NATIONAL EMPLOYMENT LAW PROJECT

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Testimony of Jenna Gerry

National Employment Law Project

In Support of Maryland HB 140: Unemployment Insurance – Recovery of Benefits – Limitation and Methods

Hearing before the Maryland House

House Economic Matters Committee

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Chair Wilson and Members of the Committee:

Thank you for this opportunity to submit written testimony in support of House Bill 140 – Unemployment Insurance – Recovery of Benefits – Limitation and Methods. My name is Jenna Gerry, and I am a Senior Staff Attorney for the National Employment Law Project (NELP). As explained below, HB 140 is common sense way to ensure the economic security of Maryland workers, their families, and the economy while ensuring Maryland's interest in recovering overpaid unemployment benefits is met.

NELP is a non-profit research, policy, and capacity building organization that for more than 50 years has sought to strengthen protections and build power for workers in the U.S., including people who are unemployed. For decades, NELP has researched and advocated for policies that create good jobs, expand access to work, and strengthen protections and support for underpaid and jobless workers both in the workplace and when they are displaced from work. Our primary goals are to build worker power, dismantle structural racism, and ensure economic security for all.

Unemployment insurance (UI) payments are intended to help jobless workers and their families make ends meet as they seek new employment and to bolster local economies by maintaining consumer spending. When workers receive UI benefits, they typically spend the money immediately on necessities such as groceries or rent, meeting their basic needs, and putting money directly back into local economies. However, workers can be forced to repay the long-spent benefits back if the state agency determines that the benefits, or part of the benefits, were improperly paid. This is known as an overpayment.

Given the complexity of the UI system, it is not surprising that sometimes mistakes happen that lead to overpayments. However, the recovery of overpayments, particularly those that occur due to no fault of the worker, should not undermine the purpose of UI or unfairly punish workers. Unfortunately, current Maryland law allowing the Maryland Department of Labor (MDOL) to take a worker's entire unemployment weekly benefit amount to recoup prior overpayments has this effect. Jobless workers and their families are thus left with no economic support while searching for a new job and Maryland workers and economy suffer as a result.

HB 140 is a straightforward remedy to this problem. By limiting the amount MDOL can take from a worker's UI benefits to recoup a nonfraud overpayment to 50% (25% if benefit payments are under $100), it ensures workers will continue to be able to afford necessities, as well as have the means to look for and find the job that best matches their skills, while also allowing MDOL to recoup prior overpayments, just over a longer period of time. This creates stability for workers and the state. Moreover, as this is limited to nonfraud overpayments – those that were not due to any fraud on behalf of the worker—it does not at all impede MDOL's fraud prevention and recovery efforts.

Twenty-five states already benefit from this common-sense policy approach to overpayment recoupment and it is time for Maryland to join them.[1] Indeed, recognizing the importance of ensuring jobless workers continue to have access to UI when they are in between jobs, Federal law has also adopted this limit for recovery of overpaid federal benefits.[2] HB 140 would thus align Maryland law with Federal law and ensure workers who received UI benefits during the pandemic were treated the same in overpayment recovery efforts, simplifying the process for workers and MDOL alike.

Ensuring jobless workers can maintain a portion of their UI benefits is particularly important for Black, Latinx, and other workers of color in Maryland. Due to historic exclusions from wealth-building opportunities over generations, Black and Latinx workers are less likely than white households to have sufficient personal wealth or savings to cushion the blow of unemployment.[3] For every dollar in wealth held by the typical white family, the typical Black family has just 12 cents, while the typical Latinx family has 21 cents.[4] Similarly, benefit cliffs—the abrupt reduction or loss of a public benefit—lead to higher rates of food and housing insecurity, disproportionately affecting families of color the most. Thus, it is imperative Maryland ensure these workers have access to some economic support when they are in between jobs.

For all these reasons, I urge your support for HB 140.

Sincerely,

Jenna Gerry
Senior Staff Attorney

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[1] U.S. Department of Labor, Employment & Training Administration, Comparison of State Unemployment Laws 2022, Overpayments, Table 6-2: Recovery of Nonfraud Overpayments, https://oui.doleta.gov/unemploy/pdf/uilawcompar/2022/overpayments.pdf.
[2] Unemployment Insurance Program Letter (UIPL) 20-21, https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL_20-21.pdf.
[3] Angela Hanks, Danyelle Solomon, and Christian E. Weller, "Systemic Inequality," Center for American Progress, February 21, 2018, https://www.americanprogress.org/article/systematic-inequality/.
[4] Ana Hernandez Kent and Lowell Ricketts, "Wealth Gaps between White, Black and Hispanic Families in 2019," Federal Reserve Bank of St. Louis, January 5, 2021, https://www.stlouisfed.org/on-the-economy/2021/january/wealth-gaps-white-black-hispanic-families-2019.