SB 752 - Unemployment Insurance Modernization Act
Uploaded by: Donna Edwards
Position: FAV

MARYLAND STATE & D.C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

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President
Donna S. Edwards

Secretary-Treasurer
Gerald W. Jackson

SB 752 - Unemployment Insurance Modernization Act of 2025
Senate Finance Committee
February 19, 2025

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 752. 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 critical safety net for workers to prevent them from total financial ruin if they lose their job and plays a crucial role in maintaining economic stability. Sufficient UI benefits support the functioning of the labor market by allowing economic stability for individuals as they search for reemployment, improving job-matching efficiency.

SB 752 adopts best practices by expanding maximum and minimum UI weekly benefit amounts to indexes that will change with economic conditions over time, while ensuring long-term stability of the UI Trust Fund. This approach aligns Maryland with 26 other states by removing the need for the General Assembly to modify benefit amounts directly which has not happened since 2010.

This legislation enacts a number of reforms that strengthen the UI system while also maintaining continued solvency of Maryland's UI Trust Fund. First, the bill increases funding for the Unemployment Insurance Trust Fund by raising the taxable wage base to 20% of the average annual wage in Maryland, further eliminating the need for General Assembly updating. Second, it increases the maximum weekly benefit to 50% of the average weekly wage while setting the minimum weekly benefit to 15% of the average weekly wage. Third, it increases the dependent allowance to $25 which has not been updated since 1988 when it was set to $8.

Unemployment Insurance is designed to prevent financial devastation for workers who lose their jobs while also stabilizing Maryland's economy. Modernization proposals like SB 752 protect the future of 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.

For these reasons, we urge a favorable vote on SB 752.

2.17 SB 752 - Unemployment Insurance Modernization
Uploaded by: Lonia Muckle
Position: FAV

SB 752 - Unemployment Insurance Modernization Act of 2025
Senate Finance Committee
February 18, 2025
<u>SUPPORT</u>

Chair Beidle, Vice-Chair, and members of the committee thank you for the opportunity to submit testimony in support of Senate Bill 752. 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.

SB 752 will strengthen Maryland's UI system by increasing the Weekly Benefit Amount (WBA). Maryland's Average Weekly Wage (AWW) in 2024 was $1,493. Currently, the WBA in Maryland ranges from a minimum of $50 to a maximum of $430. If a claimant was making the AWW, the maximum amount they could receive would only be 28% of their previous income. This is not sufficient to supplement a claimant's income until they can find work. SB 752 would lead to the maximum weekly benefit to be set to 50% 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.

<u>Thus, we encourage you to return a favorable report for SB 752.</u>

575 S. CHARLES STREET SUITE 500 BALTIMORE, MD 21201 TEL: 443-692-9487 FAX: 410-234-8929 CASHMD.ORG

SB752 - 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

SB 752: Unemployment Insurance Modernization Act of 2025

Hearing of the Senate Finance Committee, February 19, 2025

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 supports workers' rights to fair compensation and dignity in the workplace. The PJC **supports SB 752**, which would modernize and strengthen Maryland's unemployment insurance ("UI") system by shoring up the system's long-term solvency and updating benefit amounts to account for inflation.

SB 752 would update 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 20% of the average annual wage by 2028, strengthening the financial integrity of the trust fund over the long term.

SB 752 would update the dependent allowance: Households with children are much more likely to face food and housing insecurity when someone in the household loses a job. In Maryland, the dependent allowance has been only $8 per dependent, up to a maximum of 5 dependents, since 1988. SB 752 would increase the dependent allowance to $25 per dependent and index the amount to inflation.

SB 752 would update the maximum and minimum benefit amounts: Based on data for January 2024, Maryland's average weekly UI benefit is $387, representing a wage replacement rate of just 33%[1] and making it extremely difficult for unemployed Marylanders to pay for food, rent, and other essentials. Maryland's UI statute currently sets the minimum weekly benefit amount as $50 and the maximum weekly benefit amount as $430. These amounts were last updated in 2010 and were not indexed to inflation. SB 752 would index UI weekly benefit amounts to be, at a minimum, 15% of the average weekly wage, and at a maximum, 50% of the average weekly wage by 2028—better ensuring that the benefits meet unemployed Marylanders' basic needs.

