



**MARYLAND
LEGAL AID**

Advancing
**Human Rights and
Justice for All**

Senate Bill 136

Unemployment Insurance – Recovery of Benefits – Limitation and Methods

Senate Finance Committee

Hearing on February 21, 2023

Position: FAVORABLE

Maryland Legal Aid (MLA) submits its written and oral testimony on SB 136 at the request of bill sponsor Senator Klausmeier.

MLA is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents. Our 12 offices serve residents in each of Maryland's 24 jurisdictions and handle a range of civil legal matters, including unemployment benefits, which helps Marylanders provide for their families and contribute to community stability.

MLA asks that the Committee report **favorably** on SB 136 **without amendments**. Currently, the Maryland Department of Labor (MDOL) *can reduce unemployment benefits to zero*, where a claimant has a previous unemployment overpayment, even though they are not at fault. Current longstanding law permits the State to recover old overpayments by reducing current benefits from a newly unemployed person. SB 136, however, limits overpayment recovery from current benefits to a maximum of 50% of the new weekly benefit or 25% if the new benefit is less than \$100.

An overpayment of any government benefit can occur for many reasons where the recipient is not at fault. Overpayments frequently occur because a state or federal government agency makes a mistake in the administration of their statute. This happens in both State and federal programs, nationwide. For example, the Social Security Retirement, Disability and SNAP programs all process overpayments. Various state and federal laws, regulations and programs such as Social Security Retirement and SNAP govern recovery of benefits, but most of them have systems in place where the recipient is not at fault. Good governance recognizes that it is critically important to make sure that the recovery process maintains a cautious review and does not systematically impoverish people who are not at fault, but who are still entitled to benefits based upon a recipient's moderate or zero income.

Current Maryland law does not proceed cautiously in the unemployment insurance overpayment recoupment process. It does not distinguish between recovery of overpaid benefits by people who are not at fault. SB 136 will ensure that that overpayments are recovered, but without the harshness of leaving an out-of-work person with zero income even though they are currently entitled to benefits.

Furthermore, SB 136 codifies a process that has long existed and that MDOL clearly supported and utilized for decades. Prior to the pandemic, MLA routinely obtained a 50% reduction in benefits from MDOL, in order for our clients to repay a prior overpayment, and also to receive some current benefit that they were eligible to receive for their family. Unfortunately, when the pandemic occurred, MDOL became chaotic. Telephones were no longer answered, employees were no longer available for these discussions, and new MDOL staff never acknowledged this regularly occurring process.

Consequently now, a newly unemployed person can be thrown into poverty by a previous overpayment that is sometimes decades old, that was not their fault. SB 136 rectifies this problem, fairly, at no undue cost to the State.

MLA supports SB 136 bill without amendment and **urges the Committee to issue a FAVORABLE Report.** If you have any questions, please contact Cornelia Bright Gordon, Director of Advocacy, (410) 951-7728, cbgordon@mdlab.org.