

Department of Legislative Services  
 Maryland General Assembly  
 2025 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1424  
 Appropriations

(Delegate J. Lewis, *et al.*)

**Catastrophic Event Account and Federal Government Shutdown Employee Assistance Loan Fund - Alterations (Protect Our Federal Workers Act)**

This bill expands the purposes of the Catastrophic Event Account and the Federal Government Shutdown Employee Assistance Loan Fund so that funds may be used to provide financial assistance to former federal employees facing financial hardship from the closure, relocation, or mass layoff of a unit of the federal government, or other similar circumstances. Accordingly, the bill renames the Federal Government Shutdown Employee Assistance Loan Fund to be the Federal Government Employee Assistance Loan Fund and alters eligibility requirements of the fund. **The bill takes effect July 1, 2025.**

**Fiscal Summary**

**State Effect:** Special fund expenditures for the Catastrophic Event Account and special fund revenues and expenditures for the Federal Government Employee Assistance Loan Fund increase by \$10.0 million in FY 2026. General fund expenditures for the Maryland Department of Labor (MD Labor) increase by \$1.3 million in FY 2026 to administer loans. Special fund revenues increase in FY 2026 and 2027 from loan repayments. Revenues to the Revenue Stabilization Account (Rainy Day Fund) decrease minimally. Special fund revenues and expenditures may increase beyond FY 2026 (not shown below).

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$10.0	-	\$0	\$0	\$0
GF Expenditure	\$1.3	\$0	\$0	\$0	\$0
SF Expenditure	\$20.0	\$0	\$0	\$0	\$0
Net Effect	(\$11.3)	\$0.0	\$0.0	\$0.0	\$0.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

**Local Effect:** The bill is not anticipated to materially affect local government operations or finances.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Funds in the Catastrophic Event Account may be used to assist a unit of State or local government in connection with a closure, relocation, or mass layoff of a unit of the federal government.

The Federal Government Employee Assistance Loan Fund must only be used to provide no-interest loans to State residents (as opposed to federal employees who are required to work at a work site in the State under current law) who (1) are federal employees who are not being paid because of a full or partial federal government shutdown due to a lapse in appropriations or (2) in the immediately preceding six months were terminated from employment by the federal government due to the closure, relocation, or mass layoff of a unit of the federal government, or other similar circumstances beyond the employees' control. The purpose and eligibility criteria of the fund are modified to reflect this change.

### **Current Law:**

#### *Catastrophic Event Account*

The Catastrophic Event Account, which is within the State Reserve Fund and administered by the Department of Budget and Management, enables the State or a local government to respond quickly to a natural disaster or catastrophe that could not be addressed within existing State appropriations. It may also be used for federal employee financial hardship in the event of a full or partial federal government shutdown due to a lapse in federal appropriations.

Funds appropriated to the Catastrophic Event Account (1) may not be used to offset operating deficiencies in regular programs of State government but (2) as noted above, may be expended to assist a unit of State or local government in funding costs in connection with a natural disaster, a catastrophic situation, or a full or partial federal government shutdown due to a lapse in appropriations.

The Catastrophic Event Account consists of direct appropriations in the budget bill. Investment earnings are credited to the Rainy Day Fund. The fiscal 2026 budget as introduced projects a closing fund balance of \$10.0 million for fiscal 2026, which has been maintained for several years.

### *Federal Government Shutdown Employee Assistance Loan Fund*

The Federal Government Shutdown Employee Assistance Loan Fund, administered by MD Labor, must only be used to provide no-interest loans to federal employees who are (1) required to report to work at a work site located in the State and (2) not being paid because of a full or partial federal government shutdown due to a lapse in appropriations.

MD Labor must establish procedures and eligibility criteria for loans from the fund, as specified, such as repayment timelines. In addition to funds appropriated in the State budget and other sources, the fund consists of (1) money transferred from the Catastrophic Event Account and (2) repayments on loans made from the fund.

### *Unemployment Compensation for Federal Employees*

The Unemployment Compensation for Federal Employees (UCFE) program provides unemployment compensation for federal employees who lost their employment through no fault of their own. The same terms and conditions that apply to individuals eligible for regular unemployment insurance apply to UCFE claimants. For additional general information about the State Unemployment Insurance (UI) program, see the **Appendix – Unemployment Insurance**.

**State Fiscal Effect:** The bill has no effect on UCFE or UI benefits, although loans from the Federal Government Employee Assistance Loan Fund supplement benefits from UCFE that are available to federal employees who are laid off.

