

KDOL Update

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Acting Secretary

**House Committee on
Commerce, Labor and
Economic Development**

January 20, 2021



Unemployment Overview

House Committee on
Commerce, Labor and
Economic Development

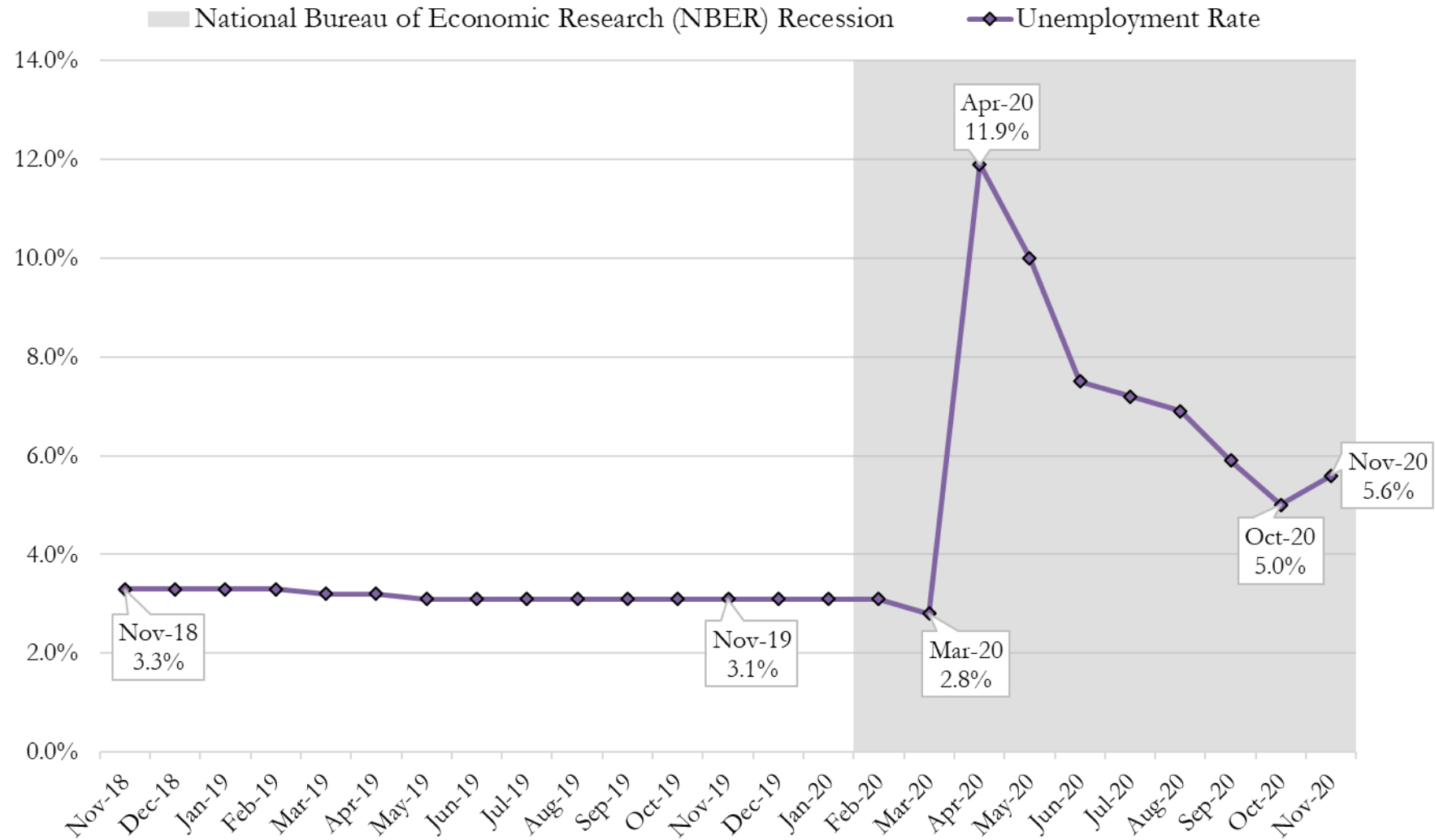
January 20, 2021



KDOL Overview

Since March 15, KDOL has paid out over 3.8 million weekly claims totaling over \$2.6 billion between regular unemployment, and the federal pandemic programs.

