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Sponsor Testimony

FAV for SB 655 - Unemployment Insurance - Federal Extended Benefits for Long-Term Unemployment

Good afternoon, Chair Kelley and members of the committee,

Senate Bill 655 is model legislation from the U.S. Department of Labor and the federal Advisory Council on Unemployment Compensation. This bill will help ensure that unemployed Marylanders receive additional weeks of benefits when unemployment is especially bad and the extended benefits are fully paid for by the federal government. This legislation is about future-proofing the state against future recessions should the federal government pay for extended benefits, as they have twice in the past decade.

As the committee knows, unemployment benefits in Maryland last for up to 26 weeks. Federal law, however, allows for an additional 13 or 20 weeks of "Extended Benefits" to be provided in a state when unemployment is extraordinarily high and persistent in that state. Those benefits are provided through the "Extended Benefits" program, which is a joint federal-state program that exists in all 50 states and has been around since the 1970s. It is a permanent program that is not to be confused with the temporary pandemic programs that Congress created in 2020.

Under federal law, there are two main "triggers" that activate the Extended Benefits program in a state. The first "trigger", which is based on the state's insured unemployment rate, is mandated by federal law – accordingly, Maryland and every other state have enacted it. But that trigger that is fairly difficult to flip on. So the federal government allows states to adopt a second trigger that isn't as hard to turn on, and is instead based on the state's total unemployment rate, which is calculated by the U.S. Department of Labor every week. Senate Bill 655 would adopt that second trigger, but make it conditional to when the federal government is paying for 100% of the cost of extended benefits.

This bill is structured in a way that protects businesses in terms of their experience rating, since the federal government does not require the charging of benefits that are paid through the Extended Benefits program. It also helps maximize federal reimbursement for our UI program when federal funding is made available in future recessions.

Twenty-five states, red and blue alike, have enacted the trigger proposed in this bill. In fact, Maryland enacted comparable legislation in 2011. That law, however, was tied to a specific federal law that expired, and consequently that state statute sunsetted.

This bill also helps fix an issue that came up about a year ago. Maryland's lack of the trigger in this bill had real world implications during the pandemic, where we actually lost out on some federal money.

At the end of May 2020, Maryland's existing Extended Benefits triggered on because our insured unemployment rate eclipsed 5%. This was the first time since 1982 that Maryland qualified for extended benefits using the first trigger. Extended benefits automatically turned off in mid-December 2020 as our insured unemployment rate fell below the statutory rate. Maryland's total unemployment rate, however, was high enough for another four months (into April 2021), to continue to warrant extended benefits, if we had the second trigger in state law. This lapse in federal funding set Maryland back compared to other states, because in states that had enacted the second trigger, those states continued to receive full reimbursement by the federal government for funds paid out through the Extended Benefits program.

Senate Bill 655 will help prevent future interruptions of federal extended benefits and will help the state maximize the flow of federal money into our UI Trust Fund in future recessions. I ask the committee for a favorable report.

Sincerely,

Kathy Klausmeier

Senator Katherine Klausmeier