

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 1st Meeting of the 2020 Interim

June 26, 2020

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Friday, June 26, 2020, at 9:00 AM, in Room 171 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Russell Webber, Co-Chair; Senators Rick Girdler, Denise Harper Angel, Jimmy Higdon, Wil Schroder, Reginald Thomas, and Max Wise; Representatives Kim Banta, Lynn Bechler, John Blanton, Charles Booker, Adam Bowling, R. Travis Brenda, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Kathy Hinkle, Thomas Huff, Nima Kulkarni, Savannah Maddox, Jason Petrie, Bart Rowland, Ashley Tackett Laferty, and Buddy Wheatley.

Guests: Deputy Secretary Josh Benton, Education and Workforce Development Cabinet; Heather Dearing, Director of Legislative Affairs, Education and Workforce Development Cabinet; and Secretary Larry Roberts, Labor Cabinet.

LRC Staff: Andrew Manno, Chip Smith, and Sasche Allen.

Unemployment Insurance Update

An update was given on the Office of Unemployment Insurance (OUI) in wake of the COVID-19 pandemic. Deputy Secretary Josh Benton explained that unemployment insurance is a partnership between the federal government and the states. Therefore, states typically set the parameters of their unemployment programs but within federal guidelines including payroll tax rates and wage bases for covered employees. In addition, OUI is operationally funded in its entirety by the federal government through the U.S. Department of Labor and in recent years had been on a hiring freeze due to budget cuts. The OUI budget went from \$41 million in 2010 to \$25 million in 2018. This resulted in an 18 percent decrease in field personnel across the state and a 25 percent decrease in office personnel. In 2017 there was a loss of 29 unemployment offices and 95 employees. There were no staff members dedicated to in-person unemployment services at the career centers across the state and only 23 staff members in the Adjudications Branch who could adjudicate claims. When COVID-19 hit Kentucky, the OUI was in the process of changing the way it

delivered UI customer service through a balanced approach that included making overdue technology upgrades to a 20 year old system and increasing phone and in-person services.

The Deputy Secretary specifically discussed the days after the COVID-19 state of emergency from March 8, 2020 to June 6, 2020. There were a total of 931,807 new claims, some of which were duplicate claims, with 91.6 percent of eligible claims paid totaling \$2,405,804,385. The balance of the state's UI Trust Fund as of June 6, 2020 was \$150,716,318, and the federal UI balance as of the same date was \$1,304,342,415. In addition to the traditional UI, three new programs have been added through the federal CARES Act, some of which a person could be simultaneously eligible. These programs include pandemic unemployment assistance, pandemic emergency unemployment compensation, and pandemic unemployment compensation. Pandemic unemployment assistance expands eligibility to non-traditional workers such as those that are self-employed or independent contractors. Pandemic emergency unemployment compensation expands the duration of benefits an additional 13 weeks, and pandemic unemployment compensation allots claimants an additional \$600 a week.

Heather Dearing gave an overview of the timeline of the OUI and the number of claims filed starting with the week ending in March 7, 2020. There were 2,463 initial claims filed. During the week ending in March 21, 2020, Governor Beshear waived the waiting week and work search requirements for unemployment, and initial claims filed had risen to 49,023. The following week the Governor announced changes in mass layoff parameters and the expansion of unemployment eligibility. Initial claims filed increased to 113,149 which was partially due to unemployment eligibility being expanded to non-traditional workers. The week ending in March 28 was also the week that the General Assembly passed SB 150 and Congress passed the CARES Act. By the end of the week ending in April 4, 2020, federal UI payments had begun for pandemic unemployment compensation and initial claims filed totaled 117,575. The Department of Labor published guidelines for pandemic emergency unemployment compensation and pandemic unemployment compensation during the week ending in April 11, 2020. This was also the first week there was a slight decrease in initial claims filed. The Cabinet made adjustments to the OUI website, continued to further train staff, and started circulating materials to the public that offered more guidance on the expanded programs. Ms. Dearing explained there were delays in benefit payments due to the 13 to 15 day processing window, the filing of duplicate claims, identity verification issues, or claim investigations. From the weeks ending in May 9, 2020 to June 6, 2020, the Department of Labor published guidance in response to specific state requests seeking assistance to administer changes to the UI programs and guidance related to fraud prevention. Initial claims filed for the week ending in May 9, 2020 were 69,372 and decreased to 40,733 at the week ending in June 6, 2020. During this time the OUI had also increased the number of individuals who could process claims to approximately 40 to 50.

The federal CARES Act, enacted on March 27, 2020, established the creation of the Federal Pandemic Unemployment Compensation Fund. This houses pandemic unemployment assistance, federal pandemic unemployment compensation, and pandemic extended unemployment compensation. Kentucky's federally funded UI Trust Fund was established on April 7, 2020. To provide security for states' unemployment insurance trust funds, the CARES Act allows access to zero interest loans and Kentucky was approved for \$865 million in June. Despite some obstacles, adjustments have been made by expanding eligibility, utilizing experienced adjudicators, overhauling the Kentucky Career Center website, launching communications campaigns, stabilizing the UI Trust Fund, using Amazon Connect, and making security upgrades. Moving forward, the OUI will be transitioning to the Labor Cabinet and individuals still needing assistance with their claims will be able to request an in person appointment.

