Briefing for the Government, Labor and Elections Committee

Maryland Department of Labor
February 10, 2026
11:00 AM

Department of Labor Overview

Mission

The mission of the Maryland Department of Labor (MD Labor) is to connect Marylanders to good jobs; protect workers, consumers, and the public; support Maryland businesses; and foster economic growth and competitiveness.

Department of Labor (MD Labor) Divisions, Part 1 of 2

Unemployment Insurance

Administers temporary wage replacement benefits to eligible workers who lose employment through no fault of their own, while supporting employers' compliance with UI law.

Division of Labor and Industry *

Enforces Maryland's labor, employment, and workplace safety laws, including wage and hour standards, occupational safety and health, and worker protections.

Occupational and Professional Licensing

Licenses and oversees a wide range of occupations and professions to ensure practitioners meet statutory standards for competence, safety, and consumer protection.

Office of Financial Regulation

Regulates and supervises Maryland's financial services industry—including banks, lenders, money transmitters, and consumer financial products—to protect consumers and ensure market stability.

Department of Labor (MD Labor) Divisions, Part 2 of 2

Division of Workforce Development and Adult Education *

Delivers workforce training, career services, and adult education programs to help Marylanders gain skills, credentials, and access to employment opportunities.

Family and Medical Leave Insurance

Administers Maryland's paid family and medical leave program, providing eligible workers with wage replacement during qualifying life and health events.

Governor's Workforce and Development Board

Serves as the state's workforce policy and coordination body, aligning education, training, and economic development strategies with employer and labor market needs.

Horse Racing Commission

Regulates and oversees Maryland's horse racing industry to ensure integrity, animal welfare, and compliance with state law.

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Unemployment Insurance Overview

What Is Unemployment Insurance (UI)?

Purpose and Basics

- Unemployment Insurance (UI) is a joint federal-state program
- It provides **temporary financial support** to workers who lose their jobs **through no fault of their own**
- UI offers **partial income replacement** while individuals look for new work

In Maryland:

  - Weekly benefits range from **$50 to $430**
  - Benefits may be paid for **up to 26 weeks**
  - UI benefits are **taxable** under federal and state law
- UI is funded by **employer-paid taxes**, not employee contributions

Employer Role in the UI System

How Employers Fund UI

- Employers pay unemployment insurance taxes into Maryland’s **Unemployment Insurance Trust Fund**
- Employer taxes are based on **quarterly wage and employment reports**
- Two factors determine an employer’s tax rate:
  - **Statewide tax table**
  - **Employer experience rate**

Tax Tables

- Maryland uses tax tables labeled **A through F**
- The table in effect each year depends on:
  - The **balance of the Trust Fund**
  - Total **taxable wages** from the prior year
- Employers who fail to file required reports are assigned the highest rate in the current tax table

Maryland is in Tax Table A for 2026
$25.50 - $637.50 based on an $8,500 taxable wage base

Employer Experience Rates & Contributions

How Individual Employer Rates Are Calculated

- An employer's **experience rate** compares:
  - UI benefits paid to former employees
  - Total taxable wages reported by the employer

- Experience rates are:
  - Calculated annually
  - Sent to employers in **January**
  - Effective starting the **first quarter of the year**

- New employers receive a rate based on the state's 5-year cost rate, typically **2.3%–2.6%**

Contributions Division

- Collects UI taxes from employers with workers in Maryland
- Collects penalties and interest for late or unpaid contributions
- Provides account assistance via phone or email to employers

