

HB 205 - Unemployment Insurance Modernization Act

Uploaded by: Donna Edwards

Position: FAV



MARYLAND STATE & D.C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

7 School Street • Annapolis, Maryland 21401-2096

Balto. (410) 269-1940 • Fax (410) 280-2956

President

Donna S. Edwards

Secretary-Treasurer

Gerald W. Jackson

HB 205 - Unemployment Insurance Modernization Act of 2024 **House Economic Matters Committee** **February 14, 2024**

SUPPORT

Donna S. Edwards
President

Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of HB 205. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

HB 205 adopts best practices and recommendations presented in the Upjohn Institute report to the Maryland Department of Labor in 2022. We are in a period of historically low unemployment, around 1.9% in December 2023, making this an ideal time for reforms without major disruptions. HB 205 expands maximum and minimum unemployment insurance weekly benefit amounts to indexes that will change with economic conditions over time. This removes the need for the General Assembly to modify benefit amounts directly, which last occurred in 2010. This approach is shared by 26 other states.

HB 205 increases funding for the Unemployment Insurance Trust Fund by raising the taxable wage base to 25% of the average annual wage in Maryland, further eliminating the need for General Assembly updating. Unemployment insurance provides a safety net for workers to prevent them from total financial ruin if they lose their job. Modernization proposals like HB 205 stabilize Maryland's unemployment system to be available for workers when they need it most and safeguard its future against excessively low benefit amounts or funding shortfalls.

The stability of our unemployment insurance program depends on having enough revenue to fund and sustain benefits during economic downturns. Maryland's unemployment insurance system is currently funded only on worker and employer contributions on the first \$8500 of annual income. This amount has been fixed since 1992. The bill expands and indexes this to 25% of the average annual wage in Maryland. This change brings in enough new revenue to maintain an "average high cost multiple" (AHCM) of 1.0, which was the stated goal of the Upjohn report. This AHCM ratio allows the state to borrow interest free from the federal government. Even with these changes there would be more than 20 states that still had larger taxable wage bases than Maryland.

The bill creates an income disregard, ending unemployment insurance rules that penalized workers with two jobs. Under the current system, if you lose one of your jobs and you file for unemployment insurance on that position, the income from your second or third job decreases your weekly benefit amounts. Additionally HB 205 creates a dependent allowance, updating the amount for the first time in 36 years.

HB 205 strengthens the unemployment system for employers by changing the number of years used for calculating employer experience ratings to five years. This prevents temporary economic downturns from penalizing employers with worse ratings by spreading it out over 5 years instead of 3 years. HB 205 also cushions employers from recessions by limiting the number of downgrades from table to table that they can withstand in one year to two changes. Additional changes are rolled out over subsequent years. This helps insulate employers from challenging business years with high turnover or layoffs.

We strongly support strengthening benefits and funding for Maryland's unemployment system, but will never support any efforts to require workers to pay into the Unemployment Insurance Trust Fund. After the Great Depression, a social contract was reached that recognized the need for employers and states to contribute and manage unemployment insurance systems. Penalizing employers for discarding at-will workers and rehiring cheap labor helped stabilize employment overall. Workers need expanded benefits and the UI system needs a larger tax base, but we will not renegotiate that social contract that has served this country for nearly a century.

We urge the committee to issue a favorable report to HB 205 as written.

Appendix 1 - 2024 SUI Taxable Wage Bases Prepared by Ernst & Young

Final As of January 16, 2024

Published by Ernst & Young LLP, Andrea Ben-Yosef, Legal Editor.

EY - SUI taxable wage bases as of January 16, 2024			
Rank	State	2024	2024 Employee Contribution Rates
1	<u>Washington</u>	\$68,500	
2	<u>Hawaii</u>	\$59,100	
3	<u>Idaho</u>	\$53,500	
4	<u>Oregon</u>	\$52,800	
5	<u>Alaska</u>	\$49,700	For 2024, employee SUI withholding rate is 0.50% (down from 0.51% in 2023 and 0.56% in 2022) on wages up to \$49,700
6	<u>Utah</u>	\$47,000	
7	<u>North Dakota</u>	\$43,800	
8	<u>Montana</u>	\$43,000	
9	<u>New Jersey**</u>	\$42,300	Employee SUI withholding rate is 0.425% on wages up to \$42,300
10	<u>Minnesota</u>	\$42,000	
11	<u>Nevada</u>	\$40,600	
12	<u>Iowa</u>	\$38,200	
13	<u>New Mexico</u>	\$31,500	
14	<u>North Carolina</u>	\$31,400 (per rate notice)	
15	<u>Virgin Islands</u>	\$31,000	
16	<u>Wyoming</u>	\$30,900	
17	<u>Rhode Island**</u>	\$29,200/30,700	
18	<u>Oklahoma</u>	\$27,000	
19	<u>Connecticut**</u>	\$25,000	
20	<u>Colorado**</u>	\$23,800	
21	<u>South Dakota</u>	\$15,000	
22	<u>Massachusetts</u>	\$15,000*	
23	<u>Vermont</u>	\$14,300	
24	<u>Kansas</u>	\$14,000*	
25	<u>Mississippi</u>	\$14,000*	
26	<u>New Hampshire</u>	\$14,000*	
27	<u>Wisconsin</u>	\$14,000*	

28	<u>South Carolina</u>	\$14,000	
29	<u>Illinois</u>	\$13,590	
30	<u>New York**</u>	\$12,500	
31	<u>Maine</u>	\$12,000*	
32	<u>Kentucky**</u>	\$11,400	
33	<u>Delaware**</u>	\$10,500	
34	<u>Missouri</u>	\$10,000	
35	<u>Pennsylvania</u>	\$10,000*	Employee SUI withholding is 0.07% on total wages, an increase from 0.06% in prior years
36	<u>West Virginia**</u>	\$9,521	
37	<u>Georgia</u>	9,500*	
38	<u>Indiana</u>	9,500*	
39	<u>Michigan**</u>	\$9,500	
40	<u>Nebraska**</u>	\$9,000/24,000*	
41	<u>District of Columbia</u>	\$9,000*	
42	<u>Ohio**</u>	\$9,000*	
43	<u>Texas</u>	\$9,000*	
44	<u>Maryland</u>	\$8,500*	
45	<u>Alabama</u>	\$8,000*	
46	<u>Arizona**</u>	\$8,000*	
47	<u>Virginia</u>	\$8,000*	
48	<u>Louisiana**</u>	\$7,700	
49	<u>Arkansas**</u>	\$7,000	
50	<u>Puerto Rico**</u>	\$7,000	
51	<u>Tennessee**</u>	\$7,000	
52	<u>California</u>	\$7,000*	
53	<u>Florida</u>	\$7,000*	
NA	FUTA	\$7,000*	

