UI Trust Fund Solvency: Preliminary Modeling Results

July 8, 2025

Maryland Department of Labor

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Presentation Roadmap

1. Program Overview

2. Solvency and Modeling

3. Benefit Adequacy

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Trust Fund Snapshot - Contributions

Maryland’s UI Trust Fund is currently stable

- MD has 171,416 employers, and 482,840 employees (2020)
- Taxable Wage Base: $8,500 per employee per year
- Current Tax Rate Table
  - Table A: 0.3% to 7.5% = $25.50 to $637.50 per employee per year
- Total contributions received:
  - Jan-May 2025: $250,702,242
  - 2024: $425,861,000
  - 2023: $606,826,362
- Balance of the Trust Fund (**only** used to pay UI benefits)
  - Current: $2.0B
  - 2024: $1,912,406,029
  - 2023: $1,866,540,791

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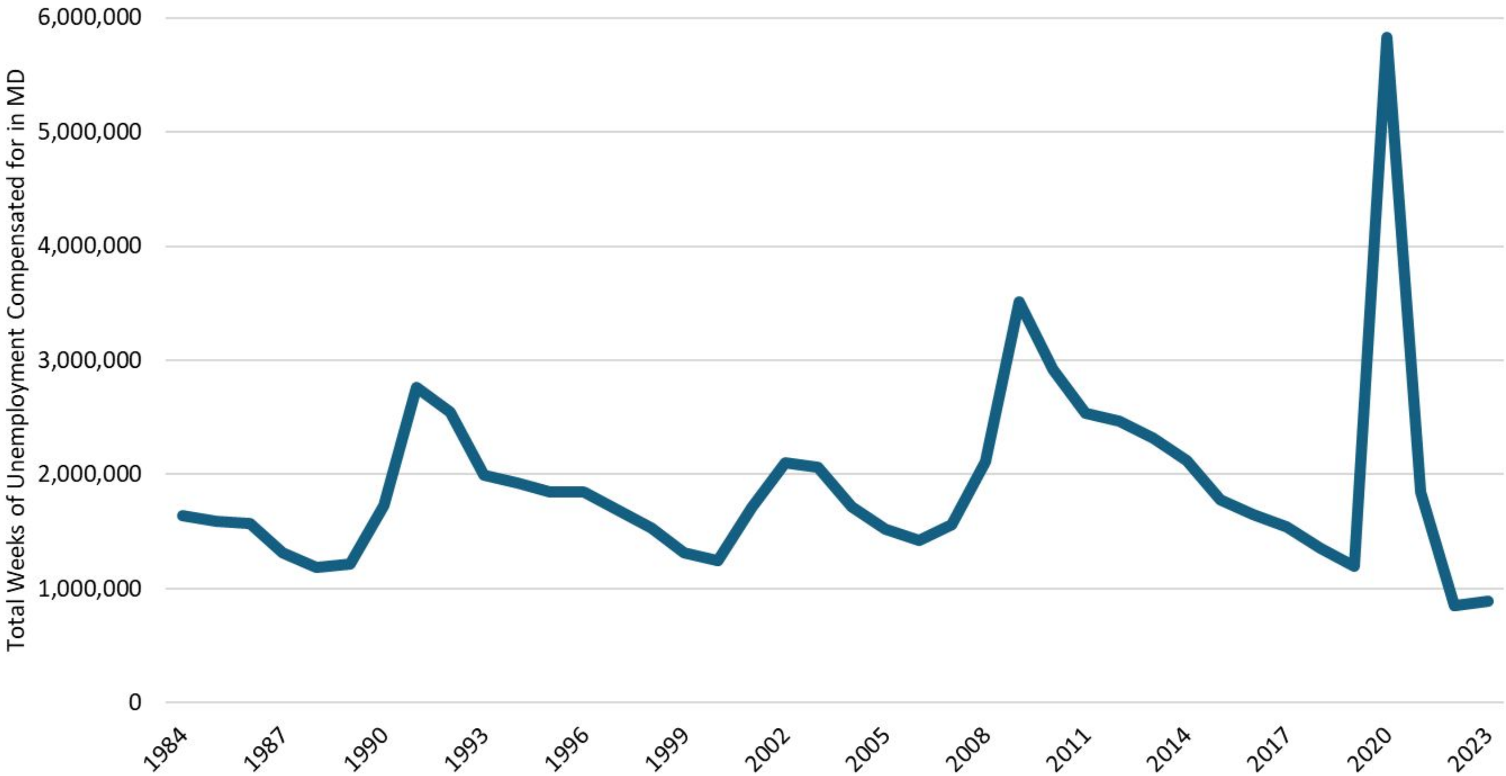
Trust Fund Snapshot - Benefits