Claimant Role & Agency Functions

Role of Claimants: Actions to access UI benefits

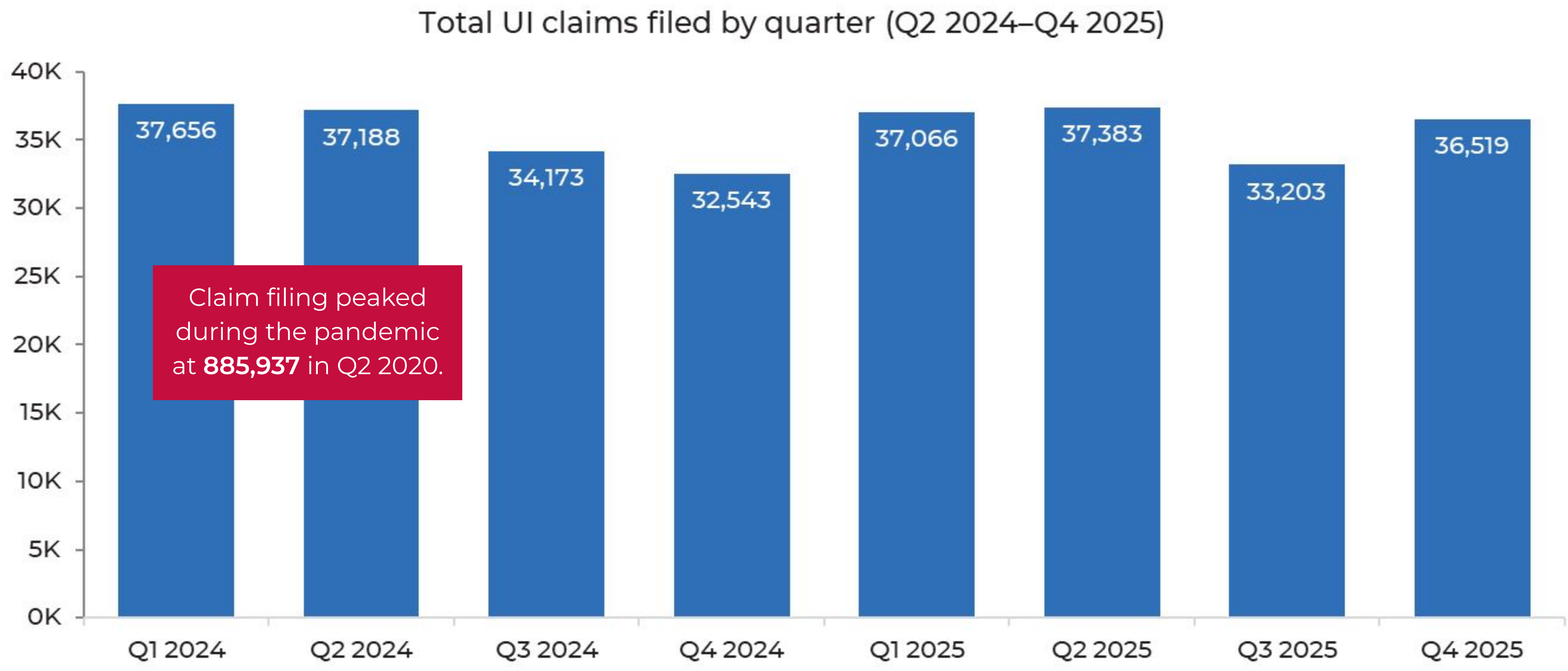
- File a claim after losing a job through no fault of their own
- Meet eligibility requirements under Maryland law
- Actively seek work while receiving benefits
- Report earnings and work search activities weekly
- Pay applicable federal and state taxes on benefits

Role of the Agency

- Determines claimant eligibility and benefit amounts
- Pays benefits from the Trust Fund
- Collects employer contributions
- Protects the Trust Fund through compliance and oversight
- Administers funds in coordination with federal requirements
- Uses penalties and interest (with legislative approval) to help support administrative costs

