

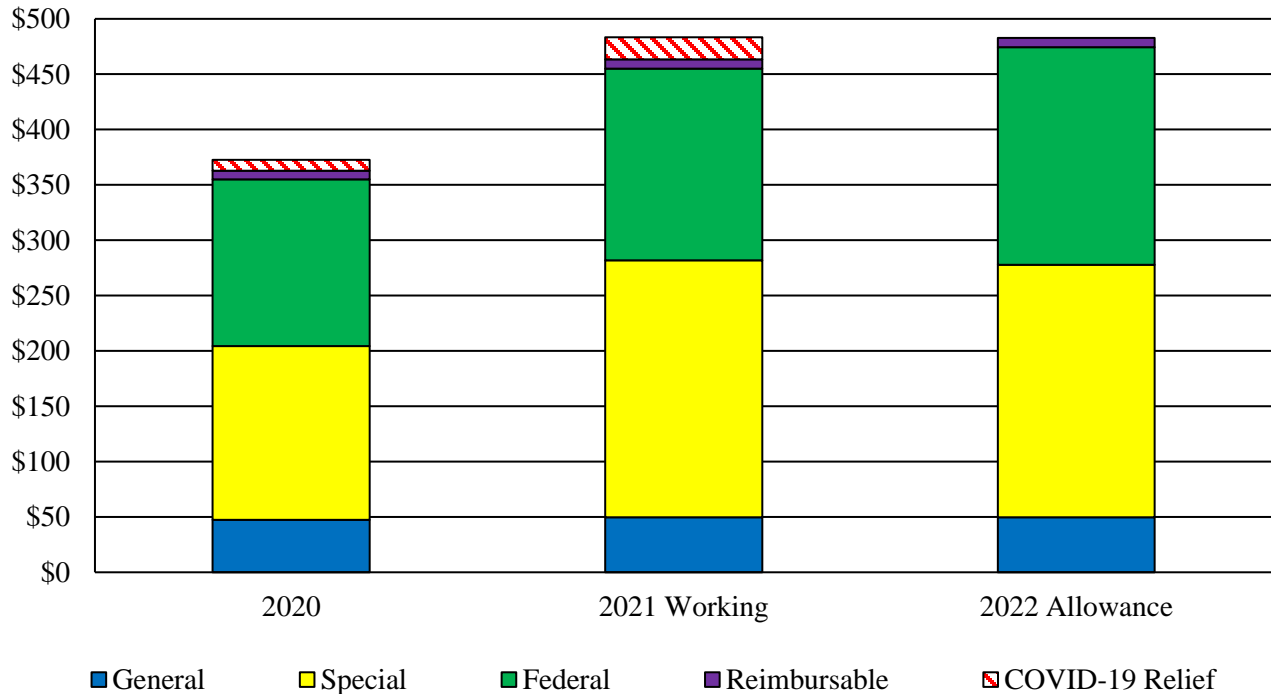
P00
Maryland Department of Labor

Executive Summary

The Maryland Department of Labor is responsible for administering workforce development, adult education, and unemployment insurance programs. The department also includes many of the State’s agencies and boards responsible for licensing and regulating various businesses, professions, and trades.

Operating Budget Summary

Fiscal 2022 Budget Decreases \$610,000, or 0.1%, to \$482.7 Million
(\$ in Millions)



Note: The fiscal 2021 working appropriation includes general salary increases. The fiscal 2022 allowance includes annual salary review funding and annualization of general salary increases.

- Federal funds increase by \$23.2 million in fiscal 2022, primarily for the unemployment insurance (UI) and workforce development programs. This increase is offset by a \$20 million decline in COVID-19 relief funding provided in fiscal 2021 for the Layoff Aversion Program. Significant additional federal funds are expected for the UI program in fiscal 2021 and 2022.

For further information contact: Emily R. Haskel

Phone: (410) 946-5530

Key Observations

- ***Fiscal 2021 and Fiscal 2022 Budgets Do Not Accurately Reflect Available UI Funding:*** The department indicates planned expenditures of \$140 million to \$145 million in each of fiscal 2021 and 2022 for its UI program, which far exceeds both the fiscal 2021 working appropriation and the fiscal 2022 allowance. Funding is available primarily from the U.S. Department of Labor for adjustments above the base grant for UI administrative funding due to claims volume. Some additional funds are also available from the RELIEF Act (Chapter 39 of 2021), as well as coronavirus relief funds provided by the Governor for UI staffing.
- ***Division of UI Supplements Staff with Nearly 2,000 Contractors:*** The department processed emergency procurements for two contracts totaling \$173 million to provide up to 1,950 staff to augment call center staff and to assist with clearing the backlog of UI claims pending adjudication.
- ***UI Programs Provided \$9.5 Billion to Claimants from March to December 2020:*** The Coronavirus Aid, Relief, and Economic Security Act created several temporary, federally funded UI programs to expand unemployment benefits, including extending benefits to workers who are normally ineligible and providing supplemental weekly payments for all recipients. Federally funded benefits paid to Maryland claimants totaled over \$7.8 billion from March to December 2020, and the State paid over \$1.6 billion in benefits for regular UI claims over the same period.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

P00
Maryland Department of Labor

Operating Budget Analysis

Program Description

The Maryland Department of Labor (MDL) administers a variety of employment service and adult learning programs. The department also includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades. In addition to administrative offices, which include the Governor's Workforce Development Board, the department contains the following divisions:

- **The Division of Workforce Development and Adult Learning** operates workforce development programs, including job services, the Workforce Innovation and Opportunity Act (WIOA), and labor market information programs. It also manages the adult education programs, including adult literacy programs and skills training for correctional institutions. Its mission is to support the State's economic growth through a workforce development, education, and training system that is responsive to the needs of adult learners, job seekers, employers, and all system partners.
- **The Division of Unemployment Insurance** operates the unemployment insurance (UI) programs. Its mission is to provide prompt temporary partial wage replacement to eligible individuals who are unemployed, help facilitate their return to work, and collect UI tax contributions from employers.
- **The Division of Labor and Industry** is responsible for safety inspections of boilers, elevators, amusement rides, and railroads. The division also enforces certain protective labor laws and administers the Maryland Occupational Safety and Health Act. The division's mission is to protect Maryland citizens' health, safety, and employment rights.
- **The Division of Occupational and Professional Licensing** includes boards and commissions that license, regulate, and monitor 26 different professions and trades. The division's mission is to ensure that regulated occupations and professions have practitioners that are competent and compliant with State laws, regulations, and standards. This oversight seeks to ensure that commercial services are conducive to the health, safety, and welfare of Maryland consumers.
- **The Division of Racing**, which houses the Maryland Racing Commission, regulates thoroughbred and harness racing tracks across the State. The division's responsibilities include assigning racing days, regulating wagering on races, collecting the wagering tax, licensing all racetrack employees, and operating a testing laboratory. The division also pays the salaries and stipends of all racetrack employees that are appointed by the Maryland Racing Commission.

