

MARYLAND DEPARTMENT OF LABOR TESTIMONY ON SB0003

TO: Finance Committee
FROM: Maryland Department of Labor
DATE: February 11, 2026
BILL: SB 3 Unemployment Insurance Modernization Act of 2026

MDL POSITION: INFORMATIONAL

Maryland Department of Labor (“MD Labor” or “Department”) is pleased to provide informational testimony regarding Senate Bill 3, the Unemployment Insurance Modernization Act of 2026. 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 Maryland’s 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, at the request of this Committee and the Chairs of the Joint Committee on Unemployment Insurance Oversight, MD Labor conducted an analysis of the UI Trust Fund. 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 SB 3 may impact the immediate and long-term solvency of the trust fund.

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

SB 3 proposes changes to Maryland's unemployment insurance benefit structure intended to modernize benefit calculations and align benefit levels more closely with current wage conditions. The bill would adjust how weekly benefit amounts are calculated, introduce an indexing mechanism tied to the state average weekly wage, and define the publication schedule for when MD Labor will make any indexed values available to the public.

Under current law, eligible claimants may receive unemployment benefits for up to 26 weeks, with weekly benefit amounts ranging from \$50 to \$430. Weekly benefits are calculated using a statutory Schedule of Benefits based on the claimant's highest quarter of earnings. Approximately 65% of claimants receive the maximum weekly benefit amount. Maryland's benefit parameters were last updated in 2010 and have not been adjusted to reflect subsequent wage growth or inflation.

Based on the most recent *Significant Provisions of State UI Laws*¹ published by the USDOL as of July 2025, Maryland ranks 15th lowest nationally for its maximum weekly benefit amount and 25th lowest for its minimum weekly benefit amount. Among neighboring jurisdictions, only Virginia has a lower maximum weekly benefit, and only Delaware and West Virginia have lower minimum weekly benefits.

¹ <https://oui.doleta.gov/unemploy/statelaws.asp#RecentSigProLaws>
www.labor.maryland.gov

SB 3 would replace the current benefit schedule with a revised calculation method that divides wages earned in a claimant's highest quarter by 24. The bill would further index benefit levels to the state average weekly wage, which the Secretary would be required to determine annually by July 1. Under the proposal, the maximum weekly benefit amount would be set to equal 40% of the state average weekly wage by 2027. Washington, D.C., and 32 states currently tie benefit levels to a percentage of average wages as a means of maintaining benefit adequacy over time.

SB 3 also proposes changes to the minimum weekly benefit amount. Rather than a flat minimum of \$50, the minimum benefit would be set at no less than 15% of the state average weekly wage. Based on current projections, the state average weekly wage in 2027 is estimated at \$1,590. Under the bill's framework, the minimum weekly benefit amount would increase to approximately \$223, while the maximum weekly benefit amount would rise to approximately \$595.²

These benefit reforms would increase overall benefit payments from the UI Trust Fund to eligible claimants. However, a change to the current taxable wage base is also necessary to ensure the Trust Fund remains solvent and meets federal adequacy standards, including maintaining a balance sufficient to pay one year of benefits during an economic downturn, as defined by the AHCM. This is discussed further in the Employer Tax Reform section below.

Employer Tax Reforms

Currently, Maryland's taxable wage base is \$8,500 per employee, the ninth lowest in the country. This amount has not changed since 1992, when it was increased from the federal minimum of \$7,000. Adjusted for inflation, the current base equates to approximately \$19,500 in today's dollars. Under SB3, the employer taxable wage base would increase and be indexed to the state's average annual wage, which the Secretary would publish each year by January 31. The Department already maintains data on annual wages on its website at: <https://www.labor.maryland.gov/lmi/emppay/annualmd.shtml>.

² MWB and TWB estimates in the Department's modeling rely on average wages from two calendar years prior to align with data availability. For example, the 2027 rates will likely be set in the fall of 2026. At that time, the most recent annual wage data from the Quarterly Census of Employment and Wages (QCEW) Program would be for 2025.

SB3 raises the TWB in 2029 and gives the Secretary of Labor the option to set the rate above the current level of \$8,500 in 2027 and 2028. The Department's modeling assumes an increase in 2027 and 2028 before reaching a level of \$13,229 in 2029. However, the Department has not made any decisions regarding how it would set the TWB in future years. Maryland's projected 2029 taxable wage base would rank Maryland as the 24th lowest among US states and territories, according to US DOL data.