Part 1:
Data Snapshot

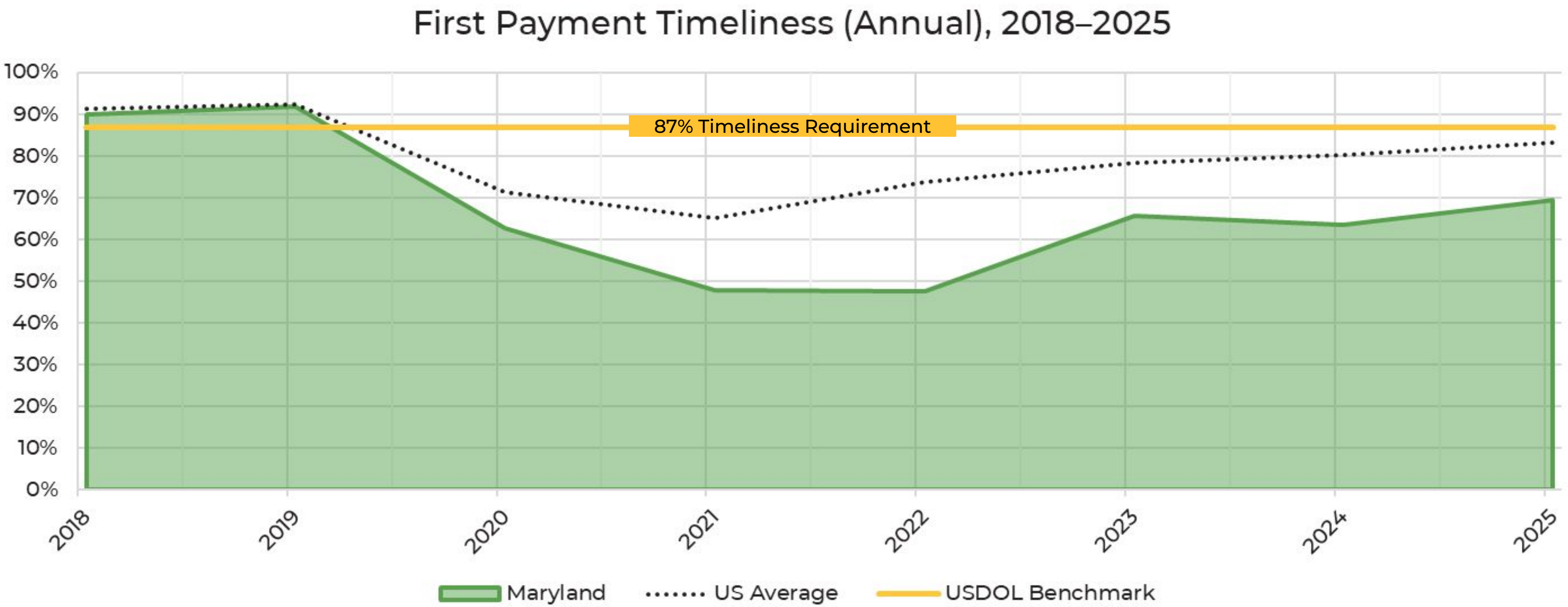
Number of Claims Filed Has Remained Consistent



Source: ETA 5159 (Regular UI, UCFE, and UCX claims)

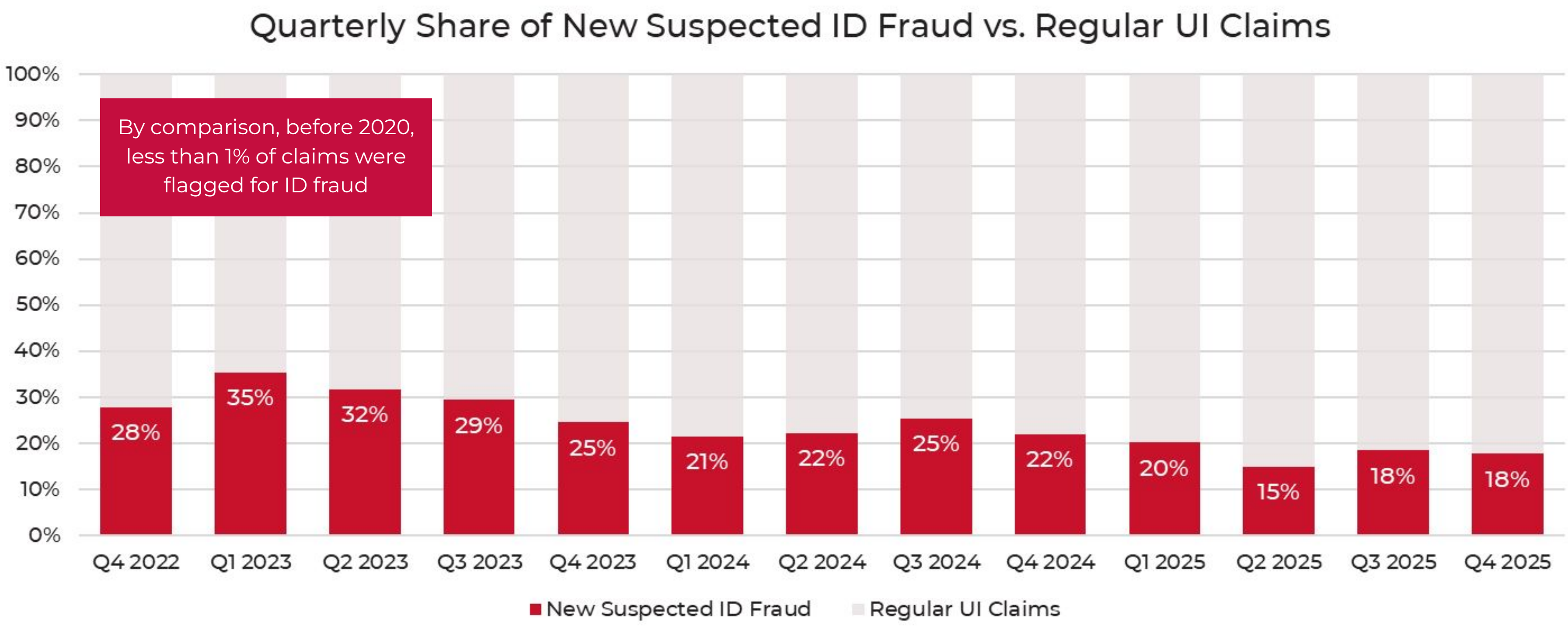
21-Day Timeliness Requirement (USDOL)

