



UNEMPLOYMENT INSURANCE
MARYLAND HOUSE BILL 907
INTERIM REPORT JULY 1, 2021

Background

Maryland House Bill 907 (2021) (“H.B. 907”) required the Maryland Department of Labor (“MDL”) to study: (1) expanded eligibility for unemployment benefits for various types of workers; (2) the costs and benefits of increasing the weekly maximum benefit amount, the allowance that claimants receive for their dependents, and the income disregard for part-time work; (3) alternative approaches to the experience rating process; (4) the establishment of clear standards for when an employee is entitled to claim unemployment insurance benefits if the employee leaves a job for reasons relating to unsafe working conditions; (5) the existing penalties for fraud and the need for enhancing or altering those penalties; (6) the solvency of the Unemployment Insurance Trust Fund, as adjusted based on implementation of each of the system reforms studied under the requirements of the bill; and (7) any other issue that MDL determines is necessary to include in its evaluation of the State’s unemployment insurance system. The list of topics to be studied is extensive, because, as the bill's sponsor, Delegate Ned Carey, stated in his testimony before the House Economic Matters Committee: "It is important to recognize that the UI program is very complex, with one change potentially having an impact on the entire system."

Pursuant to H.B. 907, MDL is required to provide, in accordance with State Government Article § 2-1257, an interim report outlining the actions MDL’s Division of Unemployment Insurance (“DUI”) has taken in furtherance of the study to the Joint Committee on Unemployment Insurance Oversight mandated by the bill.

Update on Actions Taken in Furtherance of the Study Required by H.B. 907

The funds that DUI uses to administer the unemployment insurance program are funded by the federal government under provisions of the Social Security Act. If any federal funds are used for purposes other than administering the unemployment insurance program, those funds must be repaid to the federal government. DUI also collects state taxes for administering the unemployment insurance program, but those funds likewise cannot be used for any purposes other than the payment of unemployment insurance benefits.

In MDL’s Agency Explanation of Impact submitted to the Department of Legislative Services for the purpose of preparing a fiscal and policy note for H.B. 907, MDL stated that the bill would require DUI to contract with a third-party consultant to conduct the study envisioned by H.B. 907. Based on previous studies conducted by DUI, MDL estimated that a consultant would charge \$130,000 to complete the study envisioned by the bill. In addition, DUI’s information technology vendor would have to query and gather data that the consultant would need to complete the study, and MDL estimated that the provision of this data would cost an additional \$50,000 in information technology services.

Because the General Assembly did not provide funds to MDL for the purpose of completing the study mandated by H.B. 907 and because MDL may not use federal funds or funds collected through state taxes for purposes other than the provision of unemployment insurance benefits, MDL has not finalized the process of contracting with a vendor to conduct the study envisioned

by H.B. 907 or to begin the process of querying and gathering data required for the study. MDL has, however, consulted with a third-party vendor regarding the study.

Upjohn Report

Although MDL has not contracted with a vendor to conduct the study envisioned by H.B. 907, in 2020, MDL contracted with the W.E. Upjohn Institute for Employment Research (“Upjohn”) to evaluate alternative strategies for achieving a long-term balance between revenues and expenditures in the Maryland unemployment insurance system. The contract with Upjohn to study the State’s unemployment insurance system covers some of the information intended to be studied by H.B. 907.