To estimate the potential impact of these changes, Table A presents projected taxable wage bases and corresponding benefit payments over the next four years, based on assumptions in the U.S. Department of Labor's UNIS model and a 3.4% annual wage growth rate, reflecting historical trends from 1990 to 2024. These projections provide a framework for understanding how the proposed adjustments to both employer contributions and benefit levels could affect the overall funding and stability of the UI program.

Collectively, the proposed benefit and employer tax reforms allow the Department to project the potential impacts on the Trust Fund's solvency, providing insight into the program's capacity to meet expected benefit obligations while maintaining sufficient reserves in the event of an economic downturn. The following section will explore the impacts that SB3 has on trust fund solvency.

Table A					
Illustrative Dollar Amounts by Calendar Year (estimated projections)					
	2025	2026	2027	2028	2029
Applicable Average Weekly Wage	\$1,487	\$1,538	\$1,590	\$1,644	\$1,700
Minimum Weekly Benefit Amount	\$50	\$50	\$223	\$231	\$239
Maximum Weekly Benefit Amount	\$430	\$430	\$595	\$615	\$636

Employer Taxable Wage Base	\$8,500	\$8,500	\$10,076	\$11,653	\$13,229
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TABLE A: Average Weekly Wage (in covered employment)

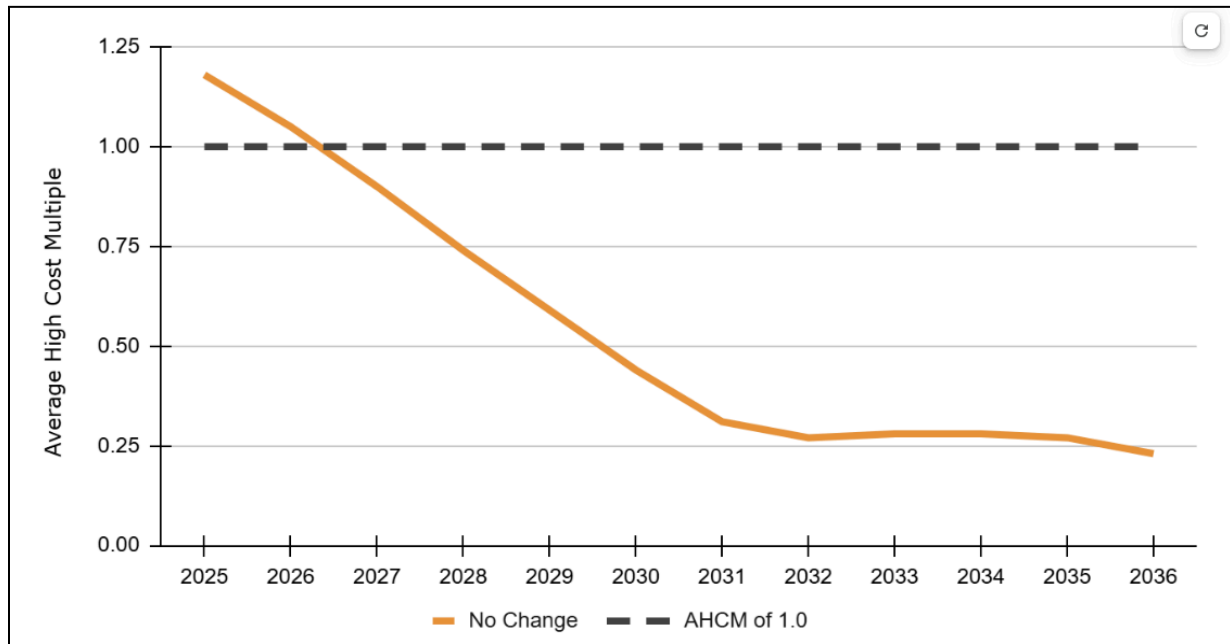
Average Weekly Wage for future years is based on historic data in the UNIS model and a 3.4 percent growth rate for future years (1990-2024 average). Estimates are based on the U.S. Department of Labor UNIS Model

