# Joint Committee on Unemployment Insurance Oversight

# Maryland General Assembly
# Joint Committee on Unemployment Insurance Oversight
# 2011 Membership Roster

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**Senator Thomas McLain Middleton, Co-chair**
**Delegate Emmett C. Burns, Jr., Co-Chair**
Senator Delores G. Kelley
Senator Barry Glassman
Delegate Sally Jameson
Delegate Jeannie Haddaway-Riccio

*Representative of the Department of Labor, Licensing, and Regulation*

Ms. Julie Squire, Assistant Secretary
Division of Unemployment Insurance
Department of Labor, Licensing, and Regulation

*Representative of the Department of Business and Economic Development*

Mr. Alfredo Goyburu, Economist
Department of Business and Economic Development

*Representative of the Maryland Retailers Association*

Mr. Patrick Donoho, President
Maryland Retailers Association

*Representative of the Job Opportunities Task Force*

Mr. Jason Perkins-Cohen, Executive Director
Job Opportunities Task Force

*Representatives of Union Labor (Maryland State and District of Columbia AFL-CIO)*

Mr. Ernie Grecco, President
Metropolitan Baltimore Council AFL-CIO Unions

Ms. Donna S. Edwards, Secretary-Treasurer
Maryland State and DC AFL-CIO

*Representative of the Maryland Chamber of Commerce*

Mr. Ronald L. Adler, President and CEO
Laurdan Associates, Inc., Human Resources Consulting

*Representative of the National Federation of Independent Business*

Ms. Patricia Baldwin
Secretary and Treasurer, Reliable Contracting Company, Inc.

*Representative of the Academic Profession*

Mr. Anirban Basu, M.A., M.P.P., J.D., Economist
Executive Vice President of SPG Trend Advisors and Senior Lecturer at Towson University

**Committee Staff (Department of Legislative Services)**

Tami Burt
Erica White

December 16, 2011

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House of Delegates
Members of the Legislative Policy Committee

Ladies and Gentlemen:

The Joint Committee on Unemployment Insurance Oversight respectfully submits a summary report of its 2011 interim activities. The committee met once during the interim (November 15) to consider a number of issues that affect the State's unemployment insurance system. Attached is a summary of the issues that the committee considered.

During the 2012 session, the joint committee may also conduct its annual review of unemployment insurance related legislation and any outstanding issues raised during the interim.

The joint committee is appreciative of the advice and assistance provided by governmental officials, members of the public, and legislative staff during the 2011 interim and looks forward to the same spirit of cooperation and assistance during the 2012 legislative session.

Respectfully submitted,

Thomas McLain Middleton
Senate Co-chair

Emmett C. Burns, Jr.
House Co-chair

TMM:ECB/TDB/tas

ccs: Mr. Karl Aro
Mr. Warren Deschenaux
Ms. Lynne Porter

# Joint Committee on Unemployment Insurance Oversight
# Interim Report

At the November 15, 2011 meeting, the joint committee heard from the Assistant Secretary of the Division of Unemployment Insurance of the Department of Labor, Licensing, and Regulation (DLLR) on the status of the unemployment insurance (UI) system. Further, the committee heard from the Assistant Secretary of the Division of Workforce Development and Adult Learning (also under DLLR) on Maryland's declining workforce and the need for training in sustainable and emerging technologies.

## Status of the Unemployment Insurance System

Ms. Julie Squire, Assistant Secretary of the Division of Unemployment Insurance, provided the following information on the status of the UI system. Prior to her presentation, she commented on the collaboration of the employer and union representatives on the joint committee in developing modifications over the years to ensure a fair and stable UI system.

*UI Trust Fund Balance and Employer Taxes in Calendar 2012*

The balance of the UI trust fund has fluctuated over the years, growing in good economic times to over $1 billion in each of calendar 2007 and 2008, and diminishing in bad economic times to a level that required the UI trust fund to borrow $133.8 million from the federal government in February 2010. Despite an infusion of $126.8 million of federal American Recovery and Reinvestment Act of 2009 (ARRA) funds in May 2010 and with the repayment of the borrowed funds by December 2010, the balance of the UI trust fund ($460 million as of September 30, 2011) remains at a level that will require Maryland employers to continue to pay from the highest tax table for a third year in a row. The balance of the UI trust fund would have had to have been $540 million on September 30, 2011, in order to shift to Table E, a lower tax table.

