
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. .