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

Impact on the Solvency of the Trust Fund

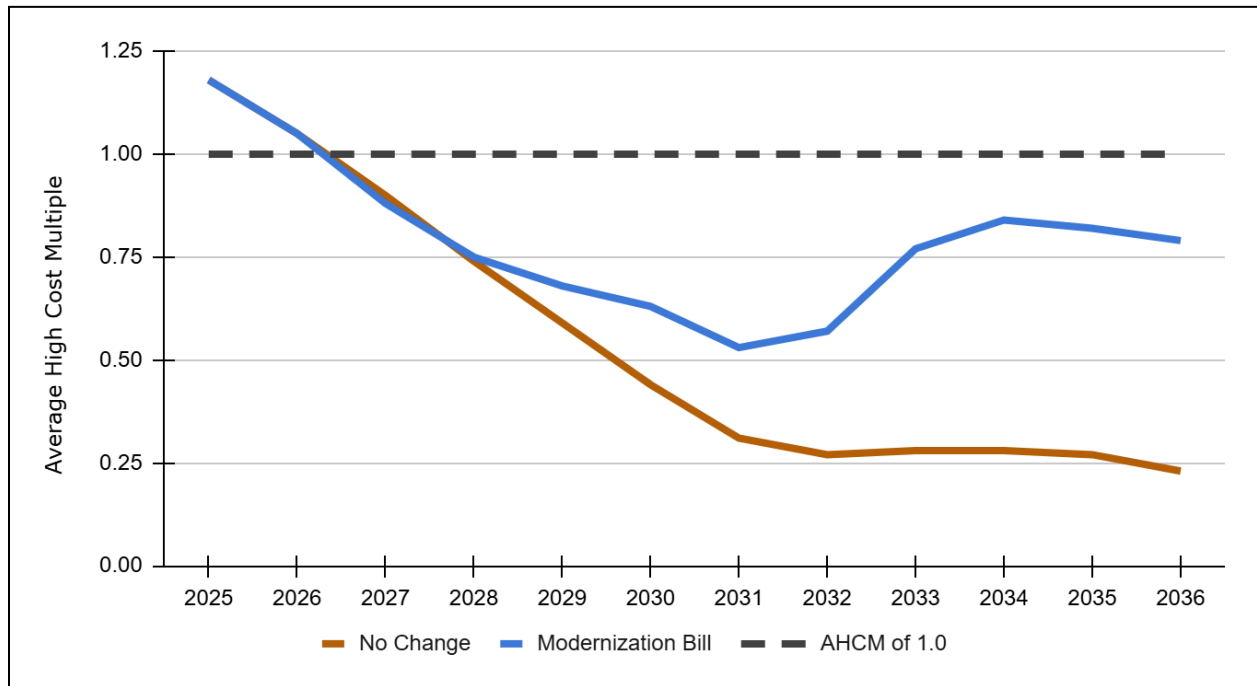
At the request of members of the General Assembly and the Senate Finance Committee, MD Labor evaluated the potential effects of SB 3 on the solvency of Maryland’s UI Trust Fund. Solvency is measured using the Average High Cost Multiple (AHCM), which estimates a state’s ability to pay one year of unemployment benefits during a historically high-cost period. An AHCM of 1.0 indicates that a state has sufficient reserves to cover a full year of benefits, while an AHCM below 1.0 reflects diminished capacity. Under federal regulation (20 C.F.R. § 606.32), states must maintain an AHCM of at least 1.0 to qualify for interest-free federal loans. It is also important to note that the interest on any advances may not be paid from the trust fund.

To assess solvency, MD Labor used the U.S. Department of Labor model, incorporating updated economic and labor market data through 2024. Consistent with current economic conditions, the model assumes that Maryland’s unemployment rate rises to 5.0% by 2027 and remains at that level through the forecast period. The maximum unemployment rate set for this forecast matches the long-run historical average in Maryland (1991 to 2024). Compared to the prior modeling used in the analysis of the 2025 UI Modernization Bill (SB0752/HB0554), this new assumption reflects a more cautious outlook. The chart below compares the change in the AHCM over time if the current UI program were to continue in its current configuration.



Under a “no change” scenario, assuming current benefit levels range from \$50 to \$430 and the existing \$8,500 taxable wage base, the model projects a steady decline in the trust fund’s solvency. In this scenario, the AHCM is projected to fall below 1.0 by 2027 and continue to decline thereafter, reaching below 0.5 by 2030. This decline will increase the risk that the trust fund will be unable to meet its benefit obligations under sustained economic stress.

The graph below also shows how adjustments to the taxable wage (16% of the average annual wage) and the maximum weekly benefit (40% of the average weekly wage), as proposed in SB0003, could affect projections for the AHCM. The model indicates the proposed legislation would soften the decline and exhibit a trend toward recovery of the trust fund’s long-term solvency. These insights reinforce the need for proactive measures to support employment and maintain the stability of the trust fund.



