



**Unemployment Insurance
Trust Fund
Annual Report
CY 2020**

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Kentucky Unemployment Insurance Trust Fund

Annual Assessment 2020*

Introduction

The Unemployment Trust Fund is a fund established by the Treasury of the United States that contains all monies deposited by state agencies to the credit of their unemployment fund accounts and federal unemployment taxes collected by the Internal Revenue Service.

In accordance with KRS 341.125(4), the Office of Unemployment Insurance must prepare an annual assessment covering the administration and operation of the Unemployment Insurance (UI) Trust Fund. The annual report is submitted to the Office of Governor. *See* KRS 341.125(4). The following report meets the requirements outlined in the Kentucky Revised Statutes. All references to years in this document refer to the calendar year unless otherwise noted.*

Recent History of Kentucky's UI Trust Fund

Over the past five years, Kentucky was able to eliminate its Title XII advance balance, borrowed during the Great Recession, and restore UI Trust Fund to solvency. By January 2016, the Office of Unemployment Insurance was able to pay back a federal loan totaling \$972 million. The return to solvency was facilitated by a combination of economic improvements and updates to the state's unemployment insurance laws. The updates to these laws included a reduction in benefits, the introduction of the waiting week, and increases to the taxable wage base. In 2018, the Kentucky General Assembly enacted the Service Capacity Upgrade Fund (SCUF), which diverts 0.075% of employer contributions into the fund, and the Department of Workforce Investment was reorganized into the Office of Unemployment Insurance as part of an effort to streamline and centralize Kentucky's workforce services. At the close of 2019, the UI Trust Fund boasted a balance of \$618.7 million, with employers having contributed over \$363 million and unemployed workers receiving \$271.2 million in state benefits during the calendar year. In 2020, Kentucky paid \$1.8 billion in regular UI benefits and \$4.3 billion in additional or expanded benefits. In total, Kentucky issued \$6.2 billion in benefits across all programs.

Unemployment Insurance Service Capacity Upgrade Fund (SCUF)

The Office of Unemployment Insurance collected more than \$16 million in the Service Capacity Upgrade Fund (SCUF) during the 2019 calendar year and another \$13.5 million was collected during 2020, for a total of \$30.3 million deposited into the fund. An analysis of the Kentucky Unemployment Insurance systems and applications was conducted and a request for proposal was planned with the intention of modernization using SCUF during the 2020 calendar year. Vendor proposals are currently being reviewed to award a potential contract for a modernized system.

Comparison of Revenue Sources and Expenditures

The 2020 calendar year was largely defined by the COVID-19 pandemic, which began during the first quarter. The COVID-19 pandemic resulted in a dramatic increase in demand on unemployment insurance resources, including an unprecedented demand on an operating system designed and implemented in the 1970s, as well as staff that, which was drastically reduced during the prior Administration. The demand on UI resources have been unequalled since the program's inception in 1935 as a response to unemployment during the Great Depression. This Administration has worked to update the UI system and increase staffing to pre-reduction levels.

From the first quarter of 2020, Kentucky's Average Total Unemployment Rate increased from 4.8% to 10.7%, up from 4.3% for the 2019 year. The number of claimants receiving benefits in 2020 (based on First Payment records) was 364,623, a significant increase in the number receiving benefits in the prior year. As a result, the UI Trust Fund balance went from a balance of \$557.490 million at the end of the first quarter, to a balance of \$10,654 by the end of the second quarter. The amount of benefits paid during this period required Kentucky's Office of Unemployment Insurance to secure a new Title XII federal loan. That loan balance totaled \$505.746 million as of December 31, 2020.

On March 11, 2020, Congress enacted the Emergency Unemployment Insurance Stabilization and Access Act of 2020 allowing the US Department of Labor to transfer FY2020 emergency grant monies to state unemployment trust funds. States receiving the grants required employers to notify employees about the availability of unemployment compensation at the time of job separation and take steps to ensure the successful processing of UI applications. On March 12, 2020, the US Department of Labor issued guidance ([UI Program Letter No. 10-20](#)) outlining flexibilities that states had in administering their UI programs in order to assist workers affected by the COVID-19 outbreak. Under the guidance, states were given the opportunity to pay benefits in situations where an employer temporarily ceased operations due to the pandemic, where an individual was quarantined with an expectation of returning to work after said quarantine, or an individual leaves employment due to risk of exposure or to care for a family member.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act became effective on March 27, 2020. The CARES Act established Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA). The FPUC portion of the act provided for an additional \$600 per week for individuals receiving state UI benefits through July 26, 2020. Kentucky paid \$2,564,654,921 in FPUC benefits through July 2020 and a total of \$2,837,907,835 in FPUC benefits for the year. The PEUC portion of the act allowed an additional thirteen weeks of benefits for those unemployed workers who exhausted regular UI benefits. Kentucky paid \$159,628,886 in PEUC benefits. Finally, PUA benefits were established for workers who would not otherwise qualify for regular UI benefits but were unable to work due to the pandemic. The PUA guidelines also allowed for self-employed individuals and other workers who are not traditionally covered by unemployment insurance to request benefits. Work search requirements were temporarily waived for those unable to return to the workforce in connection with the pandemic. Kentucky paid \$1,339,960,891 in PUA benefits.