- **The Division of Financial Regulation** charters, licenses, registers, and regulates commercial banks; trust companies; credit unions; mortgage lenders, originators, brokers and servicers; collection agencies; and consumer loan companies, among other entities. The division’s mission is to protect financial services consumers and to ensure appropriate licensing, registration, and compliance with laws in order to maintain the safety and soundness of Maryland’s financial services industry.

Fiscal 2021

Cost Containment

The Board of Public Works made statewide reductions to the fiscal 2021 budget on July 1, 2020, including \$1.3 million in MDL, as follows:

- \$425,000 in general funds for the new Law Enforcement Cadet Apprenticeship Program (\$375,000) and the new Apprenticeship Career Training Pilot Program for formerly incarcerated individuals (\$50,000), which represents a 50% reduction in funding for these programs in fiscal 2021. Funding is restored to the full mandated level for both programs in the fiscal 2022 allowance;
- \$163,000 in general funds to eliminate funding for the Household Goods Movers Program, to be implemented instead with existing resources;
- \$105,000 in general funds for operational efficiencies in travel and equipment across the department; and
- \$301,542 in general funds, \$117,086 in special funds, \$196,770 in federal funds, and \$1,424 in reimbursable funds for across-the-board reductions.

Unrecognized Unemployment Insurance and RELIEF Act Funding

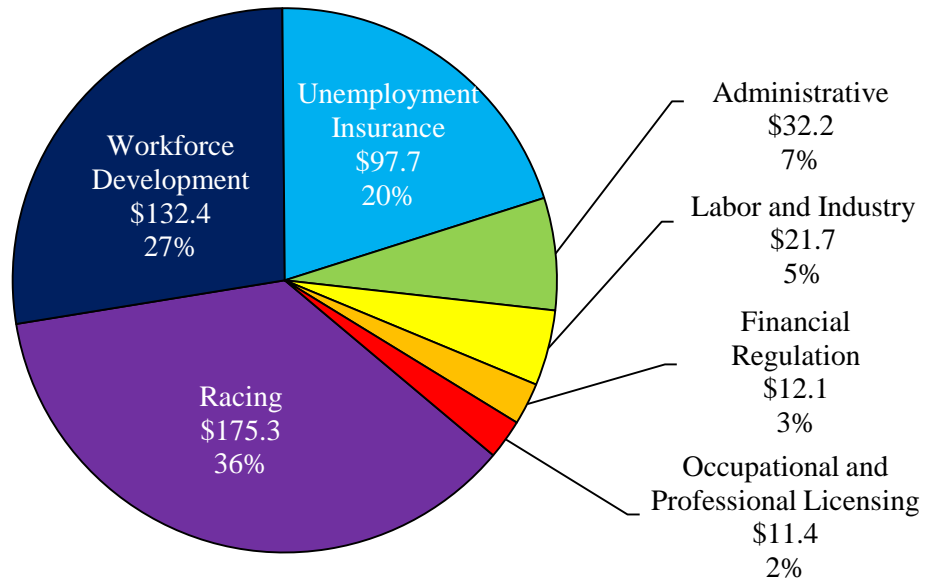
The fiscal 2021 working appropriation does not include \$15 million in coronavirus relief funds for the Office of Unemployment Insurance to augment staffing and improve fraud detection that the Governor announced in November 2020, as the budget amendment was still being processed at the time of budget submission. In addition, a supplemental budget includes \$80.6 million in federal funds for administrative costs in the Office of Unemployment Insurance in fiscal 2021. MDL projects that expenditures for fiscal 2022 will also far exceed the fiscal 2022 allowance for the UI program. Although the department does not have a firm estimate of fiscal 2022 expenditures at this time, MDL may need to add approximately \$60 million to \$70 million in federal funds by budget amendment. These funds are available from the U.S. Department of Labor (DOL) for adjustments above the base grant for UI administrative funding due to claims volume and funding for administering additional UI programs established by federal COVID-19 relief legislation.

The fiscal 2021 working appropriation also does not include special funds provided by the RELIEF Act for fiscal 2021. The RELIEF Act included \$7 million in supplemental funding for Local Workforce Development Boards as well as \$4 million in the Office of Unemployment Insurance to augment staffing and to market the Unemployment Insurance Work Sharing Program. Lastly, a supplemental budget includes \$15 million in general funds for the Office of Unemployment Insurance in fiscal 2021 to pay interest on anticipated borrowing due to payments to the unemployment insurance trust fund that are deferred by small employers, as allowed by the RELIEF Act.

Fiscal 2022 Overview of Agency Spending

The fiscal 2022 allowance totals \$482.7 million. As shown in **Exhibit 1**, the Division of Racing accounts for 36% of the allowance. Most of this funding is gaming revenue for local impact aid for localities that house casinos or racetracks as well as for racetrack facility redevelopment and horse racing purses. Actual racing operations account for less than 1% of the overall allowance. Workforce development programs account for a little over a quarter of the budget, while 20% is for UI.

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Millions)



Note: Includes annual salary review funding and annualization of general salary increases.

Source: Governor’s Fiscal 2022 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the adjusted fiscal 2022 allowance decreases by \$610,000 compared to the adjusted fiscal 2021 working appropriation. Federal funds increase by 13.4%, primarily due to UI administration and workforce development programs, while special funds decrease by 9.5%, primarily due to COVID-19 relief provided using Rainy Day funds in fiscal 2021. The fiscal 2022 allowance includes an additional \$11 million in federal funds for the Office of Unemployment Insurance in error. However, MDL plans to add significant additional federal funding for UI to both the fiscal 2021 working appropriation and the fiscal 2022 allowance by budget amendment, which is not reflected in the exhibit.

Exhibit 2
Proposed Budget
Maryland Department of Labor
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2020 Actual	\$47,499	\$156,829	\$160,552	\$7,792	\$372,672
Fiscal 2021 Working Appropriation	49,695	252,053	173,408	8,120	483,277
Fiscal 2022 Allowance	<u>49,622</u>	<u>228,169</u>	<u>196,646</u>	<u>8,230</u>	<u>482,666</u>
Fiscal 2021-2022 Amount Change	-\$73	-\$23,885	\$23,238	\$110	-\$610
Fiscal 2021-2022 Percent Change	-0.1%	-9.5%	13.4%	1.4%	-0.1%

Where It Goes:

Personnel Expenses

	Change
Annualization of fiscal 2021 general salary increase.....	\$1,101
Fiscal 2022 annual salary review for 68 fiscal services and 17 correctional education positions ...	559
Unemployment compensation	236
Turnover adjustments.....	159
Reclassification	158
Other fringe benefit adjustments.....	132
Workers' compensation premium assessment	-193
Employee retirement.....	-276
Salaries and wages (including the reduction of 23 full-time equivalent positions)	-544
Employee and retiree health insurance	-903