Pursuant to the contract with MDL, Upjohn submitted “Financing Maryland Unemployment Insurance: Report on Macro Simulations” to MDL in December 2020, which provided a historical analysis of the Maryland unemployment insurance system intended to “provide quick guidance for near term UI benefit financing decisions which emerged unexpectedly during the COVID-19 pandemic.” About the history of UI benefits in Maryland, the report states:

The pandemic stress on Maryland UI benefits and financing is more than double the previous historic highest ever level of benefit payments experienced by the system since UI benefits were first paid in Maryland in 1938. . . . At the start of 2020, reserves in the Maryland [Unemployment Trust Fund (UTF)] account stood at \$1.27 billion or 1.05 percent of total payrolls. Over the past 20 years the [average high cost rate] across the highest three years (1991, 1992, 2009) was 1.20 percent of total UI covered payrolls, meaning Maryland’s UTF balance had an average high cost multiple (AHCM) of 0.88, or about 10.5 months of recession level benefits to start the year. The highest ever UI payment rate in history for Maryland was 2.19 percent of total payrolls paid out in UI benefits for the 12 months ending December 1958. Therefore, the highest Maryland high cost multiple (HCM) was 0.48 or about 6 months of recession level benefits at the highest ever rate of UI payments in Maryland history.

In its December 2020 report, Upjohn noted that federal guidelines for UI trust fund solvency were based on patterns established in the economic recessions that have occurred since the end of World War II. UI trust funds were not prepared for the volume of unemployment caused by the sudden stop in economic activity in early 2020. Upjohn pointed out that “[w]eekly initial claims for Maryland UI benefits surged from 2,675 in the first week March 2020 to 109,653 in the first week of April 2020. . . . The previous historic high for Maryland had been 12,528 initial claims in the first week of January 2010.”

In response to the unprecedented nature of the pandemic, on December 10, 2020, Maryland Governor Larry Hogan signed an executive order (EO) that required Maryland to exclude an employer’s experience in FY2020 -- that is from July 1, 2019 to June 30, 2020. And, on February 15, 2021, Governor Hogan signed the Relief Act of 2021, which requires MDL to ignore an employer’s pandemic experience through the second July after the end of the state of emergency. Both the EO and the Relief Act were intended to provide employers tax relief for

layoffs which were unavoidable due to government-ordered closures and other economic disruptions caused by COVID-19.

According to the December 2020 macro simulations report, several financing and benefit features of the Maryland unemployment insurance system are better examined using micro administrative data at the employer and worker level. Upjohn is currently running micro simulations of the following features:

- Financing features:
 - Replacing tax schedules with formulas to improve financing precision;
 - Changing minimum and maximum tax rates to improve experience rating;
 - Taxable wage simulations to see types of firms affected (size, wages, industry);
 - Years in the benefit ratio (3 versus 4 or 5-year ratios) to soften revenue burdens;
 - Array methodology for rates and benefit ratio to improve revenue predictability;
 - Analyze benefit ratios by industry;
 - Bad actor penalties to simulate penalty options;
 - Uniform taxes; and
 - Effects of one-year non-charging (FY 2020);
- Benefit Features:
 - Minimum weekly benefit amount;
 - Replacement Rate; and
 - Maximum weekly benefit amount.

The micro simulations will also measure additional system financing outcomes, including tax revenue, trust fund account balance, average high cost multiple, average tax rate, and the tax schedule in effect. The movement of employers in the benefit ration distribution will also be examined by size (number of employees), average wages paid, and industry group.

Conclusion

MDL is taking all necessary steps towards securing a third-party vendor to conduct the study intended by H.B. 907. As that process is ongoing, Upjohn continues to study various aspects of the State's unemployment insurance system that are relevant to some of the issues intended to be studied by H.B. 907.



