

SB 985_MDL_Letter of Support.docx (1).pdf

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Senate Bill 985

Date: March 17, 2022
Committee: Senate Finance Committee
Bill Title: Labor and Employment - Unemployment Insurance Violations - Penalties
Re: Letter of Support

During the pandemic, the Maryland Department of Labor dealt with an unprecedented number of claims. By many estimates, a majority of the claims filed were fraudulent. To date, our UI fraud prevention team has flagged nearly 1.8 million claimants - and 2.3 million total claims - as potentially fraudulent.

It is true that the majority of fraudulent claims seeking to take advantage of the state and federal dollars made available under pandemic UI programs are filed by entities located outside of the United States and in jurisdictions which do not readily comply with international and bilateral agreements regarding fraud enforcement. Deterring and penalizing the type of unemployment insurance fraud seen on a massive scale during the pandemic requires action by the federal government in conjunction with foreign law enforcement agencies.

However, the agency has also seen fraudulent claims and schemes from individuals and entities within Maryland. Thankfully, within the United States, state workforce agencies, including the Maryland Department of Labor, and states' Attorneys General and justice agencies have strong working relationships and avenues through which to find and prosecute individuals who commit Unemployment Insurance fraud. To that end, Senate Bill 985 (SB 985) seeks to strengthen the criminal penalties for unemployment insurance related offenses.

Penalties can serve as highly effective deterrent measures against fraud, and decreasing the number of fraudulent filings plays a crucial role in improving the Unemployment Insurance system's function during periods of increased filing (such as during the COVID-19 Pandemic) or during true emergencies.

Unfortunately, the portions of the law dictating fines for fraud have not been updated since the 1986 Session of the Maryland General Assembly. In the case of fines, this is a particular concern. Since 1986, the dollar has experienced inflation of nearly 138%. Prior to 1986, the relevant section only included a mandatory minimum fine of \$250 for fraudulent claims.

One of the recommendations made by the Department of Labor to the General Assembly via the Final Report required under HB 907 (2021) was, ultimately, that penalties for Unemployment Insurance fraud be updated in order to ensure that they are fair, sufficiently strict, and act

effectively to discourage would-be fraudsters. This would best serve the interests of Maryland taxpayers and employers.

To that end, the Department supports SB 985 with the sponsor's amendments and respectfully requests that the Committee give SB 985 a favorable report. .

SB985_OSP_FAV.pdf

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Position: FAV



Senate Bill 985

Maryland General Assembly
Senate Finance Committee

March 17, 2022

Joe Horvath
Visiting Fellow
Opportunity Solutions Project

Chair Kelly, Vice Chair Feldman, and Members of the 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.

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/>.

SB985 Hershey Testimony_FAV.pdf

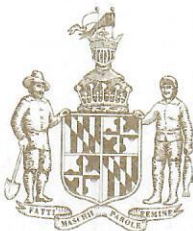
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The Senate of Maryland
ANNAPOLIS, MARYLAND 21401

March 16, 2022

The Honorable Delores Kelley
Finance Committee

Senate Bill 985 – Labor and Employment – Unemployment Insurance Violations - Penalties

Dear Chairwoman and Members of the Committee:

One of the recommendations made by the Department of Labor to the General Assembly in their Final Report required under HB 907 was to update the Unemployment Insurance Fraud penalties. Senate Bill 985 does just that and increases the penalties for unemployment insurance violations.

The goal is to deter unemployment insurance fraud and this portion of Maryland's law has not been updated since 1986. Maryland has flagged nearly 1.8 million claimants and 2.3 million total claims as potential fraud. Currently, Maryland has no mandatory minimum fine in place for Unemployment Insurance Fraud and its maximum fine is \$1,000 (One of the lowest in the country). SB 985 retains the existing incarceration penalty but increases the fine to at least \$600 but no more than \$2,300.

I have an amendment in file for Senate Bill 985 to bring this language more in line with 13 other states and are the federal recommendations from the US Department of Labor. Also another amendment saying that The Department shall report to the General Assembly each year on the implementation and enforcement of these recommendations.

I ask for a favorable consideration for Senate Bill 985.