Improved since pandemic, consistent with national trend



Source: ETA 9050

Potential ID Fraud Continues to Impact the Claims Process



Part 2:
Addressing Ongoing Challenges

Improving ID Verification Protects Marylanders and Public Dollars

Challenge: Identity theft increased dramatically during the pandemic. Fraud has continued to evolve, requiring new security measures and investigation to ensure program integrity.

Response:

- Instituted TrueID identity and US Post Office ID verification
- Implemented fraud-finding tools to verify identity and IP address, such as LexisNexis and Unified Fraud Response
- Systems flag when there is a change to sensitive info, like a bank account number, which triggers additional review
- Dedicated team manually reviews employers that are flagged as potentially fraudulent

Addressing Resource Shortfalls

Challenges: Federal administrative funding has remained largely flat and has not kept pace with rising program costs. Funding no longer fully reimburses earned workload, creating ongoing strain on staffing, customer service, and technology investments.

USDOL rescinded $25 million in multi-year federal grants for UI modernization and service improvement

Response:

- As approved in the FY 26 BRFA, allocating 0.15% of the taxable wage base to support core operations, sustain customer service, IT modernization, fraud prevention, and reemployment services

Strengthening Customer Support

Challenge: During the pandemic, the agency eliminated in-person support and outsourced its call center, leaving residents without sufficient customer support.

- Call center capacity was outsourced, costing the state nearly $300M for FY21–FY25

Response:

- Re-established state-staffed call center in 2025, giving residents and employers access to agents who could provide a full range of support at a cost of less than $9M/yr
- Reopened in-person support at our Baltimore headquarters and 3 American Job Centers (in Prince George's, Montgomery, and Baltimore County), serving over 14,000 residents in 2025

Improving Technology to Strengthen Service Delivery

Challenge: When launched in 2020, MD Labor's BEACON portal introduced major technical problems that contributed to difficulties with filing claims and led to increased claim processing times. Loss of federal funding has hindered potential technology improvements.

Response:

- Redesigned the UI website in September 2025 to help claimants and employers navigate UI processes more easily and submit more accurate and complete claims faster
- Partnering with Harvard and Stanford on grant-funded work to streamline processes through new technologies, and helping staff identify and address bottlenecks and barriers.

Part 3:
Overpayment Recovery

Recovering Overpayments Is Key to Program Integrity

Definition & Causes

- **Overpayments**: Benefits paid to ineligible individuals.

  Causes include:
  - Fraud (identity theft)
  - Identity verification
  - Eligibility issues
  - Incorrect benefit amounts due to unreported wages.

Federal & State Law

- **Federal** law requires recovery, subject to Maryland law.
- Must be established within 3 years.
- Older than 5 years may be deemed uncollectible.

Fund Return & Impact

- **Trust Fund** overpayments returned to the fund.
- **CARES Act** funds returned to federal gov.
- No recovered funds paid to/impact Maryland's General Fund.

Pandemic-Era Challenges Halted Overpayment Recovery

- **UI claims rose to historic levels and overpayments surged nationwide**
  - Maryland went from 161K claims in 2019 to **1.7M claims in 2020**
  - **$6.85B** in benefits were paid in 2020–2021 alone
- **Identity theft became a nationwide problem**, leading to significant overpayments in every state. GAO estimates up to $135B in fraud across the U.S. during the pandemic.
  - ID verification requirements went into effect nationally in April 2021

- **2020:** MD Labor paused actively pursuing overpayment collection and did not consistently resume overpayment collection until 2023.
- **Nov 2021:** Maryland was sued for an alleged violation of due process in the state's overpayment recovery process (*Gorres, et al. v. Robinson*).
- **Jan 2022:** *Gorres* settlement agreement required MD Labor to cease overpayment collections and establish a process to notify claimants of their appeal rights and opportunity to seek a waiver for financial hardship.