Division of Unemployment Insurance

Appropriation included in the allowance in error	11,000
Additional 197.5 contractual positions	7,998
Maintenance of the BEACON information technology system.....	3,908
Other UI operations.....	600

P00 – Maryland Department of Labor

Where It Goes:	<u>Change</u>
UI modernization project costs	-10,295
Workforce Development	
WIOA and other federal formula grant funding	5,086
Additional 24 contractual positions	1,129
YouthWorks and Summer Youth Connection programs	976
EARN clean energy jobs program funding from Strategic Energy Investment Fund.....	550
Restore funding for new apprenticeship programs reduced 50% by BPW in fiscal 2021	425
COVID-19 Layoff Aversion Program funding in fiscal 2021	-20,000
Horse Racing, Based on BRE Estimates	
Purse Dedication Account.....	158
Racetrack Facility Renewal Account.....	15
Grants using non-VLT racing revenues	-775
Local jurisdictions’ share of VLT and table games revenues	-3,218
Other Changes	
Rent.....	794
Additional net 8 contractual positions other than UI and workforce development	406
Contract costs for the Division of Occupational and Professional Licensing.....	163
Contract costs for the Division of Financial Regulation.....	134
Other changes.....	3
Travel costs.....	-96
Total	-\$610

BPW: Board of Public Works
 BRE: Board of Revenue Estimates
 EARN: Employment Advancement Right Now
 UI: unemployment insurance
 VLT: video lottery terminal
 WIOA: Workforce Innovation and Opportunity Act

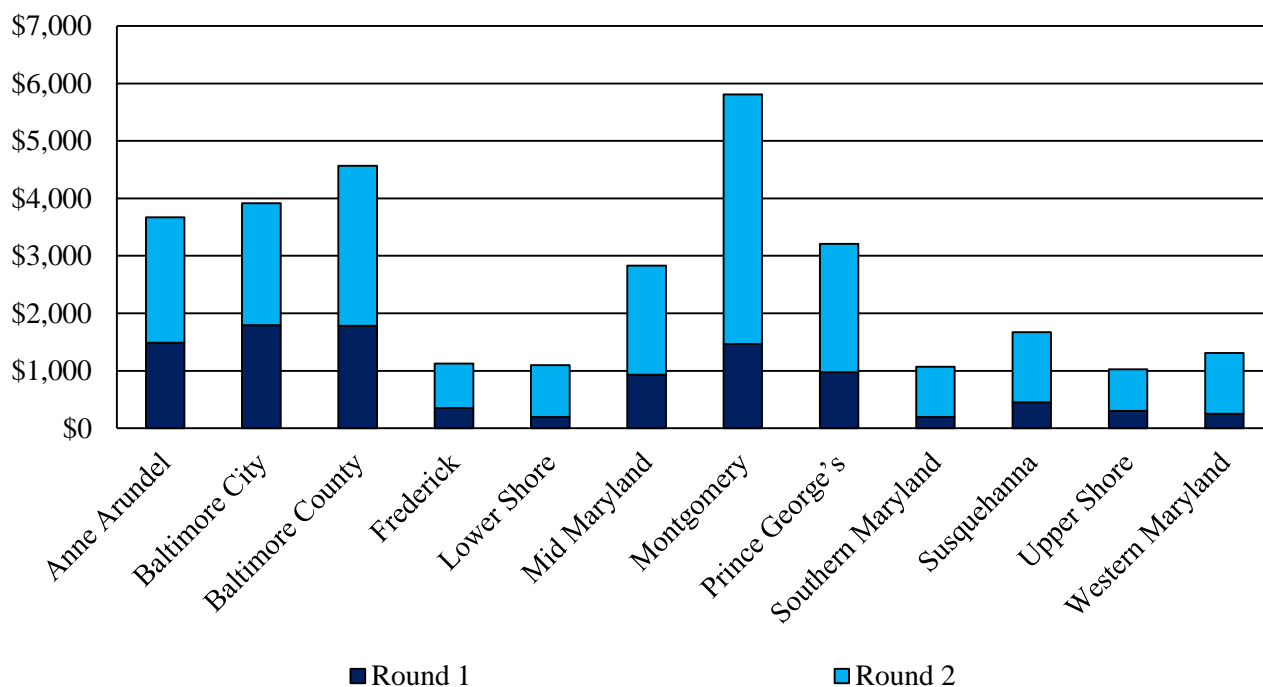
Note: Numbers may not sum to total due to rounding. Fiscal 2021 working appropriation includes general salary increases. Fiscal 2022 allowance includes annual salary review funding and annualization of general salary increases.

Layoff Aversion Program

The Governor provided \$7 million in coronavirus relief funds in fiscal 2020 to create a Layoff Aversion Program in MDL, and expanded the program in fiscal 2021 with \$20 million in special funds from the Rainy Day Fund. The department supplemented this funding with federal funds available from the WIOA to provide an additional \$3.2 million for the first round of the program and \$1.2 million for the second round. The program provided grants of up to \$50,000 to businesses or nonprofits with fewer than 500 employees to mitigate potential layoffs. Eligible uses included remote access equipment and software to allow employees to work from home, on-site cleaning and sanitation services for businesses

delivering essential services, training or professional development, or other creative strategies to prevent potential layoffs or closures. Awards could not be used to pay rent or wages (except to supplement wages for businesses participating in the UI Work Sharing Program), and businesses were required to commit to keeping employees on staff through 45 days from the date of the grant award. The first round of applications opened in late March 2020, while the second round opened in late October 2020. Across both rounds, the program assisted more than 1,200 businesses, preserving over 21,000 jobs. **Exhibit 3** shows the program awards by local workforce development area.

Exhibit 3
Layoff Aversion Program Awards by Local Workforce Development Area
Fiscal 2020-2021
(\$ in Thousands)



Source: Maryland Department of Labor

Workforce Development Programs

The fiscal 2022 allowance includes \$83.8 million for the Office of Workforce Development, an increase of \$7.7 million compared to the fiscal 2021 working appropriation, excluding the \$20 million provided for the Layoff Aversion Program in fiscal 2021. Most of the increase is anticipated federal formula funding for the WIOA Adult Program, which provides career and training services, job search assistance, and other supportive and wraparound services through Local Workforce Development

Boards. MDL advises that an estimate of the number of people that the department can serve with this additional funding is unavailable at this time. The RELIEF Act provides an additional \$7 million for workforce development programs in fiscal 2021. This funding will be distributed to Local Workforce Development Boards using the same formula as fiscal 2021 WIOA Adult Program funds.

The Office of Workforce Development also provides reemployment services to UI claimants through two programs designed for that purpose: the Reemployment Services and Eligibility Assessment Program aims to reduce the number of weeks that UI claimants receive benefits by helping those identified as “most likely to exhaust benefits” return to the workforce; and the Reemployment Opportunity Workshop Program provides an orientation to the available workforce services for the remainder of claimants who are less likely to exhaust benefits. During the COVID-19 pandemic, MDL adjusted these programs to provide virtual services and expanded outreach by using additional methods such as Google Voice and texting to reach customers in addition to contacting them through email and the Maryland Workforce Exchange platform. From March to December 2020, the department provided services to 41,500 Reemployment Services and Eligibility Assessment customers, compared to 10,640 customers over the same period in calendar 2019.

