Maryland
DEPARTMENT OF LABOR

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Senate Bill 827

Date:	March 15, 2022
Committee:	Senate Finance Committee
Bill Title:	Unemployment Insurance - Computation of Earned Rate of Contribution - Applicable Table of Rates
Re:	Letter of Information

S.B. 827 amends Md. Labor and Employment Code Ann. § 8-612 to require the earned rate of contributions for calendar year 2023 to be calculated using Table B of the Table of Rates if the Unemployment Insurance Trust Fund ("UITF") balance on September 30, 2022, allows for the earned rate to be calculated using either Table A or Table B.

In short, when the earned rate for calendar year 2023 is calculated in September, the Bill would allow for three options: (1) if the UITF balance calls for Table A to be used, S.B. 827 would require Table B be used; (2) if the UITF balance calls for Table B to be used, S.B. 827 would require Table B; or (3) if the UITF balance calls for Table C, D, E or F to be used, S.B. 827 would not apply and Table C would be used pursuant to Section 8-612(h)(1) (the earned rate for calendar year 2023 could not be calculated using Tables D, E, or F).

The Department is unable to forecast the fiscal impact of the Bill on Maryland's UITF. However, if the UITF Balance on September 30, 2022, allows for the earned rate to be calculated using either Table A or Table B and the Bill mandates using Table B, the Division would collect less revenue because currently, regardless of the UITF balance, the earned rate would be calculated for calendar year 2023 based on Table C.

The balance of the UITF is important, but the solvency of the UITF is also important. The United States Department of Labor ("USDOL") considers a state's UITF solvent when it has enough funds for benefits for one (1) year. Maryland's UITF has not been solvent since 1996. If an economic event (such as a recession) led to the UITF balance being depleted and the Division took out a loan from USDOL to replenish the UITF, that loan would not be interest-free. In addition, Maryland employers' FUTA tax credit might decrease and employers might have to pay a higher federal tax.

The Division will have initial expenditures for (1) programming updates to BEACON 2.0 to change the tax rates assigned to employers eligible for earned ratings and (2) sending correspondences to employers explaining the change of rate. The estimate for these expenditures is $250,000.

The Department respectfully requests that the Committee consider this information.