Unemployment Rate Kansas November 2018 to November 2020



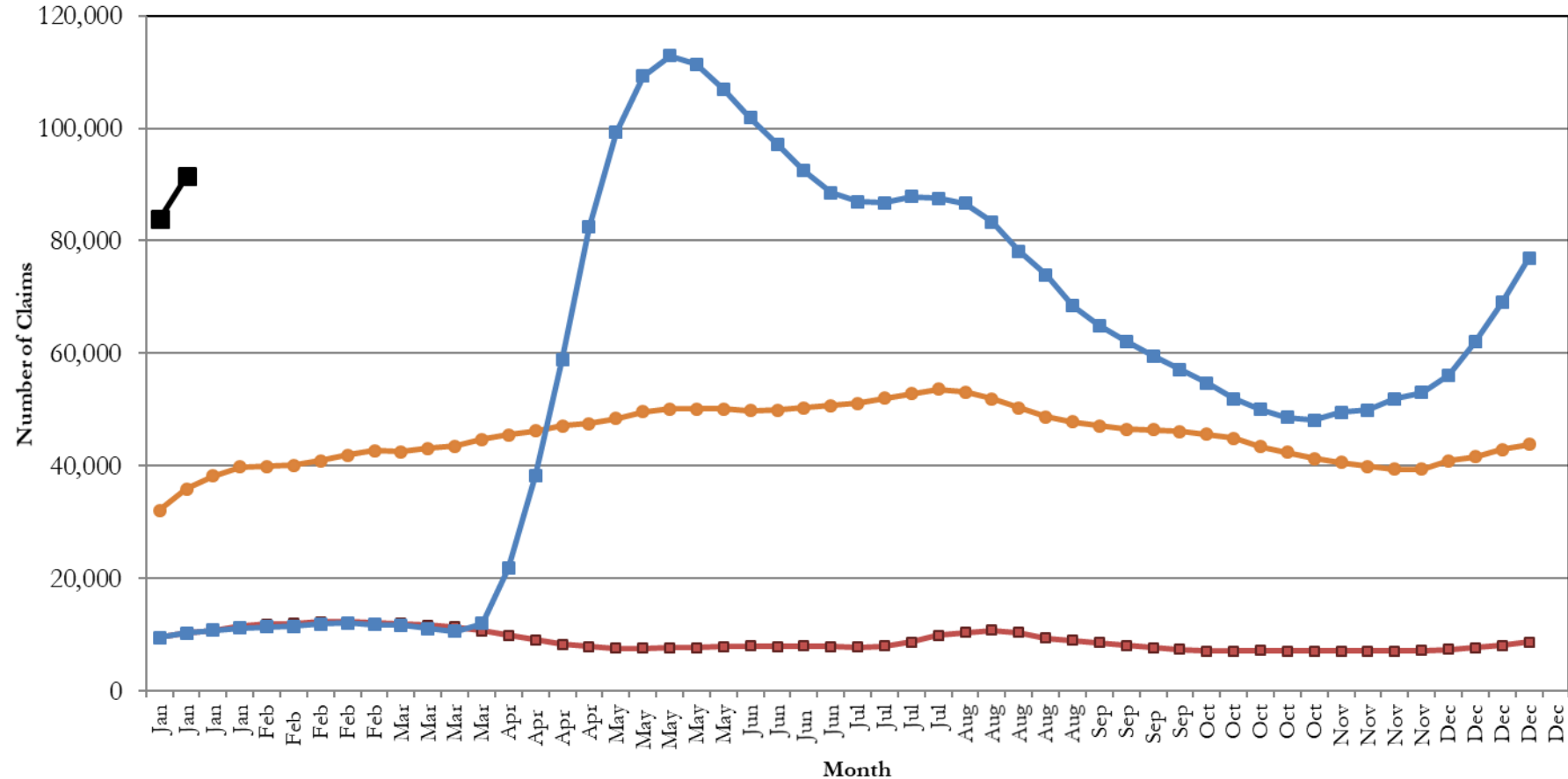
Source: Kansas Department of Labor, Labor Market Information Services and the Bureau of Labor Statistics; Local Area Unemployment Statistics (LAUS)

Weekly Continued Claims for Regular Unemployment Insurance (4-Week Moving Average)

Kansas
2009, 2019, 2020

—●— 2009 —■— 2019 —■— 2020 —■— 2021

Continued claims for unemployment insurance benefits include all claims following the initial claim. Continued claims increased initially during the week ending March 28. Weekly claims continued to increase throughout April coming to peak during the week ending May 2nd. Following months of improvement, claims began to increase in November and have continued to do so through the week ending January 9.



Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics

Each data point represents an average of initial claims for the current week and three preceding weeks.
Note: This chart shows continued claims for Regular UI. PEUC, PUA, and EB claims are not included.

KDOL Overview

Regular UI

UP TO
26
weeks

- Filing for Unemployment Insurance (UI) is the first step for affected workers
- Available for up to 26 weeks

PEUC

UP TO
24
weeks

- Pandemic Emergency Unemployment Compensation (PEUC) is a federal extension of benefits for those who have exhausted UI
- The CARES Act extension increases PEUC weekly benefits from 13 to 24 weeks
- Expires on March 13, 2021

PUA

UP TO
50
weeks

- Pandemic Unemployment Assistance (PUA) expands access to unemployment by including those who are affected by COVID-19 and not eligible for UI or PEUC (*such as self-employed, independent contractors, gig workers, employees of religious organizations and those who lack sufficient work history or have been disqualified for state benefits*)
- The extension provides an additional 11 weeks of PUA unemployment benefits for claimants, up to a maximum of 50 weeks. If a claimant exhausted their PUA benefits prior to Jan. 2, 2021 they are only eligible for weeks starting after that time
- Apply online at www.PUA.GetKansasBenefits.gov

PHASE OUT

PEUC and PUA now include a phase out period. This means if you are receiving benefits and have not used all benefit weeks as of March 14, 2021, you can continue receiving benefits until either you have used all remaining weeks or reach the week ending April 11, 2021, whichever comes first.

KDOL Overview

MEUC

Weekly \$100

- Mixed Earner Unemployment Compensation (MEUC) is only available for claimants filing in either the UI or PEUC programs
- Claimants must have earned more than \$5,000 in self-employment income in the most recent taxable year, prior to the individual's application for regular UI benefits
- Eligible claimants will receive an additional \$100 weekly benefit on top of their weekly benefit amount and the \$300 FPUC benefit
- MEUC runs from week ending Jan. 2, 2021, through March 13, 2021
- This program will require a separate application; details to come

FPUC

Weekly \$300

- Federal Pandemic Unemployment Compensation (FPUC) provides a \$300 per week benefit for any claimant that is eligible for an underlying unemployment compensation program
- FPUC runs from week ending Jan. 2, 2021, through March 13, 2021
- Previously FPUC was available from March 29, 2020 through July 25, 2020 and payments were for \$600, but this extension only provides \$300 weekly benefits
- No application is necessary

KDOL Overview

Expired Programs



LWA

- Lost Wages Assistance (LWA) was funded by FEMA to provide \$300 per week to supplement unemployment benefits to eligible claimants
- Available for any claims for the weeks ending Aug. 1, 2020, through Sept. 5, 2020; payments will be retroactive



Extended Benefits (EB)

- Extended Benefits (EB) was available after PEUC is exhausted for claims filed after June 7, 2020
- USDOL notified the state that Kansas has officially “triggered off” of the EB program
- KDOL is prohibited from making any additional payments, regardless of any remaining balance of EB entitlement
- The last payable week on the EB program was the week ending Dec. 12, 2020

Unemployment Backlogs

- Regular Unemployment: In June KDOL had a backlog of approximately 25,000 unemployment claims, as of January 19 there are only 66 claims in the backlog and all other claims are within the USDOL standard for adjudication timeliness. We anticipate the backlog being eliminated by the end of the day today.
- PUA: In August KDOL had an estimated backlog of 25,000 claims in the PUA program as well. KDOL completed a crucial step in the program development that allowed claimants to submit documentation to the agency for their claim to be adjudicated. Since that time over 14,000 claimants have started or completed the process of uploading documentation so that their claim may be adjudicated. The 14,000 claims in the PUA adjudication are not backlogged, this number represents claimants that have started the process.

Fraud Overview

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KDOL Fraud Overview

What We Know . . .

- KDOL's systems have not been breached.
- **Identity Theft is on the rise** nationwide, not just in Kansas.
- KDOL is seeing a **large increase in identity theft and high-level schemes**, in both the regular unemployment system and the PUA system.
- According to the **U.S. Department of Labor's Office of Inspector General**, UI fraud is costing taxpayers between **\$8-26 Billion**.