Although UI claimants are exempt from the requirement to perform certain work search activities during the state of emergency that would normally be required to receive benefits, claimants that are selected for a federally-required reemployment workshop under the Reemployment Services and Eligibility Assessment Program are required to complete a telephone session or virtual workshop with a reemployment facilitator. The facilitator assists the claimant in developing an individual reemployment plan, but the claimant is not required to take the actions documented in the plan until 30 days after the state of emergency is lifted.

Racing Distributions

Beginning in fiscal 2022, certain funds from video lottery terminal (VLT) proceeds must be transferred annually to the State Lottery Fund to pay for racetrack improvements until the bonds issued for a racing facility have matured, per the Racing and Community Development Act of 2020 (Chapter 590). These annual transfers include \$5 million from the Purse Dedication Account, \$3.5 million from Baltimore City VLT proceeds that would otherwise be distributed to the Pimlico Community Development Authority, and 80% of VLT proceeds for the Racetrack Facility Renewal Account (estimated at \$9.0 million in fiscal 2022). The fiscal 2022 allowance for local impact grants declines by \$3.2 million compared to the fiscal 2021 working appropriation because the fiscal 2022 allowance does not include the \$3.5 million of Baltimore City proceeds to be transferred to the State Lottery Fund in error. This funding will be added either by supplemental budget or budget amendment.

Personnel Data

	<u>FY 20 Actual</u>	<u>FY 21 Working</u>	<u>FY 22 Allowance</u>	<u>FY 21-22 Change</u>
Regular Positions	1,397.17	1,378.17	1,355.17	-23.00
Contractual FTEs	<u>222.63</u>	<u>235.31</u>	<u>464.87</u>	<u>229.56</u>
Total Personnel	1,619.80	1,613.48	1,820.04	206.56

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	98.39	7.26%
Positions and Percentage Vacant as of 12/31/20	192.50	13.97%
Vacancies Above Turnover	94.11	

- There is a net increase of 229.56 contractual positions, including 197.5 in the Office of Unemployment Insurance and 24 in the Office of Workforce Development. The increase in positions for UI is discussed further in Issue 1. The increase in workforce development contractual staff is due to increased federal formula funding for workforce programs, and is also related to increased UI claims, as workforce staff are required to connect claimants to reemployment opportunities.
- There is a net decrease of 23 positions within the department, with vacant positions abolished for cost-saving purposes.

Issues

1. Unemployment Insurance during the COVID-19 Pandemic

The COVID-19 pandemic resulted in unprecedented levels of UI claims over a short timeframe and continued high claims throughout calendar 2020 and to the present day. In addition, MDL was charged with implementing several new federal programs. Many claimants experienced substantial difficulties reaching a representative of the department and receiving benefits. MDL has taken steps to increase staffing and modernize the department’s UI information technology (IT) system. As a result of the high level of claims, the balance of Maryland’s Unemployment Insurance Trust Fund (UITF) has been nearly depleted, and the department will have to borrow from the federal government to pay claims in excess of what funds in the UITF can cover.

Overview of Federal Programs

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created three new temporary UI programs to expand eligibility for unemployment benefits, including a supplemental \$600 weekly payment for all recipients. Once this supplement expired at the end of July 2020, President Donald J. Trump issued an executive order to establish the Lost Wages Assistance Program to provide a temporary \$300 weekly supplement for certain claimants. The Continued Assistance for Unemployed Workers Act (CAUWA) of 2020 (part of the federal relief legislative package passed in December) also included the extension of programs created by the CARES Act as well as a new Mixed Earner Unemployment Compensation program. **Exhibit 4** details all new federal programs, as well as the Extended Benefits program, an existing program that extends the duration of UI benefits if certain economic conditions are met. The claims under all of these programs are federally funded and do not impact the UITF.

Exhibit 4 Federally Funded UI Programs Available During COVID-19

<u>Program</u>	<u>Description</u>
Pandemic Unemployment Assistance (PUA)	Covers individuals who are typically ineligible for regular UI benefits and who cannot work due to COVID-19, including self-employed, independent contractors, or gig workers. The CARES Act authorized the program through the end of calendar 2020, and the CAUWA extended it to benefits weeks ending April 10, 2021, for applications submitted by March 13, 2021.
Pandemic Emergency Unemployment Compensation (PEUC)	The CARES Act created this program to extend the duration of UI benefits from 26 to 39 weeks, and the CAUWA further extended the program by 11 weeks to cover up to 50 weeks of unemployment. Available for benefits weeks ending prior to April 10, 2021, for applications submitted by March 13, 2021.

P00 – Maryland Department of Labor

<u>Program</u>	<u>Description</u>
Federal Pandemic Unemployment Compensation (FPUC)	Provided a \$600 weekly supplement to all UI recipients for benefits weeks ending after enactment of the CARES Act in March 2020 and before July 31, 2020. The CAUWA reinstated the program with a \$300 weekly supplement for all UI recipients for benefits weeks ending January 2 to March 13, 2021.
Lost Wages Assistance	Retroactive \$300 weekly supplement for UI recipients with claims of at least \$100 for 6 weeks after the lapse of the FPUC program (benefits weeks ending August 1 through September 5, 2020), authorized by Presidential executive order in August 2020.
Mixed Earner Unemployment Compensation	Created by the CAUWA to provide a \$100 weekly supplement to UI recipients other than those receiving PUA benefits, for claimants that earned at least \$5,000 in self-employment income in the prior tax year. The supplement is available for benefits weeks ending January 2 to March 13, 2021. The Maryland Department of Labor expects to begin implementing this program by the end of February 2021.
Extended Benefits	Existing program that extends the duration of benefits by 13 weeks after regular and PEUC claims are exhausted if certain economic conditions are met in the State; the program was available to Maryland claimants for weeks ending August 1 to December 12, 2020. Normally, states pay 50% of the costs, but the Families First Coronavirus Response Act of 2020 provided 100% federal funding for the program, which was extended by the CAUWA through March 14, 2021.