Table F requires employers to pay tax rates from 2.2% to 13.5% assessed on each employee's taxable wages (up to $8,500). Accordingly, as was the case for calendar 2010 and 2011, employers will pay from $187 to $1,147 per employee for calendar 2012. Approximately half of the employers currently pay the minimum rate in Table F, while 7% pay the maximum rate in Table F. If benefit payments in calendar 2012 remain at or lower than calendar 2011 levels, employers are anticipated to pay from a lower tax table (either Table D or E) in calendar 2013. Ms. Squire strongly suggested "staying the course" with regard to the tax tables as Maryland's outlook for lower employer costs is anticipated after next year.

*National Trust Fund Solvency, the FUTA Credit, and Interest Payable on Loans*

Compared to many other states, Maryland's trust fund is relatively solvent. Maryland took advantage, through Chapter 2 of 2010, of the availability of federal modernization incentive funds ($126.8 million of ARRA funds received in May 2010) and repaid $133.8 million of borrowed federal funds by December 2010. To date, 27 states owe a total of $37 billion to the federal government, many of which will have to pay interest on their outstanding loan balances by the end of 2011. Interest may not be paid from a state trust fund, thereby requiring a state to appropriate from its general fund or impose a special assessment on employers. For example, California, owing over $9 billion, will have to pay $317 million in interest; Virginia, owing $243 million, will have to pay over $13 million in interest; and New Jersey, owing over $1.2 billion, has imposed a special assessment on employers in order to pay $58 million of interest.

Further, at the end of 2011, many states will have an outstanding loan balance lasting over a two-year period, subjecting employers in their states to a higher federal UI tax. Currently, employers pay a $56 per employee in federal UI taxes per year (0.8% on a $7,000 taxable wage base). For example, Michigan had a two-year outstanding loan at the end of 2010, resulting in the assessment on Michigan employers of a 1.1% federal UI tax rate or $77 per employee in calendar 2011 and a 1.4% federal UI tax rate or $98 per employee once calendar 2012 begins.

**The joint committee expressed interest in learning how employer UI costs in Maryland compare to employer UI costs in other states. Providing an accurate comparison is complicated by many aspects, including differing taxable wage bases among states, the requirement that borrowing states pay a higher federal flat tax and pay interest or impose special assessments on employers, and Maryland's experience rating system. Mr. Ronald Adler, the member of the joint committee who represents the Maryland Chamber of Commerce, volunteered to provide a comparison chart to the joint committee.**

*Benefits Paid From the Maryland UI Trust Fund*

Claimants are eligible for 26 weeks at a maximum weekly benefit amount of $430, equating to 46% of the State's average weekly wage. The main driver of the continued decline of the trust fund is the increased claims for UI benefits resulting from the economic downturn. The State's unemployment rate rose from 3.6% at year-end 2007 to 7.6% at year-end 2009, from which it has declined slightly in 2010 (7.4%) and 2011 (7.3%). At this time, almost 220,000 individuals are currently unemployed in Maryland.

In fiscal 2011, the trust fund paid over $832 million in benefits, compared to $942.6 million in fiscal 2010, $890.8 million in fiscal 2009, $477.9 million in fiscal 2008, and $397.1 million in fiscal 2007. The amount of benefits paid weekly peaked at $25 million in January 2010; subsequently, the weekly amount has hovered around $16.5 million until May 2011 when it dropped below $16 million. Initial claims grew from about 222,000 in calendar 2007 to a high of over 416,000 in calendar 2009; initial claims decreased slightly in calendar 2010 (377,000) and 2011 (230,000 for the first eight months).

*Status of the Tax Deferment, Trust Fund Solvency, and Cost-Neutral Modernization Act*

Maryland received \$126.8 million in ARRA funds as an incentive for the State to enact specified UI system alterations. To qualify for the modernization incentive funds, Maryland enacted Chapter 2 of 2010. This measure adopted an alternative base period; made part-time workers eligible for benefits; and provided Workforce Investment Act training benefits for at least 26 weeks in high demand industries.

