

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1510 (Delegate Grammer, *et al.*)
 Economic Matters

Unemployment Insurance - Fraud Prevention, Detection, and Enforcement

This bill enhances requirements related to the prevention, detection, and enforcement of unemployment insurance (UI) fraud in the State. Among other things, the bill requires the Maryland Department of Labor (MD Labor) to (1) incorporate multifactor authentication (MFA) for all claimants and employers accessing UI accounts and (2) investigate specified types of suspected UI fraud. It requires every claimant to submit proof of identification at the time of filing for benefits, increases penalties for UI fraud, and authorizes the recovery of overpaid benefits and penalties by withholding State income tax refunds. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special and federal fund expenditures increase by \$803,600 in FY 2027 for staff and one-time information technology (IT) costs. Out-year costs reflect annualization, inflation, and termination of one-time costs. Special fund revenues may increase minimally from increased penalties, as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
SF/FF Exp.	803,600	746,500	782,100	817,900	853,700
Net Effect	(\$803,600)	(\$746,500)	(\$782,100)	(\$817,900)	(\$853,700)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Multifactor Authentication

In administering the State UI program, MD Labor must require MFA for any publicly accessible website or online portal that the department uses to facilitate the submission, processing, or payment of UI benefits. Claimants and employers must use at least two verification factors to gain access to any account used on the website or online portal.

Flagging Certain Claims for Additional Review

The Secretary must identify and review certain claims, specifically those in which a claimant (1) enrolls in direct deposit using a bank account identical to one used for a different claimant or a different benefit year within the preceding six months; (2) provides a mailing address already in use by another claimant with a pending claim or active benefit; or (3) files a claim from an Internet address based outside the State or identical to the address associated with an existing claim for a different claimant. In such situations, the Secretary must take additional actions:

- contact the claimant by telephone to confirm submission of the claim;
- attempt to contact the claimant's former employer by telephone to verify the claimant's employment status; and
- confirm the claim meets all other eligibility requirements.

If the Secretary identifies a claim requiring such additional review, benefits may not be paid to a claimant until that review is complete. However, if the Secretary is unable to reach an employer during a required review and fraud is not suspected, the Secretary may conclude the review and allow the claim to proceed. The Secretary must further adopt procedures to carry out these requirements.

Identification Requirements

To be eligible for benefits, a claimant must provide one of the following forms of identification when filing an initial claim:

- a driver's license;
- a State identification card;
- a Social Security card;
- a birth certificate;

- a passport;
- a marriage certificate;
- a military identification card;
- a veteran identification card;
- a professional license issued by a governmental entity;
- a passport card;
- a tribal identification card; or
- a pilot's license.

If presented in person, the department must make a copy of the identification provided and return it to the claimant. If filing online, the claimant must submit a scanned copy of the identification required with the initial claim.

Disqualification for Specified Reasons

An individual who is otherwise eligible for benefits is disqualified if the Secretary finds that (1) the claimant failed to submit identification as required during the initial claim filing; (2) the identity of the claimant cannot be verified because the name does not match the name on the initial claim; or (3) a mandatory review results in a determination of suspected fraud. A disqualification begins with the first week the claimant was otherwise eligible to receive benefits and remains in effect either until the claimant submits valid identification that matches the name on the initial claim or, in the case of suspected fraud, for the remainder of the benefit year.

Penalties for Fraud

The bill increases the monetary penalty for a person who makes a false statement or fails to disclose a material fact in an attempt to receive or increase a UI benefit from 15% of the benefit unlawfully received to 20%, as specified. In addition, the individual is disqualified from receiving UI benefit for at least 10 years. The Central Collection Unit (CCU) is authorized to collect UI overpayments caused by fraud, and the Comptroller is authorized to withhold income tax refunds to recover UI overpayments caused by fraud.

Mandatory Referral of Fraud Cases to Law Enforcement

“Final determination” means the determination in a matter after the exhaustion of all authorized administrative appeals.

If a final determination is made that a person has committed a violation, MD Labor must (1) refer the matter to the appropriate federal, State, or county law enforcement agency for prosecution within 30 days of the determination and (2) include in the referral the name

and contact information of the suspect along with any other information in the department's possession relating to the suspected violation. For an individual employed by a governmental unit or a contractor who is found to have committed fraud, MD Labor must notify the individual's employer of the final determination. The employer must initiate proceedings to terminate the individual's employment.

Annual Integrity Report

MD Labor must submit a comprehensive annual report to the Governor and the General Assembly detailing fraud prevention and enforcement efforts from the preceding fiscal year. The annual report, due by January 1, must include:

- the number of ineligible claimants detected and the estimated dollar savings resulting from the detections, as specified;
- the number of claimants who received benefits because the department could not establish contact with an employer during the review;
- the total amount of fraudulent benefits paid to claimants;
- for all improper payments not recovered due to fraud, a list of the four primary reasons the department was unable to recover the payments; and
- the number of suspected fraud cases referred to law enforcement, including the agencies involved, the dates of referral, and the benefit amounts associated with each case.

The Secretary must publish the report on the department's publicly accessible website.

Current Law: For general information on the State's UI program, including information on the weekly benefit amount and recently enacted legislation, see the **Appendix – Unemployment Insurance**.

Required Actions in Administering the Unemployment Insurance Program

In administering the State UI program, MD Labor must establish and maintain a plan for ongoing investment in technology.

The Secretary of Labor must submit an annual report on the UI program to the Governor by January 1 each year. The annual report must include:

- a balance sheet for the UI Trust Fund;
- a table that shows the amount of any benefit that was ineffectively charged or not charged to the experience rating record of an employer;

- the reason for not charging the amount of any benefit to the experience rating record of an employer;
- by category of disqualification, the amount of any benefit that was paid after a disqualification for specified reasons; and
- any recommendation for an amendment to the UI statute that the Secretary considers proper.