Appendix 2 - Equifax Report on Benefits & Wage Base



WORKFORCE SOLUTIONS

2024 Unemployment Weekly Benefit Amount and Taxable Wage Base Information

January 29, 2024

State	Min. WBA	Max WBA	Wage Base	Min. Rate	Max. Rate
AK	56-128	370-442	49,700	1.0000	5.4000
AL	45	275	8,000	0.2000	5.4000
AR	81	451	7,000	TBD	TBD
AZ	60	320	8,000	0.0500	14.0300
CA	40	450	7,000	1.6000	6.2000
CO	25	781	23,800	0.8100	12.3400
CT	15-30	721-796	25,000	1.1000	7.8000
DC	50	444	9,000	2.1000	7.6000
DE	20	450	10,500	TBD	TBD
FL	32	275	7,000	0.1000	5.4000
GA	55	365	9,500	0.0400	8.1000
HI	5	796	59,100	TBD	TBD
IA	86-105	582-714	38,200	0.0000	7.0000
ID	72	568	53,500	0.3520	5.4000
IL	51-77	593-808	13,590	0.8500	8.6500
IN	50	390	9,500	0.5000	7.4000
KS	147	589	14,000	0.1600	6.0000
KY	39	665	11,400	0.3000	9.0000
LA	35	275	7,700	0.0900	6.2000
MA	37-55	1033	15,000	1.0790	15.6550
MD	50	430	8,500	0.3000	7.5000
ME	94-164	538-941	12,000	0.2800	6.0300
MI	81-111	362	9,500	0.0600	10.3000
MN	33	890	42,000	0.2000	9.1000
MO	48	320	10,000	0.0000	6.7500
MS	30	235	14,000	TBD	TBD
MT	169	698	43,000	0.1300	6.3000

State	Min. WBA	Max WBA	Wage Base	Min. Rate	Max. Rate
NC	46	350	31,400	0.0600	5.7600
ND	43	748	43,800	0.0800	9.6800
NE ¹	70	546	24,000	0.0000	5.4000
NH	32	427	14,000	0.1000	7.5000
NJ	100-115	854	42,300	1.2000	7.0000
NM	107	577	31,700	0.3300	6.4000
NV	16	585	40,600	0.3000	5.4000
NY	104	504	12,500	TBD	TBD
OH	140	583-787	9,000	0.9000	10.6000
OK	16	519	27,000	0.3000	9.2000
OR	190	813	52,800	0.9000	5.4000
PA	68	605-613	10,000	1.1419	10.3734
PR	33	190	7,000	3.5000	5.4000
RI ¹	62	705-881	30,700	1.1000	9.7000
SC	42	326	14,000	0.0600	5.4600
SD	28	514	15,000	0.0000	9.3500
TN	30	275	7,000	0.0100	10.0000
TX	73	577	9,000	0.2500	6.2500
UT	44	746	47,000	0.3000	7.3000
VA	60	378	8,000	0.1000	6.2000
VI	33	645	31,000	TBD	TBD
VT	80	705	14,300	0.4000	5.4000
WA	323	1019	68,500	0.2700	6.0300
WI	54	370	14,000	0.0000	12.0000
WV	24	662	9,521	1.5000	8.5000
WY	43	595	30,900	0.0000	8.5000
FUTA	NA	NA	7,000	NA	NA

¹ The higher taxable wage base only applies to maximum rated employers

Yellow highlighted items indicate recent update

Testimony.HB205_Delegate Lorig Charkoudian.docx.pdf

Uploaded by: Lorig Charkoudian

Position: FAV



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB 205- UNEMPLOYMENT INSURANCE MODERNIZATION ACT OF 2024
TESTIMONY OF DELEGATE LORIG CHARKOUDIAN

FEBRUARY 14, 2024

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

Unemployment Insurance (UI) is crucial for individuals experiencing unemployment and for the overall health of the economy and businesses. This legislation modernizes Maryland's Unemployment Insurance regulations by ensuring sufficient benefits to allow for economic security during the work search period, balancing incentives for work search to ensure job matching is ideal for employers and employees, and establishing financing of the UI fund sufficient to maintain an average high-cost multiple (AHCM) of at least 1.0. The AHCM represents the fund's ability to pay a year of recession level benefits; it is a measure of the health of the fund. This legislation makes six updates:

1. This legislation sets the maximum weekly benefit to 2/3 times the average weekly wage and the minimum weekly benefit to 15% of the average weekly wage. The maximum benefit is phased in between now and 2027, when it reaches 2/3. Twenty-six other states index their maximum to the average weekly wage. Maryland last updated the maximum and minimum benefits in 2010, but did not index them to inflation. The current maximum is \$430. The current minimum is \$50.
2. This legislation sets the income disregard to \$250 and indexes it to inflation. The income disregard was changed in 2010 to go from \$100 to \$50. The income disregard is the amount of income from another job that is considered when determining the weekly benefit amount. Maryland's currently low income disregard means that someone who depends on two jobs and loses one, will be left with almost no wage replacement for the lost job. This change will reduce the current economic disincentive for part-time work.
3. This legislation sets the dependent allowance to \$25 and indexes it to inflation. It was last updated in 1988 when it was set to \$8.
4. This legislation indexes the taxable wage base to 25% of the average annual wage. This taxable wage base is phased in between now and 2027. Maryland's taxable wage base was set at \$8500 in 1992 and has not been updated since. This is crucial to support the trust fund to maintain an AHCM above 1.0.
5. This legislation changes the number of years in the benefit ratio for employer experience rating from 3 to 5. By extending the number of years for a business to pay the benefits charges, there is less of an impact in the years immediately following an economic downturn, as the costs are spread over a longer period.
6. To cushion the blow of a recession, this legislation prohibits moving more than two tables "down" in any one year. (That is, if the tables would have jumped from A to D in one year, instead they go from A to C in the first year and then down to D in the next year.)

