



**UNEMPLOYMENT INSURANCE**

**ANNUAL REPORT 2020**

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# UNEMPLOYMENT INSURANCE ANNUAL REPORT 2020

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## UNEMPLOYMENT INSURANCE ANNUAL REPORT 2020

### EXECUTIVE SUMMARY

The annual report on the administration and operation of Title 8 of the Labor and Employment Article during the previous fiscal year includes:

1. A balance sheet for the Unemployment Insurance Fund:
  - a. Total assets were **\$901,856,238** for FY 2020, a change of -38.13% over FY 2019;
  - b. Total liabilities were **\$140,459,669** for FY 2020, a change of 183.29% over FY 2019; and,
  - c. The UI Trust Fund balance was **\$761,396,569** for FY 2020, a change of -45.92% over FY 2019.
2. A table showing the amount of benefits that were ineffectively charged or not charged to the experience rating record of an employer for FY 2019:
  - a. **\$63,348,546** (16.76%) of benefits paid were ineffectively charged and **\$66,265,634** (17.53%) of benefits paid were not charged to the experience rating record of an employer.
3. The reasons for not charging benefits to the experience rating record of an employer:
  - a. Ineffective charges occur when the employer is paying the maximum rate allowed under the law for unemployment insurance taxes and, therefore, cannot be effectively assessed additional charges.
  - b. Benefits are not charged to an employer's account when:
    - i. A claimant voluntarily quits without good cause and subsequently becomes eligible for benefits;
    - ii. A claimant is discharged for gross misconduct and subsequently becomes eligible for benefits;
    - iii. A claimant is continuously employed on a part-time basis; or,
    - iv. The employer account is closed.
4. Any recommendation for an amendment to Title 8:
  - a. Although the Department is not recommending any changes to Title 8 of the Labor and Employment Article in this annual report, the Department is actively working with the Chairs of the Unemployment Oversight Committee to discuss possible unemployment insurance legislation in the 2021 legislative session.

# UNEMPLOYMENT INSURANCE ANNUAL REPORT 2020

## 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, 2020. This report provides (I) the balance sheet for the Unemployment Trust Fund and (II) notice that the Department is proposing amendments to the Unemployment Insurance Law.

In addition, the Department will submit a supplement to this report in January of 2021 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 2019. Updated information for Fiscal Year 2020 will be available in late January of 2021 and a supplemental report will be issued at that time.

## I. FINANCIAL STATEMENTS

### STATEMENT OF NET POSITION (BALANCE SHEET) As of June 30, 2020 and June 30, 2019

ASSETS	2020	2019	<u>(%change)</u>
Cash and cash equivalents (MD UI Bank Accounts)	<b>\$3,738,386</b>	\$3,871,110	<b>-3.43%</b>
Cash on deposit with Federal Unemployment Trust Fund	<b>\$718,974,536</b>	\$1,317,545,821	<b>-45.43%</b>
Accounts receivable, net <sup>1</sup> (Employers & Claimants)	<b>\$179,143,316</b>	\$136,164,958	<b>31.56%</b>
<b>Total Assets</b>	<b>\$901,856,238</b>	\$1,457,581,889	<b>-38.13%</b>
LIABILITIES	2020	2019	<u>(%change)</u>
Bank overdrafts (Program Deficits)	<b>\$23,249,351</b>	\$1,058,182	<b>2097.10%</b>
Accounts payable for unemployment benefits	<b>\$117,210,318</b>	\$48,523,442	<b>141.55%</b>
<b>Total Liabilities</b>	<b>\$140,459,669</b>	\$49,581,624	<b>183.29%</b>
Net Position			
Restricted for unemployment benefits <sup>2</sup>	<b><u>\$761,396,569</u></b>	<u>\$1,408,000,265</u>	<b>-45.92%</b>

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

<sup>2</sup> UI Trust Fund balance after netting assets and liabilities.