For the foregoing reasons, the PJC **SUPPORTS SB 752** and urges a **FAVORABLE** report. Should you have any questions, please call Lucy Zhou at 410-625-9409 ext. 245.

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

SB752 IBEW 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
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SUITE 200

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Written Testimony of
Rico Albacarys, Assistant Business Agent, IBEW LOCAL 24
Before the Senate Finance Committee On
SB 752 Unemployment Insurance Modernization Act of 2025

Support

February 17, 2025

Madam Chair Beidle and Committee Members,

My name is Rico Albacarys and I am a member and employee of IBEW Local 24, writing in **support of SB 752**. When hardworking Marylanders lose their jobs through no fault of their own, the financial strain can be devastating for them and their families. Unfortunately, current unemployment benefits fall below the state's minimum wage, leaving many unable to cover even basic living expenses.

Increasing unemployment payments is not just about helping individuals stay afloat, it's about ensuring families can pay their bills, put food on the table, and remain stable while seeking new employment. History has shown that when workers receive additional support during crises, such as the extra payments provided during the COVID-19 pandemic and the Key Bridge collapse, they are better positioned to recover, and the economy benefits as a whole.

For these reasons, I urge you to support SB 752 and give it a **favorable** report.

Sincerely,
Rico Albacarys

Assistant Business Agent
IBEW Local 24

SB 752 UI Modernization - Support.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 • WILLIAM T. NG: Treasurer

TESTIMONY IN SUPPORT of SB 752
UNEMPLOYMENT INSURANCE MODERNIZATION ACT of 2025
February 19, 2025

TO: Chair Beidle, Vice Chair Hayes, Members of the Senate Finance Committee
FROM: Tom Clark, Political Director, Int. Brotherhood of Electrical Workers Local 26

Madam Chair, Mr. Vice Chair and members of the Committee, President Kennedy once said, "The time to fix the roof is when the sun is shining." This quote is apropos to the Unemployment Insurance Modernization Act, since work is currently plentiful. Let's make the overdue adjustments now, before it is needed to help our citizens in between jobs. For this reason, I ask that you **support SB 752.**

SB 752 updates the formula of calculating UI as well as the amount received by Marylanders. While work is plentiful, this adjustment to the formula puts the state and its businesses in a good place, simply because the SUTA will not increase due to layoffs. The only adjustment is the SUTA for payroll. While working people are in full employment, they will have up to date benefits, if they unfortunately lose their jobs.

IBEW 26, like all construction groups, use UI benefits more than most industries because construction workers are not overhead, they are production. Let me explain; if a contractor employs 10 workers and there suddenly is work for only 8, the employer may lay off 2 people, even though in one week there is work for 12 people. Those 80 manhours increase the bottom-line for Maryland construction companies. It's a tough life we construction workers lead, as well as those contractors who regretfully must make such decisions. One bright spot is that since 2015, IBEW 26 has full employment (mostly due to the Data Center Industries) and has not been a burden on the States UI benefits. I hope full employment continues, however, lets prepare to make the UI system healthy, before we do need such benefits. In fact, because of the recent Federal Government shakeup, Maryland may need to act now to help these once gainfully employed government workers.

I respectfully ask you to **support SB 472** for the good of Maryland workers and while the sun is still shining. Thank you.

HCCC_SB 752_UNFAV.pdf
Uploaded by: Andrew Griffin
Position: UNF

HOWARD COUNTY CHAMBER

February 19, 2025

Legislative Position: Unfavorable
Senate Bill 752
Unemployment Insurance Modernization Act of 2025
Senate Finance Committee

Dear Chairwoman Beidle and members of the committee:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county's business community.