Joint Oversight Committee on Unemployment Insurance

Monday, August 16, 2021

Tiffany P. Robinson, Secretary
Dayne Freeman, Assistant Secretary

labor.maryland.gov

MDunemployment.com



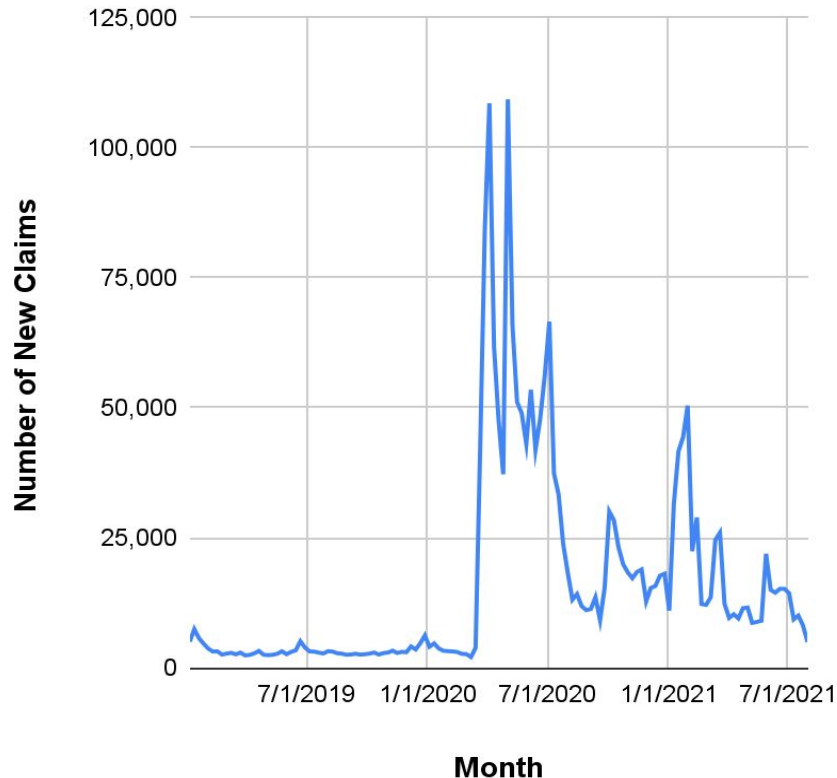


Since the Beginning of COVID-19

- Received over **2,884,574** new claims
- Paid over **\$13 BILLION** in state and federal benefits
- Over **28.3 MILLION** weekly claim certifications filed and over **24.2 MILLION** certifications paid
- Adjudicated over **3.9 MILLION** claim issues
- Implemented **TEN** brand new federal unemployment insurance programs in 2020 and 2021
- Added **2,168** new unemployment insurance employees (1,776 call center, 292 adjudicators, and over 100 state staff)
- Virtual agent conducted over **4.6 MILLION** conversations
- Averted nearly **6,000 layoffs averted** through the Work Sharing Program and over **21,000 jobs saved** through the Layoff Aversion Fund.

