MARYLAND HOTEL LODGING ASSOCIATION

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HB 188 - Unemployment Insurance Modernization Act of 2026
Economic Matters Committee
February 11, 2026
Position: OPPOSE

*MHLA is the sole statewide organization dedicated to advocacy on behalf of Maryland's lodging industry. Our industry is a powerful economic engine - **765 hotels** support more than **115,000 jobs** statewide, generate **$7.2 billion in wages and salaries**, contribute **$2.4 billion in state and local tax revenue**, and drive **$10.6 billion in guest spending** that strengthens communities across Maryland.*

While **MHLA supports a solvent and sustainable Unemployment Insurance (UI) system**, **we oppose HB 188** because it fundamentally changes Maryland's UI framework and **diminishes cost predictability for employers—** especially in **labor-intensive industries such as hotels**. Our concerns arise from the bill's specific mechanisms.

1. Automatic Adjustments Without Legislative Review

HB 188 replaces fixed UI contribution and benefit parameters set in statute with indexed formulas tied to statewide wage data.

- Indexed systems automatically adjust key UI parameters in response to wage growth, without legislative review or approval.
- This structure limits the General Assembly's ability to reassess economic conditions, evaluate employer capacity, or address unintended consequences before changes take effect.

For hotel employers, automatic adjustments reduce long-term cost predictability, making it harder to budget for labor, plan staffing, and invest in employees or guest services.

2. Taxable Wage Base No Longer Fixed in Statute

Under current law, Maryland's UI taxable wage base is a fixed $8,500 per employee per year. HB 188 would:

- Tie the taxable wage base to 16% of the State's average annual wage beginning in 2029; and
- Require the Maryland Department of Labor to calculate and update the wage base annually, replacing a known statutory amount with automatic adjustments.

For hotels, many of which operate on thin margins and face seasonal staffing fluctuations, **this change could lead to unexpected increases in payroll taxes, directly impacting staffing levels, operating costs, and service quality.**

3. Weekly Benefit Levels Tied to Statewide Wages

HB 188 eliminates the current statutory schedule for UI weekly benefits and ties benefit levels to the State average weekly wage. Specifically, the bill:

- Establishes a minimum weekly benefit of at least 15% of the State's average weekly wage;
- Sets a maximum weekly benefit equal to 40% of the State's average weekly wage beginning in 2027; and

- Provides for annual updates to benefit levels based on wage data.

Because benefit amounts would fluctuate annually, neither benefit levels nor their downstream effects on employer UI contribution rates would be known in advance.

For hotel employers, **unpredictable benefit increases can drive higher UI tax rates, further compounding uncertainty around payroll costs.**

4. Implications for Hotel Employers who are already struggling

Indexed UI systems automatically adjust contributions and benefits in response to wage growth, unlike systems with fixed statutory thresholds. For hotel employers, where payroll is one of the largest and least flexible operating expenses:

- Automatic indexing complicates budgeting and workforce planning.
- Wage growth can trigger annual increases in UI costs.
- Reduced cost predictability undermines employers' ability to sustain employment, invest in facilities, and maintain high service quality.

According to the AHLA 2026 State of the Industry Report, "Recovery (across the country) remains uneven. Occupancy has not fully returned to pre-pandemic levels, and RevPAR growth continues to lag inflation in many markets. Cost pressures present crippling challenges, with rising operating expenses keeping industry profitability below 2019 levels."

In 2025, Maryland's lodging industry performed BELOW national averages in occupancy, rate and revenue. As recently reported in *The Baltimore Banner*, "Over the last year in downtown Baltimore, **hotel occupancy rates have declined 6% and the revenue generated per hotel room has dipped 7.5%**.... Nationwide, these figures have been relatively flat."[1]

In a competitive, price-sensitive market, increased labor costs cannot be reliably absorbed through pricing and instead place pressure on staffing levels, investment, and service quality.

For these reasons, MHLA respectfully requests an unfavorable report on HB 188.

For more information, contact:
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[1] *The Baltimore Banner, "This hotel symbolized downtown Baltimore's rebirth. Now it's in foreclosure." by Giacomo Bologna, January 23, 2026.*