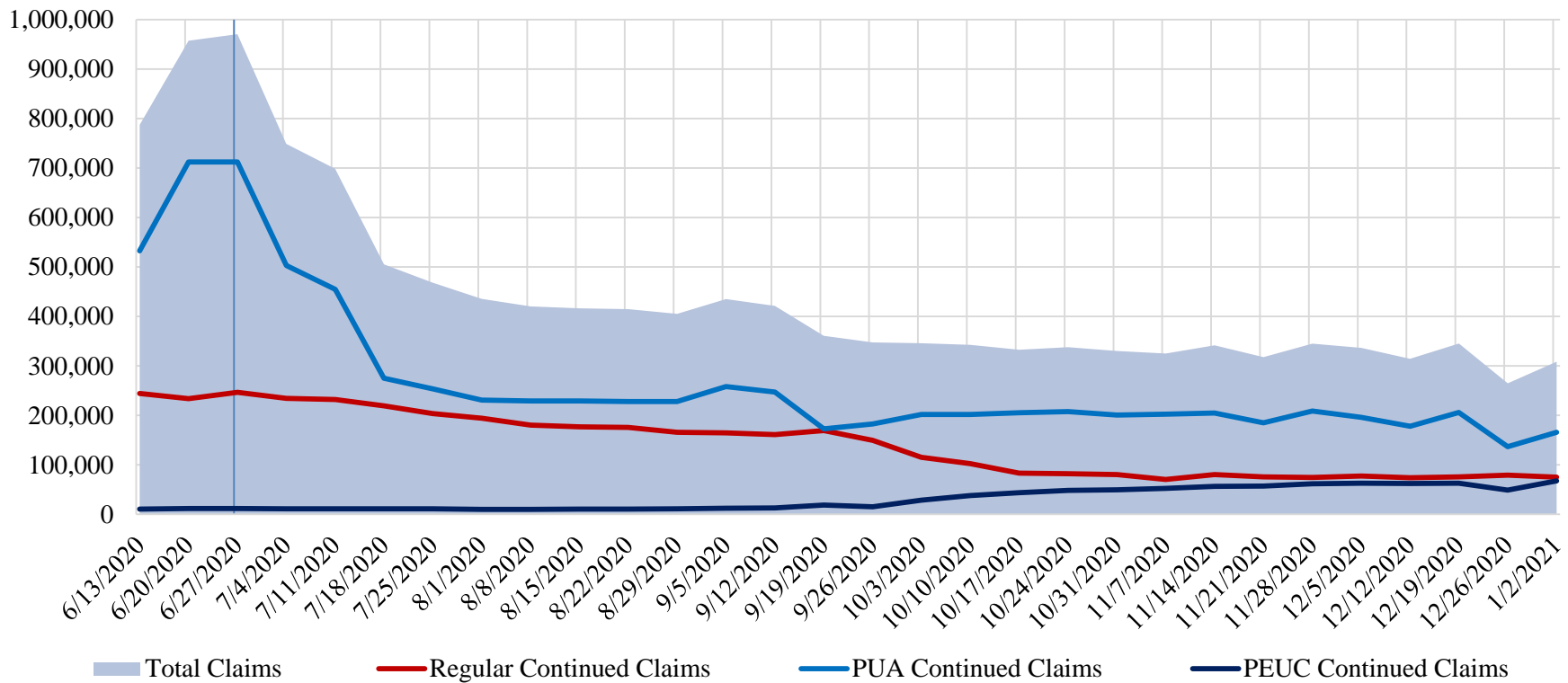
CARES: Coronavirus Aid, Relief, and Economic Security
CAUWA: Continued Assistance for Unemployed Workers Act
UI: unemployment insurance

Source: Department of Legislative Services

Claims Volume

Exhibit 5 shows the number of weekly claims for the regular UI program as well as the Pandemic Unemployment Assistance (PUA) and Pandemic Extended Unemployment Compensation (PEUC) programs from June 2020 to the first week of January 2021. All claims for the week ending January 2, 2021 totaled 308,486, including more than 75,000 regular claims. Regular claims peaked in May 2020, exceeding 245,000 for six consecutive weeks in May and June 2020. For comparison, the peak of weekly claims during the Great Recession was 95,688.

Exhibit 5
Weekly Unemployment Insurance Claims by Program
Weeks Ending June 13, 2020 to January 2, 2021



PEUC: Pandemic Extended Unemployment Compensation
 PUA: Pandemic Unemployment Assistance

Source: U.S. Department of Labor

Exhibit 6 shows the total amount of claims paid to Maryland claimants from March to December 2020. In addition to establishing new federally funded programs, the CARES Act stipulated that the first week of regular benefits would be fully federally funded through December 31, 2020. The CAUWA provides federal funding for 50% of the first week of regular benefits for benefits weeks ending January 1 to March 13, 2021. Federally funded benefits totaled over \$7.8 billion, and the State paid over \$1.6 billion in benefits out of the UITF over this 10-month period. As a result, the fund balance in the UITF has been nearly depleted, from its recent high of \$1.3 billion in June 2019 to a balance of \$33.3 million at the end of January 2021. The State will likely need to borrow funds from the federal government to pay future claims. The loan would be interest free through March 14, 2021, per the CAUWA, after which interest would accrue daily and be due on September 30, 2021.

Exhibit 6
Unemployment Insurance Benefits Paid
March 2020 to December 2020
(\$ in Millions)

<u>Program</u>	<u>Benefits Paid</u>		<u>Recipients</u>
	<u>State Funded</u>	<u>Federally Funded</u>	
Regular Unemployment Insurance	\$1,641	\$62	379,019
Federal Pandemic Unemployment Compensation	n/a	4,529	695,515
Pandemic Unemployment Assistance	n/a	2,441	390,177
Pandemic Emergency Unemployment Compensation	n/a	301	93,529
Lost Wages Assistance	n/a	438	396,517
Extended Benefits	n/a	40	14,834
Total	\$1,641	\$7,811	

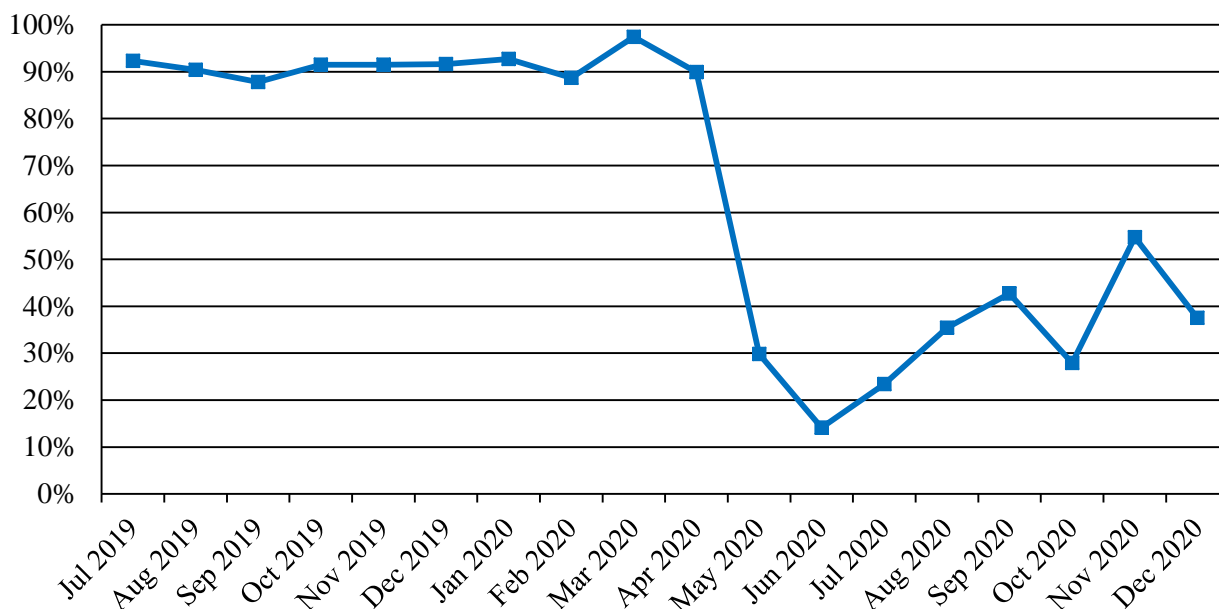
Note: Claimants may have received benefits under multiple programs.

