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SB 670 - Unemployment Insurance Modernization Act of 2023
Senate Finance Committee
February 21, 2023

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Madame Chair and members of the Committee, thank you for the opportunity to submit testimony in support of SB 670. 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.

Unemployment insurance provides a safety net for workers to prevent them from total financial ruin if they lose their job. During the height of the pandemic Maryland's unemployment system was put to the test and underlying issues were exposed. Legislation was passed in 2021 requiring Maryland's Department of Labor to explore potential improvements and updates. MDOL partnered with the Upjohn Institute which published its recommendations in April 2022. This is Maryland's opportunity to modernize its system to adopt best practices and recommendations of the study.

SB 670 expands maximum and minimum 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.

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 SB 670 creates a dependent allowance that is tied to the weekly benefit amount, updating the amount for the first time in 35 years.

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.

SB 670 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 and caps the number of tables that an employer can change from to 2. This helps insulate employers from challenging business years with high turnover or layoffs.

One of the strongest improvements to Maryland's unemployment system comes from the requirements for highly indebted companies, like private equity firms purchasing retail establishments, to post bonds for their unemployment obligations even if they shut down. This fixes loopholes in the current unemployment system where private equity firms that take on large employers with the full intent of laying off hundreds or thousands of workers pay the same unemployment insurance contribution rates that honest employers pay. This forces the rest of Maryland's businesses to take on the burden of replenishing the fund.

We urge the committee to issue a favorable report to SB 670 as written.