I respectfully request a favorable report on HB 205.

UI Legislation Final Fact Sheet.pdf

Uploaded by: Lorig Charkoudian

Position: FAV

Maryland UI Modernization Act of 2024

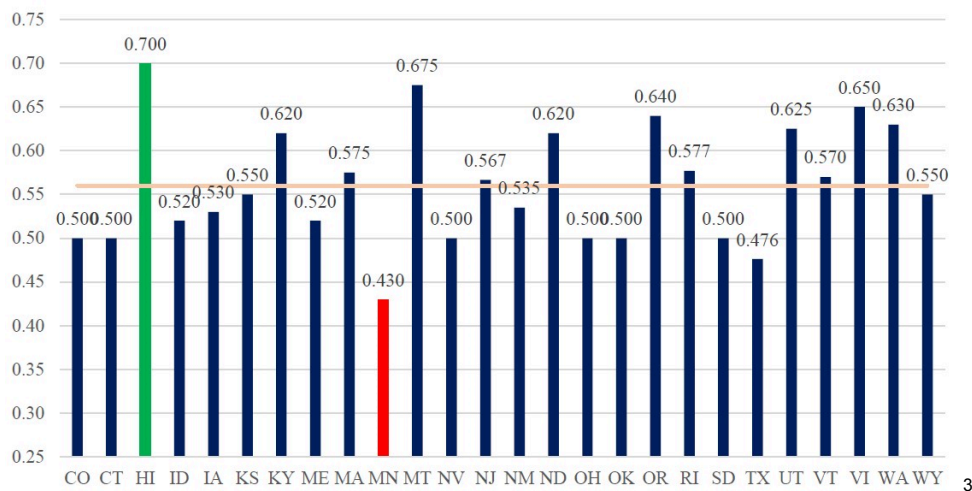
Unemployment Insurance is crucial for individuals experiencing unemployment and for the health of the economy and businesses. On an individual level, sufficient unemployment insurance can put food on the table, pay the rent, and keep a family from falling into poverty. On the level of the broader economy, UI serves as a countercyclical injection of funds to stave off recessions during economic downturns.¹ At a community level, this keeps small businesses open and supports the local economy through a challenging period, because community members have money to circulate in the economy. Sufficient UI benefits also support the functioning of the labor market and improve job matching efficiency.²

Goal of this legislation: Establish sufficient benefits to allow for economic security during the work search period and balance incentives for work search to ensure job matching is ideal for employers and employees. Establish financing sufficient to maintain an average high-cost multiple (AHCM) of at least 1.0. The AHCM is the measure of the ability of the trust fund to pay a year of recession level benefits, a test of the health of the trust fund that also impacts the state’s ability to borrow from the federal government at zero interest.

1) Maximum & Minimum Weekly Benefit

This legislation will set the maximum weekly benefit to 2/3 times the average weekly wage and the minimum weekly benefit to 15% of the average weekly wage. The maximum benefit is phased in between now and 2027, when it reaches 2/3. Twenty-six other states index their maximum to the average weekly wage. Maryland last updated the maximum and minimum benefits in 2010, but did not index them to inflation. The current maximum is \$430. The current minimum is \$50.

Figure 3 Share of the Average Weekly Wage Used to Set the Maximum Weekly Benefit Amount in the 26 States that Indexed their Maximum to the AWW in 2019



¹ Marco Di Maggio and Amir Kermani, “The Importance of Unemployment Insurance as an Automatic Stabilizer,” National Bureau of Economic Research, 2016, <https://www.nber.org/papers/w22625>

² Ammar Farooq, Adriana D. Kugler, and Umberto Muratori, “Do Unemployment Insurance Benefits Improve Match Quality? Evidence From Recent U.S. Recessions,” National Bureau of Economic Research, July 2020, https://www.nber.org/system/files/working_papers/w27574/revisions/w27574.rev0.pdf.

³ Chris O’Leary and Ken Kline, “Maryland 2022 Unemployment Insurance (UI) Reform Options”, W.E. Upjohn Institute, 2022

2) Income Disregard

This legislation sets the income disregard to \$250 and indexes it to inflation. The income disregard was changed in 2010 to go from \$100 to \$50. The income disregard is the amount of income from another job that is considered when determining the weekly benefit amount.

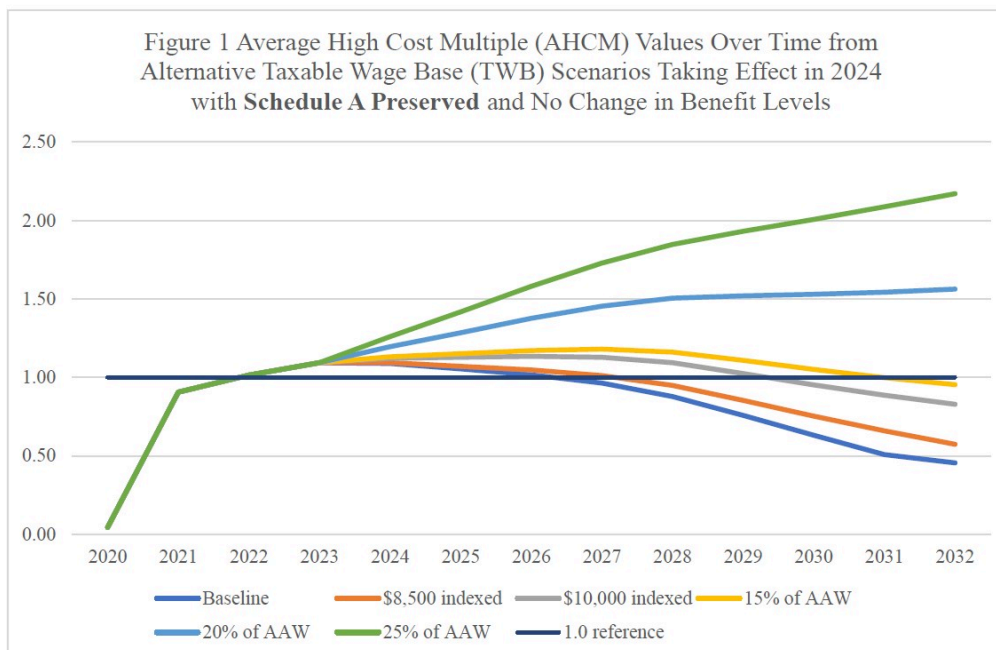
Maryland's currently low income disregard means that someone who depends on two jobs and loses one, will be left with almost no wage replacement for the lost job. This change will reduce the current economic disincentive for part-time work.