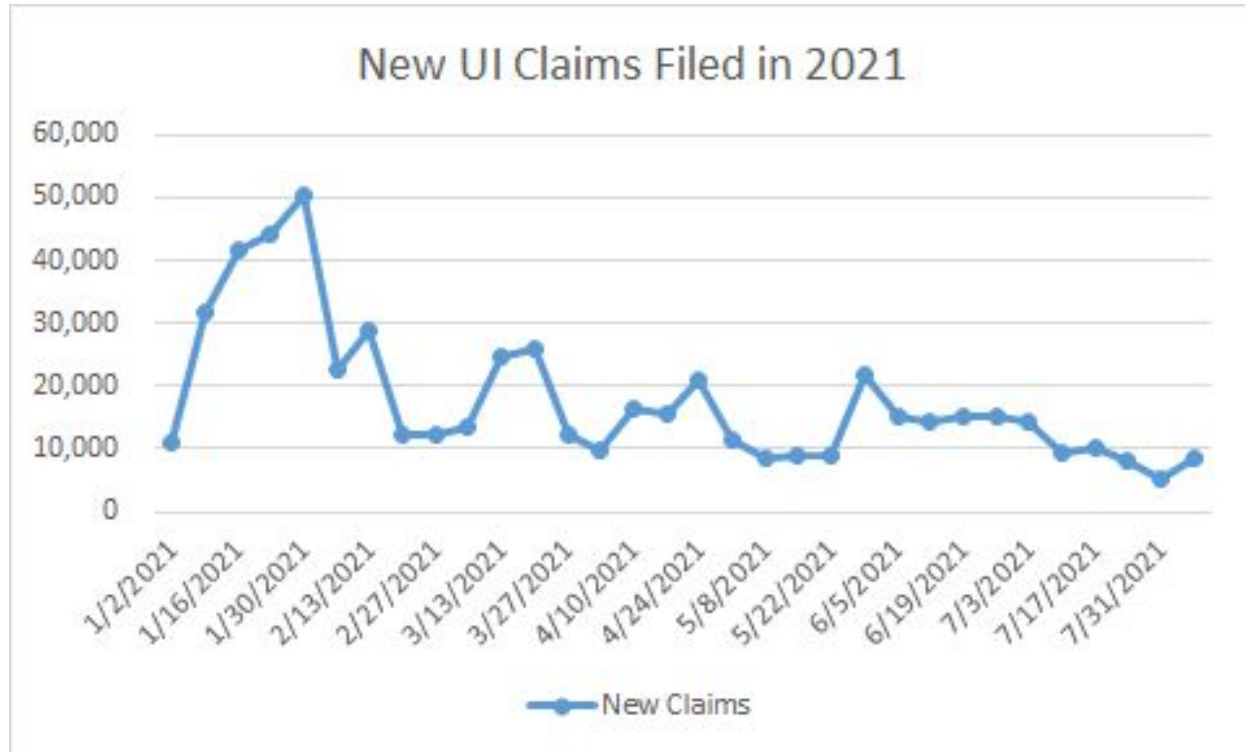
Unprecedented Volume of Claims

New Weekly Claims Since 2019



- In 2019, we received 171,429 new claims.
- In 2020, we received over 1.4 million new claims filed from March to December - an increase of 814.2%.
- There were several times in 2020 that we received over 100,000 new claims in one week.
- During the Great Recession, we received a peak of 6,000 claims in one week.
- **As of the week ending August 7, 2021, over 2,884,574 new UI claims have been filed.**

