Senate Bill 985 - SUPPORT

Maryland General Assembly
Economic Matters Committee

March 31, 2022

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Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

My name is Joe Horvath, and I am a visiting fellow at Opportunity Solutions Project (OSP). OSP is a non-profit, non-partisan advocacy organization dedicated to advancing policies that reduce barriers to work and help people move from welfare to work.

Thank you for hearing this legislation before your committee, and for allowing me to submit this testimony in support of Senate Bill 985.

First, and forgive me for stating the obvious: The pandemic has created an unprecedented challenge for state workforce agencies and the unemployment systems they manage. Unemployment fraud has spiked all over the country. That includes stories like $40 million in unemployment benefits to prison inmates in Virginia, and its workforce agency describing the level of fraud as "unprecedented."[1-2] It also includes Scattered Canary, a foreign fraud ring that allegedly stole more than $600 million in benefits from the state of Washington, and even posted a how-to guide for defrauding Texas.[3-4]

Maryland, of course, has not been immune, with the Maryland Department of Labor having flagged more than two million claims as potentially fraudulent. Attempts at fraud were so pervasive that the state police felt the need to offer citizens guidance.[5-6]

OSP supports all measures to protect unemployment systems from waste, fraud, and abuse. Unemployment fraud is stealing from people who are already out of work. Making sure that resources are safe and available for legitimate claims is paramount. Further, unemployment fraud makes a state's trust fund less solvent, risking higher unemployment taxes on top of the initial theft. Therefore, a single case of fraud really hurts claimants and employers more than once.

The fact that Maryland leaders are taking the problem seriously is highly encouraging. In addition to enhancing punitive measures to deter unemployment fraud, the General Assembly should consider codifying additional, federally recommended measures to safeguard its system, like the measures recently passed unanimously in Virginia, or those passed by 13 other legislatures, from Vermont, to Louisiana, to Ohio.

I urge you to support Senate Bill 985. Thank you.

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[1] Frank Green, "Estimated $40 million in unemployment paid by VEC on claims filed in the names of prisoners," Richmond Times-Dispatch, https://richmond.com/news/state-and-regional/estimated-40-million-in-unemployment-paid-by-vec-on-claims-filed-in-the-names-of/article_67f444ae-d261-52db-8c4c-82cc10aac432.html#:~:text=The%20Virginia%20Employment%20Commission%20believes%20it%20paid%20out,behalf%20of%20prison%20inmates%2C%20according%20to%20federal%20authorities.

[2] Tannock Blair, "Youngkin and Miyares announce agreement to prosecute Virginia's fraudulent unemployment claims," WRIC Richmond, https://www.msn.com/en-us/news/us/youngkin-and-miyares-announce-agreement-to-prosecute-virginias-fraudulent-unemployment-claims/ar-AAUUPOR?ocid=uxbndlbing.

[3] Kim Malcolm and Andy Hurst, "Washington state auditor's report details unemployment fraud," KUOW, https://www.kuow.org/stories/washington-state-auditor-s-report-details-unemployment-fraud.

[4] Brian New, "Nigerian cybercriminal gang targets Texas unemployment system," CBSDFW.com, https://dfw.cbslocal.com/2021/05/26/nigerian-cybercriminal-gang-texas-unemployment-system/.

[5] Maryland Department of Labor, "Maryland has detected over 500,000 potentially fraudulent unemployment claims in last six weeks," Maryland Department of Labor (2021), https://www.labor.maryland.gov/whatsnews/uifraudsixweeks.shtml.

[6] Maryland State Police, "Maryland State Police, Department of Labor warn public of unemployment insurance, other monetary scams, Maryland State Police (2021), https://news.maryland.gov/msp/2021/03/30/maryland-state-police-department-of-labor-warn-public-of-unemployment-insurance-other-monetary-scams/.