



UNEMPLOYMENT INSURANCE

ANNUAL REPORT 2017

Unemployment Insurance Annual Report 2017

PREFACE

Pursuant to Labor and Employment Article, § 8-311, the Division of Unemployment Insurance is required to provide the Governor with an Annual Report for the State Fiscal Year Ending June 30, 2017. This year's report provides the financial statements for the Unemployment Trust Fund (Part I); notes that the Department is not proposing any amendments to the Unemployment Insurance Law at this time (Part II); and shows a breakdown of chargeable and non-chargeable benefit payments from Fiscal Years 2016 and 2017.

I. FINANCIAL STATEMENTS

Statement of Net Position (Balance Sheet)

As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>(V%)</u>
ASSETS			
Cash and cash equivalents (MD UI Bank Accounts)	\$ 2,904,756	\$ 2,646,589	9.75%
Cash on deposit with Federal Unemployment Trust	1,180,750,281	1,111,386,773	6.24%
Accounts receivable, net (Employers & Claimants)	153,215,990	174,153,946	(12.02%)
Total Assets	<u>1,336,871,027</u>	<u>1,288,187,309</u>	3.78%
LIABILITIES			
Bank overdrafts (Program Deficits)	1,114,906	1,671,661	(33.31%)
Accounts payable for unemployment benefits ¹	39,276,272	43,513,664	(9.74%)
Total Liabilities	<u>40,391,178</u>	<u>45,185,325</u>	(10.61%)
Net Position			
Restricted for unemployment benefits ²	<u>\$1,296,479,849</u>	<u>\$1,243,001,984</u>	4.30%

¹ Amount of accruals for claims for benefits made prior to July 1 state fiscal year cutoff.

² UI Trust Fund balance after netting assets and liabilities.

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Statements of Revenue, Expenses, and Change in Net Position

For the Years Ended June 30, 2017 and 2016

	2017	2016	(V%)
Operating Revenue			
Charges for services and sales (Taxes)	\$ 560,401,753	\$ 631,598,310	(11.27%)
Provision for allowances for uncollectible accounts	5,269,016	3,599,802	46.37%
Operating Revenue, Net of Provision	565,670,769	627,998,508	(9.92%)
Operating Expenses			
Benefits - State	534,099,590	559,635,721	(4.56%)
Benefits - Federal	12,315,475	11,623,804	5.95%
Total Operating Expenses	546,415,065	571,259,525	(4.35%)
Operating Gain/(Loss)	19,255,704	56,738,983	(66.06%)
Non-Operating Revenue			
Federal grants (Federal Programs)	10,006,362	12,314,667	(18.74%)
Interest (Interest on Trust Fund Balance)	24,215,799	22,412,719	8.04%
Total Non-Operating Revenue	34,222,161	34,727,386	(1.45%)
Change in net position	53,477,865	91,466,369	(41.53%)
Net position, beginning of FY	1,243,001,984	1,151,535,615	7.94%
Net Position, End of FY	<u>\$ 1,296,479,849</u>	<u>\$ 1,243,001,984</u>	4.30%

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Statements of Cash Flow

For the Years Ended June 30, 2017 and 2016

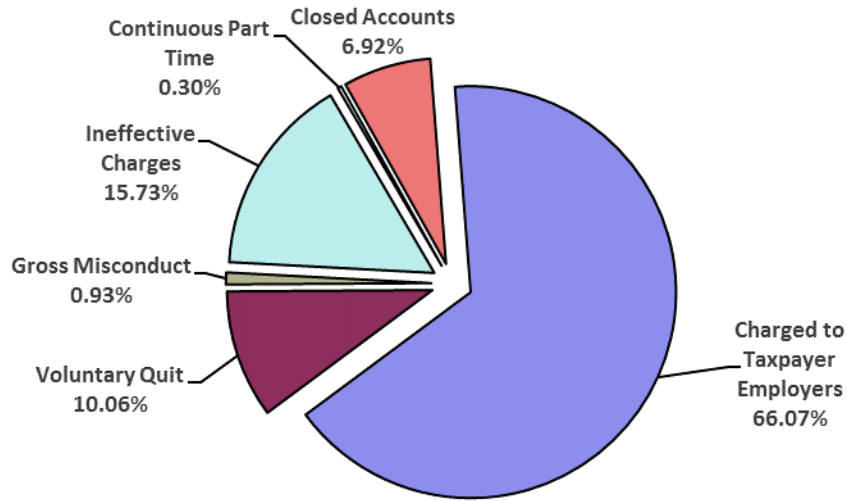
	2017	2016	(V%)
Cash Flows From Operating Activities			
Receipts from employers	\$ 586,608,726	\$ 641,273,848	(8.52%)
Payments to claimants	(550,652,457)	(566,283,359)	(2.76%)
Net Cash From Operating Activities	35,956,269	74,990,489	(52.05%)
 Cash Flows From Investing Activities			
Interest income (Interest on Trust Fund Balance)	24,215,799	22,412,719	8.04%
 Cash Flows From Non-Capital Financing Activities			
Receipts from Federal grants	10,006,362	12,314,667	(18.74%)
Bank overdrafts, net	(556,755)	(819,909)	(32.10%)
Net Cash From Non-Capital Financing Activities	9,449,607	11,494,758	(17.79%)
 Net Change in Cash and Cash Equivalents	69,621,675	108,897,966	(36.07%)
Cash and cash equivalents, beginning of year	1,114,033,362	1,005,135,396	10.83%
Cash and Cash Equivalents, End of Year	\$1,183,655,037	\$1,114,033,362	6.25%
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating gain/(loss)	\$ 19,255,704	\$ 56,738,982	(66.06%)
Net changes in non-cash operating assets and liabilities:			
Accounts receivable	20,937,956	13,275,341	57.72%
Accounts payable for unemployment benefits	(4,237,391)	4,976,166	(185.15%)
Net Cash from Operating Activities	\$ 35,956,269	\$ 74,990,489	(52.05%)

