



THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 140 Unemployment Insurance – Recovery of Benefits – Limitation and Methods

Unemployment insurance has helped many Maryland families in a time of dire need, proving to be a particularly important benefit as we navigated the COVID-19 pandemic. Unfortunately, a number of Marylanders who relied on this lifeline have been told they need to repay part or all of the unemployment benefits they received because of an overpayment.

Overpayment of unemployment benefits may occur due to no fault of the claimant, including agency or employer error, changing regulations, and confusing guidance.¹ It is in these cases – when no fraud has occurred – that this bill seeks to cap the Department of Labor’s recovery of overpayments at 50 percent of a claimant’s weekly benefit amount. HB 140 strikes a careful balance in allowing the Maryland Department of Labor to continue to recover the full amount of an overpayment of unemployment benefits over time while ensuring each Marylander still receives some weekly benefits to help pay for their everyday needs.

HB 140 Aligns Maryland With Federal Law and Other States

Overpayments increased throughout the pandemic due to a flood of new claims and increased options for relief, particularly for those who would not normally qualify for unemployment. The increase in the number of claims coupled with emerging federal programs, flooded an already overburdened system, resulting in significant numbers of overpayments.²

Federal law dictates how states may recover overpayments for federal unemployment programs, but not for state unemployment programs. Each state is allowed to establish its own rules for its own unemployment insurance programs with regards to how it collects overpayments.

Current Maryland law allows the Department of Labor to offset 100 percent of a weekly benefit amount until an overpayment balance is paid off.³ Consequently, when an overpayment occurs, a claimant’s benefits are entirely withheld and applied toward the overpayment. Recovering 100 percent of each week’s benefit amount leaves a claimant without any unemployment benefits

¹ <https://s27147.pcdn.co/wp-content/uploads/Overpayment-Waiver-Factsheet-2022.pdf>

² Baltimore Sun: [Unemployment payments kept them afloat during COVID. Now Maryland wants money back.](#)

³ Labor and Employment §8-809 and COMAR 09.32.07.04

until the overpayment is fully paid off, putting them in a precarious position where they have no money to pay for rent, food, and other basic needs.

Maryland's law is inconsistent with federal unemployment programs. Federal law caps recovery offsets at 50 percent for federal unemployment programs, including Pandemic Unemployment Assistance, Federal Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, and Mixed Earner Unemployment Compensation.⁴

Moreover, 25 other states⁵ cap recovery offsets at 50 percent or less in cases of non-fraud overpayments so that claimants still receive at least partial benefits to support their basic needs, like food and rent.⁶ These states still recover the entirety of unemployment overpayments, just over a longer period of time than Maryland.

What This Bill Does

- Limits the Department of Labor to recovering no more than 50 percent of a claimant's weekly benefit amount.
- If a weekly benefit amount is \$100 or less, then the recovery offset is limited to 25 percent.
- The Department of Labor will still recoup the entirety of the overpayment.
- These limitations only apply to non-fraud overpayments.

By allowing claimants to receive a portion of their weekly benefits, claimants can avert potential financial crises arising from a loss of benefits. Punishing Marylanders for an honest mistake or an error out of their control runs counter to the purpose of unemployment insurance. This bill would support Marylanders in their time of need while still allowing the Department of Labor to recoup the totality of overpayments.

⁴ https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2021/UIPL_20-21.pdf

⁵ AZ, CA, CO, CT, DE, GA, IL, IN, KY, ME, MA, MI, MN, MT, NV, NH, NJ, NM, NY, NC, ND, PA, UT, VA, WA

⁶ <https://oui.doleta.gov/unemploy/pdf/uilawcompar/2021/overpayments.pdf>