

# UNEMPLOYMENT INSURANCE REFORM TASK FORCE

## Minutes of the 4th Meeting of the 2021 Interim

September 28, 2021

### Call to Order and Roll Call

The 4th meeting of the Unemployment Insurance Reform Task Force was held on Tuesday, September 28, 2021, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Michael J. Nemes, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Michael J. Nemes, Co-Chair; Representative Russell Webber, Co-Chair; Senators Ralph Alvarado, Brandon J. Storm, Mike Wilson, and David Yates; Representatives Josh Branscum, McKenzie Cantrell, Phillip Pratt, and Scott Sharp.

Guests: Jamie Link, Secretary, Labor Cabinet; Buddy Hoskinson, Executive Director, Office of Unemployment Insurance, Labor Cabinet; Morgan Eaves, Director of Legislative Affairs, Labor Cabinet.

LRC Staff: Andrew Manno, Audrey Ernstberger, Kirk Smith, and Sasche Allen.

### Approval of Minutes

A motion to approve the minutes of the August 30, 2021, meeting was made by Representative Russell Webber, seconded by Senator Mike Wilson, and approved by voice vote.

### Update on Unemployment Insurance and Proposed System Changes

The Labor Cabinet, Office of Unemployment Insurance (OUI), and Commonwealth Office of Technology (COT) leadership recently met for a three day strategic planning session to identify problems and create solutions in order to improve the unemployment insurance system experience and efficiency. Action items of the session included the virtual appointment process, claimant website improvements, fraud prevention and detection, and a weekly data dashboard. Virtual unemployment insurance appointments will be available to claimants with unresolved issues. OUI will reach out to these claimants starting with the oldest claims first. The online appointment schedule was rolled out September 27, 2021 with an option to have a phone appointment. The claimant website will be improved by adding benchmarks to let the claimant know where they are in the claims process, automated communication for missing information, and a real-time chat function. OUI is also reviewing language on the claimant website to replace industry specific terminology with easier to understand language.

OUI launched ID.me, a federally certified technology partner used by the Internal Revenue Service and Department of the Treasury for secure digital identity verification in an effort to increase fraud prevention and detection. A weekly dashboard has been launched to provide weekly updates on the number of new initial unemployment insurance claims, the number of continuing unemployment insurance claims, the number of issues with claims, the total number of claims awaiting claimant action, and the total number of claims paid. These issues will continue to be discussed and improved upon through quarterly strategic planning sessions with the Labor Cabinet, OUI, and COT leadership.

Additional resources available to OUI include being assigned a Tiger Team by the U.S. Department of Labor. The team will be comprised of experts across many disciplines including fraud specialists, equity and customer service specialists, unemployment insurance program specialists, business intelligence analysts, computer systems engineers, and project managers that will conduct intensive discovery assessments, provide resources for identification verification, and propose solutions to address fraud and equitable access. The Tiger Team will provide OUI with expert level advice from individuals that have assessed what was and what was not successful in other states. Federal funds and grants for modernization will also be identified for OUI by the Tiger Team. The next eight week Tiger Team session begins October 5, 2021.

Between April 15, 2021 and September 24, 2021, Kentucky Career Center (KCC) staff have helped more than 56,811 in person appointments. OUI call center staff have taken more than 94,586 calls via the unemployment insurance helpline. KCC's have returned to a focus on employment services and have begun holding regular job fairs. A \$1.3 million Reemployment Services and Eligibility Assessment (RESEA) grant from the U.S. Department of Labor was recently awarded which is geared toward those individuals who have likely exhausted unemployment insurance benefits. RESEA requires unemployment insurance claimants to go through an orientation, create an individualized employment plan, and enrollment in a case management system.

As COVID-19 continues to surge, KCC offices have implemented safety protocols to protect staff and claimants. There is a mandatory mask mandate for staff, work stations are spaced six feet apart, and staff contact next day appointment holders to inquire about their current health status. Due to COVID-19 exposure, staffing at multiple KCC offices have been impacted. In those cases, in person appointments have been moved to phone appointments. There are currently 135 KCC staff members with 25 openings across the state.

From March 2020 to September 19, 2021, a total of 2,426,605 unemployment insurance claims were received with a total of \$6,640,473,258 paid through all unemployment insurance benefit programs. During the 2021 Regular Session, legislation was passed creating a waiver for overpayment of unemployment insurance benefits.

Unemployment insurance claimants began receiving letters in June 2021 regarding overpayments of unemployment insurance benefits. There have been 5,780 overpayment claims processed and \$8,333,203.78 in benefits waived thus far.

The second round of RFP for a new unemployment system was released on August 27, 2021 and proposals will be due October 19, 2021. Language was added to address the extensive need for added system security and to require that the prime vendor has previously implemented a similar updated system in another state or jurisdiction. The project has been estimated to cost about \$47.5 million with \$30 million being allocated from restricted funds, \$10 million allocated from bond funds, and \$7.5 million from the general fund. After a vendor is selected and the contract is finalized, it will take 18 to 24 months to implement the modernized unemployment insurance system.

Responding to Representative Josh Branscum, Buddy Hoskinson, the Executive Director of the Office of Unemployment Insurance, confirmed that the new claimant website will have guided instructions for unemployment insurance claimants and there are currently online videos available that offer step by step instructions for how to file an unemployment insurance claim. Morgan Eaves, the Director of Legislative Affairs for the Labor Cabinet, added that the new claimant website will also feature a live chat options for individuals that have questions about filing a claim or how to upload documentation. Answering a follow up question, Mr. Hoskinson noted that fraud was a major issue for Kentucky as well as many other states. The personal identification numbers for unemployment insurance claimants were reset in April 2021 which has aided fraud prevention and detection efforts along with the launching of the ID.me program.

