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THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

Testimony in Support of HB 253
Unemployment Insurance – Federal Extended Benefits for Long–Term Unemployment

This bill would ensure that unemployed Marylanders receive additional weeks of unemployment benefits when unemployment is especially bad and the extended benefits are fully paid for by the federal government.

Overview of Unemployment and Extended Benefits

Unemployment benefits in Maryland last for 26 weeks. Federal law, however, allows for an additional 13 or 20 weeks of "extended benefits" to be provided when unemployment is extraordinarily high and persistent.

An important feature of extended benefits is that under federal law states do not have to charge employers for these benefits. In other words, offering extended benefits does not harm the experience ratings of employers[1] and therefore poses no direct cost to businesses.

Maryland currently offers extended benefits based on the state's insured unemployment rate ("IUR")—the percentage of the labor force that is receiving regular unemployment insurance.[2] Federal law requires the use of this trigger for extended benefits; consequently Maryland and every other state has enacted this trigger.[3]

Federal law also provides a second, optional trigger to turn on extended benefits based on the state's total unemployment rate ("TUR")—the percentage of all unemployed persons actively seeking work compared to the size of the labor force.[4] Twenty-five states plus the District of Columbia have enacted the TUR trigger, but Maryland does not currently have it.

These two metrics measure different aspects of unemployment. The rates differ as not all workers are eligible for unemployment benefits and because some eligible people do not apply

[1] 20 CFR 615.10(a)
[2] For the IUR trigger to be turned on, a state's insured unemployment rate must exceed 5% and be 120% of the insured unemployment rate for the same period in both of the prior two years.
[3] 20 CFR § 615.12
[4] For the TUR trigger to be turned on, a state's total unemployment rate must equal or exceed 6.5%. At that rate, an additional 13 weeks of benefits would be provided. If the total unemployment rate is 8% or higher, the state qualifies for 20 weeks of extended benefits. In both instances, the total unemployment rate must also exceed 110% of the rate for the same period in one or both of the prior two years.

for unemployment benefits. For example, Maryland's seasonally corrected insured unemployment rate was 1.82% on August 1, 2021 as compared to a total unemployment rate of 6.2%. The wide difference between these metrics is due to only 29.4% of unemployed Marylanders receiving unemployment insurance benefits.[5]

In general, the first trigger (IUR) is far more difficult to achieve than the second trigger (TUR) because it requires a large percentage of unemployed workers to actually be collecting unemployment benefits. Recipiency rates in unemployment programs have declined over the years[6,7] due to non-economic factors, including state eligibility rules and administrative practices, that do not reflect the health of a state's economy.[8] Prior to the COVID-19 pandemic, Maryland most recently met the insured unemployment rate (IUR) threshold in 1982.

In comparison, the second trigger (TUR) represents a larger population because it counts as unemployed everyone who is looking for work, even if they don't qualify for regular unemployment because they are self-employed, a gig worker, or an immigrant.

The federally chartered Advisory Council on Unemployment Compensation recommends that states use both triggers.[9]

Federal Funding for Extended Benefits

Extended benefits have historically been paid for with an equal 50-50 split between the federal government and state unemployment insurance funds. In response to the COVID-19 pandemic, Congress approved full federal funding for extended benefits. Under this law, the federal government reimbursed states for 100% of extended benefit costs until September 11, 2021.[10]

This bill would create a TUR trigger for extended benefits so that Maryland can take advantage of federally funded extended benefits in future periods of high unemployment. It is drafted such that it will only apply when extended benefits are 100% paid for by the federal government.

Maryland enacted comparable legislation in 2011 that temporarily provided extended benefits using either of the two triggers.[11] That authority, however, was tied to a specific federal law that has since expired.

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[5] U.S. Department of Labor Trigger Notice for week ending August 1, 2021.

[6] "Unemployment Insurance and Macroeconomic Stabilization" Gabriel Chodorow-Reich, Harvard University and the National Bureau of Economic Research; John Coglianese, Board of Governors of the Federal Reserve System.

[7] "Current Status of Unemployment Insurance (UI) Benefits: Permanent-Law Programs and COVID-19 Pandemic Response" Congressional Research Service.

[8] "Extending Unemployment Compensation Benefits During Recessions" Congressional Research Service.

[9] https://oui.doleta.gov/dmstree/misc_papers/advisory/acuc/collected_findings/adv_council_94-96.pdf

[10] Congress passed the Families First Coronavirus Response Act in May 2020, which offered 100% federal funding for EB until December 31, 2020. The Consolidated Appropriations Act of 2021 later extended this funding to March 14, 2021 and the American Rescue Plan Act further extended it to September 11, 2021.

[11] Maryland previously had a TUR trigger that was enacted during the Great Recession and that was turned on, allowing for extended benefits between October 2, 2011 and April 21, 2012. As this state law was tied to a specific and temporary federal law, the state authority expired.

Extended Benefits During the COVID-19 Pandemic

Maryland's existing extended benefits provision was triggered 'on' on May 31, 2020. This was the first time since 1982 that Maryland qualified for extended benefits using the insured unemployment rate. The Maryland Department of Labor made no public announcement and did not offer claimants an opportunity to apply for these 100% federally funded benefits until July 31, 2020.[12] Claimants who had exhausted their 13 weeks of benefits under the federal Pandemic Emergency Unemployment Compensation program were eligible to apply for an additional 13 weeks of extended benefits.

Extended benefits triggered 'off' in Maryland on December 12, 2020 as our insured unemployment rate fell below the statutory trigger. Maryland's total unemployment rate, however, was high enough until April 2021 to continue to warrant extended benefits, if we had allowed for it under state law.[13] Instead, all extended benefits payments in the state ceased and the Department of Labor moved unemployment recipients into a temporary federal benefits program whose authority expired in September 2021.

In states that had enacted the optional TUR trigger for extended benefits, residents continued to receive extra weeks of unemployment benefits.

Why This Bill Is Needed

The extended benefits program exists to help unemployed workers when unemployment is high and persistent. The program is designed to start automatically when certain adverse conditions exist in the labor market. Maryland, however, is not fully poised to offer extended benefits to the unemployed as we lack a key trigger in state law.[14]

Half of states have enacted laws to give more flexibility to offer extended benefits to the unemployed. These laws were especially useful during the COVID-19 pandemic and during the Great Recession, when extended benefits were 100% funded by the federal government.

Maryland previously enacted legislation to address this issue, but that authority lapsed. We should act now to future-proof the state from future recessions. HB 253 will prevent future interruptions of extended unemployment benefits, as Marylanders experienced during the pandemic, and will maximize the flow of free federal money into our state's unemployment program at no cost to Maryland's employers or taxpayers.

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[12] https://www.dllr.state.md.us/whatsnews/uieb.shtml

[13] The Maryland total unemployment rate dropped to 6.3%, as reported by the U.S. Department of Labor in its April 18, 2021 trigger notice.

[14] "Why Extended UI Benefits were Turned Off Prematurely for Workers in 33 States" California Policy Lab.