As introduced, Senate Bill 752 (SB 752) would make four primary changes to Maryland's unemployment insurance program:

1. Raising the taxable wage base used to calculate employer contributions from $8,500 to 20% of the state average annual wage (~$15,000) - an increase of about 76%.
2. Raising the maximum and minimum weekly benefit amounts to 50% and 15% of the state average weekly wage, respectively.
3. Increasing the dependent allowance from $8 to $25 per dependent and attaching it to inflation.
4. Attaching the $50 earnings deduction to inflation.

The proposals in SB 752 make changes to the UI program that Howard County businesses are rightfully concerned about, with each proposal being an increased cost for employers. Large-scale changes of this nature require a deeper conversation with all stakeholders and goes beyond the work that can oftentimes be done during the legislative session. With so much uncertainty in Maryland's economy and federal changes impacting Maryland's workforce, we hope to have deeper discussions about these proposals and how they both impact our state's unemployment insurance system, employers and employees. At this point, the Howard County Chamber of Commerce respectfully requests an unfavorable report on SB 752 but looks forward to talking further with the bill sponsor.

Sincerely,

Kristi Simon
President & CEO
Howard County Chamber of Commerce

SB0752 -- Unemployment Insurance Modernization Act
Uploaded by: Brian Levine
Position: UNF

Senate Bill 752 -- *Unemployment Insurance Modernization Act of 2025*
Senate Finance Committee
February 19, 2025
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes Senate Bill 752 -- *Unemployment Insurance Modernization Act of 2025*.

Senate Bill 752 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 major cost challenges for businesses in Maryland is high unemployment insurance taxes. High unemployment insurance costs increase financial burden on employers, which reduces the amount of capital available for other critical areas such as wages, benefits, and investments in growth and innovation. These high costs also reduce competitiveness, as businesses may find it less attractive to operate in the higher-cost state. Additionally, small businesses are often disproportionately affected by high unemployment insurance costs, making it harder for them to grow and thrive.

This legislation aims to widen the gap between Maryland and its neighboring and competitive states in terms of unemployment insurance costs. Rising unemployment insurance costs could place additional pressure on the business community, especially small and medium-sized enterprises. It's crucial for Maryland to stay competitive to foster economic growth and create quality jobs.

For these reasons, the Montgomery County Chamber of Commerce opposes Senate Bill 752 and respectfully requests an unfavorable report.

The Montgomery County Chamber of Commerce (MCCC), on behalf of its members, champions the growth of business opportunities, strategic infrastructure investments, and a strong workforce to position Metro Maryland as a premier regional, national, and global business location. Established in 1959, MCCC is an independent, non-profit membership organization.

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

SB0752 – Unemployment Insurance Modernization Act
Uploaded by: Danna Blum
Position: UNF

Carroll County CHAMBER of Commerce

Date: February 12, 2025

Finance Committee
Senator Pamela Beidle
3 East
Miller Senate Office Building
Annapolis, Maryland 21401

Re: SB0752 – Unemployment Insurance Modernization Act of 2025 **- Oppose**

Dear Senator Beidle:

SB0752 would change the calculation for the weekly unemployment benefit amount and alter the taxable wage base used to determine employers' contributions to the Unemployment Insurance Trust Fund

While we believe this is a well-intended bill, it will adversely affect business owners. Further, the timing of this bill, during a year when many other tax and fee considerations are being placed on businesses, will hurt Maryland employers. This bill will drive up costs, limit business profitability and generally limit business growth in Maryland.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, opposes this bill. We therefore request that you give this bill an unfavorable report.

Sincerely,

Mike McMullin

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Delegate Chris Tomlinson
Senator Justin Ready

SB 752_MDCC_Unemployment Insurance Modernization A
Uploaded by: Hannah Allen
Position: UNF

MARYLAND
Chamber of Commerce

Senate Bill 752

Position: Unfavorable
Committee: Senate Finance
Date: February 19, 2025

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

As introduced, Senate Bill 752 (SB 752) would make four primary changes to Maryland's unemployment insurance program:

1. Raising the taxable wage base used to determine employer contributions into the Unemployment Insurance Trust Fund from $8,500 to 20% of the state average annual wage (~15,000) - an increase of about 76%.
2. Raising the minimum and maximum weekly benefit amounts to 15% and 50% of the state average weekly wage, respectively.
3. Increasing the dependent allowance from $8 to $25 per dependent and attaching it to inflation.
4. Attaching the $50 earnings deduction to inflation.

