



UNEMPLOYMENT INSURANCE

ANNUAL REPORT 2019

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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, 2019. This report provides (I) the balance sheet for the Unemployment Trust Fund and (II) notice that the Department is not proposing any amendments to the Unemployment Insurance Law at this time.

In addition, the Department will submit a supplement to this report in January of 2020 providing a table showing ineffective charges to employer accounts, the reasons for not charging employer accounts for certain benefits paid, and the amount of benefits overpaid as a result of disqualification under Subtitle 10. The information presented in this section is from Fiscal Year 2018. Updated information for Fiscal Year 2019 will be available in late January of 2020 and a supplemental report will be issued at that time.

I. FINANCIAL STATEMENTS

STATEMENT OF NET POSITION (BALANCE SHEET)

As of June 30, 2019 and June 30, 2018

ASSETS	2019	2018	<u>(%change)</u>
Cash and cash equivalents (MD UI Bank Accounts)	\$3,871,110	\$3,110,478	24.45%
Cash on deposit with Federal Unemployment Trust Fund	\$1,317,545,821	\$1,235,395,306	6.65%
Accounts receivable, net ¹ (Employers & Claimants)	\$136,164,958	\$143,661,777	-5.22%
Total Assets	\$1,457,581,889	\$1,382,167,561	5.46%
LIABILITIES			
Bank overdrafts (Program Deficits)	\$1,058,182	\$1,822,095	-41.92%
Accounts payable for unemployment	\$48,523,442	\$47,072,307	3.08%
Total Liabilities	\$49,581,624	\$48,894,402	1.41%
Net Position			
Restricted for unemployment benefits ²	<u>\$1,408,000,265</u>	<u>\$1,333,273,159</u>	5.60%

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, 2019 and June 30, 2018

Operating Revenue	2019	2018	(%change)
Charges for services and sales (Taxes)	\$492,388,583	\$519,301,229	-5.18%
Allowance for uncollectible accounts	-\$8,258,593	\$861,649	-1058.46%
Operating Revenue, Net of Provision	\$484,129,990	\$520,162,878	-6.93%
Operating Expenses			
Benefits - State	\$438,395,392	\$508,317,575	-13.76%
Benefits - Federal	\$9,531,509	\$9,871,909	-3.45%
Total Operating Expenses	\$447,926,901	\$518,189,484	-13.56%
Operating Gain/(Loss)	\$36,203,089	\$1,973,394	1734.56%
Non-Operating Revenue	2019	2018	(%change)
Federal grants (Federal Programs)	\$9,810,370	\$9,050,334	8.40%
Interest (on Trust Fund Balance)	\$28,713,647	\$25,769,582	11.42%
Total Non-Operating Revenue	\$38,524,017	\$34,819,916	10.64%
Change in net position	\$74,727,106	\$36,793,310	103.10%
Net position, beginning of FY	\$1,333,273,159	\$1,296,479,849	2.84%
Net Position, End of FY	<u>\$1,408,000,265</u>	<u>\$1,333,273,159</u>	5.60%

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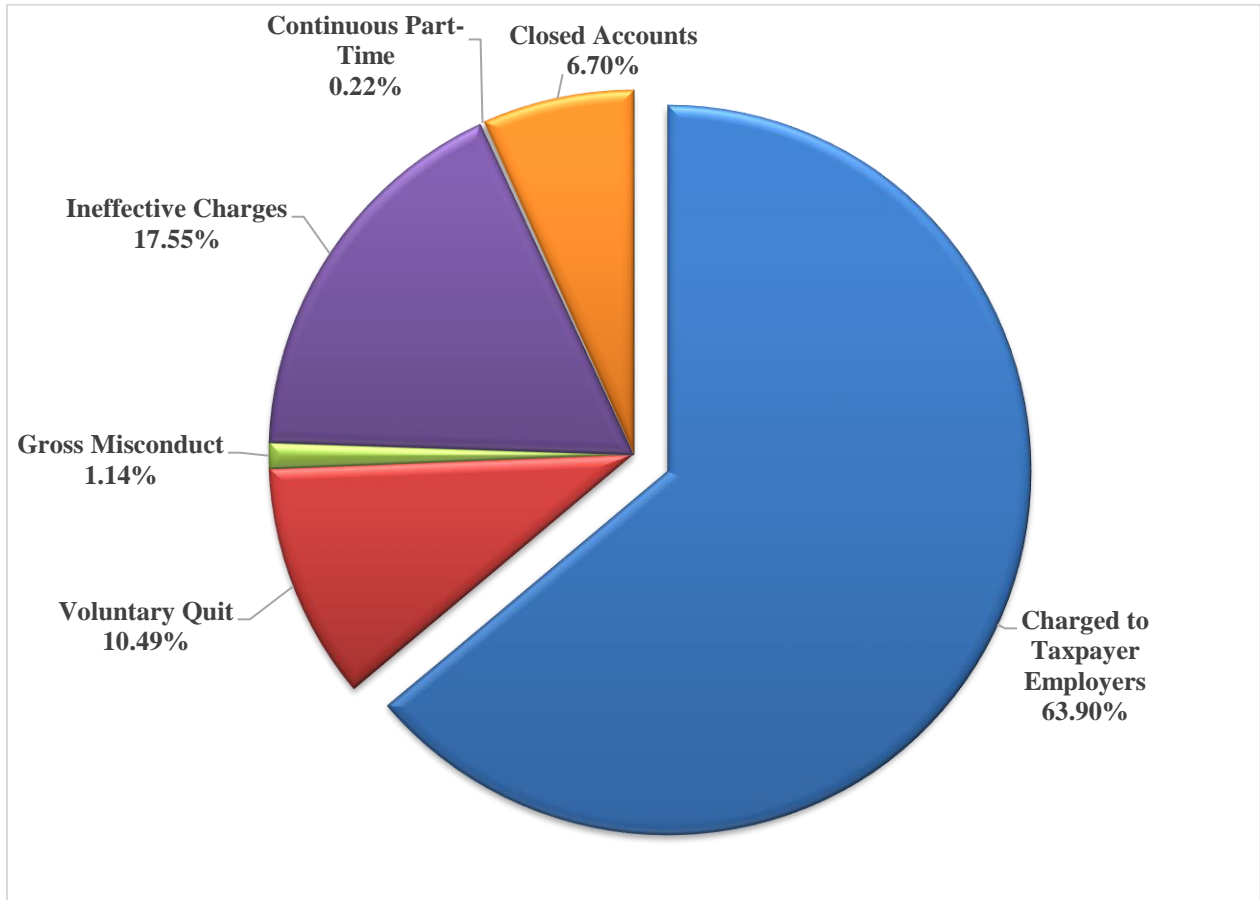
STATEMENTS OF CASH FLOW For the Years Ended June 30, 2019 and June 30, 2018

