

To: Senate Commerce Committee
From: Trey Cocking, Deputy Director
Date: February 17, 2021
RE: Testimony in support of SB 177

Mr. Chairman and members of the committee, the League of Kansas Municipalities appreciates the opportunity to offer testimony in support of Senate Bill 177.

With 625 cities in Kansas who are employers, this bill is important for our members. Over the last 11 months, cities have struggled with the current Kansas Department of Labor's (KDOL) system for unemployment claims. Our office has been inundated with calls and our listservs filled with inquiries and frustration about fraudulent unemployment insurance claims. With 113 Kansas cities having a population of less than 100, they do not possess sophisticated departments to handle these claims. Cities have spent significant amounts of time supporting employees and helping them check to see the extent to which their identity and other accounts have been compromised.

Furloughed employees could not get into the system to file for benefits, cities were deluged with fraudulent unemployment claims for current employees and even for individuals never employed by the city; it has been challenging to get information from KDOL on how to handle these claims. Even after reporting those fictitious claims, employees have started getting 1099-G forms saying benefits were paid out.

Cities are very concerned about the potential impact on their budgets. Under existing law, reimbursing employers appear to be responsible for compensating the unemployment insurance trust for all fictitious claims paid out by the KDOL despite reporting the claims and having no control over the payment. Similarly, our rated employer cities are also concerned their rate will be affected due to the fraudulent claims. One midsize city had 25 employees receive fraudulent 1099-Gs. The extent of fraudulent claims paid out is unknown and the potential liability is unclear.

Legislation is needed to modernize the unemployment system and ensure that the system is regularly maintained. This legislation starts the necessary dialogue to make that happen. Additionally, this legislation would hold employers harmless for fraudulent claims filed under the unemployment system between March 2020 and December 2022. This is a necessary and appropriate change.

The unemployment insurance trust fund has been significantly depleted by legitimate unemployment claims. Employers know that the time is coming where additional charges will be necessary to rebuild the trust fund. Cities and other employers, however, should not be held responsible for fraudulent claims, and employers should be able to have faith that this type of technological failure will not occur in the future.

We urge the committee to carefully study SB 177 and begin the important dialogue necessary to modernize our state's unemployment system.