Source: Maryland Department of Labor

Implementation and IT Issues

The overwhelming volume of claims and the implementation of all of the new federal programs led to overloaded call centers and delays in the department's ability to process claims, particularly as many claims have individual issues that can only be resolved through manual review and adjudication. DOL has set a timeliness standard that 87% of claimants receive benefits within three weeks of filing an initial claim. As shown in **Exhibit 7**, MDL has historically achieved this goal but fell far short as a result of the overwhelming number of claims filed during the pandemic.

**Exhibit 7
Unemployment Insurance Claims Paid within 21 Days of Initial Claim
July 2019 to December 2020**



Source: U.S. Department of Labor

The department, in partnership with the U.S. Attorney’s Office and DOL, also uncovered and managed a widespread fraud scheme that involved tens of thousands of fraudulent claims. Implementing program integrity measures contributed to the workload placed on Division of Unemployment Insurance staff. Many other issues stemmed from claimants’ inability to reach a representative to ask questions about topics such as eligibility, error messages on the web portal, claim status, the weekly certification process, Bank of America debit cards, and benefit amounts. Many Marylanders have been waiting for extended periods of time without benefits and without a determination being made on their claim. MDL advises that as of February 13, 2021, there are a total of 39,629 claims still pending adjudication, representing 4.4% of all initial claims filed since March 2020.

In September 2020, the department completed a multi-year modernization effort to replace its aging mainframe computer systems – developed in the 1980s and 1990s – and facilitate greater self-service for claimants and employers (see **Appendix 3**). The completion date was delayed from May to September 2020 due in part to the COVID-19 pandemic. Before the fully modernized, integrated system launched in September 2020, the department made available an intermediary platform, the BEACON One Stop Application. BEACON One Stop was designed to allow claimants – including those who are eligible for the PUA program, the PEUC program, and individuals who were

previously required to file by phone – to file claims for many unemployment benefit programs through a single application. The system crashed the day that it went live (April 24, 2020), prompting many claimants to repeatedly attempt to access the system and contact the department without success. For weeks after its launch, BEACON One Stop continued to present access problems for claimants, which were compounded by many claimants’ inability to reach a representative of the department by phone or email.

Staffing Augmentation

To address the call center volume and the backlog of claims needing adjudication, the department expanded staffing both through hiring additional contractual personnel and through two contracts to provide temporary call center and adjudication staff. The fiscal 2022 allowance includes funding for 231.5 contractual positions in the Division of Unemployment Insurance, an increase of 197.5 positions from the fiscal 2021 working appropriation. If contractual staff are successful in their positions, the department converts them to available regular PINs within six months to a year. The fiscal 2022 allowance includes 379.9 regular staff positions in fiscal 2022, level with fiscal 2021. These positions had a vacancy rate of 14.5% as of January 2021, and the average vacancy rate between March 2020 and January 2021 was 13.8%.

The department also processed emergency procurements for two contracts totaling \$173 million to provide up to 1,950 staff to augment call center staff and to assist with clearing the backlog of claims pending adjudication, as shown in **Exhibit 8**. As of early February 2021, 110 staff from Alorica and 465 from Accenture were actively working under the Division of Unemployment Insurance, in addition to 97 directly hired contractual staff and 325 regular personnel. Accenture is continually onboarding and training additional staff, and MDL expects all 1,275 staff provided under that contract to start training by the end of March 2021. Onboarding under the contract with Alorica is also ongoing. Additionally, the RELIEF Act provided \$3 million to augment UI staffing. **The department should comment on ongoing efforts to add staff to support the Office of Unemployment Insurance, including identifying benchmarks for the success of these two contracts in reducing call center wait times and clearing the backlog of cases pending adjudication.**

Exhibit 8
Contracts for Unemployment Insurance Staff Augmentation
Fiscal 2020-2022

<u>Contractor</u>	<u>Amount</u> <u>(\$ in Millions)</u>	<u>Term</u>	<u>Detail</u>
Accenture	\$102.2	Original: 4/15/2020 – 12/31/2020 Modified: 12/18/2020 – 08/31/2021	Provides a total of 1,275 staff resources through a virtual call center. The initial contract was awarded in April 2020 as a single source procurement and totaled \$22.4 million to provide 275 temporary staff. The contract was extended in December 2020 to cover a total of 1,275 resources through the end of August 2021; this modification added \$79.8 million to the contract amount.
Alorica	70.9	11/10/2020 – 11/09/2021	Provides for up to 675 staff resources to provide adjudication services at a rate of \$40.49/hour per resource. The department received two bids for this contract, and Alorica offered the lower price bid.
Total	\$173.1		

Source: Board of Public Works; Maryland Department of Labor

Provisions in the RELIEF Act

In addition to providing \$3 million to further augment staffing, the RELIEF Act contained several provisions related to UI:

- provided \$1 million for a marketing campaign for the UI Work Sharing Program, which allows employers to retain a group of employees by reducing their hours. The employees receive partial UI benefits, which are federally funded through March 14, 2021, per the CARES Act and the CAUWA;
- provided \$32 million for grants of \$1,000 to individuals with a UI claim that has been pending a determination of eligibility for more than 30 days, except where there is an allegation of fraud;
- exempts UI benefits received in calendar 2020 or 2021 from the State income tax for individuals earning less than \$75,000 or couples filing jointly earning less than \$100,000;
- excludes pandemic claims history when determining an employer’s UI tax rate; and

P00 – Maryland Department of Labor

- allows for the delay of UI taxes for businesses with fewer than 50 employees and for the delay of payments by nonprofit or government entities with fewer than 50 employees that opt to reimburse the UITF for employee claims in lieu of paying UI taxes.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1