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### STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION

<b>Operating Revenue</b>	<b>2020</b>	<b>2019</b>	<b>(%change)</b>
Charges for services and sales (Taxes)	<b>\$493,665,974</b>	\$492,388,583	<b>.26%</b>
Allowance for uncollectible accounts	<b>-\$18,120,006</b>	-\$8,258,593	<b>-119.41%</b>
<b>Operating Revenue, Net of Provision</b>	<b>\$475,545,968</b>	\$484,129,990	<b>-1.77%</b>
<b>Operating Expenses</b>			
Benefits - State	<b>\$1,157,626,431</b>	\$438,395,392	<b>164.06%</b>
Benefits - Federal	<b>\$3,952,319,070</b>	\$9,531,509	<b>41,365.83%</b>
<b>Total Operating Expenses</b>	<b>\$5,109,945,501</b>	\$447,926,901	<b>1040.80%</b>
<b>Operating Gain/(Loss)</b>	<b>-\$4,634,399,533</b>	\$36,203,089	<b>-12701.12%</b>
<b>Non-Operating Revenue</b>			
	<b>2020</b>	<b>2019</b>	<b>(%change)</b>
Federal grants (Federal Programs)	<b>\$3,958,015,860</b>	\$9,810,370	<b>40,245.23%</b>
Interest (on Trust Fund Balance)	<b>\$29,779,975</b>	\$28,713,647	<b>3.71%</b>
<b>Total Non-Operating Revenue</b>	<b>\$3,987,795,835</b>	\$38,524,017	<b>10,251.45%</b>
Change in net position	<b>-\$646,603,698</b>	\$74,727,106	<b>-965.29%</b>
Net position, beginning of FY	<b>\$1,408,000,265</b>	\$1,333,273,159	<b>5.60%</b>
<b>Net Position, End of FY</b>	<b><u>\$761,396,567</u></b>	<u>\$1,408,000,265</u>	<b>-45.92%</b>

For the Years Ended June 30, 2020 and June 30, 2019

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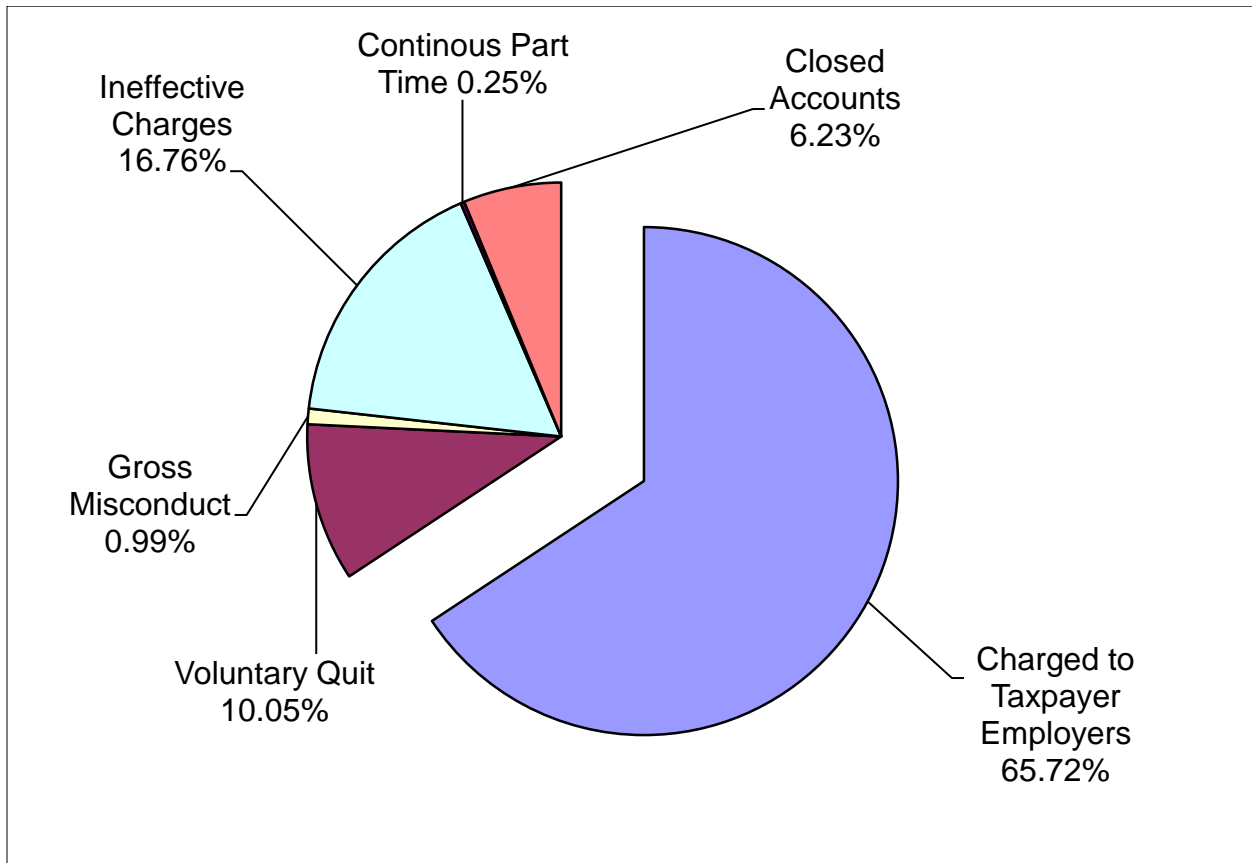
### STATEMENTS OF CASH FLOW For the Years Ended June 30, 2020 and June 30, 2019

