HB 554

Maryland Unemployment Insurance Modernization Act of 2025

Unemployment Insurance (UI) is crucial both for individuals experiencing unemployment and for the health of the economy and businesses. On an individual level, sufficient unemployment insurance can put food on the table, pay the rent, and keep a family from falling into poverty during periods of joblessness. On the level of the broader economy, UI serves as a countercyclical injection of funds to stave off recessions during economic downturns.[1] At a community level, this keeps small businesses open and supports the local economy through a challenging period because community members have money to circulate in the economy. Sufficient UI benefits also support the functioning of the labor market and improve job matching efficiency.[2]

This bill will:

✔ Establish sufficient benefits to provide an individual economic security during their work search period and to balance work search incentives to ensure ideal job matching for both employers and employees by:

- **Increasing Maximum & Minimum Weekly Benefits**
  The maximum weekly benefit will be set to 50% of the average weekly wage and the minimum weekly benefit to 15% of the average weekly wage. Twenty-six other states index their maximum to the average weekly wage. Maryland last updated the maximum and minimum benefits in 2010, but did not index them to inflation. The current maximum remains a flat $430 and the current minimum is $50.
- **Increasing the Dependent Allowance**
  The dependent allowance would be set at $25 and indexed to inflation. It was last updated in 1988 when it was set to $8.

✔ Establish sufficient financing to ensure the continued solvency of Maryland's UI trust fund by:

- **Indexing the Taxable Wage Base**
  The taxable wage base will be indexed to 20% of the average annual wage. Maryland's taxable wage base was set at $8,500 in 1992 and has not been updated since.

  Indexing the taxable wage base is crucial to allow the trust fund to maintain an average high-cost multiple (AHCM) of at least 1.0. The AHCM measures the ability of a trust fund to pay a year of recession level benefits. An AHCM of 1.0 is a measure of the overall health of the trust fund and allows the state to borrow from the federal government at zero interest.

For more information please contact:
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[1] Marco Di Maggio and Amir Kermani, "The Importance of Unemployment Insurance as an Automatic Stabilizer," National Bureau of Economic Research, 2016, https://www.nber.org/papers/w22625
[2] Ammar Farooq, Adriana D. Kugler, and Umberto Muratori, "Do Unemployment Insurance Benefits Improve Match Quality? Evidence From Recent U.S. Recessions," National Bureau of Economic Research, July 2020, https://www.nber.org/system/files/working_papers/w27574/revisions/w27574.rev0.pdf.