



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

HB 724: Unemployment Insurance Modernization Act of 2023

Hearing of the House Economic Matters Committee, February 21, 2023

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 724**, which would modernize and strengthen Maryland's unemployment insurance (UI) system by updating benefit amounts and shoring up the system's finances.

Maryland's wage replacement rate – the percentage of average wages that UI benefits replace – is too low to meet unemployed Marylanders' basic needs.

- The replacement rate shows how much of workers' average weekly wages are replaced with UI benefits. Experts recommend a replacement rate of at least 50%.¹
- Maryland's average weekly wage is \$946 while the average weekly UI benefit is just \$351, making Maryland's replacement rate just 37%.
- This very low rate places Maryland in the same category as Arkansas (34%) and South Carolina (36%) and far below Pennsylvania, where the average weekly benefit amount is \$438 and the replacement rate is 46%, and New Jersey, where the average weekly benefit amount is \$505 and the replacement rate is 45%.
- Maryland's low weekly benefit amount and low replacement rate make it nearly impossible for unemployed Marylanders to cover rent, food, and other essentials for themselves and their families while they look for a new job.
- HB 724 will have the effect of increasing Maryland's replacement rate by increasing the maximum and minimum benefit amounts.

¹ Data in this written testimony comes from The Century Foundation's Unemployment Insurance Dashboard, available at <https://tcf.org/content/data/unemployment-insurance-data-dashboard/>.

HB 724 will bring Maryland's UI system up to date, allowing unemployed Marylanders to afford the basics until they find a new job.

- HB 724 will set the maximum weekly benefit to 2/3 (66.6%) of the average weekly wage and the minimum weekly benefit to 15% of the average weekly wage. It would phase in this change between now and 2027.
- Although 26 other states (including Pennsylvania and New Jersey) index their maximum weekly benefit to inflation, Maryland does not – and our state has not updated the maximum benefit since 2010.
- Especially now, during a period of above-average inflation, it is more important than ever to update and index the maximum weekly benefit amount.

Maryland's UI trust fund lacks enough money to pay even a year of recession-level benefits – HB 724 would fix that.

- Maryland has enough funds in its UI trust fund to pay only about 10 months of recession-level benefits, putting our system in danger if a recession strikes. States from Delaware to Oregon are able to pay more than a year of recession-level benefits.
- HB 724 would address this serious danger by shoring up the strength of our UI trust fund.

For the foregoing reasons, the PJC **SUPPORTS HB 724** and urges a **FAVORABLE** report. Should you have any questions, please call Lucy Zhou at 410-625-9409 ext. 245.