The proposals in SB 752 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 nearly double the UI tax burden on businesses** by 2028, nearly double the state's maximum weekly benefit amount and increase the minimum weekly benefit amount by six times the current minimum.

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 **SB 752**.

SB752 - Oppose - Maryland Motor Truck Association.
Uploaded by: Louis Campion
Position: UNF

Maryland Motor Truck Association

HEARING DATE: February 19, 2025

BILL NO/TITLE: SB752: Unemployment Insurance Modernization Act of 2025

COMMITTEE: Senate Finance

POSITION: **Oppose**

Maryland Motor Truck Association (MMTA) respectfully offers its opposition to this legislation, which will substantially drive-up unemployment insurance costs on businesses by:

- Increasing the taxable wage base;
- Driving up the weekly benefit amount;
- Indexing amounts to the consumer price index;
- Raising the allowance per child.

Maryland (along with several other states) already has the longest benefit period in the country at 26 weeks; however, unlike many other states, Maryland does not have a one-week waiting period for unemployment benefits, meaning claimants are eligible for benefits the day after they become unemployed.

The trucking industry is suffering from a massive labor shortage of drivers. National data from the American Trucking Associations indicates the current shortfall is close to 80,000 drivers. Virtually every company that operates commercial trucks needs more drivers. We also have significant shortages among vehicle mechanics and technicians. Jobs are readily available.

In lieu of efforts to further disincentivize citizens to actively search for work by increasing unemployment insurance benefits, the state should focus its efforts on getting Marylanders the job training and skills they need to take advantage of opportunities in high demand industry sectors like transportation.

For the reasons noted above, MMTA requests an unfavorable report on this legislation.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a non-profit trade association that has represented the trucking industry since 1935. In service to its 1,000 members, MMTA is committed to support, advocate and educate for a safe, efficient and profitable trucking industry in Maryland.

For further information, contact: Louis Campion, (c) 443-623-5663

SB 752 - MML - INFO.pdf
Uploaded by: Bill Jorch
Position: INFO

Maryland Municipal League

The Association of Maryland's Cities and Towns

TESTIMONY

February 19, 2025

Committee: Senate Finance Committee

Bill: SB 752 - Unemployment Insurance Modernization Act of 2025

Position: Information

Reason for Position:

The Maryland Municipal League (MML) submits informational testimony on Senate Bill 752. The bill makes major alterations to the formulas through which unemployment benefits and the taxable wage base are calculated. Unlike most employers, municipal governments are more tethered to the benefit payment change in terms of potentially increased expenditures.

As a result of the changes proposed in this bill, the formulas to calculate the benefits paid for unemployment insurance claims as well as the taxable wage base used to determine an employer's payment liability to the Unemployment Insurance (UI) Fund are amended. The result is higher expenditures for employers and a higher benefit amount for claimants; in some cases, these increases will be significant.

Local governments are somewhat atypical in the universe of employers in that most are "reimbursing employers," meaning that they only pay into the UI 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. Local governments, and their typically stable workforce, are able to save money by using this reimbursing method because even though they pay the full amount of the benefit, due to the infrequency that they need to reimburse the Fund, it is still less expensive than if they paid the regular tax payment to the Fund.

The Maryland Municipal League respectfully submits this informational testimony on Senate Bill 752. For more information, please contact Bill Jorch, Director, Public Policy and Research at billj@mdmunicipal.org. Thank you in advance for your consideration.