2021 New Claims

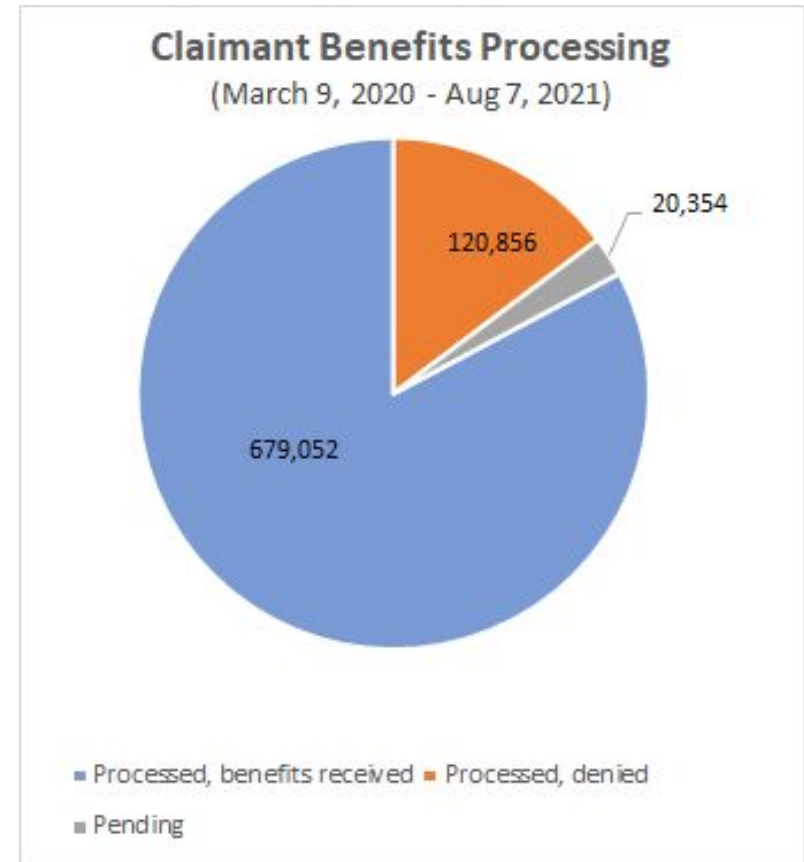


- Since the beginning of 2021, we have already received **over 547,412 new claims** (excluding fraud).
- Weekly new claim data broken down by county and program is available on our [website](#) and the data is updated every Thursday morning at 8:30 a.m.
- **8,447** new claims as of week ending August 7:
 - Regular UI - 5,996 - PUA - 1,994 - PEUC - 457

