



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**HB 1138 - Unemployment Insurance – Maryland Department of Labor – Accountability and Oversight**

SPONSOR TESTIMONY

Cross-file: **SB 818**

House Economic Matters Committee, February 23, 2021

Chairman Davis, Vice Chair Dumais and Members of the Committee,

**House Bill 1138** is an important bill that will enable the Division of Unemployment Insurance in the Department of Labor to respond quickly to a drastic increase in unemployment claims.

The number of workers that were furloughed or laid off between March and April of 2020 due to COVID-19 was staggering and unprecedented. There would have been delays no matter what the Department did, simply because of the sheer volume of new claims.

However, claimants experienced undue delays. We have all heard and felt the struggles and concerns of everyone affected and the common theme that emerged is that there is a lack of meaningful information on outstanding claims and claims processing. We do not know how the Department is operating, or how long it takes to get things done.

Marylanders deserve a Department of Labor that operates in an open and transparent manner.

After countless hours of working with the Department, legislators, staff, businesses, and claimants over the last 11 months, it is my firm belief that we must require an established emergency plan and greater transparency to make the necessary improvements to our UI system. When an agency is prepared for the unexpected, the agency is in a better position to operate with fewer disruptions to threats outside of their control.

**House Bill 1138** does two things to address this. First, it will establish a reporting mechanism to provide greater transparency, and second, it establishes a "Disaster Plan" to ensure the Division of Unemployment Insurance responds more quickly, provides greater transparency to individuals seeking assistance, and maintains the resources needed to handle drastic and sustained increases in unemployment claims.

1. **Reporting:** Ongoing, enhanced monthly reporting from the Secretary of Labor to the Presiding Officers, the Senate Finance Committee, and the House Economic Matters Committee will include:
  - the balance sheet for the Unemployment Insurance Fund; and

- the numbers of claims from the preceding month, including (1) claims filed; (2) claims pending adjudication; (3) claims resolved since the preceding month; (4) final claim determinations; and (5) total claims processed.

In addition, we are requesting an amendment to expand the weekly reporting that is available through the Department's website to include the (1) number of open claims, (2) number of claims that have been unresolved for more than 21 days, and (3) number of claims closed. The purpose for this detailed reporting is to provide greater transparency as well as to provide the Department with an additional snapshot to help identify areas that require their focus.

## 2. Disaster Plan

Currently, the only trip-wire for drastic increases in claims is the "extended benefits" period, which increases the federal funding for claims throughout the duration of the extended benefits period, but does not go into effect unless the increase lasts for 12 weeks, and does not address constraints that the Department faces in those scenarios.

There is currently no emergency plan for pivoting from regular operation to emergency mode to reorganize, staff up, or make process adjustments that will facilitate the processing of claims during such an overload. **HB 1138 establishes a "trigger" to put the State on notice that a UI disaster is occurring.** Once the unemployment rate in the State is 6% or more for a period of four weeks, the bill's disaster plan requirements will kick in beginning that fifth week. The attached amendment reflects this updated trigger language. The Assistant Secretary will initiate and implement the disaster plan, and will assume oversight of the UI system for the duration of the disaster. The plan will remain in effect until the Department is in compliance with federal guidelines that require the Department to issue at least 87% of first payments within 21 days.

### The components of the plan are:

- **A disaster reporting function.** The Department will issue a "disaster report" to the Presiding Officers, Senate Finance Committee, and House Economic Matters Committee within 7 days of the determination that a "disaster" is occurring within the UI system, and will provide a follow-up report every 30 days during the disaster. The report will include:
  - a. The department's plan for navigating the disaster;
  - b. Anticipated staffing needs over next 30, 60, and 90 days and their plan to meet that need;
  - c. The Unemployment Insurance Trust Fund balance before the disaster began and its current balance; and
  - d. An update on federal administration support and funding.
- **Exempt the Department from requirements under the State Finance and Procurement Article for Staffing and Require Increased Staffing.** Having this plan in place gives them the opportunity identify in advance - before a disaster occurs - how they would contract temporary staff or borrow staff from another agency to begin within first 30 days.

We all hope that we never experience this type of devastation to the workforce again, whether by pandemic, severe economic conditions, or any other unforeseen circumstance. But having a contingency plan can make the difference between temporary discomfort and long-term devastation. I think this bill will help establish a framework for preparedness in the face of a disaster.

**For this reason, I strongly urge a favorable report for HB 1138.**