SB0752 - UI Modernization Act of 2025 - Written Te
Uploaded by: Caroline Bauk
Position: INFO

Maryland
DEPARTMENT OF LABOR

LEGISLATIVE OFFICE
45 Calvert Street
Annapolis, Maryland 21401
443-401-5129

MARYLAND DEPARTMENT OF LABOR TESTIMONY ON SB0752

TO:	Finance Committee
FROM:	Secretary Portia Wu, Maryland Department of Labor
DATE:	2/19/2025
BILL:	Unemployment Insurance Modernization Act of 2025

Maryland Department of Labor ("MD Labor" or "Department") is pleased to provide informational testimony regarding Senate Bill 0752, the Unemployment Insurance Modernization Act of 2025. The Department recognizes the 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. UI 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 economic growth.

In response to interest in strengthening the UI program, MD Labor conducted an analysis of the UI Trust Fund at the request of this Committee and the Chairs of the Joint Committee on Unemployment Insurance Oversight. For this analysis, MD Labor used the UNIS model from the U.S. Department of Labor (USDOL) to forecast the long-term outlook for the trust fund. While these forecasts are only preliminary and rough estimates, they provide a framework that enables comparison of different potential policy choices.

One of the key findings from the analysis is that, without adjustments to the UI program, the trust fund is projected to decline. The rate of the decline will largely depend on future unemployment rates. Proactively addressing potential risks to the fund could help the state better weather economic downturns. Maintaining an adequate level of funds is also necessary for the state to qualify for interest-free borrowing from the USDOL. The analysis also reveals how the proposed reforms in SB0742 may impact the solvency of the trust fund.

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The Department believes that any approach to reform should be transparent, simple, predictable, and equitable. As the Committee undertakes this effort, we urge legislators to consider not only the necessary resources to support the 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 more efficient, responsive, transparent, and secure UI system.

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

Benefit Reforms

SB0752 seeks to enhance unemployment benefits by increasing the benefit range, expanding the dependent allowance, and indexing benefit amounts to the state average weekly wage. The bill requires the Secretary to set the state average weekly wage by July 1 of each year to determine the minimum and maximum benefit amounts.

Under current law, unemployment benefits in Maryland last up to 26 weeks, with weekly benefit amounts ranging from $50 to $430. About 60% of claimants receive the maximum benefit. The weekly benefit amount is calculated using a Schedule of Benefits based on the claimant's highest quarter of earnings.

Maryland's benefit levels were last updated in 2010. While Maryland has the 18th lowest maximum weekly benefit in the country, it has the 7th highest cost of living. Among neighboring states, only Virginia offers a lower maximum benefit.

SB0752 proposes a new method to determine the weekly benefit amount by dividing the wages earned in the claimant's highest quarter by 24. The legislation would gradually replace the current benefit structure with one tied to the state's average weekly wage, so that by 2028, the maximum weekly benefit amount would be set at 50% of the average weekly wage. Washington, D.C., and 32 other states already link benefit levels to a percentage of the average weekly wage to help keep pace with inflation.

The bill also proposes an increase in the minimum benefit amount. Currently set at a flat $50, the minimum benefit would instead be set at 15% of the state average weekly wage. In 2023, the state average weekly wage was $1,399. Under the proposed bill, this would have resulted in a minimum weekly benefit amount of $210 and a maximum benefit amount of $700.

Additionally, SB0752 increases the dependent allowance, which has remained at $8 per dependent since 1982, raising it to $25 per dependent. The bill also expands the income disregard to encourage part-time work while receiving benefits. Under current law, the first $50 of part-time earnings is disregarded before benefits are reduced dollar for dollar. SB0752 would increase this amount and index both the dependent allowance and the income disregard to inflation.

Employer Tax Reforms

Reforms to the UI system's tax structure would ideally achieve several objectives. Ensuring the UI Trust Fund remains solvent can better support both workers and employers, while minimizing the need for state or federal borrowing when the trust fund balance reaches a risky level. Additionally, revising the tax structure could reduce the disproportionate burden that a low taxable wage base places on smaller employers and employers with lower-wage workers, as well as mitigate the potential for sudden sharp increases in tax rates in the event of an economic downturn.

