

TESTIMONY IN SUPPORT OF SB 107:

Labor and Employment – Unemployment Insurance – Modernization and Tax Relief Act

TO: Hon. Thomas Middleton, Chair, and members of the Senate Finance Committee
FROM: Jason Perkins-Cohen, Executive Director
DATE: January 26, 2010

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-wage workers and job seekers in Maryland. We support SB 107 as a way to strengthen the state's unemployment insurance system—a critical safety net for workers forced to leave their jobs involuntarily. If enacted, this legislation will help 200,000 out-of-work Marylanders and their families meet basic needs as they transition into new jobs.

Under the federal Unemployment Insurance Modernization Act, Maryland is poised to receive \$126.8 million in federal dollars into its Unemployment Insurance Trust Fund. In order to receive the infusion of funds, the state must (1) adopt the Alternative Base Period, (2) make insignificant, technical changes to its already existing part-time worker provision, and (3) extend benefits for workers in a state-approved training program.

Under current Maryland law, a worker's earnings in the current and previous quarter are ignored for the purposes of calculating unemployment insurance eligibility and benefits. This means that up to nine months of a worker's earnings may be discounted.

The exclusion of the earnings data is antiquated and stems from a time when only paper records existed. Those most harmed by this outdated system include newer entrants to the workforce such as those recently completing college or a training program, adults returning to work after caring for young children or a serious medical procedure, and low-skilled and low-wage workers.

To date, 36 states have adopted the Alternative Base Period system, which is projected to cost Maryland \$17 million. The federal government will pay for this benefit through 2018 via the \$126.8 million infusion into the state's unemployment insurance trust fund.

As the state faces unprecedented levels of unemployment, it is more important than ever that as many workers as possible have access to the safety net provided by the unemployment insurance system. Out-of-work residents rely on unemployment benefits for their very survival.

In addition to the support it provides to workers, unemployment insurance helps stabilize the economy in times of recession. Studies show that for every dollar paid in unemployment insurance benefits, an estimated \$1.63 is pumped back into the economy. Last year the state paid \$917 million in unemployment benefits while collecting only \$414 million from employers. Without this infusion, employers across the state would have received much less revenue and would be in more dire straits.

If the legislature enacts SB 107, Maryland will join 28 other states in modernizing its unemployment system and help ensure that hardworking families can meet their basic needs, such as housing, transportation, food, and healthcare, when dealing with the sudden hardship of job loss. We respectfully urge a favorable report of SB 107.