3) Dependent allowance

This legislation sets the dependent allowance \$25 and indexes it to inflation. It was last updated in 1988 when it was set to \$8.

4) Taxable Wage Base

This legislation indexes the taxable wage base to 25% of the average annual wage. This taxable wage base is phased in between now and 2027. Maryland's taxable wage base was set at \$8500 in 1992 and has not been updated since. This is crucial to support the trust fund to maintain an AHCM above 1.0. The Maryland AHCM has been below 1.0 since 2010 when the federal government established an AHCM of 1.0 as the requirement to borrow federal funds with zero interest.



1

5) Tax Structure

This legislation changes the number of years in the benefit ratio for employer experience rating from 3 to 5. By extending the number of years for a business to pay the benefits charges, there is less of an impact in the years immediately following an economic downturn, as the costs are spread over a longer period.

¹Chris O'Leary and Ken Kline, "Maryland 2022 Unemployment Insurance (UI) Reform Options", W.E. Upjohn Institute, 2022

6) Cushioning Recessionary Increases

To cushion the blow of a recession, this legislation prohibits moving more than two tables "down" in any one year. (That is, if the tables would have jumped from A to D in one year, instead they go from A to C in the first year and then down to D in the next year.)

For more information, please contact:

Delegate Lorig Charkoudian

(410) 841- 3423

Lorig.charkoudian@house.state.md.us

HB205 - PJC - FAV.pdf

Uploaded by: Lucy Zhou

Position: FAV



Lucy Zhou, Attorney
Public Justice Center
201 North Charles Street, Suite 1200
Baltimore, Maryland 21201
410-625-9409, ext. 245
zhoul@publicjustice.org

HB 205: Unemployment Insurance Modernization Act of 2024

Hearing of the House Economic Matters Committee, February 14, 2024

Position: Favorable

The Public Justice Center (“PJC”) is a not-for-profit civil rights and anti-poverty legal services organization which seeks to advance social justice, economic and racial equity, and fundamental human rights in Maryland. Our Workplace Justice Project works to expand and enforce the right of low-wage workers to receive an honest day’s pay for an honest day’s work. The PJC **supports HB 205**, which would modernize and strengthen Maryland’s unemployment insurance (“UI”) system by updating benefit amounts and shoring up the system’s finances.

HB 205 would update the maximum and minimum benefit amounts: When workers lose their jobs through no fault of their own, it can have a devastating impact on them and their families. Maryland’s average weekly UI benefit is just \$358, representing a wage replacement rate of just 37%¹ and making it extremely difficult for unemployed Marylanders to pay for food, rent, and other essentials. HB 205 would expand the minimum and maximum weekly benefit amounts to be, at a minimum, 15% of the average weekly wage, and at a maximum, 2/3 (66.6%) of the average weekly wage—better ensuring that the benefits meet unemployed Marylanders’ basic needs.

HB 205 would update the dependent allowance: The dependent allowance has been only \$8 per dependent, up to a maximum of 5 dependents, since 1988. Households with children are much more likely to face food and housing insecurity when someone in the household loses a job. HB 205 would increase the dependent allowance to \$25 per dependent and index the amount to inflation.

HB 205 would index the taxable wage base: Maryland’s UI system is currently funded based on employer and worker contributions on the first \$8,500 of annual income, a fixed amount that was set in 1992. This bill would amend the taxable wage base to be 25% of the average annual wage, strengthening the financial integrity of the trust fund over the long term.

For the foregoing reasons, the PJC **SUPPORTS HB 205** and urges a **FAVORABLE** report. Should you have any questions, please call Lucy Zhou at 410-625-9409 ext. 245.

¹ *Unemployment Insurance Dashboard*, The Century Foundation, <https://tcf.org/content/data/unemployment-insurance-data-dashboard/>.

HB205 Support.pdf

Uploaded by: Rico Albacarys

Position: FAV

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS – LOCAL UNION No. 24

AFFILIATED WITH:

Baltimore-D.C. Metro Building Trades Council -AFL-CIO
Baltimore Port Council
Baltimore Metro Council -AFL-CIO
Central MD Labor Council -AFL-CIO
Del-Mar-Va Labor Council-AFL-CIO
Maryland State - D.C. -AFL-CIO
National Safety Council



AFL-CIO-CLC

BALTIMORE, MARYLAND 21230

C SAMUEL CURRERI, President
DAVID W. SPRINGHAM, JR., Recording Secretary
JEROME T. MILLER, Financial Secretary
MICHAEL J. McHALE, Business Manager

OFFICE:

2701 W. PATAPSCO AVE
SUITE 200

Phone: 410-247-5511

FAX: 410-536-4338

Written Testimony of

Rico Albacarys, Assistant Business Agent, IBEW LOCAL 24

Before the Economic Matters Committee On

HB 205 Unemployment Insurance Modernization Act of 2024

Support

February 12, 2024

Chairman Wilson and Committee Members,

I am writing to express my strong **support** for **HB 205**. When workers who were gainfully employed lose their job through no fault of their own, it can have a devastating effect on them and their families. The current unemployment payments are equal to less than the Maryland State minimum wage, and these payments are not enough for recently unemployed workers to meet their basic needs.

An increase in unemployment payments would help families meet these needs, pay bills, and put food on the table. Studies have shown that providing sufficient financial resources to individuals in need can help them find new employment and boost the overall economy. Additionally, the UI fund needs a readjustment to remain solvent. It makes sense to pass a comprehensive legislative solution, which considers the needs of employers and MD Workers.

HB 205 is that comprehensive solution, which is why I urge you to vote **favorably**.

