



Maryland Chamber of Commerce

Legislative Position

SB 107

OPPOSE

**Finance
Committee**

01/26/10

SB 107

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

Bill Sponsor:

The President (By Request - Administration)

Brief Summary of Bill:

This emergency bill would alter provisions for UI benefit eligibility in the areas of alternate base period, part-time workers, and training. It would reduce the interest rate on certain late payments, and alter the imposition and calculation of tax rates, etc.

Maryland Chamber's Policy Principles:

- The health and solvency of the Unemployment Insurance (UI) Trust Fund is priority to the Maryland Chamber and its members. Currently, more money is being paid out in benefits than collected in taxes. This is not a sustainable situation.
- To meet the needs of unemployed workers, the Maryland Chamber's goal is a fiscally sound UI trust fund and program that allocates costs through experience rating and recognizes that the best UI benefit is a job.
- The goals for the UI system are to be a countercyclical economic tool and to provide incentives for employment stabilization. The UI program should not impair job creation and not serve as a disincentive to return to work. For the long-term health of the UI program, benefits payouts must be rationalized with revenue.

Maryland Chamber's Position:

- Payment Plan/Interest Rate - The Maryland Chamber strongly supports the Administration's decision to provide payment plan options to employers and to decrease the interest rate for late payments from 18 to 12%. The Chamber urges the committees to further decrease the annualized interest rate to 6%, which is more in line with current interest rates.
- Tax Tables - The Maryland Chamber believes the UI tax rate should remain at Table F, while allowing employers the option of entering into payment plans with DLLR to ease the impact of the increased tax rate. Reducing the tax rate to Table E in 2010 will ensure that the rate will remain in Table F for a longer period of time. It would also weaken the experience rating, and socialize the costs.
- For the minimum rated employer the difference between Table E and Table F is approximately \$34 per employee. For an employer with 10 employees this amounts to an additional \$340. Although, employers will temporarily feel the increased costs, the

alternative of remaining in Table F for a longer period of time will have an even greater fiscal impact.

- **Revenue Neutrality** – For the long-term health of the UI program, benefits payouts must be rationalized with revenue. The UI system should provide incentive for employment stabilization, and not impair job creation. Therefore, the Chamber opposes the proposal in SB 107 that would permanently increase UI eligibility and benefit payout in order to receive one-time stimulus dollars. The long term liabilities of increased benefit eligibility and related increased costs strongly outweigh the short term impact of \$126.8 million in federal stimulus. If legislation is passed, it is imperative that benefit entitlement issues be addressed to produce a comprehensive proposal that effectively balances UI benefits with tax revenues. The following recommendations should be included in SB 107 to achieve revenue neutrality and bring balance to the UI program:
 - 1) Change the calculation of benefit entitlement from a fraction of high quarter earnings to 1.05% of base period wages. (cost savings unknown, but rationalizes the impact of UI Modernization – rewards longer attachment to labor market)
 - 2) Eliminate dependents allowance (permitted only in 13 states) (cost savings of \$4-8M)
 - 3) Eliminate sick claims (cost savings of \$2-3M)
 - 4) Require waiting week (only 14 states do not have waiting weeks)

For these reasons, the Maryland Chamber respectfully requests that the Committee give SB 107 an unfavorable report.

If questions please contact Allyson Black, ablack@mdchamber.org