Maryland's UI Trust Fund is solvent based on the current state of claims

- Unemployment Rate
  - MD 2025 UI RATE: 3.2%
  - US 2025 UI Rate: 4.2%
- Maximum Weekly Benefit Amount: $430
- Number of Claims Filed
  - January- May 2025: 59,619
  - 2024: 144,362
  - 2023: 139,462
- Total Benefits Paid
  - Jan-May 2025: $189,264,444
  - 2024: $400,270,420
  - 2023: $336,703,302

Claim Levels at Historical Lows

2022 and 2023 saw the fewest weeks of unemployment compensated for in Maryland since 1969. Low levels of layoffs have helped keep benefit payments below revenues in recent years, increasing the trust fund balance.



Measures of Trust Fund Solvency

A key benchmark of trust fund solvency is the "average high cost multiplier," or AHCM.

- UI trust fund solvency is measured through a metric called the average high cost multiplier (AHCM).
    - The AHCM measures the number of years of a typical recession that the current trust fund can support.

- The target AHCM is 1.0, which enables Maryland to get interest-free loans from the federal government to replenish the trust fund during recessions, easing budgetary pressures.

Contributory Factors to UI Trust Fund Solvency

Although Maryland's AHCM is currently above 1.0, several factors may lead to a decrease over time.

- Maryland's unemployment rate is historically low. An increase in the unemployment rate towards pre-pandemic levels is likely.
- Inflation means the average weekly benefits are likely to continue rising, putting upward pressure on costs.
- The taxable wage base remains fixed, so revenues will only increase due to employment growth.
- Employers experience rating generally improves over time – meaning they pay a lower tax rate, putting downward pressure on contributions.

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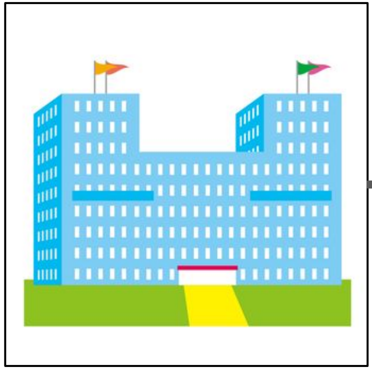
The Current UI Structure is Regressive

Average worker makes **$10k per year** → Worker receives **~$110 per week from UI**

Both employers pay tax on first $8,500 ($25.50 for lowest tier)



Average worker makes **$100k per year** → Worker receives **~$430 per week from UI**

Current Modeling Methodology Assumptions

MD Labor modeled UI trust fund solvency using the public UNIS model from US DOL, custom built for Maryland's UI system. This model is used nationally by states to forecast their trust funds' solvency.

Modeled scenarios in this presentation are based on two unemployment forecasts

- **Historic Average:** a steady rise from the current unemployment rate to the long-term historical average, 1990 – 2024
    - 4.9%: average unemployment rate

- **Recessionary:** reflects the trend of unemployment rates around the great recession, 2007 – 2015