Sincerely,

Rico Albacarys

Assistant Business Agent IBEW Local 24

HB205 support MD 2024 .pdf

Uploaded by: Roxana Mejia

Position: FAV



District Council No. 51
4700 Boston Way
Lanham, MD 20706
(301) 918-0182
(301) 918-3177 Fax

ONE VOICE

Representing:
Protective and Decorative
Coatings Applicators
Painters
Decorators
Wall Coverers
Drywall Finishers
Glaziers
Architectural Metal Workers
Glass Workers
Civil Service Workers
Shipyards Workers
Maintenance Workers
Metal Polishers
Metalizers
Bridge Painters
Riggers
Tank Painters
Marine Painters
Containment Workers
Lead Abatement Workers
Sand Blasters
Water Blasters
Sign Painters
Paint Makers

ONE AGENDA

Affiliated Local Unions
Local Union 1
Local Union 368
Local Union 474
Local Union 890
Local Union 963
Local Union 1100
Local Union 1846
Local Union 1937
Local Union 1997

Over 100 Years Serving
Maryland
Virginia
Washington, DC

INTERNATIONAL UNION OF PAINTERS AND ALLIED TRADES, AFL-CIO DISTRICT COUNCIL NO. 51

February 12, 2024

House of Delegates Economic Matters Committee:

C.T. Wilson, Chair

Brian M. Crosby, Vice Chair

House Office Building, Room 231

6 Bladen St., Annapolis, MD 21401

Dear Honorable Members of the House Economic Matters Committee:

I am Roxana Mejia Director of Government and Community Affairs at the International Union of Painters and Allied Trades District Council 51 covering the Maryland, Virginia, and District of Columbia jurisdictions. I represent over 1,500 members in the finishing trades of the construction industry.

I want to thank the Committee Members for taking the time to read our SUPPORT to HB 205- Unemployment Insurance Modernization Act of 2024.

HB 205 sets the maximum weekly benefit to 2/3 times the average weekly wage and the minimum weekly benefit to 15% of the average weekly wage. The maximum benefit would be phased in between now and 2027 when it would reach 2/3. This modification will bring Maryland into line with the 26 other states that index their maximum weekly wage. Maryland last updated its minimum and maximum benefits in 2010, but did not include indexing them to inflation.

HB 205 will provide sufficient benefits while unemployed persons search for work. It will balance incentives for work search to ensure job matching is ideal for employers and employees.

Please vote favorably on HB 205.

Thank you.

Roxana Mejia

Director of Government & Community Affairs

IUPAT DC 51

Ironworkeres_SUPPORT_HB205.pdf

Uploaded by: Sebastian Feculak

Position: FAV



February 14th, 2024

The Honorable CT Wilson, Chair
The Honorable Brian Crosby, Vice Chair
House Economic Matters Committee
House Office Building Room 231
Annapolis, Maryland 21401

HB 205: Unemployment Insurance Modernization Act of 2024
Position - Support

I would like to thank Chair Wilson and Vice Chair Crosby as well as Members of the House Economic Matters Committee for allowing us to submit testimony on behalf of the Ironworkers Local 5 in **SUPPORT** of **HB 205**.

The Ironworkers of Local 5, based in Largo, Prince George's County, over a thousand members actively working in the state of Maryland. Additionally, we also host our registered apprenticeship program here and actively train new apprentices for the industry.

Many of our members in the trades rely on work in the construction industry on a project-by-project basis, meaning that once an ironworker, or another craftsperson of the building trades, completes working with a contractor on constructing a new facility or infrastructure project, they must wait to be dispatched to the next project, which may last days or weeks. As a result, we need to insure we can protect workers who may become job-insecure in the time between projects.

Therefore, making the appropriate improvements with Unemployment Insurance can help our tradesmen and apprentices ensure that they can continue to sustain themselves as they wait to be put back to work with another contractor or another project.

Lastly, tying these minimum and maximum benefits to inflation can help maintain that these benefits stay on par with our tradesmen's wages for years to come. And the new limits will be phased in over the next few years to reduce disruption, and will match the benefits of 26 other states.

We implore the committee to issue a favorable report on HB 205.

Sincerely,

Sebastian Feculak
Political Coordinator Mid-Atlantic States District Council
Iron Workers

HB 205 UI Modernization 2024.pdf

Uploaded by: Tom Clark

Position: FAV



International Brotherhood of Electrical Workers

JOSEPH F. DABBS: Business Manager • THOMAS C. MYERS: President • RICHARD D. WILKINSON: Vice President
CHRISTOPHER M. CASH: Financial Secretary • RICHARD G. MURPHY: Recording Secretary • PAULO C. HENRIQUES: Treasurer



TESTIMONY IN SUPPORT OF HB 205 UNEMPLOYMENT INSURANCE MODERNIZATION ACT OF 2024 February 14, 2024

TO: Chair Wilson, Vice Chair Crosby and members of the House Economic Matters Committee
FROM: Tom Clark, Political Director, International Brotherhood of Electrical Workers Local 26

Mr. Chair, Mr. Vice Chair and members of the House Economic Matters committee. John F. Kennedy once said, "The time to fix the roof, is when the sun is shining." Meaning, there is no sense in fixing the roof when it is raining. I think that saying it is appropriate now, when work is plentiful (Maryland has the lowest unemployment rate in the nation) why not address issues in the Unemployment Insurance system now, before the work picture declines and claims increase. For that reason, I ask that you join me in **support of HB 205**.

Maryland has not addressed or adjusted the unemployment insurance program in 21 years. Problems with the amount of benefits and how they are calculated came to light during the pandemic, when the UI was heavily used by so many Marylanders. Revisiting how benefits are calculated is a smart and prudent move, at this time, while work is plentiful. Unemployment benefits are received by individuals in need and are designed to bridge the gap from one job to the next. The benefits received now are below minimum wage and well below a living wage. By revisiting this issue now, we can help Maryland families, in between jobs. Not the few looking for a handout, but the many that are able and ready to work. Let us help those down on their luck by increasing the stipend of benefits that we all pay into, in this employee/employer insurance program.

Please give your **support and vote in favor of HB 205**. The sun is shining, it's time to fix the roof. Thank you.



HB 205 - Unemployment Insurance Modernization Act

Uploaded by: Tonaeya Moore

Position: FAV



HB 205 - Unemployment Insurance Modernization Act of 2024

Economic Matters Committee

February 14, 2024

SUPPORT

Chair Wilson, Vice-Chair Crosby and members of the committee, thank you for the opportunity to submit testimony in support of House Bill 205. This bill will ensure that Maryland's Unemployment Insurance System (UI) will be adequate to support unemployed Marylanders until they are reconnected to the workforce.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

UI is a basic and essential safety net for workers who are temporarily unemployed through no fault of their own. It can be difficult for people to reconnect to the workforce once disconnected. UI is a critical safety net for unemployed people because it helps to combat some of the barriers to finding employment. These barriers include affording food, housing, and transportation. Having a robust safety net protects workers from excessive debt or falling behind in paying their debts. This ensures that once they find employment, they will not be as financially strained.