Maryland's current taxable wage base of $8,500 is the ninth lowest in the country and has remained unchanged since 1992. When adjusted for inflation, this amount equates to roughly $19,500 in today's dollars. SB0752 proposes raising the employer taxable wage base and indexing it to the state average annual wage. The Secretary must publish the state average annual wage by January 31 of each year. The Department currently reports data relating to annual wages on its website: https://www.labor.maryland.gov/lmi/emppay/annualmd.shtml

The bill authorizes the Secretary to set the taxable wage base annually as an increasing percentage of the state average annual wage until it reaches 20% in 2028. In 2023, the state average annual wage was $76,052. Under the proposed bill, this would result in a taxable wage base of $15,210.

To provide rough estimates of the potential impacts of the changes proposed in this legislation, Table A provides calculations that estimate taxable wage base and benefit adjustments projected over the next few years. These projections are based on the U.S. Department of Labor's UNIS model, and assume that wages grow at a

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rate of 3.4 percent each year, roughly the amount wages grew between 1990 and 2023, excluding 2020.

Table A					
Illustrative Dollar Amounts by Calendar Year (estimated projections)					
	2024	**2025**	**2026**	**2027**	**2028**
Applicable Average Weekly Wage	$1,447	$1,496	$1,547	$1,599	$1,654
Minimum Weekly Benefit Amount	$50	$50	$116	$182	$248
Maximum Weekly Benefit Amount	$430	$430	$562	$695	$827
Dependent Allowance	$8	$8	$25	$25	$25
Employer Taxable Wage Base	$8,500	$8,500	$11,399	$14,298	$17,197

TABLE A: Average Weekly Wage (in covered employment)

Average Weekly Wage for future years is based on historic data in the UNIS model and a 3.4 percent growth rate for future years (1990-2023 average, excluding 2020). Estimates are based on the U.S. Department of Labor UNIS Model

Source: Maryland Department of Labor - Workforce Development and Adult Learning

Impact on the Solvency of the Trust Fund

MD Labor, at the request of members of the Committee and the Chairs of the Joint Committee on Unemployment Insurance Oversight, modeled the impact of different scenarios on trust fund solvency. Specifically, the Department gauged potential impacts against the Average High Cost Multiple (AHCM), which measures a state's

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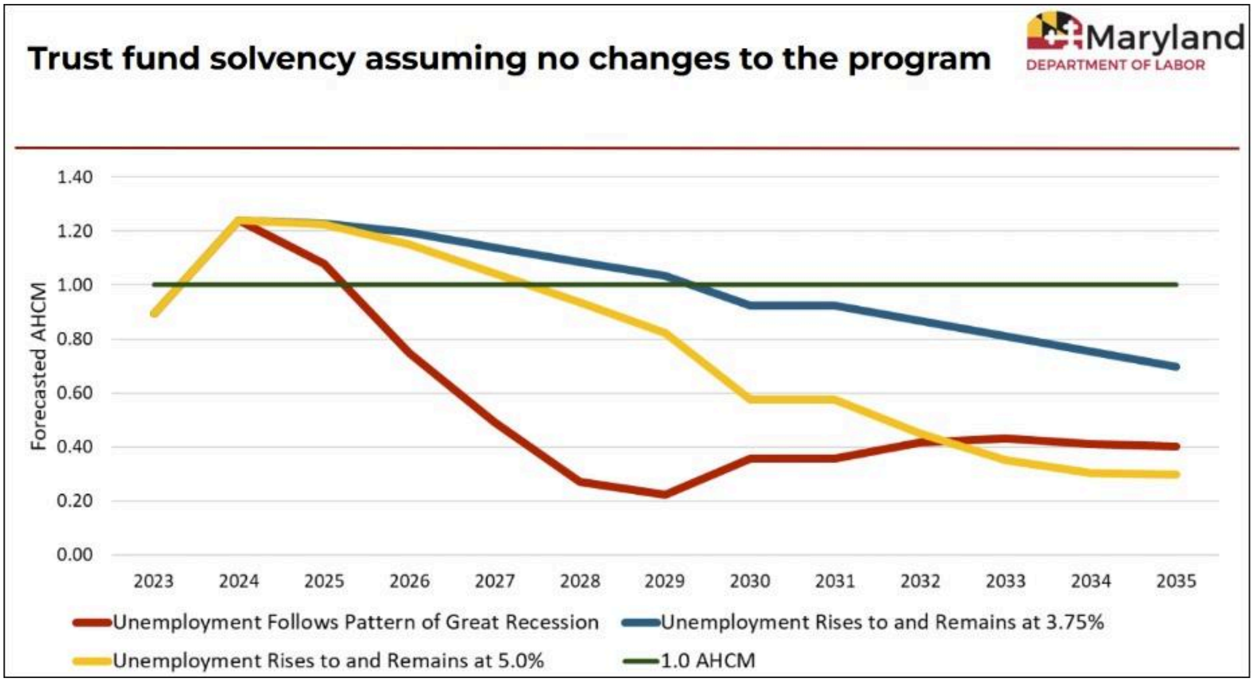
ability to cover a full year of UI benefits based on past high-cost years. An AHCM of 1.0 indicates that a state could fund a full year of benefits, while a score of 0.5 suggests coverage for only six months. Under the Code of Federal Regulations (CFR) 606.32, states must maintain an AHCM of at least 1.0 to qualify for interest-free federal borrowing, and any interest on such loans cannot be paid from the UI Trust Fund.