<b>Cash Flows From Operating Activities</b>	<b>2020</b>	<b>2019</b>	<b>(%change)</b>
Receipts from employers	<b>\$432,567,612</b>	\$491,626,809	<b>-12.01%</b>
Payments to claimants	<b>-\$5,041,258,625</b>	-\$446,475,766	<b>-1029.12%</b>
<b>Net Cash From Operating Activities</b>	<b>-\$4,608,691,013</b>	\$45,151,043	<b>-10,307.27%</b>
<b>Cash Flows From Investing Activities</b>			
Interest income (on Trust Fund Balance)	<b>\$29,779,975</b>	\$28,713,647	<b>3.71%</b>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Receipts from Federal grants	<b>\$3,958,015,860</b>	\$9,810,370	<b>40,245.23%</b>
Bank overdrafts, net	<b>\$22,191,169</b>	-\$763,913	<b>3004.93%</b>
<b>Net Cash From Non-Capital Financing Activities</b>	<b>\$3,980,207,029</b>	\$9,046,457	<b>43,987.41%</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>-\$598,704,009</b>	\$82,911,147	<b>-622.10%</b>
Cash and cash equivalents, beginning of year	<b>\$1,321,416,931</b>	\$1,238,505,784	<b>6.69%</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$722,712,922</u></b>	<b><u>\$1,321,416,931</u></b>	<b>-45.31%</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>			
Operating gain/(loss)	<b>-\$4,634,399,533</b>	\$36,203,089	<b>12,701.12%</b>
Change in allowance for uncollectible accounts	<b>\$18,120,006</b>	\$8,258,593	<b>119.41%</b>
Net changes in non-cash operating assets and liabilities:			
Accounts receivable	<b>-\$61,098,362</b>	-\$761,774	<b>-8120.54%</b>
Accounts payable for unemployment benefits	<b>\$68,686,876</b>	\$1,451,135	<b>4633.32%</b>
<b>Net Cash from Operating Activities</b>	<b><u>-\$4,608,691,013</u></b>	<b><u>\$45,151,043</u></b>	<b>-10,107.27%</b>

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

- a. Although the Department is not recommending any changes to Title 8 of the Labor and Employment Article in this annual report, the Department is actively working with the Chairs of the Unemployment Oversight Committee to discuss possible unemployment insurance legislation in the 2021 legislative session.

**III. CHART OF CHARGEABLE BENEFITS (STATE FISCAL YEAR 2019)**



**Amounts for Fiscal Year 2020 will be provided in a supplemental report in late January of 2021.**

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 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.

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.