2020 Joint Chairmen’s Report Responses from the Maryland Department of Labor

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Maryland Department of Labor (MDL) prepare six reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Unrecoverable Federal Fund Revenues:*** The committees requested that MDL submit a report on the department’s plan to pay down prior year unrecoverable federal fund revenues. MDL reports that the department contributed \$500,000 toward paying down the debt in fiscal 2020, leaving a remaining balance of \$5.9 million. MDL plans to continue to pay down \$500,000 per year through an indirect cost surcharge to most of the department’s programs, split between \$150,000 in general funds and \$350,000 in special funds from MDL’s Special Administrative Expense Fund. At this rate, the department will pay down the remaining debt in 12 years.
- ***Providing Our Workers Education and Readiness (POWER) Apprenticeship Act:*** MDL submitted a report updating the committees on the implementation of the POWER Apprenticeship Act (Chapter 782 of 2017). The Act requires each contractor or subcontractor awarded a contract for at least \$500,000 for a capital construction project that receives at least \$1 million in the State’s capital budget to be affiliated with a registered apprenticeship program and use apprentices in each covered craft that is used, or to make payments either to the State Apprenticeship Training Fund or directly to a registered apprenticeship program. The report included a list of the 33 capital construction projects that met the requirements of the statute in fiscal 2019, but as of report submission in November 2020, the department still did not have a mechanism to track contractors and subcontractors covered under the Act to determine the number of apprentices that worked on these construction projects. During last year’s budget process, the department claimed that relevant regulations had been approved by the Governor and that a data collection system would be launched in February 2020 to achieve full implementation of the POWER Apprenticeship Act by March 2020. However, the submitted report indicated that regulations had still not been adopted and a data system had not been launched as of November 2020. MDL provided follow-up information in February 2021 noting that the regulations have since been adopted and the web portal has been live since January 13, 2021.
- ***Workforce Development Program Outcomes:*** The committees requested a report on the department’s workforce development programs and the outcomes tracked by each, as well as barriers to success. MDL submitted a report detailing performance indicators such as employment rates, earnings, credential and skills attainment, job placements, and effectiveness in serving employers for the department’s programs, including Workforce Innovation and Opportunity Act programs, Jobs for Veterans State Grants, Trade Adjustment Assistance, and the Reemployment Services and Eligibility Assessment Program, among others. Barriers to success identified across these programs included lack of real-time data, recruitment and retention challenges, and lack of accessible technology for virtual services, especially during the COVID-19 pandemic.

P00 – Maryland Department of Labor

- ***Horse Fatalities:*** MDL submitted the requested report on horse fatalities at Maryland racetracks during training and racing. The report detailed 21 actions that the Maryland Racing Commission is taking to implement the Mid-Atlantic Strategic Plan to Reduce Equine Fatalities, including measures related to medications, continuing education requirements, and the establishment of a Fatality Review Committee, among other measures. Each horse that suffers a racing fatality has blood specimens drawn for analysis and is sent for a necropsy, and the commission investigates each racing and training fatality through interviews with trainers, attending veterinarians and jockeys. The report listed the 40 horses that died during training or racing at Maryland tracks in calendar 2020 and the type of injury. In addition, the report noted that an organization called Beyond the Wire was created in 2017 to help place retired racehorses in aftercare. Beyond the Wire has placed 382 horses since 2017.
- ***Journeyworker to Apprentice Ratios in Construction Apprenticeship Programs:*** The fiscal 2021 budget restricted \$100,000 in general funds pending a report on journeyworker to apprentice ratios in MDL’s construction apprenticeship programs. MDL reported that Maryland had 169 approved construction apprenticeship programs as of August 2020, and all but one of these programs had a 1:1 journeyworker to apprentice ratio. In the one construction program operating at a 1:2 journeyworker to apprentice ratio (Independent Electrical Contractors, Chesapeake), 10.6% of participating employers (11 employers) are utilizing the 1:2 ratio. Of these 11 employers, 1 had a violation under Maryland Occupational Safety and Health in calendar 2014, 3 have had Occupational Safety and Health Administration violations or other inspection activity in other states, and 7 had no occupational health and safety activity.
- ***Correctional Education Vacancies:*** MDL submitted the requested report on progress in filling vacancies in its correctional education program. The report notes that MDL filled 19 positions in fiscal 2020. However, the vacancy rate in the Adult Corrections Program was still 15% in January 2021, compared to 14% in July 2019. The high vacancy rate may be partially explained by hiring freezes instituted during the pandemic; the vacancy rate for the program prior to the pandemic in February 2020 was 11.6%. The fiscal 2022 allowance includes the elimination of 5 vacant PINs in the program, including 3 long-term vacant PINs noted in MDL’s report as awaiting hiring freeze exemptions. The fiscal 2022 allowance includes an annual salary review for certain correctional education positions.

Appendix 2
Maryland Workforce Exchange Project
Major Information Technology Project
Maryland Department of Labor

New/Ongoing: New							
Start Date: May 2020				Est. Completion Date: June 2024			
Implementation Strategy: Agile							
(\$ in Thousands)	Prior Years	2021	2022	2023	2024	2025	Total
FF	\$0	\$273	\$2,583	\$2,570	\$2,563	\$0	\$7,989
Total	\$0	\$273	\$2,583	\$2,570	\$2,563	\$0	\$7,989

- **Project Summary:** The Maryland Department of Labor Office of Workforce Information and Performance is upgrading the Maryland Workforce Exchange system, which is used to track State and federal workforce programs and also integrates with unemployment insurance and Department of Human Services systems. The system is used by employers, job seekers, training providers, labor market analysts, workforce staff, and American Job Centers. The project will deploy a commercial off-the-shelf solution, and critical success factors for the project include Local Workforce Investment Area case management, customizable labor market information, and U.S. Department of Labor performance reporting.
- **Need:** The current contract for the system is set to expire at the end of December 2022.
- **Observations and Milestones:** The project is in the procurement phase, with the request for proposals (RFP) expected to be released by the end of June 2021 and the awarding of a new vendor scheduled for December 2021. The timeline for the project is tight, and if the RFP is not issued on time, the transition to a new system may not be completed before the expiration of the current contract.
- **Concerns:** The department has identified several risk factors, including the technical needs of the system, the high level of interdependency with existing systems, the requirements for the user interface, and implementation issues such as continuity, data migration, and training.

Appendix 3
Unemployment Insurance Modernization
Major Information Technology Project
Maryland Department of Labor

Technical issues associated with the rollout of the new system during the COVID-19 pandemic are discussed in Issue 1 of this analysis.

New/Ongoing: Ongoing								
Start Date: April 2011					Est. Completion Date: December 2022			
Implementation Strategy: Waterfall								
(\$ in Thousands)	Prior Years	2021	2022	2023	2024	2025	Remainder	Total
SF	\$2,250	\$0	\$0	\$0	\$0	\$0	\$0	\$2,250
FF	63,915	4,440	4,563	0	0	0	0	\$72,918
Total	\$66,165	\$4,440	\$4,563	\$0	\$0	\$0	\$0	\$75,168

- **Project Summary:** The Maryland Department of Labor Division of Unemployment Insurance modernized the technology associated with its three primary functions: benefits; contributions; and appeals. The project also incorporated new federal unemployment insurance programs created through the Coronavirus Aid, Relief, and Economic Security Act in March 2020.
- **Observations and Milestones:** The project went live in September 2020 and will be in the maintenance phase through December 2022.
- **Concerns:** The department noted a project risk regarding the improvement of staff capabilities to become self-sufficient in supporting the cloud-based system. If these capabilities are not developed within the first year of production, the maintenance contract with the vendor may need to be extended.
- **Other Comments:** The Board of Public Works agenda for February 24, 2021, includes an emergency procurement contract related to this project. The \$1.6 million contract provides resources to support programming and application development for the Maryland Overpayment Case Management System, and the agenda noted that the staff resources acquired under the contract will assist with identifying, diagnosing, and fixing data conversion issues discovered during the rollout of the modernized system.