There are approximately 160,000 civilian federal jobs in Maryland. Virginia and the District of Columbia each have around 190,000 federal jobs, and many Marylanders commute to those jurisdictions. (These employment counts do not include classified agencies like the National Security Agency in Maryland and the Central Intelligence Agency in Virginia.) An analysis of tax year 2021 data by the Comptroller's Office found about 256,000 Marylanders received a federal W-2, representing about 8% of taxpayers. Thus, a significant number of State residents are federal employees who may become eligible for loans under the Federal Government Employee Assistance Loan Fund Program if they are terminated due to the closure, relocation, or mass layoff of a unit of the federal government, or other similar circumstances beyond the employees' control. MD Labor estimates that more than 10,000 former federal employees may apply for loans.

### *General Funds*

The Federal Government Shutdown Employee Assistance Loan Fund may only be used to provide no-interest loans, so general funds are needed to administer the program. Thus, general fund expenditures for MD Labor's Office of the Secretary increase by \$1.3 million in fiscal 2026, which accounts for the bill's July 1, 2025 effective date. This estimate reflects the cost of hiring 10 contractual claims processors to process loans. It includes

salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes \$550,000 for MD Labor to contract with an information technology (IT) vendor to maintain a cloud-based application platform and also provide project management services, data analytics, and customer support.

Contractual Positions	10
Salaries and Fringe Benefits	\$682,891
IT Vendor Expenses	550,000
Other Operating Expenses	<u>76,450</u>
<b>Total FY 2026 General Fund Expenditures</b>	<b>\$1,309,341</b>

This analysis assumes contractual employees are only needed in fiscal 2026 as MD Labor expects the majority of federal layoffs to occur within the first year. MD Labor also anticipates using 10 existing full-time employees from its divisions to assist with application submissions and provide in-person support, similar to how MD Labor operated the Port of Baltimore Worker Support Program. To the extent that these employees work in federally funded programs, general fund expenditures increase further to reimburse federally funded programs for their time. To the extent loans are needed beyond fiscal 2026, existing MD Labor employees can likely continue the program if needed.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

As discussed below, the bill is likely to deplete the \$10.0 million fund balance of the Catastrophic Event Account. To the extent that loan repayments do not fully replenish the fund, general fund expenditures may increase, up to \$10.0 million in fiscal 2027, to replenish the Catastrophic Event Account. However, any such funding is discretionary and not included in this analysis.

*Special Funds*

Under current law, the Federal Government Shutdown Employee Assistance Loan Fund Program has not been launched and written policy guidance has not been issued. However, MD Labor advises that, under the current program, eligible federal employees would be able to receive a \$700 no-interest loan, as currently constructed. If a federal shutdown were prolonged and funding remained, a second loan could be offered. Loans would be due to be repaid to the State once the shutdown had ended and after they had received back pay for the shutdown period. The bill does not specify the terms of the loans under the Federal Government Employee Assistance Loan Fund Program, but they are likely similar to those under the current program.

The Catastrophic Event Account has a fund balance of \$10.0 million; assuming 10,000 loan recipients and \$700 loan amounts, the program initially requires transfers from the account

of \$7.0 million. However, if the number of loan applicants exceeds that estimate, or if MD Labor allows for a second round of loan applications, the program likely uses the full \$10.0 million in the account. This analysis, therefore, assumes that the Governor transfers \$10.0 million from the Catastrophic Event Account for the program, so special fund expenditures from that account increase by \$10.0 million in fiscal 2026. Special fund revenues increase correspondingly to reflect the transfer from the Catastrophic Event Account to the Federal Government Employee Assistance Loan Fund. Special fund expenditures increase to provide no-interest loans to former federal employees in fiscal 2026, and special fund revenues increase as those loans are repaid, likely in fiscal 2026 and 2027. However, MD Labor expects a low repayment rate because it may be difficult for loan recipients to repay the loans even once they find new employment due to the period of unemployment. The actual amounts and exact timing cannot be predicted.

Additionally, under current law, any interest generated by the Catastrophic Event Account is credited to Rainy Day Fund. Accordingly, special fund revenues to the Rainy Day Fund decrease minimally in fiscal 2026 as a result of funding being transferred from the Catastrophic Event Account.

To the extent State residents are terminated from employment by the federal government due to the closure, relocation, or mass layoff of a unit of the federal government, or other similar circumstances beyond the employees' control beyond fiscal 2026, special fund revenues and expenditures increase in the out-years to provide additional loans; as those costs are uncertain, they are not reflected in this analysis.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** SB 683 (Senator Charles, *et al.*) - Budget and Taxation.

**Information Source(s):** Maryland State Treasurer's Office; Department of Budget and Management; Maryland Department of Labor; U.S. Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2025  
caw/mcr

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## Appendix – Unemployment Insurance

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### *Program Overview*

Unemployment Insurance (UI) provides temporary, partial wage replacement benefits of up to \$430 per week to individuals who are unemployed through no fault of their own and who are willing to work, able to work, and actively seeking employment. Both the federal and state governments have responsibilities for UI programs. Generally, funding for the program is provided by employers through UI taxes paid to both the federal government for administrative and other expenses and to the states for deposit in their UI trust funds. Using federal tax revenues, the UI program is administered pursuant to state law by state employees. The Maryland Department of Labor's (MD Labor) Division of Unemployment Insurance administers the State's UI program.