KDOL Fraud Overview

Fraud is Impacting Every State

- Investigators in California believe state has likely surpassed **\$9 Billion** in unemployment fraud.
- Most states have not reported a known loss number for fraudulent claims, below are a few other states self-reported fraud losses.
 - **\$242 Million** In Massachusetts
 - **\$200 Million** in Michigan
 - **\$18 Million** in Rhode Island
 - **\$6 Million** in Arizona and Wisconsin
- KDOL working to implement new fraud tools that will allow the agency to better identify potential fraud. KDOL is also working with Legislative Post Audit on identifying the scope of fraudulent claims in Kansas.

KDOL Fraud Overview

Large Data Breaches

- | | | |
|---|------|--------------------------|
| - Adobe (2013) | 153 | Million User Records |
| - eBay (2014) | 145 | Million User Records |
| - Equifax (2017) | 148 | Million Consumer Records |
| - Heartland Payment Systems (2008) | 134 | Million Credit Cards |
| - LinkedIn Corporation (2012 & 2016) | 165 | Million User Accounts |
| - US Office of
Personnel Management (2015) | 22.1 | Million Gov't. Employees |

Source: CSO "The 15 Biggest Data Breaches of the 21st Century" April 17, 2020

KDOL Fraud Overview

- **Coordinating IT resources** with other agencies to improve overall security effort and environment
- Setting up ID verification through credit reporting agency
- Setting up a Google fraud detection application
- More than **tripled** the size of the KDOL Fraud & Special Investigation Unit
- Put in place a **72-hour hold** on all **new** PUA applications to allow for a validity check to be completed
- KDOL Legal is conducting **review of existing laws** in order to improve mitigation efforts
- Deployed **specialized technologies** to target and block abusive internet activity
- Working with federal and state partners on emerging trends and best practices
- Working with federal and state partners to **prosecute fraudulent activity**
- KDOL is utilizing all USDOL recommended databases for cross-matching. This includes SSN Verification, citizenship verification and over a dozen other systems.
- Launched www.ReportFraud.ks.gov
- Developed a **messaging campaign** for the general public and businesses about identity theft and unemployment insurance fraud

KDOL Fraud Overview

www.ReportFraud.ks.gov

- ✓ The website provides a one-stop shop for victims of identity theft and their employers.
- ✓ The Victims receive police report number.
- ✓ System provides tips to protect identity and mitigate potential damage from theft.
- ✓ System automatically flags suspected claim as fraud so KDOL can stop payment.
- ✓ Alternative to website: **Fraud Hotline 785-291-6059**

KDOL Fraud Overview

COVID-Related Tax Implications

- KDOL has been a national leader in addressing the impending tax issues pertaining to fraud and 1099s. We are working with KDOR and several national partners, including NASWA, USDOL and the IRS.
- KDOL is not allowed to automatically withhold taxes from unemployment benefits. In December, KDOL proactively communicated tax information to all UI recipients that received benefits in 2020.
- KDOL is approved by the IRS to revise the 1099 process to exclude 1099's for victims of identity theft/fraudulent claims.
- KDOL preparing to open a specialized Call Center to answer tax-related questions and issues that claimants, employers or identity theft victims may have pertaining to COVID.

Employer Support & Overview

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KDOL Employer Support

KDOL Employer Help Desk Launched

The KDOL Employer Help Desk provides a **dedicated toll-free phone line (888-396-3725) and customer service representatives** who are trained to assist employers with fraud, tax, Shared Work, unemployment and other labor related issues.



- The help desk averages between 1,000-1,500 employer phone calls per week.
- Top issues from last week (in order):
 - ✓ General Employer Questions
 - ✓ UI Fraud Questions (ID theft, regular UI employee fraud, etc.)
 - ✓ UI Tax Questions
 - ✓ Benefit Charge Notice Questions
 - ✓ Employer Relations
 - ✓ Shared Work

KDOL Employer Support

Fraud Mitigation



- ✓ KDOL recently made changes to the **www.ReportFraud.ks.gov** website so that employers can file multiple claims at once on behalf of their employees. The site still provides all of the same functionality for identity theft victims.
- ✓ KDOL is **working to secure ID verification software** that will work with our legacy system. The software will significantly reduce fraudulent Employer Notification Letters that companies (and individuals) have been receiving.
- ✓ Businesses will **not** be charged for fraudulent claims.