**Appendix 4
Object/Fund Difference Report
Maryland Department of Labor**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,397.17	1,378.17	1,355.17	-23.00	-1.7%
02 Contractual	222.63	235.31	464.87	229.56	97.6%
Total Positions	1,619.80	1,613.48	1,820.04	206.56	12.8%
Objects					
01 Salaries and Wages	\$ 124,555,690	\$ 128,410,568	\$ 127,178,773	-\$ 1,231,795	-1.0%
02 Technical and Spec. Fees	9,648,830	11,627,091	21,160,019	9,532,928	82.0%
03 Communication	4,518,703	4,359,067	4,203,468	-155,599	-3.6%
04 Travel	1,154,761	1,899,800	1,753,895	-145,905	-7.7%
06 Fuel and Utilities	436,958	796,687	797,699	1,012	0.1%
07 Motor Vehicles	720,386	714,953	645,004	-69,949	-9.8%
08 Contractual Services	33,965,359	46,631,796	41,822,551	-4,809,245	-10.3%
09 Supplies and Materials	2,177,110	1,773,767	1,769,393	-4,374	-0.2%
10 Equipment – Replacement	2,716,486	2,455,336	1,561,628	-893,708	-36.4%
11 Equipment – Additional	895,013	131,068	82,310	-48,758	-37.2%
12 Grants, Subsidies, and Contributions	186,384,567	277,289,274	272,022,293	-5,266,981	-1.9%
13 Fixed Charges	5,497,292	6,176,701	6,998,563	821,862	13.3%
14 Land and Structures	1,018	0	0	0	0.0%
Total Objects	\$ 372,672,173	\$ 482,266,108	\$ 479,995,596	-\$ 2,270,512	-0.5%
Funds					
01 General Fund	\$ 47,499,285	\$ 49,500,685	\$ 48,951,025	-\$ 549,660	-1.1%
03 Special Fund	156,828,688	251,700,484	227,683,868	-24,016,616	-9.5%
05 Federal Fund	160,552,339	172,944,821	195,166,152	22,221,331	12.8%
09 Reimbursable Fund	7,791,861	8,120,118	8,194,551	74,433	0.9%
Total Funds	\$ 372,672,173	\$ 482,266,108	\$ 479,995,596	-\$ 2,270,512	-0.5%

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not include annual salary reviews or annualization of general salary increases.

**Appendix 5
Fiscal Summary
Maryland Department of Labor**

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
01 Executive Direction	\$ 16,360,174	\$ 16,866,322	\$ 17,439,740	\$ 573,418	3.4%
02 Program Analysis and Audit	403,024	406,951	400,372	-6,579	-1.6%
05 Legal Services	3,889,695	4,174,462	3,896,953	-277,509	-6.6%
08 Office of Fair Practices	222,251	356,466	318,438	-38,028	-10.7%
09 Governor's Workforce Development Board	826,080	860,280	844,210	-16,070	-1.9%
11 Appeals	1,435,915	1,556,513	1,694,319	137,806	8.9%
12 Lower Appeals	4,251,691	5,049,346	4,828,765	-220,581	-4.4%
01 Office of Administration	6,924,082	7,288,451	7,219,222	-69,229	-0.9%
04 Office of General Services	5,327,366	6,840,042	6,468,507	-371,535	-5.4%
05 Office of Information Technology	4,258,821	4,473,852	4,152,612	-321,240	-7.2%
02 Financial Regulation	9,686,942	11,374,558	11,891,018	516,460	4.5%
01 General Administration	914,921	984,224	974,419	-9,805	-1.0%
02 Employment Standards	1,903,224	2,258,793	2,355,696	96,903	4.3%
03 Railroad Safety and Health	426,459	431,736	435,748	4,012	0.9%
05 Safety Inspection	4,852,188	5,438,041	5,284,210	-153,831	-2.8%
07 Prevailing Wage	781,505	739,497	762,236	22,739	3.1%
08 Occupational Safety and Health Administration	9,698,887	10,444,927	10,784,938	340,011	3.3%
09 Building Codes Unit	339,034	681,183	745,509	64,326	9.4%
02 Maryland Racing Commission	49,008,380	70,505,489	69,835,725	-669,764	-0.9%
03 Racetrack Operation	2,762,904	2,573,120	2,457,214	-115,906	-4.5%
05 Maryland Facility Redevelopment Program	0	11,190,826	11,205,840	15,014	0.1%
06 Share of Video Lottery Terminal Revenue for Local Impact Grants	67,027,081	95,009,377	91,791,691	-3,217,686	-3.4%
01 Occupational and Professional Licensing	9,511,082	11,142,359	11,260,570	118,211	1.1%
07 Workforce Development Program	72,608,751	96,107,812	83,841,728	-12,266,084	-12.8%
12 Adult Education and Literacy Program	2,306,757	3,303,354	3,294,661	-8,693	-0.3%
13 Adult Corrections Program	18,934,385	19,175,666	18,513,915	-661,751	-3.5%
14 Aid to Education	16,606,347	16,837,968	16,837,968	0	0%
01 Office of Unemployment Insurance	53,995,997	58,754,015	83,314,040	24,560,025	41.8%
02 Major Information Technology Development Projects	7,408,230	17,440,478	7,145,332	-10,295,146	-59.0%
Total Expenditures	\$ 372,672,173	\$ 482,266,108	\$ 479,995,596	-\$ 2,270,512	-0.5%

<u>Program/Unit</u>	<u>FY 20 Actual</u>	<u>FY 21 Wrk Approp</u>	<u>FY 22 Allowance</u>	<u>Change</u>	<u>FY 21 - FY 22 % Change</u>
Federal Fund	160,552,339	172,944,821	195,166,152	22,221,331	12.8%
Total Appropriations	\$ 364,880,312	\$ 474,145,990	\$ 471,801,045	-\$ 2,344,945	-0.5%
Reimbursable Fund	\$ 7,791,861	\$ 8,120,118	\$ 8,194,551	\$ 74,433	0.9%
Total Funds	\$ 372,672,173	\$ 482,266,108	\$ 479,995,596	-\$ 2,270,512	-0.5%

Note: The fiscal 2021 appropriation does not include general salary increases. The fiscal 2022 allowance does not include annual salary reviews or annualization of general salary increases.