Solvency Projections Modeled

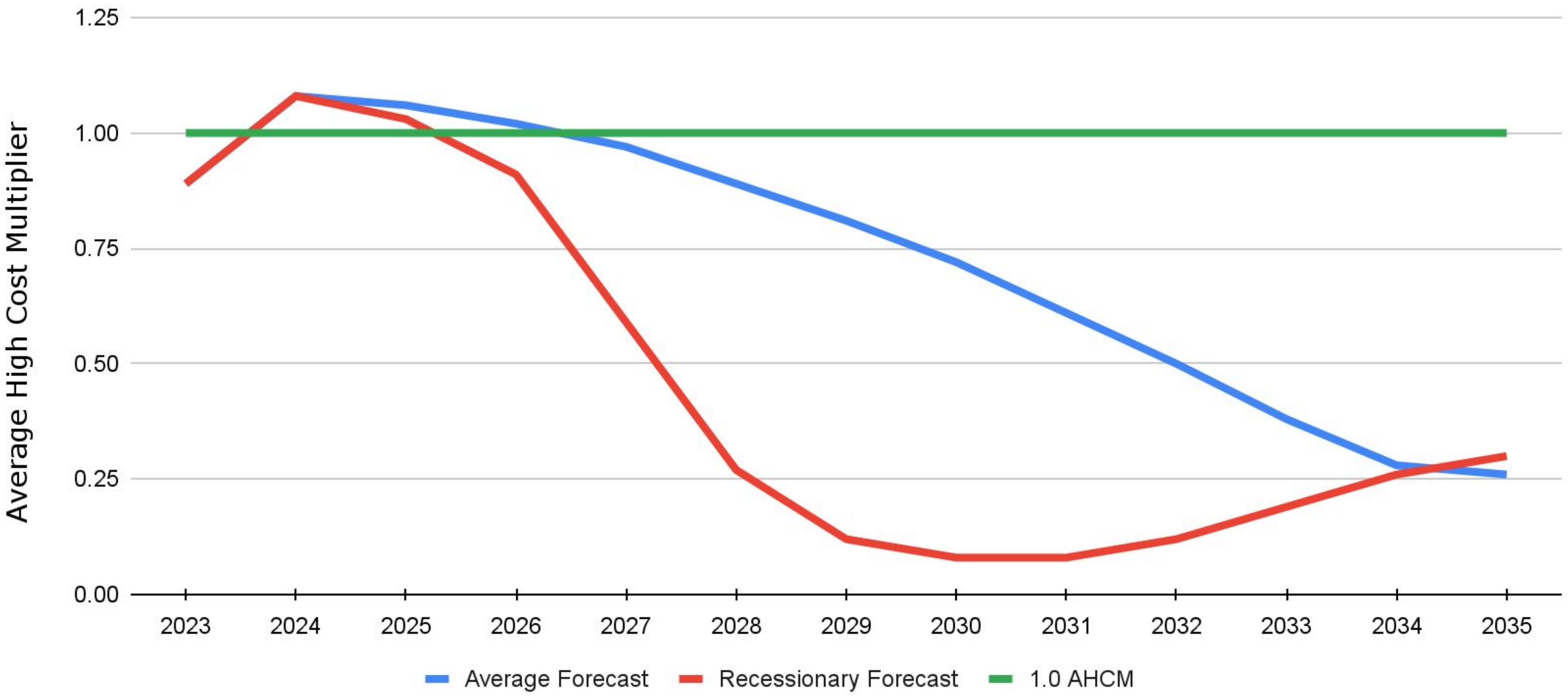
MD Labor modeled UI trust fund solvency using the public UNIS model from US DOL, custom built for Maryland's UI system. This model is used nationally by states to forecast their trust funds' solvency.

Modeled scenarios under both unemployment forecasts:

- **Current Program**: Keeping the max weekly benefit at $430 and taxable wage base at $8,500
- **Historic Average Projection:** Historic Average UI Rate with Program Changes
  - Maximum Weekly Benefit (MWB) Flat Increase to either $630 or $750
  - Taxable Wage Base (TWB) Flat Increase to $10,000; $12,000; or $15,000
- **Recessionary Projection:** Great Recession UI Rates with Program Changes
  - Maximum Weekly Benefit (MWB) Flat Increase to either $630 or $750
  - Taxable Wage Base (TWB) Flat Increase to $10,000; $12,000; or $15,000

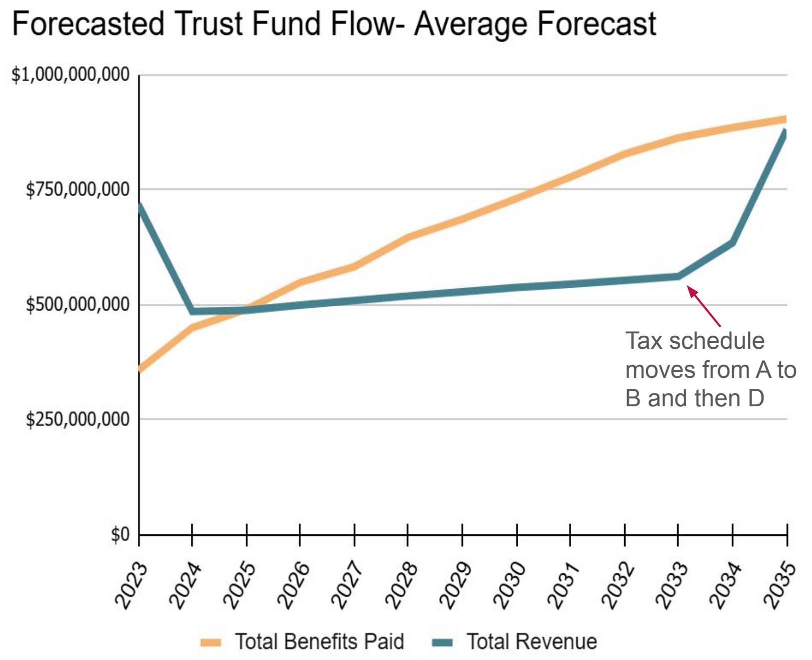
Current Program: Trust fund solvency will take a downward turn soon if no action is taken