HB 205 will strengthen Maryland's UI system by increasing the Weekly Benefit Amount (WBA). Maryland's Average Weekly Wage (AWW) in 2021 was \$1,338. Currently, the WBA in Maryland ranges from a minimum of \$50 to a maximum of \$430. If a claimant is making the AWW then they would be receiving only 1/3 (33%) of their previous income. This is not sufficient to supplement a claimant's income until they can find work. HB 205 will set the maximum weekly benefit to 2/3 (66%) of the AWW and the minimum weekly benefit to 15% of the AWW. This means that UI will consistently provide adequate benefits even as the AWW changes in the future.

The bill also accounts for the increased cost of the program by adjusting the tax structure and increasing the taxable wage base. These changes ensure that the cost of the program is spread fairly between employers and employees, and it ensures that the program will be able to fund the increase of WBA.

Thus, we encourage you to return a favorable report for HB 205.

Creating Assets, Savings and Hope

HB 205_MDCC_UI Modernization Act of 2024_UNFAV.pdf

Uploaded by: Andrew Griffin

Position: UNF



LEGISLATIVE POSITION:

Unfavorable

House Bill 205

Unemployment Insurance Modernization Act of 2024

House Economic Matters Committee

Wednesday, February 14, 2024

Dear Chairman Wilson and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,800 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

As introduced, HB 205 would make four primary changes to Maryland's unemployment insurance program:

1. Raising the taxable wage base used to determine employment contributions into the Unemployment Insurance Trust Fund from \$8,500 to 25% of the average annual wage (~18,000).
2. Raising the maximum and minimum weekly benefit amounts and attaching an annual increase in the maximum benefit to inflation.
3. Preventing the shifting of the table of rates to no more than two tables in one year.
4. Extending the lookback period for the purpose of calculating an employer's experience rating.

The proposals in HB 205 make significant changes to the state's unemployment insurance program and businesses are rightfully concerned by those leading to increased costs on employers. To put some of the proposals in context, the required **increase in employer contributions would roughly double the UI tax burden on businesses** by 2027, double the state's weekly benefit amount and quadruple the minimum weekly benefit amount. Further, the maximum weekly benefit would be attached to an annual adjustment for inflation, which is more concerning as inflation remains stubbornly above the Federal Reserve's target rate of 2%. It is not hard to understand why Maryland businesses are concerned.

Contemplating such a large-scale change requires a deeper conversation with all stakeholders and goes beyond the work that can be done in the remaining time of the legislative session.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **Unfavorable Report** on **HB 205** but looks forward to continuing the conversation regarding the UI program.



MML-HB 205 - UNFAV.pdf

Uploaded by: Bill Jorch

Position: UNF



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

February 14, 2024

Committee: House Economic Matters

Bill: HB 205 - Unemployment Insurance Modernization Act of 2024

Position: Unfavorable

Reason for Position:

The Maryland Municipal League (MML) opposes House Bill 205, which makes major alterations to the manner in which unemployment benefits are calculated resulting in a significant increase in costs to employers.

As a result of the changes proposed in this bill unemployment insurance claims stand to double on both the low and the high end. While this is clearly a benefit to unemployed individuals this is a hard hit to all employers and would signal a consequential shift in the labor market. While the intent of the bill may be genuine, the outcome for employers is harsh.

Local governments are somewhat atypical in that most are “reimbursing employers,” meaning that they only pay into the Unemployment Insurance Fund when a former employee makes a claim through the State and is granted an award. This is different from most businesses that have a portion of their tax payments go directly to the Fund. As such, local governments stand to see a sizable increase in reimbursements to the Fund as a result.

The provisions of HB 205 are significant, detailed, and would result in a significant cost increase to local governments as a result of higher unemployment insurance claims. For this reason, the League respectfully requests that the committee provide House Bill 205 with an unfavorable report.

FOR MORE INFORMATION CONTACT:

Theresa Kuhns
Angelica Bailey Thupari, Esq.
Bill Jorch
Justin Fiore

Chief Executive Officer
Director, Advocacy & Public Affairs
Director, Public Policy & Research
Deputy Director, Advocacy & Public Affairs

HB0205 -- Unemployment Insurance Modernization Act

Uploaded by: Brian Levine

Position: UNF



House Bill 205 -- *Unemployment Insurance Modernization Act of 2024*
House Economic Matters Committee
February 14, 2024
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes House Bill 205 -- *Unemployment Insurance Modernization Act of 2024*.

House Bill 205 changes the methodology to calculate unemployment insurance benefits and alters the taxable wage base used to determine employer contributions to the Unemployment Insurance Trust Fund.

One of the most significant cost factors facing businesses in Maryland is high unemployment insurance taxes. This legislation seeks to further increase the disparity Maryland has with surrounding and competitive states regarding unemployment insurance costs.

Increasing unemployment insurance costs could further strain the business community, particularly small and medium-sized companies. It is vital that Maryland remains as competitive as possible to grow the economy and create good jobs.

For these reasons, the Montgomery County Chamber of Commerce opposes House Bill 205 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

*Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com*

HB0205-ECM_MACo_OPP.pdf

Uploaded by: Brianna January

Position: UNF



House Bill 205

Unemployment Insurance Modernization Act of 2024

MACo Position: **OPPOSE**

To: Economic Matters Committee

Date: February 14, 2024

From: Brianna January

The Maryland Association of Counties (MACo) **OPPOSES** HB 205. This bill would significantly alter the way Maryland calculates unemployment insurance (UI) benefits and contributions, more than doubling the minimum and maximum weekly benefits range used to determine weekly benefit amounts. **These changes would represent a substantial fiscal challenge for counties, who are not part of the State trust fund but would be required to pay the greatly enhanced benefit levels.**

Currently, unemployment benefits range from a minimum of \$40 per week to a maximum of \$430 per week. Under HB 205, the unemployment weekly minimum benefit would go up to 15 percent of that weekly average, or \$232 – a fivefold increase. The weekly maximum benefit would be 66 percent of the State average weekly wage, or \$961 – more than twice the current ceiling. **In simpler terms, under HB 205, unemployment weekly benefits more than double.** Moreover, the new exorbitant benefits range would be fully in effect by 2027 – an expedited timeline for such substantial policy reforms.

