

JOINT COMMITTEE ON UNEMPLOYMENT INSURANCE OVERSIGHT
2021 Interim

State Government Article, Section 2-10A-11(h)

JOINT COMMITTEE ON UNEMPLOYMENT INSURANCE OVERSIGHT

December 17, 2021



THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

Joint Committee on Unemployment Insurance Oversight

December 17, 2021

The Honorable Bill Ferguson, Co-Chair
The Honorable Adrienne A. Jones, Co-Chair
Members of the Legislative Policy Committee

Ladies and Gentlemen:

The Joint Committee on Unemployment Insurance Oversight respectfully submits a summary report of its 2021 interim activities. The joint committee met two times during the interim to receive briefings from the Secretary of Labor and to discuss the Maryland Department of Labor's response to the COVID-19 pandemic and implementation of legislation enacted during the 2021 legislative session. Attached is a summary of the meetings. As co-chairs, we also participated in and monitored many other unemployment insurance (UI) focused meetings involving various groups, including the Senate Budget and Taxation Committee and the House Appropriations Committee.

In early 2022, the joint committee plans to meet and consider the findings and recommendations of a study on UI system reforms required by Chapters 45 and 46 of 2021, as well as potential legislation. We intend to give serious consideration to the report and, as always, will work to balance the interests of our citizens and businesses while protecting the Unemployment Insurance Trust Fund to the best of our ability.

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Page 2

The joint committee is appreciative of the advice and assistance provided by governmental officials, members of the public, and legislative staff during the 2021 interim and looks forward to the same spirit of cooperation and assistance during the 2022 legislative session.

Respectfully submitted,



Senator Katherine Klausmeier
Senate Chair



Delegate Ned Carey
House Chair

KK:NC/SMR/acl

Enclosure

cc: Ms. Sally Robb
Ms. Alexandra Hughes
Mr. Jeremy Baker
Ms. Victoria Gruber
Mr. Ryan Bishop

Joint Committee on Unemployment Insurance Oversight 2021 Interim Report

The Joint Committee on Unemployment Insurance Oversight held two virtual meetings during the 2021 interim. At each of the meetings, the joint committee heard from Tiffany Robinson, Secretary of Labor, and Dayne Freeman, Assistant Secretary for the Division of Unemployment Insurance.

June 23 Meeting

At the June 23 meeting, the joint committee heard from Secretary Robinson on the status of the study of unemployment insurance (UI) system reforms required under Chapters 45 and 46 of 2021, and the implementation of other legislation enacted during the 2021 legislative session. Secretary Robinson also provided updated information on claims, benefits paid, and other programmatic metrics through the duration of the COVID-19 pandemic. For example, at that time, the Division of Unemployment Insurance had paid \$12.8 billion in State and federal unemployment benefits from March 9, 2020, through June 12, 2021. Secretary Robinson also provided an overview of a recent uptick in fraudulent claims that the department was experiencing. Assistant Secretary Freeman provided answers to various questions from the joint committee members, such as those related to UI information technology systems.

August 16 Meeting

The August 16 meeting was held subsequent to an interim reporting requirement in Chapters 45 and 46. The joint committee once again heard from Secretary Robinson on the status of the UI system study, including the department's decision to continue working with an existing consulting firm for some aspects of the study while using internal staff for other aspects. The Secretary also advised the joint committee on anticipated funds to be allocated to the trust fund, pursuant to Chapter 73 of 2021, in time for the September 30 balance snapshot (\$450 million was ultimately allocated in mid-September). Secretary Robinson also provided another update on various programmatic metrics and the department's efforts to combat fraud and provided answers to various questions from the joint committee members, such as those related to staffing, employer experience ratings, and claims adjudication.

Study on Unemployment Insurance System Reforms

Chapters 45 and 46 required the Maryland Department of Labor, in consultation with the Department of Legislative Services, to study and make recommendations regarding reforms to the UI system in the State. The department was required to submit an interim report by

July 1, 2021, and submit a final report by December 1, 2021. Among other topics, the department was required to study:

- expanded eligibility for unemployment benefits for various types of workers;
- the costs and benefits of increasing the maximum weekly benefit amount, including costs and benefits of indexing the weekly benefit amount to account for inflationary change;
- alternative approaches to the experience rating process;
- existing penalties for fraud and the need for enhancing or altering those penalties; and
- the solvency of the trust fund, as adjusted based on implementation of each of the potential system reforms in the study.

The study was primarily conducted by the W.E. UpJohn Institute for Employment Research in coordination with the Jacob France Institute (JFI) of the University of Baltimore. UpJohn produced several independent analyses on the effects of various UI program modifications on businesses and trust fund solvency, including the costs and benefits of: (1) increasing benefit payments, dependent allowances, and the income disregard in various ways; (2) increasing the taxable wage base to 25% of the average weekly wage and indexing those amounts to inflation; (3) eliminating Table A, leaving Table B as the tax table with the lowest rates; and (4) instituting an employee tax, as is the case in a limited number of other states.

The report provided to the joint committee was largely an assessment by the department of the UpJohn analyses, with some department-directed internal research related to: (1) job separation due to unsafe working conditions and (2) penalties for fraud. As stated in the report, the department “does not endorse or recommend a higher tax burden on the Maryland employer community at this tenuous economic time.” The department’s stated reasons are the projected solvency of the trust fund through at least 2025 and “the regressive nature of many of the recommendations contained in the analyses” by UpJohn and JFI. Instead, the department recommends that the Maryland General Assembly and other key policymakers conduct an in-depth review of the report and collect stakeholder input before implementing any UI program financing reforms. To address future crises, the department also recommends that policymakers consider: (1) suspending claims mitigation language during times of extreme emergency to allow for expedited claims processing and (2) enhancing penalties for fraudulent activity to better protect legitimate claimants and employers from what has been an onslaught of sophisticated fraud.

The joint committee anticipates holding a meeting in early January 2022 to discuss the findings and recommendations from the study, as well as potential legislation to further reform the UI system.