To offset the cost of expanded UI benefits, Chapter 2 of 2010 also reduced UI benefit eligibility to certain claimants. Specifically, the Act abolished UI benefits for claimants who become ill or disabled and are unable to seek work after filing for benefits due to the illness or disability; increased the disqualification penalty for claimants who are dismissed for misconduct or gross misconduct; and reduced the amount (from \$100 to \$50) of earnings a claimant who becomes partially employed may receive that do not affect a claimant's weekly benefit (called "earnings disregard"). A further change is not effective until March 1, 2012 – the Act increased the minimum amount of qualifying wages an individual must earn during the base period to be eligible for UI benefits from \$900 to \$1,800 effective March 1, 2012; accordingly, the minimum weekly available benefit amount increased from \$25 to \$50, reflecting the current amount available to a claimant with at least \$1,800 in qualifying earnings.

In addition, Chapter 2 of 2010 reduced the interest rate charged to businesses that fail to make employer contributions or reimbursement when payment is due. The monthly interest rate is reduced from 1.5% to 0.5% of the outstanding balance for calendar 2010 and 2011 and any year thereafter in which employer contributions are calculated using tax rate Table F. This equates to reducing the interest penalty from 18% to 6% on an annualized basis. Further, for calendar 2010 and 2011, DLLR must offer a variety of payment plan options to employers. These payment options must allow contributions due on taxable wages for the first nine months of the calendar year to be paid through December. DLLR must implement regulations offering employers a payment plan for any calendar year after 2011 in which employer contributions are to be calculated using Table F. These payment plans must allow payments for contributions due for the first six months of the year to be spread through August of that year.

*Status of the Federal Extended Benefits Program*

Currently, there are two federally funded UI benefit programs: the Emergency Unemployment Compensation (EUC) and Extended Benefits (EB) programs. Claimants in high unemployment states (exceeding 8%) may qualify for a total of 99 weeks (26 weeks of state benefits, 34 to 53 weeks of EUC, and 13 to 20 weeks of EB), while claimants in Maryland may qualify for up to 86 weeks (26 weeks of State benefits, 47 weeks of EU, and 13 weeks of EB).

As a result of Chapter 170 of 2011, Maryland claimants for the first time may qualify for the additional 13 weeks of EB. Chapter 170 established an "on" indicator based on a State average rate of total unemployment of at least 6.5%, to make UI claimants eligible to receive EB. EB applies to weeks of unemployment beginning after January 2, 2010, and ending four weeks prior to the last week for which 100% federal funding is available. EB may not be payable based on a State "on" trigger established under Chapter 170 for any week of unemployment beginning before October 1, 2011.

Since federal funding cannot be used to reimburse expenses incurred by the State and local governments, Chapter 170 established a special, nonlapsing Extended Benefits Fund to reimburse counties and municipalities with State funds for the expenses of EB. With a $1.6 million appropriation of State special funds to be included in the fiscal 2013 budget, it is the intent of the General Assembly that counties will be reimbursed at least 60% of their expenses and municipal corporations will be reimbursed at least 80% of their expenses. The legislation terminates when the "on" trigger no longer applies or when 100% of federal funding for EB is no longer available.

The federal UI programs have lapsed several times, only to be extended retroactively. When extended, the programs do not allow additional weeks for those who have exhausted all possible state and federal unemployment benefits (maximum of 86 weeks in Maryland and 99 weeks in high unemployment states). The next lapse will occur on January 3, 2012. Since October 1, 2011, almost 27,000 individuals have been paid over $36 million in EB.

**The joint committee voted to send a letter to the Governor requesting that the Governor convey to the Maryland Congressional Delegation, as it considers President Obama's jobs proposals, that the joint committee supports another extension of the federal UI benefits programs.**

*Other Issues*

Ms. Squire mentioned that the Division of Unemployment Insurance is taking advantage of federal funding opportunities to improve administration infrastructure. For example, the division teamed with Vermont and West Virginia for a $6 million grant to be used to improve computer software.

The division is working with the Attorney General's Office regarding an unemployment insurance case in Maryland where a suspect fraudulently obtained over $120,000 to $170,000 in UI benefits in the names of dozens of individuals. The suspect was indicted in August 2011.

