

Support SB107 / HB91 – Unemployment Insurance Modernization and Tax Relief Act

Providing an Unemployment Insurance Safety Net for Maryland’s Most Vulnerable Workers

- 200,000 out-of-work Marylanders are struggling to meet their most basic needs.
- The federal government has passed legislation encouraging states to modernize their unemployment insurance (UI) systems and help more residents who have been laid off and are unable to find work
- In exchange for nearly \$127 million in federal incentive funds, Maryland must make three changes to its UI system:
 - Adopt the Alternative Base Period (ABP).
 - Make slight technical amendments to the state’s existing part-time worker provision.
 - Provide extended benefits for unemployed workers participating in a state-approved training program.

Alternative Base Period

- Adopting ABP simply requires the state to use the most recent data available when calculating benefit eligibility.
- Under Maryland’s current system, workers’ current and previous quarter earnings are ignored.
- Unemployed residents without sufficient work histories are deemed ineligible for benefits because the state has not updated its method of calculation.
- Those most harmed by the data ignored under the current system include:
 - Newer entrants to the workforce such as those who recently completed college or a training program.
 - Adults returning to work after caring for young children or after a serious medical procedure.
 - Low-skilled and low-wage workers.
- The Alternative Base Period system has already been adopted by 36 states.
- By adopting ABP and using the best data available, more Marylanders will receive vital assistance without which they may not be able to meet basic needs such as rent, food, and heating.

What’s in it for Employers?

- Upon receipt of the federal incentive funds, employers will receive \$83 million in UI tax relief.
- The relief will be immediate and reduce employers’ tax burden in 2010.
- Unemployment insurance benefits provide an economic stimulus. In FY 2009 alone, \$917 million was poured into our economy from the fund. Without this infusion, employers across the state would have received much less revenue and would be in more dire straits. In addition, it is estimated that every dollar in UI generates \$1.63 in economic activity, suggesting an even bigger impact in 2009 and beyond.

How will Modernization affect the Unemployment Insurance Trust Fund?

- ABP is projected to cost \$17 million annually; however, the infusion of federal incentive funds will cover this cost through 2018.
- The provision to extend benefits for workers in job training will cost approximately \$2 million annually.
- The \$127 million federal infusion into the state’s trust fund will make it much less likely the state will have to borrow from the federal government in 2010.