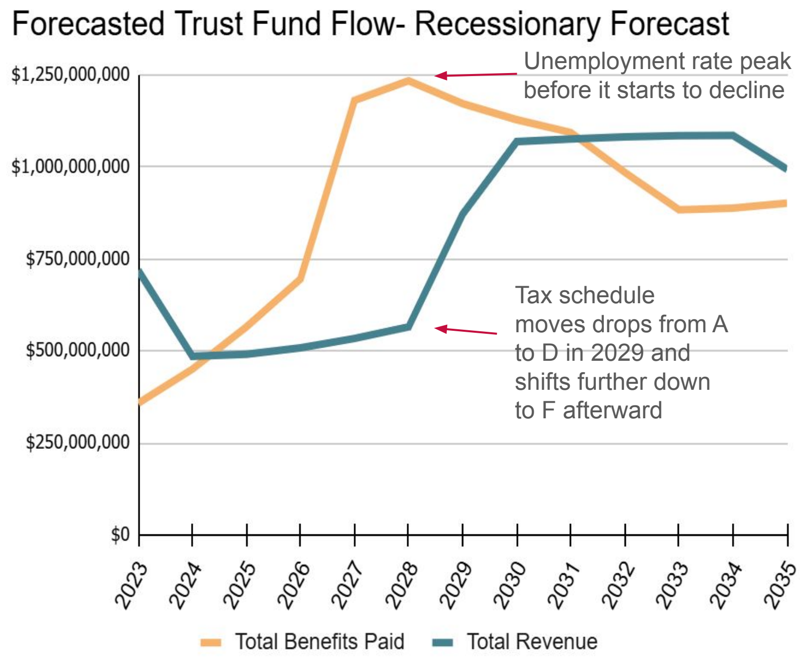
Preliminary modeling suggests the AHCM will remain above 1.0 until 2026 – 2027 before falling.