Addressing questions from Representative Phillip Pratt, Mr. Hoskinson verified that the OUI has been providing the General Assembly with up to date information regarding unemployment insurance claims throughout the pandemic. The addition of the data dashboard makes information more readily available to legislators, the media, and the public. Responding to a follow up question, Mr. Hoskinson reiterated that the next eight week Tiger Team session begins October 5, 2021. The Tiger Team will meet virtually and be exclusively focused on Kentucky. Addressing another follow up question, Labor Cabinet Secretary Jamie Link explained that states around the country are currently rebuilding unemployment insurance systems because the systems were not designed to withstand the volume of unemployment insurance claims or the level of fraud that was encountered during the COVID-19 pandemic. The Labor Cabinet is committed to obtaining a vendor that will adequately meets the needs of the state while also concentrating on the allotted budget for the project. Responding to a follow up question, Secretary Link confirmed that the results of four separate audits that the OUI is undergoing will be made public. Addressing a follow up question, Secretary Link said there have been 1,041 individuals apply for the Back to Work Incentive Program. Responding to another follow up question, Ms. Eaves explained that whether an individual who lost their job based on an

employer vaccination requirement would qualify for unemployment insurance benefits would be determined on a case by case basis.

Replying to Representative McKenzie Cantrell, Mr. Hoskinson acknowledged that more staff is needed to assist unemployment insurance claimants properly, specifically for the call centers. OUI continues to monitor the call volume and work closely with the call center provider to assess staffing needs.

Answering questions from Senator Mike Wilson, Mr. Hoskinson said the claimant website was in the prototype phase of development, and the goal is to have the website completed by the end of 2021. Replying to a follow up question, Mr. Hoskinson explained that of the 400,000 unanswered emails sent to the OUI that were previously discussed by the Auditor of Public Accounts, only 127,000 of those emails were unique. Of those 127,000 emails, 67,000 were from individuals that are receiving unemployment insurance benefit payments. 24,000 emails still need to be addressed. All OUI email accounts have been reevaluated to ensure that unemployment insurance claimants are able to send communications through the proper channel.

Responding to Senator Ralph Alvarado, Secretary Link said the estimated cost for the new unemployment insurance system was derived from consultation with COT leadership by the Labor Cabinet. All RFP proposals will be evaluated for efficiency and cost. Answering a follow up, Secretary Link restated that it will take 18 to 24 months to implement the modernized unemployment insurance system.

Addressing Representative Scott Sharp, Secretary Link said that the Labor Cabinet and OUI are facing the same staffing shortage issues as all employers across the Commonwealth. Although the Labor Cabinet has evaluated the positions, options are limited due to state and federal personnel requirements and some federal funding ending on September 6, 2021. Secretary Link agreed to work with the General Assembly to formulate possible legislative action that could help with staffing challenges.

Replying to questions from Representative Russell Webber, Mr. Hoskinson reiterated that there have been 5,780 unemployment insurance overpayment claims processed and \$8,333,203.78 in benefits waived as a result of legislation passed during the 2021 Regular Session. About 400 unemployment insurance overpayment claims have been denied and sent to through the appeal process to be reviewed. Addressing a follow up question, Secretary Link confirmed that the Kentucky Career Centers are under the jurisdiction of the Labor Cabinet and not the Education and Workforce Development Cabinet. Replying to another follow up question, Secretary Link said he expects for proposals for the RFP to be under consideration for 30 to 45 days because of the complexity and magnitude of building an entirely new unemployment insurance system. Addressing a follow up question, Secretary Link agreed to meet with others in Labor Cabinet leadership to prepare legislative recommendations for the General Assembly.

Answering questions from Senator Mike Nemes, Mr. Hoskinson said there is currently a back log of about 80,000 unemployment insurance claims that included traditional unemployment insurance claims and all other extended pandemic related unemployment insurance claims. Replying to a follow up question, Mr. Hoskinson stated there is no longer a contract with Ernst and Young or any other company to assist with the adjudication of unemployment insurance claims due to federal funding for those positions ending on September 6, 2021. Answering a follow up, Mr. Hoskinson explained that the Unemployment Insurance Commission is the upper level of the appeals process and is comprised of the Executive Director of the Office of Unemployment Insurance, a labor representative, and a citizen member. There is currently a weekly average of 30 to 40 unemployment insurance claims under review by the Unemployment Insurance Commission. Responding to a follow up question, Secretary Link confirmed that OUI staff is being cross trained to also offer career counseling at the KCC offices in addition to processing unemployment insurance claims. Answering another follow up question, Mr. Hoskinson clarified that unemployment insurance claimants were now given the option for a phone appointment when initially making an appointment. Replying to a follow up, Mr. Hoskinson confirmed that a first available appointment option is possible to include on the claimant website. Responding to another follow up question, Mr. Hoskinson said statistical unemployment insurance information on the first two quarters of 2021 could be made available. Answering another question, Mr. Hoskinson stated the Labor Cabinet would consult with regional liaisons about implementing indexing of unemployment insurance benefits if that is a process that the General Assembly wishes to move forward with. Addressing a follow up question, Secretary Link stated that pairing skilled employees with employers is one of the Labor Cabinet's goals while working with local, state, and federal partners.

There being no further business before the committee, the meeting adjourned.