KDOL Employer Support

Improving the Kansas Shared Work Program



- **Process Automation.** KDOL is working to automate the processing of shared work documentation, including weekly certifications.
- **Surge Support.** KDOL is utilizing surge support to ensure employer weekly certifications are processed in a timely manner. Agents working the employer helpdesk are also trained to assist employers participating in the shared work program.
- **Content and Communication Refresh.** KDOL is streamlining information and making it easier to understand the employers role in the shared work program help their employees understand how the program works.
- **24 Hour Support.** KDOL has deployed a Virtual agent for the shared work program, giving employers a self-service option for shared work questions and 24 hour support.
 - Over 50% of all business inquiries come into our virtual agents outside of normal business hours, the virtual agents allows us to support employers 24 hours a day.

KDOL Employer Support

COVID & Fraud Related Claims

- **Contributing Employers** comprise the vast majority of businesses in the state, 71,768.
 - They should not be charged for any new COVID related claims or fraudulent claims.
 - When they receive their annual statement of Notice of Benefit Charges in the coming weeks, they should protest any claims that are COVID or fraud related.
- **Rated Governmental Employers** are 2.7 percent of the employers or 1,982 entities.
 - They should not be charged for any new COVID related claims or fraudulent claims.
 - They receive quarterly notices of charges, with rate notices mailed in June, and should protest any claims that are COVID or fraud related.
- **Reimbursing Employers** comprise just under one percent of the employers or 715 businesses.
 - They are billed 100% for their claims, but the CARES Act offered 50% relief of charges.
 - They receive quarterly statements of charges, and this is likely the group of employers that will see the most dramatic change to their charges.
 - Like the other groups, they should not be charged for fraud related claims.

We are encouraging all employers to carefully check their NBC statements for fraudulent or COVID related claims. If found, employers should protest these charges so KDOL can remove them.

KDOL Work Refusal

Can a person refuse work and still receive unemployment benefits?

Decisions about whether or not someone is disqualified for unemployment insurance benefits due to failing to return to work will be decided on a case-by-case basis. KDOL only knows of refusals if employers notify us.

**After all relevant factors are considered,
a Notice of Determination will be mailed to both parties.**

The Continued Assistance Act added a requirement that states must have the following requirements in place related to Return to Work Reporting:

- **A process of addressing work refusals**
- **A reporting method for employers**
- **Provide a Notice of Determination to claimants who refuse to return to work**

KDOL UI Modernization: Historic Overview

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UI Modernization: Historic Overview

Timeline Overview: Funding

Previous KDOL UI modernization efforts were funded by federal Reed Act funds.

- 2002** Initial distribution to Kansas of federal **Reed Act funds** made by the federal government.
- 2005** Governor Sebelius & Legislature authorize **\$21 million in bonds** to fund rewrite of benefits system.
- 2007** Additional allocation of **\$26 million in Reed Act funds** made to Kansas to complete modernization.
- 2011** KDOL Secretary Karin Brownlee **ends modernization efforts**.

The Business Process Reengineering Phase	\$ 3,819,045
The Detailed Design and Requirements Planning Phase	\$24,223,209
Total Available for the Build and Deploy Phase	\$18,957,746
Subproject I	\$2,864,768
Subproject II	\$1,039,994
Subproject III	\$5,764,350
Amount remaining for the rest of the project.....	\$9,288,624

*A total of **\$47 million** was allocated for KDOL's modernization efforts. Despite completing several key subprojects prior to 2011, no additional modernization work was completed after that time.*

UI Modernization: Current Status

KDOL MODERNIZATION UPDATE

- 2019** **Governor Kelly orders KDOL Secretary Garcia to begin drafting new modernization plan.** Agency completes state site visits and begins drafting plan.
- 2020** **Modernization plan stalls** due to COVID-19 Pandemic.
- 2020** **Acting Secretary Wright** creates specialized team, under direction of then **Deputy Secretary Flachsbarth, to complete modernization plan.** KDOL has completed initial work on the proposal.