MD Labor used the UNIS model from the US Department of Labor to estimate the solvency of Maryland's UI Trust Fund under different scenarios. MD Labor found that, within the UNIS model, changes in the unemployment rate had the largest impact on the AHCM of potential macroeconomic variables (e.g., growth in employment or labor force participation). A lower unemployment rate may lead to a more gradual decrease in the AHCM, whereas a higher unemployment rate could lead to a sharper reduction in the AHCM. MD Labor modeled solvency assuming three different unemployment rate scenarios:

1. A continued tight labor market (job vacancies outnumber the number of job seekers) where the unemployment rate gradually rises to, and then remains at, 3.75%. The maximum unemployment rate in this scenario is roughly the average rate in Maryland between 2017 and 2019.
2. A scenario where the unemployment rate gradually increases to, and then remains at, 5.0%. The maximum unemployment rate in this scenario matches the long run historical average in Maryland (1991 to 2023).
3. A scenario similar to the Great Recession. In this scenario, the unemployment rate peaks at 7.5% in 2026 before gradually declining in line with how rates recovered in Maryland. For example, the estimated rate in 2027 in this scenario is 7.28%, the same as in 2011. Likewise, in 2028 the rate is estimated to be 6.98%, the same as in 2012.

Maryland's forecasted AHCM under each of the three scenarios, assuming no changes are made to the unemployment insurance system, is illustrated in the following figure. The chart shows that the AHCM is estimated to remain above 1.0 in the near term before falling. The exact time the AHCM drops below 1.0 varies based on how fast Maryland's unemployment rate increases. In all three scenarios, the AHCM is forecasted to be at 0.7 or below by 2035. These insights reinforce the need for proactive measures to support employment and maintain the stability of the trust fund.



The graph below shows how adjustments to the taxable wage, set at 20% of the average wage, and the maximum weekly benefits, set at 50% of the average weekly wage, as proposed in SB0752, can impact the projections for the AHCM. The model indicates a positive trend toward achieving long-term solvency for the trust fund.

