

May 16, 2025

The Honorable Bill Ferguson
President of the Senate of Maryland
H-107 State House
Annapolis, MD 21401

The Honorable Adrienne A. Jones
Speaker of the House of Delegates
H-101 State House
Annapolis, MD 21401

Dear President Ferguson and Speaker Jones,

In accordance with Article II, Section 17 of the Maryland Constitution, I hereby veto House Bill 193 and Senate Bill 219 – *Uninsured Employers' Fund – Assessments and Special Monitor*, and Senate Bill 227 – *Workers' Compensation – Payment From Uninsured Employers' Fund – Revisions*.

The Uninsured Employers' Fund (UEF) is responsible for paying workers' compensation awards to claimants who failed to receive payments from their employers who did not have workers' compensation insurance as required by State law. The Fund derives its revenue from a two-percent assessment on awards against and settlements with employers or insurers.

House Bill 193 and Senate Bill 219, introduced by the UEF would have given UEF's Board the authority to raise assessments on awards an additional 1% if required to maintain the Fund's solvency. About 86% of the UEF's revenues come from the assessment on workers's compensations awards. The Fund also collects revenues from benefit payments owed by uninsured employers, penalties from sanctions on uninsured employers, and interest earned on the fund balance. According to a *2024 Joint Chairman Report of the Workers' Compensation Commission (WCC) Addressing the Long-Term Solvency of the UEF*¹, this reform, if adopted, would allow for a total assessment of 3%, which translates into a 50% increase in the assessment on law-abiding businesses with workers' compensation insurance and a \$4 million increase in UEF's annual revenues.

Understandably, the 1% increase on assessment received pushback from key stakeholders, so UEF supported a .5% increase in the assessment, which translates into a 25% increase in the assessment on law-abiding businesses with workers' compensation insurance and a \$2 million increase in UEF's annual revenues. By the end of legislative session, a bill that was originally intended to increase an assessment on awards was amended to also require the WCC to designate a special monitor to assess the financial condition of UEF, and the UEF to allocate \$100,000

to provide funding for the special monitor.

In 1983, the Maryland General Assembly created the UEF as an independent agency, separating its function from the WCC due to potential conflicts of interest. A 2021 *Joint Chair Report Review of Workers' Compensation Agency Structure* stated, 'To have the WCC oversee any aspect of either, or both agencies (UEF or SIF), would create the clear appearance of impropriety.'² The UEF has a board that is responsible for overseeing the Fund. Requiring WCC to designate a special monitor to assess the financial condition of UEF goes directly against the Maryland General Assembly's previous actions and suggestions by reports. I believe that Senate Bill 695 – *Labor and Employment – Uninsured Employers' Fund Board – Membership and Reserves*, sponsored by Senator Beidle that I signed on May 6, 2025 addresses the oversight concerns that the amendments to House Bill 193 and Senate Bill 219 try to meet by expanding the number of members from three to five and requiring the board to establish reserves to meet potential losses of the fund.

Senate Bill 227 was originally introduced as a Departmental bill that would allow the UEF to pay injured workers with greater efficiency by removing unnecessary hurdles and requirements that hamper the payment process. It also would have expedited the payment of awards. Currently awards can be made within 60 days, this legislation would have lowered the timeline to 30 days.

As amended, Senate Bill 227 included numerous constructive reforms that expedite the payment process. It removed the requirement that the WCC notify an employer when the employer is in default, as well as the subsequent payment requirement and/or objection process. Instead, the amendment requires that an uninsured employer be given notice of a claim before action is taken against the uninsured employer. It also allows a covered employee or dependents of a covered employee to apply for payment from UEF if the employer is in default and the employee or dependents have demanded payment from the employer at least 15 days before the date of application.

Unfortunately, the amended legislation removes a safeguard against double payments which states that if the UEF pays an award to a covered employee or the dependent of a covered employee that is also paid by the employer, the UEF is entitled to reimbursement of the distributed funds. The amended language allows the WCC to order an offset or credit against an award for permanent partial disability benefits for any benefits paid by UEF that were also paid by the employer.

UEF cases can reach amounts in the hundreds of thousands. The UEF is currently addressing solvency issues, and introducing circumstances where a double payment is credited against future pay outs by an employer rather than allowing the UEF to seek reimbursement place the UEF in a financial position they may never recover from.

The solvency of the UEF and promptly paying awards to injured workers is a shared goal of the UEF and the Maryland General Assembly. The time and effort invested in House Bill 193 and Senate Bill 219 and Senate Bill 227 highlight the needs for reforms that make the UEF processes and procedures. I look forward to appointing members to the revamped UEF board, greater collaboration and an improved working relationship with the WCC, and implementation of meaningful reforms in partnership with the Maryland General Assembly.

Sincerely,

Wes Moore
Governor

1 Workers Compensation Commission. Page 5. 2024. JCR Report 2024_ p10-11_Workgroup on the UEF - Report of the Workers' Compensation Commission (WCC) Addressing the Long-Term Solvency of the UEF. [https://dlslibrary.state.md.us/publications/JCR/2024/2024_10-11\(WCC\).pdf](https://dlslibrary.state.md.us/publications/JCR/2024/2024_10-11(WCC).pdf)

2 Uninsured Employers' Fund. Page 9. 2021 Joint Chair Report Review of Workers' Compensation Agency Structure [https://dlslibrary.state.md.us/publications/JCR/2021/2021_248-249\(WCC\).pdf](https://dlslibrary.state.md.us/publications/JCR/2021/2021_248-249(WCC).pdf)