The Families First Coronavirus Response Act (FFCRA) became effective on April 1, 2020 and applied to leave taken between April 1 and December 31. The FFCRA required certain employers with fewer than 500 employees to provide paid sick leave and expanded family and medical leave for reasons related to COVID-19. The Act also provided up to ten additional weeks of paid expanded family and medical leave if the employee is unable to work due to a bona fide need for leave to care for a child whose school or childcare provider closed due to COVID-19.

[Public Law 116-151](#), Protecting Nonprofits from Catastrophic Cash Flow Strain Act of 2020, dated August 3, 2020, amended Title IX of the Social Security Act to improve emergency employment relief for governmental entities and nonprofit organizations. Under this Act, 50% of federal funds were transferred to the state in order to reduce the amount required to be paid in lieu of contributions by reimbursing employers for the 2nd, 3rd and 4th quarters of 2020. Governor Beshear elected to use \$52.5 million of the State's Cares Act funding to cover the remaining 50% owed by reimbursing employers, in addition to not charging benefits to contributory employer accounts, in order not to impact their contribution rates for future years.

On August 8, 2020, a Presidential Memorandum ([UI Program Letter No. 27-20](#)) was issued to provide states with UI related technical assistance for administering Lost Wage Assistance (LWA). Benefits were administered by states and paid directly to individuals through a grant agreement with the Federal Emergency Management Agency (FEMA). In accordance with the Presidential Memorandum, Kentucky issued [LWA Stipulations of Facts](#), detailing the eligibility requirements for individuals to receive these benefits.

The Continued Assistance for Unemployed Workers Act of 2020 was issued December 27, 2020 ([UI Program Letter No. 9-21](#)). This Act amended provisions of the Emergency Unemployment Insurance Stabilization and Access Act (EUISAA) and the CARES Act to modify and extend them beyond their original expiration dates of December 31, 2020. Federal Pandemic Unemployment Compensation (FPUC), which originally expired in July, resumed after December 26, 2020 as a \$300 supplement.

In response to the record number of UI claims and the increased workload, the Office of Unemployment Insurance temporarily suspended the waiting week period and weekly work search requirement. These temporary measures allowed benefit payments to be expedited during a time of uncertainty for Kentucky's unemployment workers.

Kentucky Unemployment Insurance Key Metrics 2020

Table 1

Taxation	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of liable employers as of Dec. 31, 2020	96,634	97,255	97,562	98,236
Average tax rate (2020) (taxable wages) +	1.72%	1.71%	1.70%	1.70%
Net employer UI contributions (2020) (millions)	\$37,914	\$204,542	\$48,448	\$37,508
Gross revenue deposits in UI clearing account (2020)	\$13,228,274.23	\$24,350,430.99	\$4,847,620.97	\$56,023,946.63
Average tax paid per employee (2020)*	\$177.00			
Minimum tax rate (Schedule A in effect)	0.30%			
Maximum tax rate	9.00%			
Taxable wage base CY2020	\$10,800			
Benefits				
Benefits paid out, by program and total Gross Regular State UI (State UI Trust Fund)	\$1,729,939,660			
Net Regular UI State UI 2112	\$1,841,209,657			
Net Regular UI Federal UCFE 2112	\$2,338,914			
Net Regular UI Military UCX 2112	\$3,621,593			
Total UI Net (State, Federal, & Military) 2112	\$1,847,170,163			
Pandemic Emergency Unemployment Compensation (PEUC)	\$159,628,886			
Extended Benefits (EB)	\$19,696,102			
Pandemic Unemployment Assistance (PUA)	\$1,339,960,891			
Federal Pandemic Unemployment Compensation (FPUC)	\$2,837,907,835			
Total Benefits Paid Across All Programs (UI, PEUC, EB, PUA, & FPUC)	\$6,204,363,877			
Maximum weekly benefit	\$569			
Initial claims filed - regular UI state program Federal, State, and Military	240,142	818,353	208,658	109,269
Number of people receiving benefits (first payments)	29,821	295,751	25,965	13,086
Exhaustion rate	40.2	40.9	71.7	20.9
Balance of federal advances as of December 31 st	\$0	\$16,136	\$399,232	\$505,746
Average weekly benefit (Total UI)	\$383.60	\$329.36	\$281.67	\$294.80
Average duration in weeks	14.4	9.5	12.6	13.3
Labor Force				
Reciency Rate - all programs	27.2	98	114.7	89.7
Number working (covered employment- most recent 12 months - 2nd quarter 2020)	2,070,000	2,015,000	11,917,000	1,992,000
Total covered employment	1,850,000	1,644,000	1,732,000	Not Available
Number unemployed (unduplicated headcount)	100,000	216,000	113,000	117,000
Average Total Unemployment Rate (TUR)	4.8	10.7	5.9	5.9
Average Insured Unemployment Rate (IUR)	1.5	11.2	6.8	3.2

Sources: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#); US DOL Tax Measures Report 2020; ETA 2112- UI Financial Transaction Summary Unemployment Fund. *Excludes Reimbursable Employer. +Lags the rest of the data reported by two quarters.