Counties are just one set of employers impacted by the financial ramifications of HB 205. County governments have not contributed to the shortfall in the State-managed trust fund, as county governments are self-insured and pay their benefits directly. However, they are unique in their challenging and complex financial circumstances, as compared to other private employers.

Maryland's counties are facing an unprecedented wave of fiscal effects. Revenues are softening – and are even in decline – as federal support recedes from the national economy and high interest rates slow real estate sales. Costs of workforce, construction, and legal liability are all mounting dramatically. Additionally, the Blueprint for Maryland's Future poses costs for education that, for each county, will absorb or exceed their projected new revenues from current sources.

Furthermore, county options for generating meaningful revenues are limited, with most counties already at the state's income tax rate cap, leaving the regressive property tax as the principal remaining alternative. In this precarious setting, placing new operational or fiscal burdens on county governments is untenable and unrealistic.

HB 205 proposes broad changes to the State-run unemployment system and trust fund. The spillover effects on county governments, who are not participants in that system, would pose dramatic and unaffordable fiscal consequences. For those reasons, MACo **OPPOSES** HB 205 and requests an **UNFAVORABLE** report.

HB0205_OCChamber_Thompson_UNF.pdf

Uploaded by: DENNIS RASMUSSEN

Position: UNF



Ocean City, Maryland Chamber of Commerce

410-213-0144 | info@oceancity.org
oceancity.org | 12320 Ocean Gateway, Ocean City, MD 21842

TESTIMONY OFFERED ON BEHALF OF THE GREATER OCEAN CITY CHAMBER OF COMMERCE

IN OPPOSITION TO:

HB0205 – Unemployment Insurance Modernization Act of 2024

Before:

Economic Matter Committee

Hearing: 2/14/24 at 1:00 PM

The Greater Ocean City Chamber of Commerce, representing over 700 regional businesses and job creators, **STRONGLY OPPOSES** House Bill HB0205 – Unemployment Insurance Modernization Act of 2024.

This bill would raise the taxable wage base from \$8,500 to ~\$17,000, phased through 2027, then pegs the wage base at 25% of the average annual way, ostensibly **doubling the Unemployment Insurance (UI) tax burden on all Maryland businesses.** The Maryland Department of Labor states the UI Trust Fund Reserve has a solvency problem, which would make raising the taxable wage base make sense, but this bill also raises the minimum and maximum weekly benefit amounts and pegs the maximum benefit to inflation, while also making it a factor of the State's average weekly wage. Essentially, **this bill would disincentivize those on unemployment to seek employment,** paying at rates above our neighboring States' levels. It is for these reasons; we ask for the defeat of this measure.

The Ocean City Chamber respectfully requests an **UNFAVORABLE COMMITTEE REPORT on HB0205.** Please feel free to contact the Chamber directly at 410-213-0144, or Dennis F. Rasmussen, df@rasmussengrp.net at 410-303-4658, should you have any questions or concerns.

Respectfully submitted,

Amy Thompson

Executive Director

amy@oceancity.org

Joe Schanno

Legislative Committee Chair

joe.schanno@gmail.com

HB205_RestaurantAssoc_Thompson_UNFAVORABLE.pdf

Uploaded by: Melvin Thompson

Position: UNF



House Bill 205

Unemployment Insurance Modernization Act of 2024

February 14, 2024

POSITION: Oppose

Mr. Chairman and Members of the Economic Matters Committee:

The *Restaurant Association of Maryland* opposes House Bill 205, which would make significant unemployment insurance policy changes.

Among other things in this comprehensive bill, our members are concerned that the proposed changes to determine the weekly and maximum benefits will increase unemployment insurance payouts overall, which would result in higher unemployment insurance taxes for employers to replenish the trust fund. We are also concerned that the proposed changes to the taxable wage base will increase unemployment insurance taxes for employers.

The restaurant industry continues to struggle with operating challenges due to higher food and labor costs, and inflation in general. Most of our businesses have not yet returned to pre-pandemic profitability. Our members strongly object to legislative proposals that would increase taxes or fees on businesses, especially on the heels of the labor cost increases associated with accelerating Maryland's \$15 minimum wage.

For these reasons, we oppose this legislation and request an unfavorable report.

Sincerely,

A handwritten signature in black ink that reads "Melvin R. Thompson".

Melvin R. Thompson
Senior Vice President

HB 205_MDL_Letter of Information.docx.pdf

Uploaded by: Secretary Portia Wu

Position: INFO

House Bill 205

Date: February 12, 2024
Committee: House Economic Matters Committee
Bill Title: Unemployment Insurance Modernization Act of 2024
Re: **Letter of Information**

Maryland Department of Labor is pleased to provide informational testimony regarding House Bill 205, the Unemployment Insurance Modernization Act of 2024. We appreciate Delegate Charkoudian’s leadership in this area and agree that there are structural challenges within the state’s Unemployment Insurance (UI) system that must be addressed. Maryland needs an unemployment insurance program that supports workers and employers as intended and remains solvent for the long term.

Unemployment insurance is a critical program for workers, employers, and the economy. It supports labor force attachment and buffers economic shocks. The program provides temporary income to workers who have lost their jobs and are actively seeking work, while supporting local economies by maintaining the purchasing power of unemployed workers. This helps to keep available workers in the labor market, thus supporting businesses that are looking to expand.

The Department supports this Committee’s interest in reform. We believe that any approach should be transparent, simple, predictable, and equitable. In addition, as the Committee undertakes this effort, we urge legislators to consider not only the necessary resources to support long-term health of the UI Trust Fund and benefit adequacy, but also the flexibilities and resources needed for technology and infrastructure to administer a secure, efficient, and responsive UI system.

With respect to provisions within the proposed bill, we offer specific comments as follows.

Benefit Reforms

HB 205 would increase benefits through setting a higher benefit range, a larger dependent allowance, and a higher “income disregard.”

In Maryland, UI benefits last up to 26 weeks, and the weekly benefit amount (or WBA) ranges from \$50 to \$430. About 6 in 10 claimants receive the maximum amount.