Current Program: Estimated Benefits & Revenues without changes to UITF

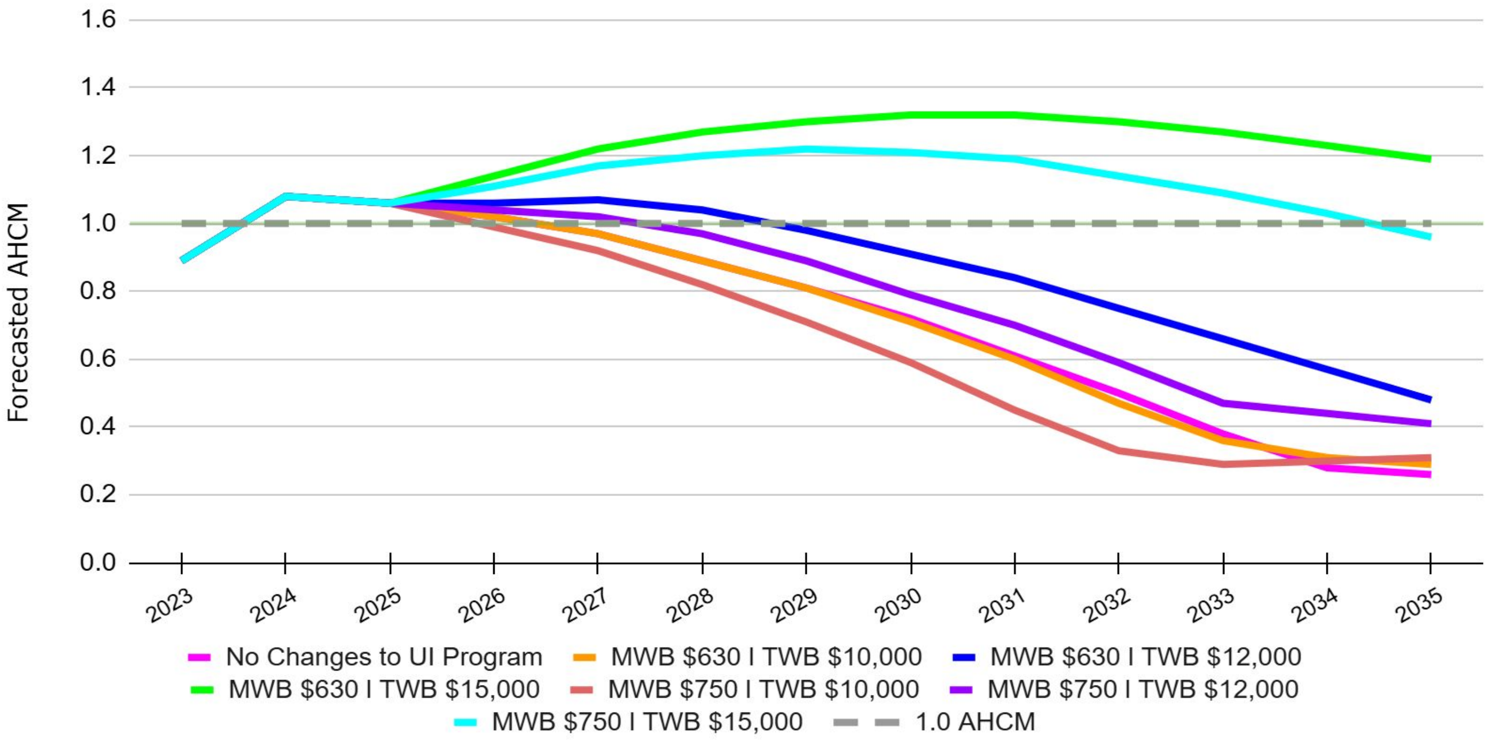
Under either scenario, higher taxes will be triggered to make up for the increase of benefit payments as unemployment rises and more people qualify for the maximum weekly payout amount due to rising wages





Historic Average: Solvency under different tax and benefit scenarios

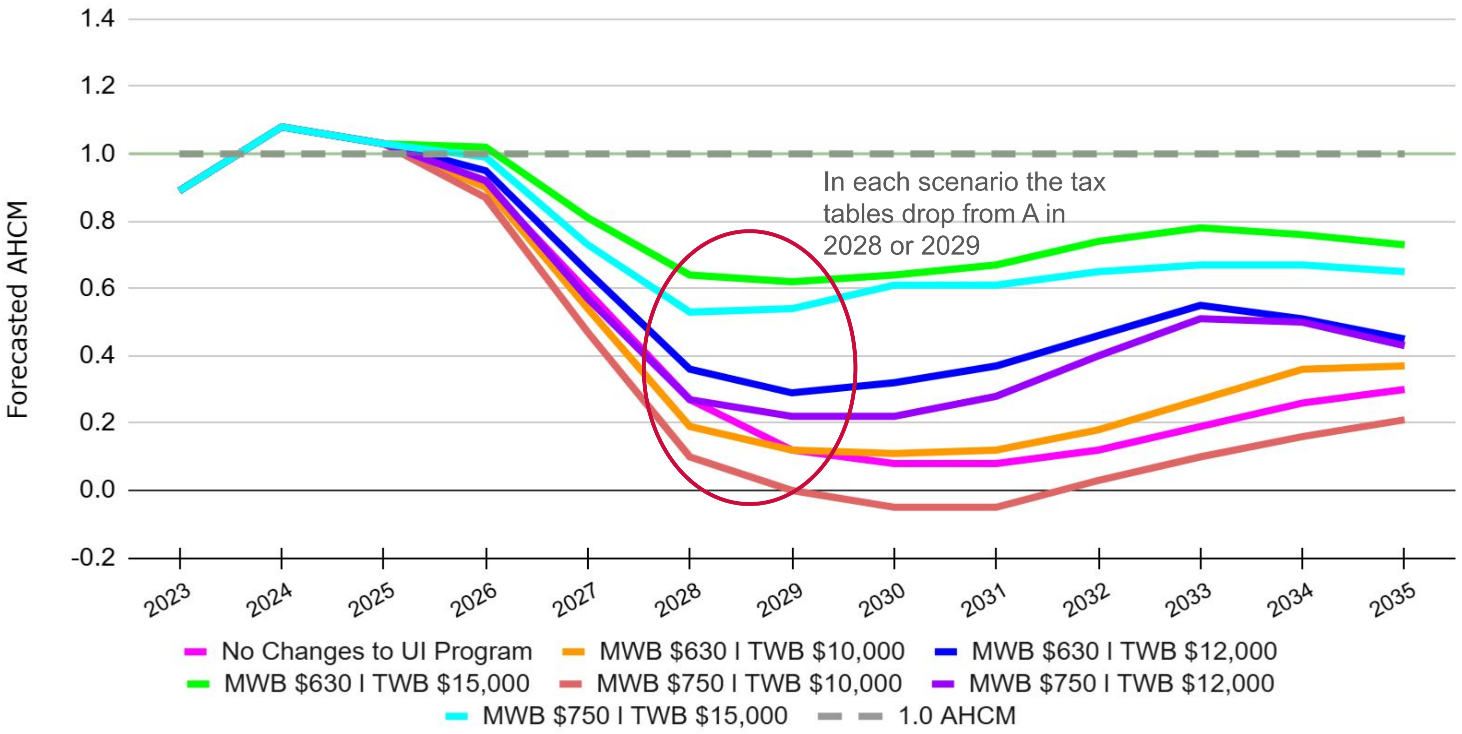
The Average High Cost Multiple forecasts for the Unemployment Insurance Trust Fund when modeled with an unemployment rate trend that gradually rises to the average historic level



