Local Government Mandate Statement Kentucky Legislative Research Commission 2021 Regular Session

Part I: Measure Information

Bill Request #: 1418	3			
Bill #: SB 7 SCS 1				
Document ID #: <u>5434</u>				
U U	AN ACT relating to unemployment insurance benefits, making an appropriation therefore, and declaring an emergency.			
Sponsor: Senator David Givens				
Unit of Government:	XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment			
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 SCS 1 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. Pandemic period claims overpayments recovered would be returned to the federal government if the overpayment were paid from Coronavirus Aid, Relief, and Economic Security (CARES) Act dollars.

SB 7 SCS 1 Section 3 would require the Kentucky Office of Unemployment Insurance take certain actions to ensure the integrity of the UI program, to verify unemployment benefits eligibility, prevent fraudulent filing of claims, and to prevent overpayment of claims. For UI claims made after July 1, 2023, the Office would be required to aggressively check 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 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 fior 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 Gvernor 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): <u>LRC staff; KACo; KLC</u>

Preparer: Mary Stephens Revie	wer: KHC	Date:	2/24/21
-------------------------------	----------	-------	---------