The state’s benefit levels, last updated in 2010, do not reflect our economy. We have the 17th lowest weekly maximum benefit amount but the 7th highest cost of living in the nation. Among neighboring jurisdictions, only Virginia provides a lower maximum benefit.

HB 205 would replace the current weekly benefit maximum with an amount indexed to the state's average weekly wage: maximum benefit levels would gradually increase until they reached two-thirds of average weekly wage by calendar year 2027. Maryland's average weekly wage was approximately \$1,365 in 2022; two-thirds of that is about \$910.¹

Washington, D.C., and 32 states set their benefits levels to a portion of the average weekly wage as a way to keep pace with inflation.

On the lower end, the bill calls for the minimum benefit amount to increase from its current flat level of \$50 to 15 percent of the state average weekly wage by calendar year 2027. In 2022, that would have been about \$215.

The bill also increases the dependent allowance, last set in 1982, from \$8 per dependent to \$25 per dependent. Additionally, it increases the income disregard to encourage part-time work during an individual's benefits and job search period. The income disregard is the amount of a part-time worker's earnings ignored when calculating how much to reduce a weekly benefit amount. Current law sets the income disregard at \$50, requiring a dollar for dollar reduction in benefits after that amount. HB 205 would increase that to \$250. The bill would index both the dependent allowance and the income disregard to inflation.

Employer Tax Reforms

Reforms to the tax structure of the UI system have a number of aims. The first is to ensure that workers who lose their job through no fault of their own receive an appropriate level of financial assistance and at the same time ensure that the UI Trust Fund remains solvent with the resources needed to support workers and employers. A second is to protect employers from the shocks experienced during the pandemic and past recessions when tax rates increased dramatically. A third goal is to avoid the need to borrow from the state or federal government because our trust fund balance drops to a risky level. A final aim is to relieve the uneven pressure that a low taxable wage base exerts on smaller employers and employers with lower-wage workers.

To fund the increased benefits described above and to improve the long-term solvency of the state trust fund, HB 205 proposes increasing the employer tax base and indexing to inflation. The bill also proposes to change the calculation used to set an employer's tax rate and to limit the magnitude of year-to-year tax rate increases.

Average High Cost Multiple (AHCM) is the typical measure used to discuss trust fund solvency. Roughly speaking, the AHCM represents where a state stands with respect to paying out a year of benefits based on prior high cost years. An AHCM of 1.0 means a state could meet a year's

¹ Average weekly wages are for those covered by regular unemployment insurance (e.g., the wages do not include those covered by UFCE). This data is available from the US Department of Labor's Employment and Training Administration in Financial Data Handbook 394. This source was used by the Upjohn Institute in their report and may be viewed at the following link:
<https://oui.doleta.gov/unemploy/hb394.asp>

Andrew.Fulginiti@maryland.gov | 410-230-6387 | www.labor.maryland.gov

worth of benefits, .5 indicates six months of benefits, etc. States must have an AHCM score of 1.0 to borrow interest-free from the federal government, and interest required to be paid on such a loan cannot be paid from the UI Trust Fund.

The W.E. Upjohn Institute for Employment Research’s projections, which appear in a 2021 study commissioned by the Department on UI reform, show that if Maryland maintained its current benefits levels and taxable wage base, our AHCM would drop to .45 by 2032. Upjohn’s simulations include assumptions about key economic factors that impact benefits and taxes, like labor force growth and the unemployment rate. If the actual values of these factors prove different from the assumed values, the reality in 2032 might differ from projections. For example, the simulation assumed a 4.4 percent unemployment rate in 2023, much different from the record lows we experienced, including a low of 1.6 percent in September. Nevertheless, possibly hitting such a low level of solvency in less than a decade is an indicator that action is needed, and soon.

Maryland’s taxable wage base is currently \$8,500, the 9th lowest in the country. HB 205 would increase employer contributions by gradually increasing the taxable wage base from \$8,500, where it has remained since 1992, to 25 percent of the state average annual wage by calendar year 2027.

Maryland’s average annual wage was about \$71,000 in 2022, which is 11th highest in the country. A quarter of that is about \$17,700, at which level Maryland would rank 19th for its taxable wage base.

The bill includes two provisions to soften the impact of a recession on employers. It would increase the number of years in the “benefit ratio,” a factor used to calculate an employer’s tax rate, from three years to five. It would also restrict how much an employer’s tax rate can change year to year. Maryland has a complicated tax structure of six tax tables. Table A has the lowest rates and is in effect when the Trust Fund balance is high. Table F has highest rates and is used when the trust fund requires replenishment. To minimize stress on businesses from a sharp increase in tax rates, the bill would prohibit the Department from shifting more than two tables from one year to the next if the shift would result in higher earned rates of contribution for employers.

The Department supports an approach that seeks to smooth out or dampen swings in employer tax rates in order to avoid the phenomenon we often see during recessions, where employers face spikes in taxes when they can least afford them. However, such levers must be employed in a manner consistent with securing long-term solvency for the Trust Fund. Limiting sharp swings in both directions will provide greater predictability for employers and give the Trust Fund recovery time after paying out more benefits in times of higher unemployment. Additionally, we understand that the current provision in the bill restricting tax table changes was not included in the Upjohn simulations and thus the effect of this provision on the UI Trust Fund is not reflected in the projections that have been shared.

Administrative Considerations

Finally, the Department recommends that rules, benefit amounts, taxes tables, and other administrative elements be simplified to the extent possible. The UI program is already complicated and confusing to many, and workers and employers benefit from greater clarity and predictability.

For example, there are important equity and policy reasons for adjusting benefits levels as average wage increases, but we recommend that the Committee consider an approach where smaller elements remain set over a period of time for simplicity. That could include income disregard and dependent allowance. Minor variable amounts might be confusing to claimants, would require complicated programming, and might lead to unpredictable downstream effects.

Estimated Expenditures and Timeline

HB 205 represents major changes to the UI system in Maryland, and the Department is continuing to analyze potential costs and time needs for implementation of the provisions of the bill. In addition, the Department is undertaking the build of IT systems and processes for paid family and medical leave insurance, with a plan to launch by 2026.

Conclusion

Maryland's key UI program elements are long overdue for updates. Without reform, workers will fall further behind, smaller employers will continue to be treated inequitably, and our system's solvency could be at risk in the next downturn. We look forward to working with the bill sponsors - and the Committee - to accomplish this reform.