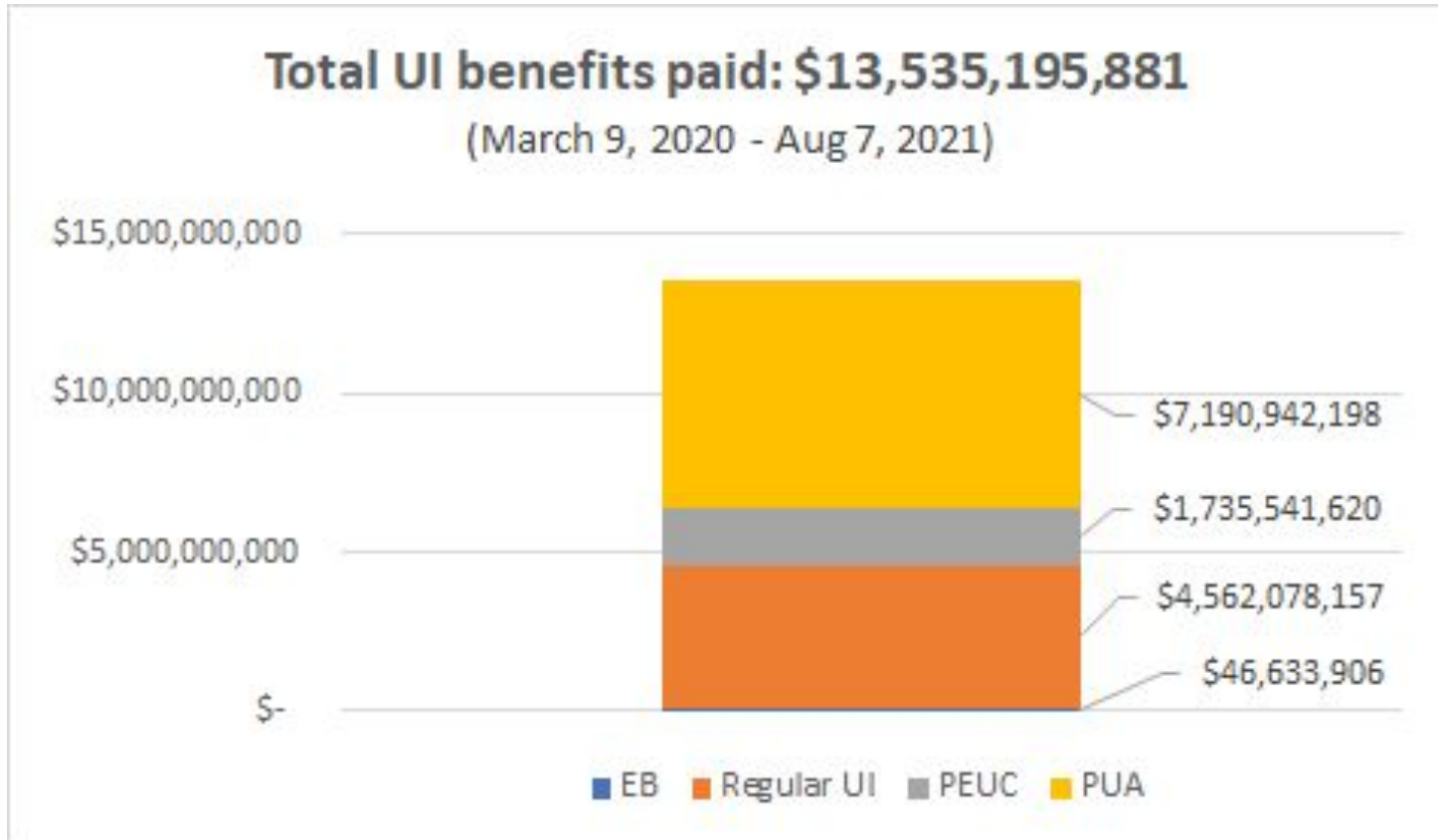
Current Unemployment Statistics

Processing as of Week Ending August 7

- Total Benefits Paid - \$13,535,195,881
- Complete Claims Filed - 820,262
- Processed - 799,908 (97.5%) claims
 - Paid - 679,052 (82.8%) claims
 - Denied - 120,856 (14.7%) claims
- Pending - 20,354 (2.5%)
 - Nearly all of the pending claims are disputed and pending further investigation. These claims cannot be processed until they are investigated due to conflicting information provided by the claimant and the claimant's previous employer.



State and Federal Benefits Paid to Claimants





Rampant Nationwide Unemployment Fraud

Fraudulent Unemployment Claims

Nationwide Issue

- With the additional federal benefits available, states across the country have seen a spike in fraudsters targeting their UI programs.
- With aggressive and heightened security measures in place within the BEACON system, the department continues to investigate potentially fraudulent in-state and out-of-state claims.
- **Over 91% of claims flagged and investigated have been confirmed as fraudulent**, so it is critical that the department reviews and verifies identity verification documentation submitted by claimants.

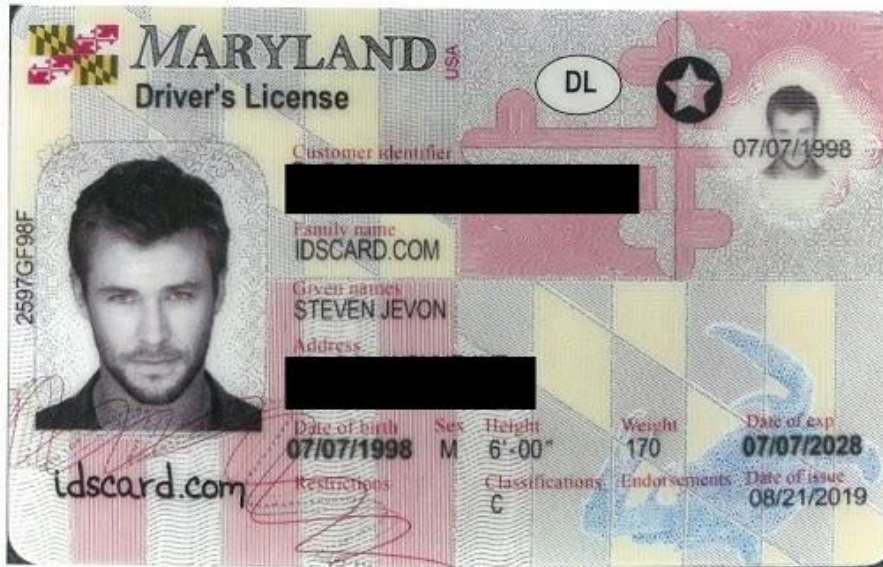
Claim Review as of August 10

- **Out-of-state Claims**
 - Claims Flagged: 355,696
 - Fraudulent: 331,210 (93.12%)
 - Approved: 21,215 (5.96%)
 - Pending Review: 3,271 (0.92%)
- **In-State (MD Only) Claims**
 - Claims Flagged: 1,297,479
 - Fraudulent: 1,182,907 (91.17%)
 - Approved: 101,766 (7.84%)
 - Pending Review: 12,806 (0.99%)
- **Total Claims Pending Review: 16,077 (0.97%)**
- **Total Claims Flagged: 1,653,175**
- **Total Claims Fraudulent: 1,514,117 (91.59%)**
- **Total Out-of-State and In-State Claims Approved After Review: 122,981 (7.44%)**

