



new hires, and for lists of incarcerated individuals (who are not eligible to receive unemployment benefits). SB 7 SCS 1 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 SCS 1 would have no immediate fiscal impact on local government employers but should have a positive, though indeterminable, fiscal impact on them in the future.** The Kentucky Association of Counties (KACo) reports that UI claims during the pandemic period are already being covered 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 claims during the pandemic either. Since pandemic period unemployment benefits for laid off local government employees have not been charged to their UI trust fund accounts, SB 7 SCS 1 Section 2 should have no fiscal impact on local government employers. The actions in Section 3 that the bill would require of the Office beginning July, 2023, should result in money savings to local governments because of fewer problematic charges to their UI trust fund reserve accounts or fewer demands for reimbursement to reimbursing employers' accounts.

SB 7 SCS 1 **Section 4** declares an emergency and 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 SCS 1 to SB 7. **The proposed changes in SCS 1 would change the fiscal impact on local government employers of SB 7, as introduced, from minimally positive to no current fiscal impact and a positive, though indeterminable, future fiscal impact.**

Other changes in SCS 1:

The SCS removed the definition of "Department" in Section 1 of the bill and added a definition for "Office." The SCS at Section 2 changed the criteria for waiver of overpayment of benefits. The new criteria are:

1. Overpayment was without fault of the recipient; and
2. Recovery of the overpayment would be contrary to equity and good conscience.

Since overpayment of benefits during the pandemic period was paid with CARES Act money and not out of the UI trust fund, the SCS 1 removes the requirement in the original bill that overpayment of benefits during that time be repaid with CARES Act money. SCS 1 added the requirement that any recovered overpayments that had been made with CARES

Act money be returned to the federal government. SCS 1 includes a requirement that the Office of Unemployment Insurance provide the Attorney General with all records it requests for the purpose of investigating and prosecuting fraudulent UI activity.

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

**Preparer:** Mary Stephens **Reviewer:** KHC **Date:** 2/24/21