The taxable wage base requires an increase from its current 1992 level of $8,500 to give the Maryland UITF a better outlook on solvency, but for every taxable wage base level the AHCM for the $630 option is projected higher than the $750 option.

Recessionary Projection: Solvency under different changes

The Average High Cost Multiple forecasts for the UITF when modeled with an unemployment rate forecast that mirrors the trend around the great recession (2007 – 2015).



In the case of a recession, the AHCM is predicted to fall below 1.0 by 2027 under any of the modeled changes. As it keeps declining, higher-level tax tables are prompted into effect. Alterations to the Taxable Wage Base appear to have the greatest impact.

Maximum Weekly Benefit Amount (WBA) in the Mid-Atlantic States

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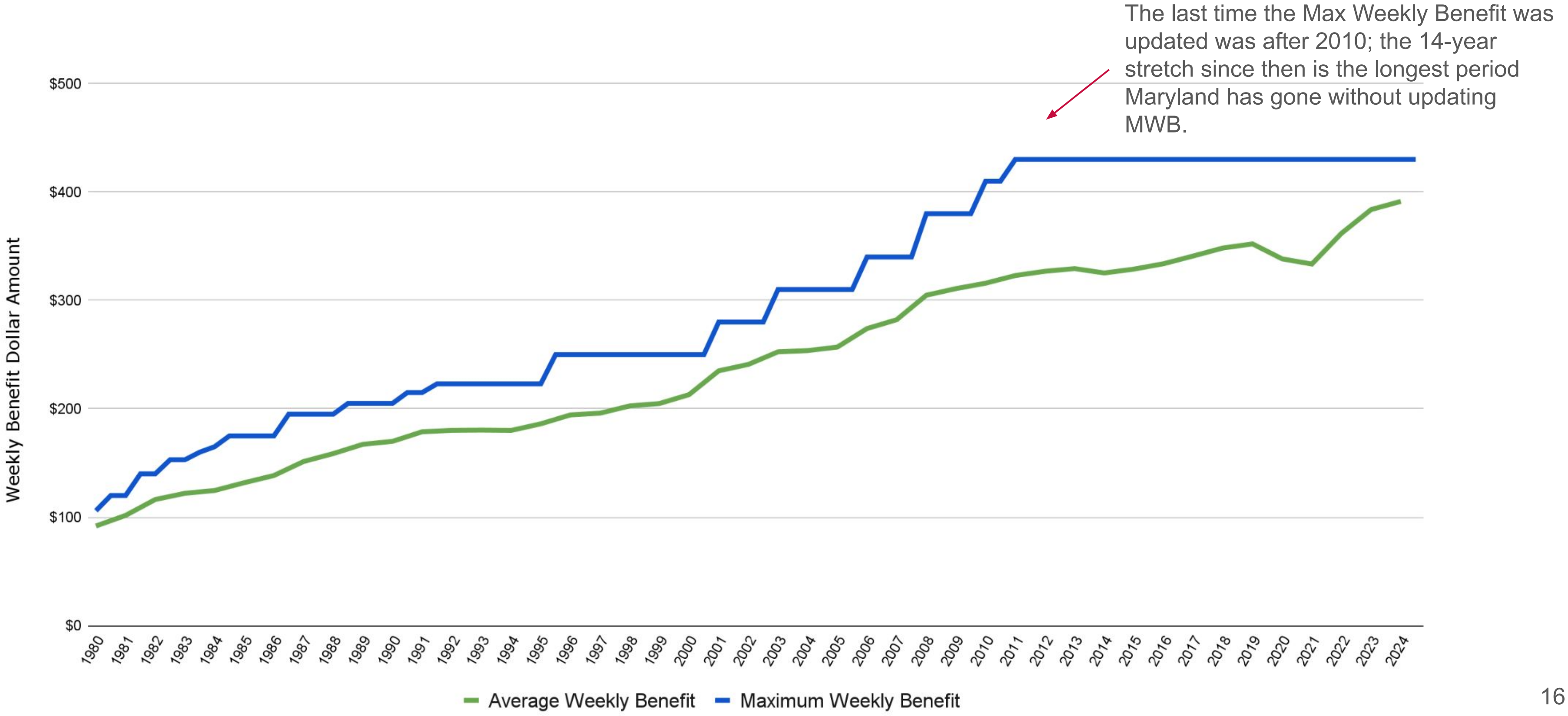
Max WBA Rank (High to Low)	State	Min	Max
17	West Virginia	$24	$630
20	Pennsylvania	$68	$613
38	Delaware	$20	$400
34	District of Columbia	$50	$44[illegible]
36	**Maryland**	**$50**	**$430**
40	Virginia	$60	$378

