance services to the program.

This Report prepared by

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In consultation with and on behalf of
The Maine Department of Labor

March 12, 2009

Program Component	PY 2008	PY 2007	PY 2006	PY 2005	PY 2004	PY 2003	PY 2002	PY 2001	PY 2000	PY 99	PY 98	PY 97	PY 96	PY 95 (3mos.)	Totals
Eligible UI recipients	8,367	7,704	7,956	10,369	15,746	10,235	5292	5908	4588	3572	3639	4144	2475	706	82,997
Applicants	333	367	435	588	629	354	293	205	148	109	139	168	177	47	3,625
Accepted into Program	134	201	252	346	492	201	115	113	98	58	99	101	129	44	2,182
Appeals of Denial	41	7	42	40	41	33	34	25	12	15	6	9	12	3	313