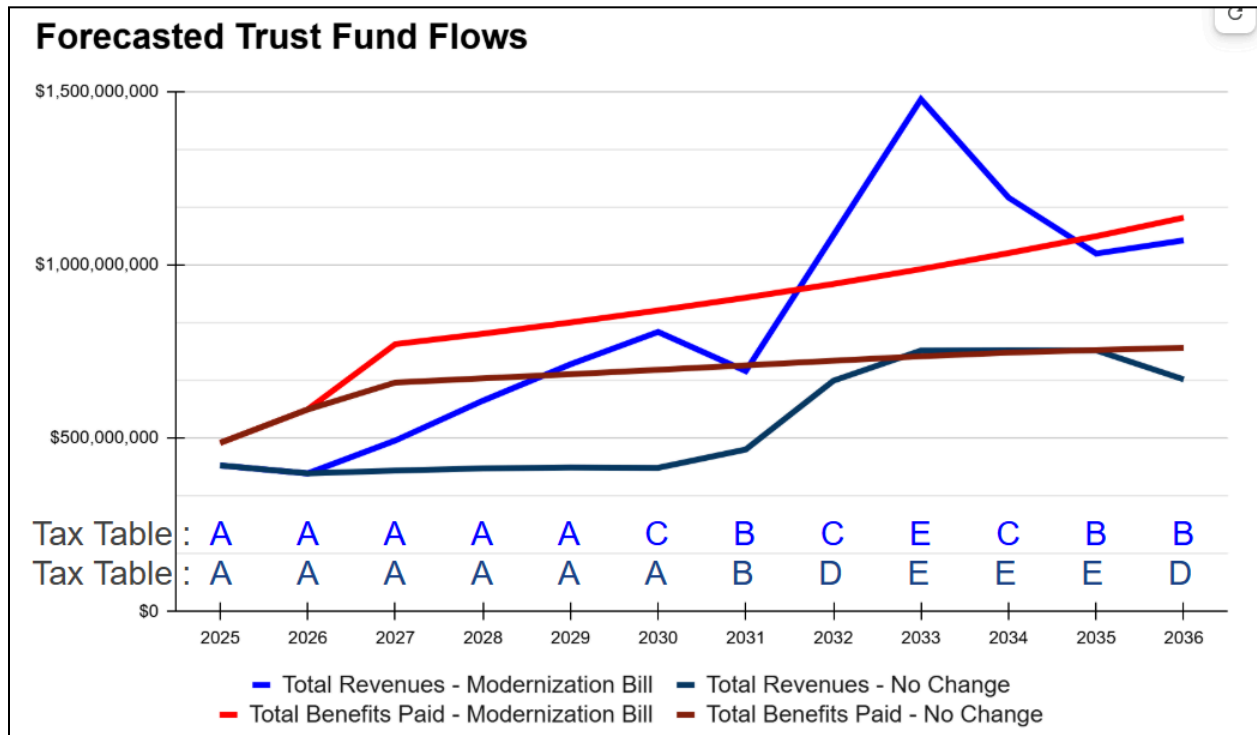
The modeling indicates that, relative to the no-change scenario, the combined benefit and taxable wage adjustments proposed in SB0003 lessen the impact of the long-term decline in solvency. The forecasted unemployment rate puts pressure on the trust fund's overall solvency; however, the impact is mitigated by the proposed program changes in SB0003. With a change to the TWB and WBA, the AHCM no longer crosses the 0.50 threshold. Modeling shows solvency approaching 0.50 in 2031 followed closely by an increase peaking in 2034 at ~0.80.

Estimated Expenditures and Timeline

Building on the solvency analysis above, this section examines how the benefit and taxable wage adjustments proposed in SB3 affect trust fund revenues and expenditures over time. Because employer contributions and benefit payments are both deposited into and paid from the UI Trust Fund, changes to either side of the program directly influence overall fund performance.

As shown in the accompanying graph, projected revenues and benefit payments are compared under two scenarios: continuation of current law and implementation of the modernization bill. Under SB3, benefit payments increase as weekly benefit amounts are indexed, while revenues rise as the taxable wage base phases in

through 2029. The chart also illustrates how these changes influence the tax table assignments from 2025 through 2036, highlighting the timing and magnitude of shifts in employer contributions relative to benefit outflows.



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.

For questions, please contact Andrew Fulginiti, at Andrew.Fulginiti@maryland.gov