Each state law prescribes the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws must, however, conform to broad federal guidelines.

### *Employer Contributions*

Most Maryland employers pay State UI taxes, although State and local governments and some nonprofit organizations reimburse the Unemployment Insurance Trust Fund (UITF) for claims paid in lieu of paying taxes. Therefore, for most Maryland employers, the State UI tax rate is a function of:

- the employer's specific unemployment claims history; and
- the applicable tax table, which is based on the State's UITF balance and applies to most taxable employers.

**Exhibit 1** shows the range of State UI taxes a typical employer owes based on the tax table in effect; there are other rates for new employers and in other limited circumstances. State UI taxes and reimbursements are typically due quarterly. As UI taxes are applied to the *first* \$8,500 earned by each employee, each calendar year, the first two quarterly tax payments are typically the largest.

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**Exhibit 1**  
**Tax Tables and Applicable Employer Tax Rates**

Tax Table	As of Sept. 30, if the Trust Fund Balance, As a Percentage of Taxable Wages		Trust Fund Balance (\$ in Millions)		Then Next Year's Tax Rates Range from			Annual Tax Per Employee (Rate x \$8,500)		
	Exceeds	Up to	Exceeds	Up to	No Claims	Single Claim	Up to	No Claims	Single Claim	Up to
	A	5.00%	n/a	\$1,067.8	n/a	0.30%	0.60%	7.50%	\$25.50	\$51.00
B	4.50%	5.00%	961.0	\$1,067.8	0.60%	0.90%	9.00%	51.00	76.50	765.00
C	4.00%	4.50%	854.2	961.0	1.00%	1.50%	10.50%	85.00	127.50	892.50
D	3.50%	4.00%	747.5	854.2	1.40%	2.10%	11.80%	119.00	178.50	1,003.00
E	3.00%	3.50%	640.7	747.5	1.80%	2.60%	12.90%	153.00	221.00	1,096.50
F	0.00%	3.00%	0.0	640.7	2.20%	3.10%	13.50%	187.00	263.50	1,147.50

Notes: Fund balance threshold dollar amounts are based on the 2023 taxable wage base and are subject to modest changes each year. State law also generally requires a federal solvency goal to be met prior to moving to a tax table with lower rates (*i.e.*, from Table F to Table A). The federal solvency goal, which is designed to ensure the State's ability to pay claims during periods of high unemployment, is approximately \$1.7 billion and varies with the total wages paid in the State and benefits paid during recent recessions.

A "single claim" represents the tax rate applicable to the lowest possible rate associated with nonzero (.0001 to .0027) benefit ratios. Taxes are applied to the first \$8,500 earned by each employee, each year; compensation less than that amount reduces taxes owed accordingly.

Table F was in effect in 2021 due to the COVID-19 pandemic; prior to that, Table A had been in effect since 2016. Table C was in effect in 2022 and 2023 pursuant to Chapter 73 of 2021, which also resulted in an \$830 million infusion of federal funds into the trust fund in 2021. Table A was in effect in 2024 and is once again in effect in 2025.

As of January 1, 2025, the trust fund balance was \$1.9 billion.

Source: Department of Legislative Services

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***Benefit Payments***

Generally, the weekly benefit amount a claimant is eligible for is based on the quarterly wages that the claimant was paid for covered employment in the calendar quarter of the claimant's base period in which those wages were highest. The base period is the first four of the last five completed calendar quarters immediately preceding the start of the benefit year, or, if the individual does not qualify under that definition, the four most recently completed calendar quarters immediately preceding the start of the benefit year.

Weekly benefit amounts range from \$50 to \$430 per week, based on earnings in the base period. There is also a dependent allowance of \$8 per dependent, for up to five dependents, although the allowance cannot raise the weekly benefit amount above \$430. The first \$50 of any wages earned by an individual receiving UI benefits in a given week is disregarded for purposes of calculating the weekly benefit amount, after which the benefit payment is reduced dollar for dollar. These amounts do not adjust for inflation. Generally, during a benefit year, a claimant is entitled to 26 times the claimant's weekly benefit amount. During periods of high unemployment, extended benefits may also be available.

### *2021 Legislation Enhanced and Required Evaluation of the State Unemployment Insurance System*

The unprecedented volume of claims and benefit payments due to COVID-19 strained the State UI system to its limit, which raised numerous concerns about the system's ability to effectively meet the needs of claimants and employers. Consequently, during the 2021 legislative session, the General Assembly required several system reforms, including an [MD Labor-led study](#) regarding various longer-term reforms.