

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2021 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 1418

**Bill #:** SB 7 GA

**Document ID #:** 5979

**Bill Subject/Title:** AN ACT relating to unemployment insurance benefits, making an appropriation therefore, and declaring an emergency.

**Sponsor:** Senator David Givens

Unit of Government:  City  County  Urban-County  
Unified Local  
 Charter County  Consolidated Local  Government

Office(s) Impacted: all with employees

Requirement:  Mandatory  Optional

Effect on Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government**

SB 7 GA **Section 2** would establish that, for unemployment insurance (UI) claims filed between January 27, 2020 and December 31, 2020 (hereinafter “pandemic period”), an overpayment of benefits that was not the fault of the recipient and for which recovery of the overpayment would be contrary to equity and good conscience, could be waived by the Secretary of the Labor Cabinet. The recipient would be required to request waiver of the overpayment. Recovered pandemic period claims overpayments would be returned to the federal government if the overpayment were paid from Coronavirus Aid, Relief, and Economic Security (CARES) Act dollars.

SB 7 GA **Section 3** would require the Kentucky Office of Unemployment Insurance (the Office) take certain actions to ensure the integrity of the UI program, to verify unemployment benefits eligibility, prevent fraudulent filing of claims, and prevent overpayment of claims. For UI claims made after July 1, 2023 the Office would be required to aggressively comb available state, federal, or commercially available databases on a

weekly basis for new hires, and for lists of incarcerated individuals (who are not eligible to receive unemployment benefits). SB 7 GA would require the Office review the case of a person receiving UI benefits if the Office receives information of a person's change in circumstances that may affect their eligibility. The Office would be required to enter into an agreement with the U.S. Department of Labor to proactively detect and investigate unemployment fraud. The Office would be required to provide employers with electronic notice of new unemployment claims and implement policies to recover improper overpayments of benefits.

SB 7 GA **Sections 4 and 5** would enlarge the time to:

1. file an appeal of a claim determination to a referee from 15 days to 30 days after mailing of the determination; and
2. initiate an appeal of a referee's decision from 15 days to 30 days after mailing of the decision; and
3. in appeals to the commission, enlarge the time for appeal of the commission's decision from 20 days to 35 days after the decision is made.

**The fiscal impact of SB7 GA on local government employers would vary from none to a positive, though indeterminable, impact.** Recovery of overpayment of UI benefits claims paid during the pandemic period would largely have no fiscal impact on local governments. The Kentucky Association of Counties (KACO) reports that UI claims during the pandemic period are being paid by CARES Act money. Similarly, the Kentucky League of Cities (KLC) reports that the Office of Unemployment Insurance did not charge employer unemployment insurance reserve accounts for UI claims during the pandemic. It is likely local government employers who reimburse the unemployment insurance trust fund were not charged for benefits paid during the pandemic either. Since pandemic period unemployment benefits for laid off local government employees have not been charged to the employers' UI trust fund accounts, recovery of overpayments pursuant to SB 7 GA **Section 2** would have no fiscal impact on local government employers. If there are some local governments whose laid-off employees' UI benefits during the pandemic period are **not** being paid from CARES Act money but from the employer's UI trust account or reimbursements, recovery of benefit overpayment, if credited to those employers' accounts, would have an indeterminable positive fiscal impact on those employers.

The actions in **Section 3** that the bill would require of the Office of Unemployment Insurance beginning July, 2023 should reduce fraudulent UI claims and reduce overpayment of benefits, which would have a positive fiscal impact and result in money savings to local governments. However, the enlargement of time in **Sections 4 and 5** for claimants to appeal an unemployment benefits determination could result in more timely appeals, which could increase the number of successful claims and, therefore, increase the benefits paid by employers by an unknown amount.

SB 7 GA **Section 6** declares an emergency and declares that the Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.

### **Part III: Differences to Local Government Mandate Statement from Prior Versions**

Part II applies to SB 7 GA as amended by SCS 1, SFA 1 and SFA 2. **The fiscal impact of SB 7 GA differs from that of SCS 1, which would have had no immediate fiscal impact and a positive, though indeterminable, future fiscal impact.**

SFA 1 enlarged the time for response and appeal times to referee determinations and commission decisions and provided that such appeals are governed by KRS 341.420, rather than KRS Chapter 13B.

SFA 2 amended the language in Section 2(1) to clarify the criteria for waiver of overpayment of benefits.

SCS 1 made the following changes:

1. Removed the definition of “Department”
2. Added a definition for “Office”
3. Changed the wording of the criteria in order for the Secretary to waive overpayment of UI benefits
4. Increased the deadline for requesting waiver of overpayment from 10 to 30 days
5. Required the notice to the claimant of overpayment include information explaining how the recipient may request a waiver
6. Prohibits the Secretary initiating overpayment recovery until the 30 day period to appeal the determination of overpayment has passed
7. Deleted references in Section 2 (2) and (3) regarding charges to employers’ unemployment insurance trust funds and reserve accounts

**Data Source(s):** LRC staff; KACO; KLC

**Preparer:** Mary Stephens      **Reviewer:** KHC      **Date:** 3/1/21