UI Modernization: Current Status

KDOL UI MODERNIZATION PROCESS

Step 1: Agency Identifies Project	Completed
Step 2: Agency Submits Planned Project Documentation	Completed
Step 3: CITO Provides Initial Project Determination	Completed
Step 4: Feasibility Study Report (FSR) is Required	Working: Estimated February/March
Step 5: CITO Reviews/Approves FSR	Estimated Early Spring 2021
Step 6: Agency Files High Level Plan	Estimated Mid Spring 2021
Step 7: CITO Approves High Level Plan	Estimated Mid to Late Spring 2021
Step 8: Agency Completes RFP Process (with Procurement)	Estimated Late Spring
Step 9: Agency Completes Detailed Project Plan with Vendor	Estimated Summer/Early Fall 2021
Step 10: CITO Approves Detailed Project Plan	Estimated Fall 2021
Step 11: Agency Begins Project	Estimated Late Fall/Winter 2021

Trust Fund Overview

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UI Trust Fund Update

On December 1, KDOL made our annual certification of the solvency and adequacy of the State of Kansas' account in the Federal Employment Security Trust Fund. *KSA 44-710a(f)*

- On July 31, 2020, the balance in the State of Kansas account in the Federal Employment Security Trust Fund was **\$670,229,626**.
- During state fiscal year 2020 a total of **\$509,580,976** in benefits was paid to Kansas UI claimants, a monthly average of **\$42,465,081**.
- The amount of total wages for contributing employers for state fiscal year 2020 was **\$52,828,083,425**.
- The balance from item one of **\$670,229,626** to total wages of **\$52,828,083,425** equaled a reserve fund ratio of **1.269** as of **July 31, 2020**.

UI Trust Fund Update

“The amount credited to the State of Kansas account in the Federal Unemployment Security Trust Fund as of July 31, 2020 was \$670,229,626. In accordance with relevant provisions of the Kansas Employment Security Law, I hereby certify the Kansas account in the Federal Employment Security Trust Fund is solvent and the amount credited is considered adequate to pay benefits through State Fiscal Year 2021, based on data provided through July 31, 2020.”

- The **economy is rebounding faster than expected** and there are generally stronger economic conditions throughout the state today than there were just a few months ago.
- Kansans who remain unemployed due to COVID-19 are **increasingly transitioning from state-based unemployment programs to federally-backed unemployment programs**.
- A number of provisions were included in the CARES Act that **shifted the financial liability from states and businesses to the federal government**. For example, the CARES Act transfers 100 percent of the financial liability for the Extended Benefits and Shared Work programs to the federal government.

Implementing the Continued Assistance Act

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Implementing CAA

CAA Timeline

12/27/2020	Legislation signed into law by the President.	
12/30/2020	USDOL issues CAA Summary	(UIPL 9-21)
12/31/2020	USDOL issues EB Program Guidance	(UIPL 24-20 Change 1)
12/31/2020	USDOL issues PEUC & Coordination Rules Guidance	(UIPL 17-20, Change 2)
1/5/2021	USDOL issues FPUC & MEUC Guidance	(UIPL 15-20 Change 3)
1/8/2021	USDOL issues PUA Guidance	(UIPL 16-20 Change 4)
1/8/2021	USDOL issues Administrative Guidance	(UIPL 12-01, Change 2)
1/14 to 1/19/21	KDOL Testing FPUC Deployment	
1/22/21	<i>KDOL Anticipates FPUC Deployment (no later than) Friday</i>	
1/26/21	<i>PUA ID Verification</i>	
	<i>PUA Self-Certification Changes</i>	
	<i>Return to Work Reporting</i>	
2/6/21	<i>PUA Eligibility Documentation Change</i>	
February 2021	<i>Implementation of PUA and PEUC extensions and provisions, development of MEUC program.</i>	

Implementing CAA

CAA Implementation: How Does Kansas Stack up?

- Colorado:** Colorado is messaging to claimants that the **end of January or early February** is the earliest they will have any of the CAA provisions implemented.
- Oklahoma:** Oklahoma **began paying FPUC on January 8, 2021**, they are utilizing a phased approach and only paying some claimants at this time.
- Nebraska:** Nebraska has provided limited public comment on the timelines for implementation; they expect to **begin processing FPUC payments soon**.
- Missouri:** **Began processing FPUC payments on January 7, 2021**, Missouri has not provided a timeframe for implementation of other provisions.
- Iowa:** Iowa has messaged that they **anticipate paying FPUC the week of January 18, 2021**. Iowa has not provided a timeline on implementation of the other provisions.

KDOL Requested Legislation

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KDOL Requested Legislation

KDOL is requesting the consideration of three unemployment related bills this session.

21rs0221 Relating to the employment security board of review; emergency expansion.

21rs0222 Employment security law relating to disqualification for unemployment insurance (UI) benefits.

21rs0225 Relating to maximum benefit eligibility period, compensation for the pre-payment waiting period & removing provisions.

Budget Support the Governor's UI modernization allocation in the state budget.

Questions?

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