Ms. Squire alerted the joint committee to the need for possible legislation that would require an employer to be charged when the employer failed to respond in a timely manner to a request for information by DLLR about a worker's employment status. Pending federal legislation requires states to conform to this provision within two years.

## Maryland's Declining Workforce and the Need for Training in Sustainable and Emerging Technologies

Ms. Paulette Francois, Assistant Secretary of the Division of Workforce Development and Adult Learning, provided the following information.

*What the State is Doing to Assist the Unemployed Find Jobs*

The Division of Workforce Development and Adult Learning oversees the State's workforce programs and ensures that employers have the skilled workforce they need to be competitive. The division helps all Marylanders, though the unemployed have a larger need, in accessing employment and training resources and services.

The One Stop System, comprised of a partnership between the 34 career centers and the 12 Workforce Investment Boards, serves as the primary vehicle for unemployed workers to access training services. Mainly, the division helps to develops Maryland's workforce by training, assisting in job searches, reporting the needs and demands of the labor market, and assisting in connecting businesses with employees.

Launched in April 2011, the Maryland Workforce Exchange Virtual One Stop System (MWE-VOS) uses web "spidering technology" to aggregate every job search website, every employer website, and every job posting in Maryland to create a real-time, web-based, one-stop shop for Maryland jobseekers, free of charge. Due to this technology, monthly job postings increased nearly tenfold to 80,000 per month. MWE-VOS was funded by $3 million of ARRA funds and $1 million from the Labor Market Information Green Grant. MWE-VOS connects agencies, programs, and services electronically to assist and connect employers and jobseekers. The system provides easy access to current labor market information allowing job seekers and employers to compare information such as typical wage rates, the total number of similar jobs available locally, and the competition for the job. Further, the system provides employers with tools for online recruiting through use of advanced resume searches, automated correspondence, and applicant tracking.

*What the State is Doing to Encourage Training in Sustainable and Emerging Technologies*

The Mid-Atlantic Regional Collaborative (MARC), a partnership between DLLR, the District of Columbia Department of Employment Services, the Virginia Employment Commission, and others, received a $4 million grant in 2009 from the U.S. Department of Labor's Employment and Training Administration through ARRA to conduct innovative labor market information activities to support the strategic expansion of a regional green economy. In July 2011, MARC launched the nation's first multi-state, real-time green jobs identification and collection system with a geographic interface. The system provides new resources to help Maryland reach the goal of creating 100,000 green jobs in Maryland. The system also provides free job search and recruitment tools for jobseekers and employers. Through the use of web "spidering technology" for jobs based on keywords, the system provides postings from each jurisdiction's online labor exchange, as well as from public and private job boards and company websites. Jobseeker services include job postings, job market trends, career information, and job market exploration tools. In addition, the system provides resume search tools for employers.

The U.S. Department of Labor awarded the State a $7.66 million National Emergency Grant to assist more than 6,500 U.S. Department of Defense civilian employees, contractors and military spouses who have been impacted by the 2005 Base Realignment and Closure (BRAC) decisions. The grant will allow the State and District of Columbia to help jobseekers navigate the federal hiring process and compete for BRAC jobs and other federal jobs across the region. BRAC is anticipated to create as many as 20,000 direct federal jobs in Maryland and up to 40,000 indirect and induced jobs by 2015. Using grant funds, an On-the-Job (OTJ) Program, administered by DLLR through one stop career centers, offers employers an opportunity to hire screened qualified applicants. Employers are provided a direct reimbursement, up to 90% of the trainees hourly starting wage.

*What Industries Are Looking For Workers and the Future For Job Growth in Maryland*

Maryland's economy is anticipated to expand at a rate of about 1% annually through 2018, adding nearly 244,000 jobs to the statewide industry base. Growth is anticipated to continue to favor the service-providing business sectors. Within the service economy, the health care and social assistance and professional, scientific, and technical services business sectors (including computer system design) are expected to be the top performers. In the construction sector, long-term prospects show the industry's job base increasing through 2018 for specialty trade contractors such as carpenters, plumbers, and electricians. Energy efficiency and energy conservation recorded the greatest number of green jobs in the region. Although green jobs are found in more than 300 industries, the largest concentration of green jobs are in fields related to construction, scientific and technical services, and the education/policy sector.