Cash Flows From Operating Activities	2019	2018	(%change)
Receipts from employers	\$491,626,809	\$529,717,090	-7.19%
Payments to claimants	-\$446,475,766	-\$510,393,449	-12.52%
Net Cash From Operating Activities	\$45,151,043	\$19,323,641	133.66%
Cash Flows From Investing Activities			
Interest income (on Trust Fund Balance)	\$28,713,647	\$25,769,583	11.42%
Cash Flows From Non-Capital Financing Activities			
Receipts from Federal grants	\$9,810,370	\$9,050,334	8.40%
Bank overdrafts, net	-\$763,913	\$707,189	-208.02%
Net Cash From Non-Capital Financing Activities	\$9,046,457	\$9,757,523	-7.29%
Net Change in Cash and Cash Equivalents	\$82,911,147	\$54,850,747	51.16%
Cash and cash equivalents, beginning of year	\$1,238,505,784	\$1,183,655,037	4.63%
Cash and Cash Equivalents, End of Year	<u>\$1,321,416,931</u>	<u>\$1,238,505,784</u>	6.69%
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating gain/(loss)	\$36,203,089	\$1,973,394	1734.56%
Change in allowance for uncollectible accounts	\$8,258,593	-\$861,649	1058.46%
Net changes in non-cash operating assets and liabilities:			
Accounts receivable	-\$761,774	\$10,415,961	-107.31%
Accounts payable for unemployment benefits	\$1,451,135	\$7,796,035	-81.40%
Net Cash from Operating Activities	<u>\$45,151,043</u>	<u>\$19,323,641</u>	133.66%

II. AMENDMENTS TO TITLE 8 OF THE LABOR AND EMPLOYMENT ARTICLE.

At this time, the Department is not proposing any amendments related to Title 8 of the Labor and Employment Article for consideration during the 2020 legislative session.

III. CHART OF CHARGEABLE BENEFITS (STATE FISCAL YEAR 2018)



Amounts for Fiscal Year 2019 will be provided in a supplemental report in late January of 2020.

The Labor and Employment Article, § 8-611 provides the formula for charging employers' accounts for unemployment insurance benefits their employees have received and provides specific instances in which employers' accounts will not be charged with unemployment insurance benefits. In the latter cases, unemployment insurance benefits are paid to the eligible individuals; however, the charges are not reimbursed to the Maryland Unemployment Insurance Trust Fund.

The chart (above) shows contains the universe of unemployment insurance benefits paid to eligible individuals including those benefits chargeable and those paid which must be absorbed by the Trust Fund.

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The following are payment types that are not charged to employers' accounts:

1. Ineffective Charges (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, the individual is not eligible to receive benefits. However, if the individual subsequently finds other employment and is then laid off, they will be eligible for benefits. Those benefits will not be chargeable to the employer that they voluntarily quit.
3. Gross Misconduct – If an individual is discharged from employment for gross misconduct, 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 for gross misconduct.
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.
5. Closed Accounts – All unemployment insurance benefits based on employment from a closed employer account must be absorbed by the Maryland Unemployment Insurance Trust Fund.