Responding to Co-Chair Danny Carroll, Deputy Secretary Benton stated that March 16, 2020 was the date that he and his staff were notified that there would be wide spread closures across the state due to COVID-19. The Cabinet began preparing for what policy, operational, and personnel changes would be necessary, but the Families First Coronavirus Response Act being passed at the end of March gave more flexibility by allowing the addition of outside contractors and the hiring of personnel outside of the state merit system.

Addressing a question from Co-Chair Russell Webber, Deputy Secretary Benton estimated that the \$865 million federal loan was applied for and secured the first week of June 2020. Answering a follow up, he explained that the UI Trust Fund is funded through employer contributions and the schedule of rates was determined in the late 2000's by the Unemployment Insurance Task Force based on the funding level of the trust fund. The rate schedule can be reviewed and modified by the Cabinet and the General Assembly. It has been voiced to the federal delegation that a rate increase would hinder economic growth. Addressing another question, the Deputy Secretary said that some of the UI information for the public had been modified online to reflect new federal guidelines. Secretary Larry Roberts added that the guidelines are published and posted on the Healthy at Work website.

Replying to Co-Chair Danny Carroll, Deputy Secretary Benton said that the claims from the month of March have been given priority in the claims review and adjudication processes. Addressing a follow up, Ms. Dearing explained that the idea of using LRC staff to assist with processing claims had been presented, however, for an individual to process claims they would have to pass a federal background check to access any claims information. The Cabinet then began to work with the LRC's Constituent Services Office to assist with communication with claimants and some in-person events.

Representative Adam Bowling read a letter from Ron Mosley, Harlan County Judge Executive, that was addressed to Governor Beshear and others regarding various issues community members had with unemployment claims. Secretary Roberts said that in person services had been set up in Frankfort to assist those still having issues with their claims,

and staff would also be providing in person services in Ashland and Owensboro. There are approximately 101 claims facilitators that are able to process claims and determine appropriate action. Governor Beshear has directed the Cabinet to negotiate with an outside vendor to facilitate and process current and backlogged claims.

Answering questions from Co-Chair Carroll, Secretary Roberts said transitioning the OUI from the Education and Workforce Development Cabinet to the Labor Cabinet would allow for a new perspective during this time, but the Labor Cabinet would continue to work closely with the current staff. Deputy Secretary Benton added that an outside vendor was not contracted sooner, because suitable vendors were not available.

Responding to Representative Charles Booker, Deputy Secretary Benton explained that the Education and Workforce Development Cabinet, Labor Cabinet, and the General Assembly should work together to find ways to leverage state resources to provide stability and avoid being so dependent on federal funding.

Addressing Co-Chair Carroll, Secretary Roberts said in person services in Ashland and Owensboro would be available June 29, 2020 and June 30, 2020. Somerset and Hopkinsville are two other cities that may have in person services available in the coming weeks, as well as a central location in Northern Kentucky. Replying to a follow up question, Deputy Secretary Benton said he was involved in discussions with the Governor's Office regarding waiving the waiting week but was not consulted about the schedule of closings throughout the state.

Replying to Representative Buddy Wheatley, Deputy Secretary Benton said that an individual should generally apply for unemployment benefits in the state in which they work, but there are certain situations when people receive benefits from more than one state. Answering a follow up question, Secretary Roberts said that the in person services will be by appointment to avoid long wait times that were experienced previously.

Responding to Representative Savannah Maddox, Deputy Secretary Benton explained the number of eligible claims was around 560,000. Ninety-one percent of those claims have been paid. There still are claims that have not yet been adjudicated. Answering a follow up question, Deputy Secretary Benton said that tier one call center contracts were not renewed at the end of May, because most of those individuals were just the initial point of contact and were not able to process or adjudicate claims. This is what led to the Labor Cabinet seeking to utilize more specialized vendors that can assist with more detailed and complicated issues.

In response to an inquiry from Co-Chair Danny Carroll, Dorsey Ridley, the Director of the Governor's Office of Legislative Services, said he would discuss the communication that took place between the Governor's Office and the Cabinet in regard to business closings across the state at a later time.

Addressing Co-Chair Carroll, Deputy Secretary Benton said that the General Assembly can assist by reviewing the rate schedule, especially on small businesses. He also said that how the public workforce system works in relation to assistance from the federal government should also be reconsidered. Secretary Roberts added that the Labor Cabinet will make an even greater effort to offer more in person appointments, get information out to the public more efficiently, and reach out to local officials throughout the state for help.

Answering questions from Representative Nima Kulkarni, Deputy Secretary Benton said it would take a person four to six months of training to gain the operational knowledge to process and adjudicate claims due partially to the age of the system. Secretary Roberts added that there are similarities between states due to unemployment insurance being a federal program, but the individuals with the outside vendor will need to be trained on various things that are unique to Kentucky. In response to a follow up question, Secretary Roberts said that Jefferson County may have an in person site available in future but not at this time.

Replying to Senator Jimmy Higdon, the Deputy Secretary stated that about one third of the claims are from those not typically covered by UI. The payment of those claims comes from money received by the federal government and not from the state trust fund.

Co-Chair Danny Carroll indicated the committee will pick back up with this issue at the July meeting.

There being no further business, the meeting adjourned at 10:42 a.m.