

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2025 REGULAR SESSION**

MEASURE

2025 BR NUMBER 1578

SENATE BILL NUMBER 162 SCS 1

TITLE AN ACT relating to unemployment insurance.

SPONSOR Senator Phillip Wheeler

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE STATE
EMPLOYEE HEALTH PLAN IMPACT

APPROPRIATION UNIT(S) IMPACTED:

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES			
NET EFFECT			

() indicates a decrease/negative

PURPOSE OF MEASURE: The measure requires the Education and Labor Cabinet (ELC) to refer any individual suspected of fraud in relation to obtaining or attempting to obtain unemployment compensation. The referral will be made to the Kentucky Justice and Public Safety Cabinet, the appropriate county attorney or Commonwealth’s attorney, and possibly the United States Department of Justice. The measure outlines the necessary information to be included with the referral. It creates a disqualification of benefits until the investigation is finalized.

The measure also stipulates that if a public employee or contractor is found to have collected or attempted to collect unemployment benefits while employed by a public agency, they will be terminated immediately. An appeal process is provided.

FISCAL EXPLANATION: The Office of Unemployment Insurance currently has an Integrity Branch that handles fraud cases. Implementing the referral process for suspected fraud, as outlined in this measure, does not have a fiscal impact. However, the cabinet estimates the total cost to implement the referral process created in this measure at \$1.26 million. This includes a

one-time cost of \$1 million for necessary modifications to the new unemployment insurance system to aid in the identification of suspected fraud. To replace the unemployment insurance system, the cabinet is utilizing the following fund sources: General Fund, Restricted Funds, Bond Funds, and Federal Funds.

Additionally, the cabinet estimates there will be recurring annual costs of \$260,000 to fund two additional staff members responsible for identifying and referring suspected fraud cases.

The cabinet was contacted to provide additional information regarding the fiscal impact but has not yet responded as of the preparation of this note.

DATA SOURCE(S): Education and Labor Cabinet, LRC Staff

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