

2021 REGULAR SESSION

HOUSE BUDGET REVIEW SUBCOMMITTEE ON PERSONNEL,  
PUBLIC RETIREMENT, AND FINANCE

of the

HOUSE STANDING COMMITTEE ON APPROPRIATIONS AND REVENUE

1st Meeting

March 11, 2021

The House Budget Review Subcommittee on Personnel, Public Retirement, and Finance (PPRF) of the House Standing Committee on Appropriations and Revenue held its first meeting of the 2021 Regular Session on March 11, 2021, at 12:00 Noon, in Room 171 of the Capitol Annex. The meeting was held jointly with the House Budget Review Subcommittee on Economic Development, Public Protection, Tourism, and Energy (EDPPTE) of the House Standing Committee on Appropriations and Revenue. Chair Dossett called the meeting to order, and the secretary called the roll.

PPRF Members Present: Representative Myron Dossett, Chair; Representatives Robert Goforth, Michael Meredith, Phillip Pratt, Josie Raymond, Brandon Reed, and Nancy Tate.

EDPPTE Members Present: Representative Lynn Bechler, Chair; Representatives David Hale, Nima Kulkarni, Bart Rowland, Brandon Reed, and Russell Webber.

Guests: Secretary Larry Roberts, Labor Cabinet; Buddy Hoskinson, Executive Director, Office of Unemployment Insurance, Labor Cabinet; Bill Meyer, CPA, Managing Partner, Strothman+Co and Past President, KY Society of CPAs; Jessica Honican, Executive Director, Office of Income Taxation, Department of Revenue, Finance and Administration Cabinet; Treasurer Allison Ball, Office of State Treasurer; and, Lesley Bilby, Deputy Commissioner and Chief of Staff, Office of State Treasurer.

LRC Staff: Liz Columbia, Kevin Newton, Sara Rome, Ben Thompson, and Spring Emerson.

Chair Dossett has received numerous inquiries from his constituents lamenting serious issues with the Unemployment Insurance (UI) system, and particularly those of fraudulent claims being filed in their name. He asked how the necessary information to file for UI benefits is being obtained, what is being done to ensure that we prevent those fraudulent claims from being paid, are the individuals committing these crimes being pursued, and if Kentucky's citizens are being protected from identity theft. He asked how much money has been paid out in fraudulent claims, how many people have been asked to repay benefits, and do all of those individuals have liens filed upon them. He wanted to know if we are getting the necessary information out to accountants on how to handle fraudulent 1099 tax forms, as well as to those individuals that file

their own taxes, and how the federal CARES act affects our citizens. And finally, will all who drew unemployment be notified that they may need to file amended returns, or will that carry over to next year.

Chair Bechler has also received numerous inquiries from his constituents, and expressed his concern regarding data breaches. He asked how information for fraudulent claims is being obtained and what is being done to solve these problems, why there are approximately 67,000 unresolved UI claims and how does that relate to fraudulent claims, if at all. What number should people call that received a 1099 for UI benefits that they did not apply for, and what is being done to remedy the situation.

### **Fraudulent Unemployment Insurance Claims**

Secretary Roberts briefly commented and introduced Mr. Hoskinson, who then provided information regarding the ongoing efforts of the Labor Cabinet to address fraudulent unemployment insurance claims.

In response to a question from Representative Goforth, Mr. Hoskinson said his office is working on the oldest to the newest claims for six to seven days per week. They have processed a years' worth of claims in a month, and will continue until all eligible claims are paid.

In response to questions from Representative Meredith regarding reopening offices to the public and the generation of paper checks, Mr. Hoskinson said Regional Career Centers will reopen in April, all staff have been vaccinated, and safety measures are in place. The use of paper checks is helping in the effort to curb fraudulent claims, since issuance of debit cards is less secure.

In response to a question from Representative Pratt regarding why fraud continues even when employers are being notified, Mr. Hoskinson said changes in the processes are necessary.

In response to a question from Representative Webber regarding technological upgrades, Mr. Hoskinson said they do not have a current estimate for overall cost.

In response to a question from Chair Bechler regarding the amount paid out in UI claims to date, Mr. Hoskinson said approximately two million claimants had received slightly less than six billion dollars over all benefits programs.

In response to a question from Chair Bechler regarding phone calls not being returned, Mr. Hoskinson mentioned their reorganization efforts, including a new call center that will operate seven days per week.

In response to a question from Chair Bechler regarding tax issues, Mr. Hoskinson said the turnaround time for a corrected 1099G is about ten days. Ms. Honican said they are continuing to pursue corrected tax returns, both on the state and federal levels.

Chair Bechler said his constituents prefer a phone number to call, rather than trying to access a website. Mr. Hoskinson said the use of the website is a quicker way to get the issues addressed.

In response to a question from Chair Bechler regarding criminal prosecutions, Mr. Hoskinson said multiple subpoenas have been issued, and the efforts are ongoing.

Chair Bechler asked how many individuals had been told to repay monies that were received without filing actual claims, Mr. Hoskinson said he will gather the information from the various programs and provide it to both subcommittees at a later date.

Chair Bechler asked how they are proactively providing guidance on 1099 tax forms. Ms. Honican replied that the Department of Revenue would get information from the federal Internal Revenue Service (IRS). Mr. Hoskinson said the Labor Cabinet provides guidance on their website.

In response to a question from Chair Bechler regarding identity protection, Mr. Hoskinson said analyses are performed by the Labor Cabinet on a daily basis to protect claimants.

Chair Bechler commented that the answers received in the meeting today were nebulous, and expressed his hope that these issues will be resolved.

There being no further business before the joint subcommittee meeting, it was adjourned at 1:30 PM.