Post-Pandemic, MD Labor Has Actively Pursued Overpayment Recovery

- **March 2022:** Maryland recovered **$484 million** from a financial institution in previously frozen UI benefits
- **September 2023:** MD Labor restarted issuing overpayment determinations for new claims.
- **June 2025:** Maryland recovered **$520 million** from a financial institution in previously frozen UI benefits.
- **December 2025:** MD Labor initiated a retroactive overpayment process to pursue recovery of over **$1 billion**
  - Mailed approx. 184,000 overpayment notices, with supports in place to assist residents who need to verify identity or report fraud
  - A portion of these notices represent overpayments noted in the Jan. 2026 state audit (largely federal CARES Act funds)

We Are Helping Claimants Resolve Their Overpayment Cases

Established support for Marylanders with questions about overpayment notices:

- Enhanced in-person support through our downtown headquarters and 3 AJCs
- Customer support phone line enables callers to request a call back within one business day

Overpayment notice recipients can learn more about what action to take next on our Overpayments webpage, including how to:

- Report identity theft to remove payment from account
- Verify identity to validate payment
- Dispute an overpayment and file an appeal
- Request a waiver for financial hardship
- Repay an overpayment

Division of Labor and Industry
Wage and Labor Standards Unit

Wage Theft and Worker Misclassification

Major Laws Enforced by Wage & Labor Standards Unit

- Maryland Minimum Wage Law
- Maryland Wage and Hour Law (including Overtime)
- Maryland Wage Payment and Collection Law
- Paystub/Pay Statement Law
- Equal Pay Law (including Pay Range Transparency)
- Prevailing and Living Wage Laws (Labor Standards on State-Funded Contracts and Projects)
- Workplace Fraud Act
- Healthy Working Families Act (Sick and Safe Leave)
- Employment of Minors Law (Child Labor Protections)
- Anti-Retaliation Law

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Wages Recovered: FY 2021-FY 2026 (YTD)

Prevailing Wage and Wage and Hour - Combined

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 (Q1/Q2)
Total Wages Recovered	$988,188	$752,118	$706,551	$1,801,503	$2,034,876	$1,325,420

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Workplace Fraud Act

Labor and Employment Article, Title 3, subtitle 9

- Passed in 2009, amended substantively in 2012.
- Makes worker misclassification an independent violation of the law.
- Applies to construction and landscaping services only.
- Distinguishes between “non-knowing” and “knowing” violations.
- Enforced by Labor and Industry (DLI) through citation and administrative hearing process.

Workplace Fraud Enforcement: FY 2021-FY 2026 (Q1/Q2)

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 (Q1/Q2)
Site visits				102	433	217
Workers interviewed				1,687	3,074	1,430
Misclassified workers found	0	0	0	199	558	113
Citations/settlements in lieu	0	0	0	18	37	11
Referrals to sister agencies	8	28	34	130	375	239

Joint Enforcement Task Force on Workplace Fraud

The Joint Enforcement Task Force on Workplace Fraud (JETF) was re-established by Executive Order on January 9, 2024, to enhance the State's cross-agency capacity to address worker misclassification and related labor, tax, and employment-law violations.

The Task Force, chaired by Secretary of Labor Portia Wu, is composed of the:

- **Office of the Comptroller**
- **Maryland Insurance Administration**
- **State Department of Assessments and Taxation**
- **MD Labor Division of Labor and Industry**
- **Office of the Attorney General**
- **Workers' Compensation Commission**
- **MD Labor Division of Occupational and Professional Licensing**
- **MD Labor Division of Unemployment Insurance**

Joint Enforcement Task Force on Workplace Fraud 2025 Annual Report

Workplace Fraud Prevalence

- In 2025 alone, the JETF identified **7,767** misclassified workers in Maryland.
- The Division of Unemployment Insurance identified over $52 million in unreported taxable wages paid to workers due to workplace fraud, a 44.4% increase from 2024.
- The Maryland Comptroller assessed **$3.6 million** in tax, interest, and penalties on businesses for misclassifying workers.
- Looking at the construction industry, research from the Century Foundation estimated that **1 in 10** construction workers in Maryland are misclassified.
- The experience of Labor and Industry suggests the misclassification rate may be higher. In FY 2025, Labor and Industry investigators found **558** misclassified construction workers out of just over **3,000** construction workers interviewed.

Questions? - Thank you!

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