Review of Fraudulent Unemployment ID's

If a claimant is flagged as being potentially fraudulent, they are prompted to upload photos (not scans) of two different types of identity verification documentation in their BEACON portal that shows all four corners.

Fraudsters are quite brazen in the documents they upload, requiring the manual review of documents to maintain the integrity of the program. We have recently partnered with LexisNexis to automate the process.



This license uses a celebrity photo (Chris Hemsworth) from idscard.com.



The name and signature on the social security card are completely different.



Reporting Unemployment Fraud

- **Marylanders**

- Fraudulent Claim
 - If you believe that your information has been used to fraudulently file an unemployment insurance claim, please contact UI's [Benefit Payment Control Unit](#) by completing a "[Request for Investigation of Unemployment Insurance Fraud](#)" form and emailing it to ui.fraud@maryland.gov.
- Not a Claimant but Received a 1099-G Tax Form
 - If you received a 1099-G tax form, but did not apply for unemployment insurance benefits in Maryland in 2020, then please complete an [Affidavit Form](#) and submit it along with picture ID to the Benefit Payment Control Unit by emailing dlui1099-labor@maryland.gov.
- Bank of America Debit Card Fraud
 - If you are a claimant and believe funds have been fraudulently withdrawn from your Bank of America unemployment insurance debit card, please contact Bank of America directly by calling 1-855-847-2029.

- **Employers**

- If an employer believes a fraudulent claim has been charged to their account, they should immediately file a benefit charge protest through their [BEACON employer portal](#) or contact the Employer Call Center by calling 410-949-0033.

Avoiding Unemployment Fraud and Scams

- To distinguish between a legitimate claims agent and a fraudster, please note that staff from the Division of Unemployment Insurance will:
 - Never request or require payment for assistance with unemployment insurance, especially not through apps like Venmo or Cashapp.
 - Not provide assistance to claimants through direct message on social media platforms like Facebook, Twitter, or LinkedIn.
 - Never arrange for an adjudication or fact-finding interview over any teleconferencing platform, such as Zoom, BlueJeans, Google Hangout Meets, or Skype.
 - Not provide assistance through text message and will not send any links asking a claimant to verify their account through text.
 - Ask for a claimant's bank account number or credit card number over email.
 - Request a claimant's BEACON password over email.
- All emails from legitimate unemployment staff will come from a **@maryland.gov** email address. Claimants should NOT provide any sensitive information related to their Maryland unemployment insurance claim by email unless it is to a **@maryland.gov** email address.

Avoiding Unemployment Fraud on Social Media

- **Over 49 Fraudulent Facebook Pages Created Attempting to Scam Claimants**
 - Scammers are replicating labor department social media pages, directly messaging claimants, and attempting to steal their identity by asking for their personal information.
 - Recognizing this is a nationwide issue, the U.S. Department of Labor is working with law enforcement and Facebook to immediately shut down fraudulent accounts.
 - Maryland has reported over 49 fraudulent Facebook pages since January of 2021.
- **How to Identify Fraudulent Pages**
 - Fraudulent pages may look similar, but are newly created, do not have a lengthy history of posts, spelled differently (often with typos), and not verified with a blue check mark.
 - “Maryland Department of Labourr” is an example of a fraudulent page that looks similar, but is spelled differently. Fraudulent pages should be immediately reported to the social media platform.