Historical Trend of Weekly Benefits: Set Maximums and Average Payout

The line-graph shows the Maximum Weekly Benefit amount under Maryland's UI System since 1980 and the Annual Average Weekly Benefit paid for each year



The Purchasing Power of UI Benefits Has Eroded Over Time

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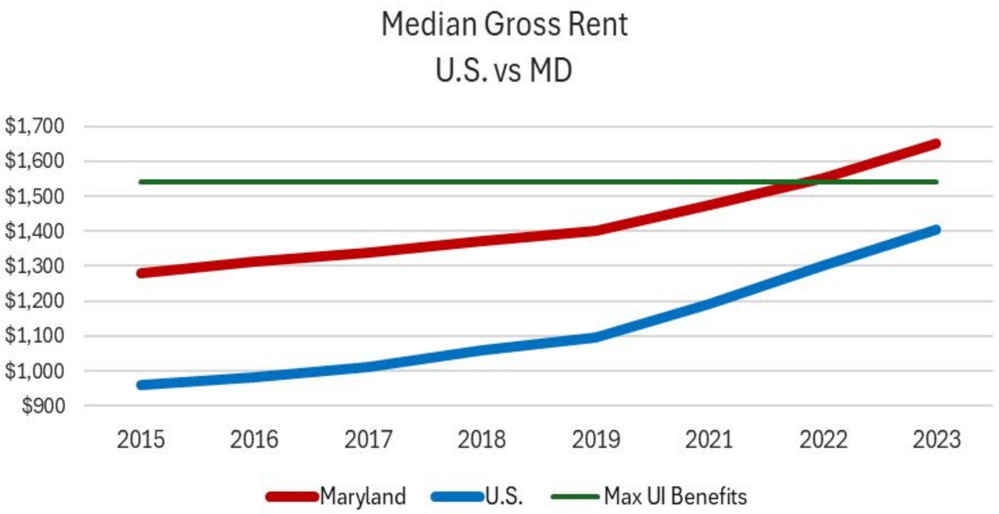
- Inflation continues to be an issue for Marylanders and the nation.
- In 2010, Maryland's maximum weekly UI benefit increased to $430.
- $1 in 2024 could only buy 76% of what it could buy on average in 2015.
    - **That means the purchasing power of the dollar in U.S. and Baltimore-Columbia-Towson metro declined by 24 percent between 2015 and 2024.**
- Rental costs continue to climb
    - Chart: Maryland's monthly rent continues to be higher than the country as a whole.
    - In 2023, rent reached $1,651, an increase of almost 30% since 2015.



Source: U.S. Census Bureau

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Thank You!

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