Recovery of Benefits

The Secretary is authorized to recover benefits paid to a UI claimant if the Secretary finds that the claimant was not entitled to the benefits. If a claimant knowingly made a false statement or representation or knowingly failed to disclose a material fact to obtain or increase a benefit or other payment, the Secretary may recover (1) all benefits paid to the claimant for each affected week; (2) a monetary penalty of 15%; and (3) interest.

The Secretary must adhere to various processes and timelines related to appeals made by a claimant and the Secretary's recovery of the benefits. For overpayment recoveries related to fraud, the Secretary may recover amounts (1) through civil action; (2) through other reasonable means of collection; or (3) if the deduction is made by another jurisdiction under an intergovernmental agreement providing for the recovery of overpaid benefits, by deduction from future benefits (excluding the monetary penalty and interest). CCU is barred from collecting any UI contribution or overpayment.

The Secretary may recover, under a governmental offset agreement, an overpayment of benefits paid to any claimant under the UI law of another state or a federal UI benefit program.

Administrative Fee

Chapter 604 of 2025 (the Budget Reconciliation and Financing Act of 2025) established a new administrative fee of 0.15% on the taxable wage base of all taxable employers beginning January 1, 2026. Revenues from this fee are deposited into the Special Administrative Expense Fund (SAEF) in MD Labor and can only be used for specified administrative expenses of the department's Division of Unemployment Insurance (DUI), including those to collect and administer the fee. Thus, beginning in fiscal 2026, special fund revenues for MD Labor (specifically, SAEF) increased by approximately \$33.0 million annually.

Debt Referral and Tax Refund Withholding

CCU may (1) certify a debt subject to collection to the Comptroller and (2) request the Comptroller to withhold the certified amount from any income tax refund to which a debtor

is entitled. A debt may not be withheld if the Attorney General has advised that (1) the validity of the debt is legitimately in dispute or (2) an alternate means of collection is pending and believed to be adequate.

The Department of Budget and Management must establish by regulation those classes or categories of debts, including any minimum debt amount that may be referred to CCU for withholding.

State Revenues: MD Labor advises that SAEF revenues may increase due to the bill's adjustment of the civil penalty from 15% to 20%. This five-percentage point change represents a 33% increase in the penalty portion of the assessment. Because fraud assessments fluctuate annually and collection rates vary based on claimant solvency and enforcement tools, a reliable estimate of the revenue increase is not feasible but is expected to be minimal.

State Expenditures: The bill establishes new mandatory procedures for investigating suspected UI fraud and assessing penalties that significantly affects DUI operations, including the timeliness of claims processing. Existing personnel cannot absorb this workload due to current claim processing volumes and existing fraud investigation responsibilities. Therefore, additional staffing is required. In addition, DUI must reprogram the BEACON management system to accommodate MFA and to store and verify electronic copies of forms of personal identification submitted with benefit claims. These costs are assumed to be shared between SAEF and federal funding for administrative costs.

Therefore, special and federal fund expenditures increase by \$803,641 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring 10 professional I positions to perform the expanded identity verification reviews, manual document processing, protest reviews, and additional fraud-related adjudicatory actions required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes one-time IT costs to reprogram BEACON to accommodate MFA and other applications required by the bill.

Positions	10.0
Salaries and Fringe Benefits	\$557,588
IT Costs	154,645
Other Operating Expenses	<u>91,408</u>
Total FY 2027 State Expenditures	\$803,641

Future year expenditures reflect (1) full salaries with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) termination of one-time IT costs.

Additional Comments: The bill's requirement to immediately withhold benefits during a fraud review may raise a federal conformity and compliance risk. While immediate withholding of benefits is current practice for new claimants, federal guidance requires notice, an opportunity for hearing, and a determination of fraud before *stopping* payments to an individual in continued claims status who has previously been determined eligible.

Additional Information

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

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Budget and Management; Maryland Department of Labor; Department of Legislative Services

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jg/mcr

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Appendix – Unemployment Insurance

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.

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	\$1,043.8	n/a	0.30%	0.60%	7.50%	\$25.50	\$51.00
B	4.50%	5.00%	939.4	\$1,043.8	0.60%	0.90%	9.00%	51.00	76.50	765.00
C	4.00%	4.50%	835.0	939.4	1.00%	1.50%	10.50%	85.00	127.50	892.50
D	3.50%	4.00%	730.6	835.0	1.40%	2.10%	11.80%	119.00	178.50	1,003.00
E	3.00%	3.50%	626.3	730.6	1.80%	2.60%	12.90%	153.00	221.00	1,096.50
F	0.00%	3.00%	0.0	626.3	2.20%	3.10%	13.50%	187.00	263.50	1,147.50

n/a: not applicable

Notes: Fund balance threshold dollar amounts are based on the 2024 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 went into effect starting in 2024 and will remain in effect through 2026.

As of January 1, 2026, the trust fund balance was \$1.9 billion.

Source: Department of Legislative Services

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.

2025 Legislation Established Administrative Fee, Reducing Future Trust Fund Revenues

Chapter 604 of 2025 (the Budget Reconciliation and Financing Act) established, beginning January 1, 2026, an administrative fee of 0.15% on each taxable employer, while generally reducing the UI tax rate assigned to each taxable employer by the same amount. The administrative fee accrues to a special fund and is to be used by MD Labor for specified administrative expenses. While there is generally no effect on the total amount each taxable employer pays to MD Labor each year, the reallocation was estimated to reduce UITF revenues by approximately \$33.0 million annually.