**Maryland Department Of
Laborr**

Public & Government Service

Fraudulent Text Scams

The department has alerted Marylanders to numerous text message phishing scams. These text messages contain links that take an individual to a fraudulent website created by scammers in an attempt to steal a customer's identity and private information. We have frequently warned Marylanders about these scams on social media and our website.

Text Message
Today 3:24 PM

MD Government: We have put your unemployment account under review, we request you to verify your identity at <https://rb.gy/i11jhy> or call customer support.

Text Message
Today 12:35 PM

Maryland's BEACON Unemployment Insurance: To help Validate your claim without delay, please provide accurate and complete information on your unemployment claim application. <https://bit.ly/2UbilAc>

Fraud News Clips

- [ProPublica: How Unemployment Insurance Fraud Exploded During the Pandemic](#) - Cezary Podkul
“Bots filing bogus applications in bulk, teams of fraudsters in foreign countries making phony claims, online forums peddling how-to advice on identity theft: Inside the infrastructure of perhaps the largest fraud wave in history.”
- [CNBC: How criminals siphoned off unemployment payments directly from recipients' accounts](#) - Leslie Picker
“The bulk of this fraud involved identity theft — whereby criminals would receive unemployment by using false information.”
- [Axios: Half of the pandemic's unemployment money may have been stolen](#) - Felix Salmon
“Unemployment fraud during the pandemic could easily reach \$400 billion, according to some estimates, and the bulk of the money likely ended in the hands of foreign crime syndicates — making this not just theft, but a matter of national security.”
- [Forbes: The Most Brazen \\$400 Billion Unemployment Funds Heist in History](#) - Jack Kelly
“During the chaotic days of the pandemic, it's alleged that an international ring of nefarious fraudsters stole over \$400 billion from the United States government. This staggering amount is around 50% of unemployment monies paid out.”



2021 Unemployment Insurance Study



SB 817/ HB907 - Unemployment Insurance - Study on System Reforms

- **The Maryland Department of Labor, in consultation with the Department of Legislative Services, shall study and make recommendations regarding reforms to the unemployment insurance system in the State.**
 - The Department had already entered into a contract with the *W. E. UpJohn Institute for Employment Research* to review the states trust fund and examine possible methods to improve fund solvency. They are conducting both Macro and Micro simulations to produce their findings.
 - The Department has added to that existing contract with UpJohn to study a majority of the criteria listed in HB 907 and aid in the production of a final report to be submitted to the legislature by December 1, 2021.



SB 817/ HB907 - Unemployment Insurance - Study on System Reforms

What will be examined in the Study?

1. Expanded eligibility for unemployment benefits for various types of workers (UpJohn/MDOL)
2. The cost and benefits of increasing the weekly benefit amount (WBA), dependent allowances (DA), and the income disregard. (UpJohn/MDOL)
3. Study alternative approaches to the experience rating process including the feasibility of establishing a new waiver for benefit charges incurred during an unemployment insurance crisis; and potential methods for minimizing the impact on an employer's experience rating when the employer establishes a work sharing agreement with the Department. (UpJohn/MDOL)
4. The establishment of clear standards for when an employee is entitled to claim unemployment insurance benefits. (MDOL)
5. The existing penalties for fraud and the need for enhancing or altering those penalties. (MDOL)
6. The solvency of the Unemployment Insurance Trust Fund, as adjusted based on implementation of each of the system reforms studied under this legislation. (UpJohn/MDOL)



SB 817/ HB907 - Unemployment Insurance - Study on System Reforms

- **Deliverables:**

- Interim Report Due July 1, 2021
 - Submitted
- Monthly Reports due to DLS and Co-Chairs of the Committee
 - In Progress
- By December 1, 2021 MDOL shall report its findings and recommendations to the Governor and the Senate Finance Committee, the House Economic Matters Committee, and the Joint Committee on Unemployment Insurance Oversight
 - Contract has been established and the study is underway.



Questions?