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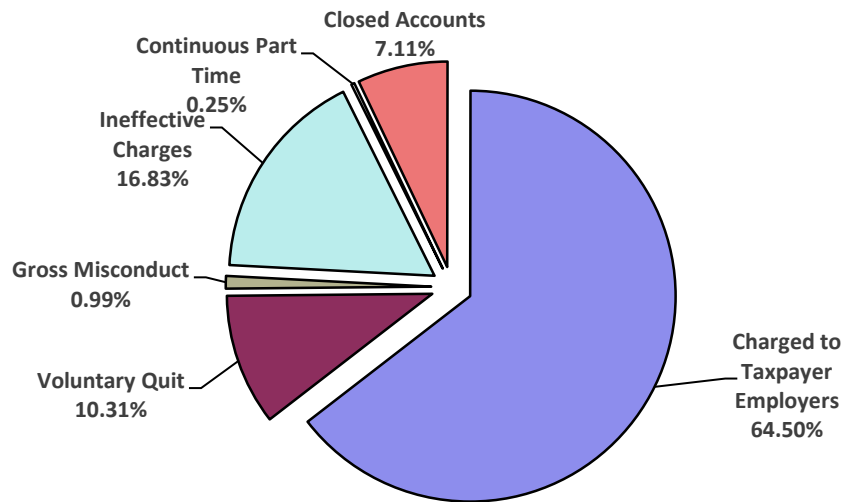
II. Amendments to Title 8 of the Labor and Employment Article.

At this time, the Department is not proposing for consideration during the 2018 legislative session any amendments related to Title 8 of the Labor and Employment Article.

III. Non-chargeable & Chargeable Benefits (State Fiscal Year 2016)



Non-chargeable & Chargeable Benefits (State Fiscal Year 2017)



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The prior diagrams show the unemployment insurance benefits paid to eligible individuals including those benefits that are chargeable and those paid which must be absorbed by the Trust Fund. The Labor and Employment Article, § 8-611 provides the formula for charging unemployment insurance benefits to employers' accounts and provides specific instances in which unemployment insurance benefits will not be charged to employers' accounts. As a result, in some cases unemployment insurance benefits are paid to the eligible individuals and the payments are not recovered to the Maryland Unemployment Insurance Trust Fund.

Categories of UI benefit payments not charged to employers' accounts include:

- (1) Ineffective Charges or Employers already at the Maximum Tax Rate – The employer is paying unemployment insurance taxes at the maximum rate allowed under the law and additional charges cannot be assessed;
- (2) Voluntary Quit – If an individual voluntarily quits employment without good cause or valid circumstances, the individual is not eligible to receive benefits. If, however, the individual ultimately meets time and any reemployment requirements to collect benefits under the law, the benefits will be paid, but are not chargeable to the employer's account from whom the individual quit;
- (3) Gross Misconduct – If an individual is discharged from employment for reasons determined to be gross misconduct under the Maryland Unemployment Insurance Law, the claimant must become reemployed and meet certain earnings requirements. If the individual ultimately meets the requirements, the benefits will be paid, but are not chargeable to the employer who discharged the individual;
- (4) Continuous Part-Time Employment – If an individual, who is continuously employed on a part-time basis by one employer, is separated from other employment, the individual may be eligible to receive partial unemployment insurance benefits. The part-time employer will not be charged for any portion of benefits paid, because there has not been any break or separation from the part-time employment; and
- (5) Closed Accounts – All unemployment insurance benefits paid, which are based on employment from a closed employer account must be absorbed by the Maryland Unemployment Insurance Trust Fund.