Maryland
DEPARTMENT OF LABOR

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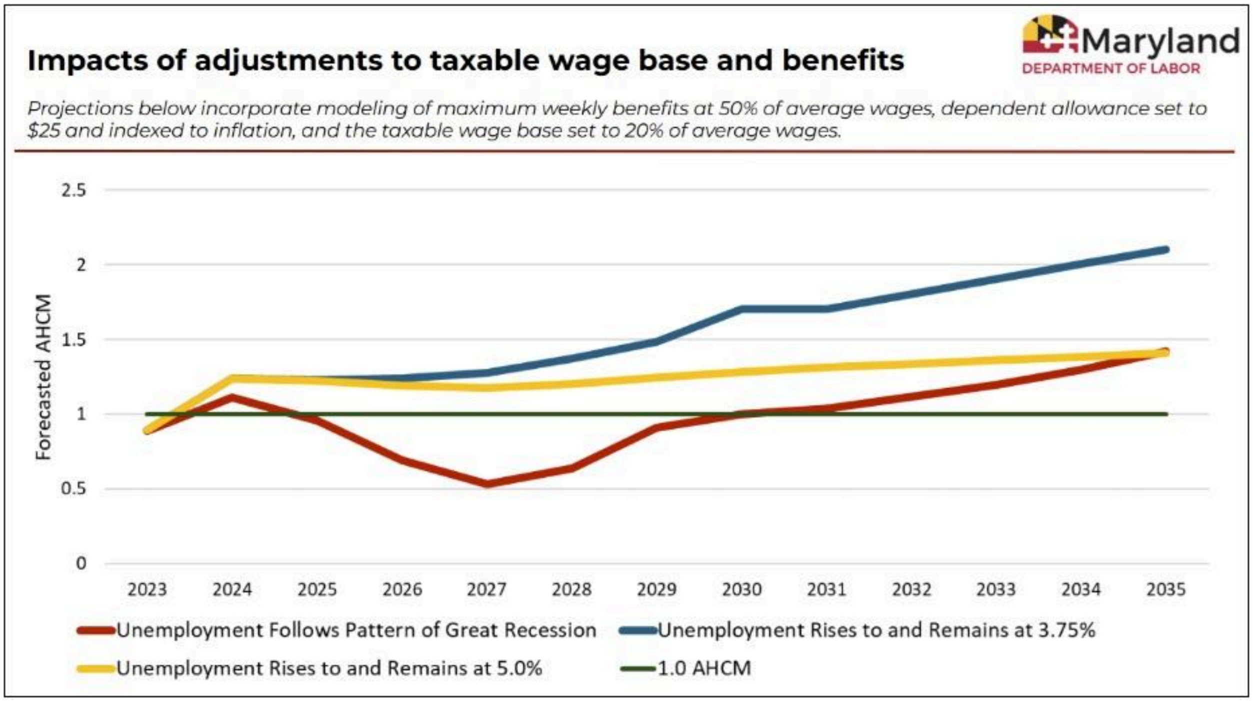

Estimated Expenditures and Timeline

SB0752 introduces significant changes to benefit calculations, gradually increasing both benefit levels and the taxable wage base through 2028. The bill takes effect on July 1, 2025, implementing new methods for determining weekly benefit amounts, dependent allowances, and taxable wage bases.

However, while the law will be in effect as of July 1, 2025, implementing the new benefit amounts on the same day will not be feasible. Adjustments to the BEACON system will require additional time to ensure accurate processing. Moreover, unlike current law, where the benefits scale does not change from year to year, the law would raise a number of implementation questions—for example, how benefits would be adjusted, if claimants are in mid-stream of receiving benefits when the Department sets new levels. These complexities would require new guidance and policies and a change to the existing IT infrastructure. The Department strongly recommends that changes to benefits adjustments and tax levels be phased in, allowing sufficient time for necessary system updates and procedural changes.

Finally, although this is not addressed directly in this legislation, long-term support for administration of the UI program must also be considered. Federal

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reimbursement for administrative costs has decreased at a time when fraud and identity theft have become increasingly prevalent and sophisticated. Since these administrative expenses cannot be directly funded through the UI trust fund, alternative funding solutions must be established to support the state's UI system.

Conclusion

Any reforms to the UI system should aim to provide greater support for workers, create a more equitable environment for smaller employers, and ensure a solvent UI system to address future economic challenges. We look forward to working with the bill sponsors and the Committee - to achieve these goals and position the state for growth.

If you have any questions, please contact Caroline Bauk.
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