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December 18, 2009

The Honorable Martin O'Malley  
Governor of  
State of Maryland  
State House  
100 State Circle  
Annapolis, Maryland 21401

SENT VIA FAX:  
410-974-3275

RE: **Administration's UI Modernization  
Proposal**

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Committee**

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Southern Maryland  
Electric Cooperative

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Maryland Chamber  
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John G. McCormick  
McCormick & Co., Inc.

John T. Menzies III  
The Terminal Corporation

Dear Governor O'Malley:

The current recession and its impact on the lives of every Maryland resident have been devastating. Employers and employees are feeling the fiscal strain of the current economic conditions. Businesses are struggling to remain open, and now Maryland's unemployment insurance benefit payouts exceed revenues. As a result, Maryland's Unemployment Insurance Trust Fund is so close to depletion that the State will soon need to borrow from the federal government. The solvency of the Unemployment Insurance Trust Fund and maintaining the balance of benefits versus payouts in the Unemployment Insurance system are of significant concern to the business community.

The Maryland Chamber carefully reviewed the Administration's UI Modernization proposal. Respectfully, the Maryland Chamber opposes the proposal as currently drafted. The business community has difficulty supporting modifications to Maryland's unemployment insurance system that would permanently expand eligibility and benefit payout in order to obtain one-time federal stimulus dollars.

For many of our members, 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 or the temporary rate relief of the proposed tax deferment to Table E. Reducing the tax rate to Table E in 2010 will ensure that the tax rate will remain in Table F for a longer period of time. For this reason, the Maryland Chamber believes it is better for the tax rate to remain at Table F, while allowing employers the option of entering into payment plans with the Department of Labor, Licensing, and Regulation's (DLLR) to ease the impact of the increased tax rate.

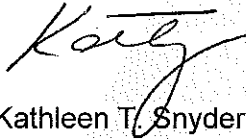
Furthermore, the Maryland Chamber believes it is imperative that benefit entitlement issues are addressed in the proposal as well, in order to produce a comprehensive piece of legislation that will help bring the Unemployment System back into balance. The following recommendations in the benefit side of the equation would help align Maryland's UI program with program objectives:

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- 1) Change the calculation of benefit entitlement from a fraction of high quarter earnings to 1% of base period wages.
- 2) Require a waiting week for all voluntary quits (only 14 states do not have waiting weeks)
- 3) Eliminate dependents allowance (permitted in only 13 states)
- 4) Eliminate sick claims
- 5) Change Section 8-1004, Stoppage of work caused by labor dispute, by removing the "stoppage of work" provision.

The Maryland Chamber appreciates the Administration's willingness to meet with the business community to discuss efforts to address the fiscal challenges employers are expected to face as a result of the unemployment insurance tax increase. The Chamber looks forward working with you and your staff to continue the dialogue that would result in the best approach to ensure a solvent trust fund and a balanced unemployment system.

Sincerely,



Kathleen T. Snyder, CCE  
President and CEO

cc: Alexander Sanchez, Secretary, DLLR  
Members, Maryland Chamber Board of Directors