Recent Unemployment Insurance Trust Fund History

Historical data of the principal components of the state UI Trust Fund are presented in Table 2. These components determine the tax rate schedule for each calendar year. All figures in Table 2 represent millions.

Table 2a

Component	2015	2016	2017	2018	2019	2020
Contributions	\$527,740	\$543,369	\$477,099	\$381,736	\$363,098	\$328,412
Interest Earned	\$233,653	\$3,227	\$7,892	\$11,544	\$14,512	\$5,373
Benefits Paid	\$279,922	\$310,760	\$284,595	\$279,560	\$276,124	\$1,847,170
Fund Balance	\$3,501	\$223,913	\$433,218	\$540,208	\$618,704	\$26,358
Total Wages	\$74,926	\$78,363	\$82,023	\$84,889	\$86,341	TBD
Federal Loan Balance (12/31)	\$0	\$0	\$0	\$0	\$0	(\$505,617)

Sources: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#); ETA 2112- UI Financial Transaction Summary Unemployment Fund. *All numbers represent millions.

Table 2b

Component	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020
Contributions	\$37,914	\$204,542	\$48,448	\$37,508
Interest Earned	\$3,638	\$1,542	\$68	\$0
Benefits Paid	\$109,668	\$859,995	\$415,185	\$145,395
Fund Balance	\$557,490	\$10,654	\$14,235	\$26,358
Total Wages	\$22,538,989	\$20,550,168	\$20,874,813	Not Available
Federal Loan Balance (end of quarter)	\$0	\$16,136	\$399,232	\$505,746

Sources: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#); ETA 2112- UI Financial Transaction Summary Unemployment Fund. *All numbers represent millions.

The components of the UI Trust Fund are defined as follows:

- **Contributions:** Contributions received from employers as of December 31 of each year.
- **Interest Earned:** Quarterly Federal Treasury interest posted to each state's trust fund account.
- **Benefits Paid:** State-funded benefit payments less benefit overpayment recoveries.
- **Fund Balance:** Adjusted trust fund balance.
- **Total Wages:** Total covered payroll wages reported by all covered employers for the period of January 1 and December 31.
- **Federal Loan Balance:** Amount borrowed from the Federal Unemployment Account to help pay state unemployment benefits, reflects the balance as of December 31 of each year.

Unemployment Insurance Trust Fund Outlook

The financial condition of the UI Trust Fund is dependent upon state benefit payments, taxable wages, contributions and interest revenues.

Table 3

State UI Contributions and Benefits (millions)			
Year	Employer Contributions	State Benefit Payments	+ Surplus/ - Deficit
2010	\$422.40	\$690.10	(\$267.70)
2011	\$443.30	\$553.20	(\$109.90)
2012	\$489.80	\$476.20	\$13.60
2013	\$498.60	\$441.80	\$56.80
2014	\$513.30	\$338.10	\$175.20
2015	\$527.70	\$279.90	\$247.80
2016	\$527.90	\$310.80	\$217.10
2017	\$477.10	\$284.60	\$192.50
2018	\$381.70	\$279.60	\$102.10
2019	\$363.10	\$288.80	\$74.30
2020	\$328.41	\$1,841.20	(\$1,512.79)

Sources: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#); ETA 2112- UI Financial Transaction Summary Unemployment Fund. *All numbers represent millions.

Table 4

Taxable Wages** (millions)			
Quarter Ending	2018	2019	2020
31-Mar	\$10,440.50	\$10,896.40	\$11,283.09
30-Jun	\$3,376.80	\$3,480.60	\$2,939.96
30-Sep	\$2,094.00	\$2,150.20	Not Available
31-Dec	\$1,866.40	\$1,937.53	Not Available
Total	\$17,781.70	\$18,464.73	To Be Determined

Sources: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#); ETA 2112- UI Financial Transaction Summary Unemployment Fund. *All numbers represent millions. **Preliminary, subject to change until October 2020. **There is a six-month lag in wages. The September 30 and December 31 taxable wages for calendar year 2020 will be reported in the second and third quarters of calendar year 2021, respectively.

Additional Information:

- 2020 Federal Overpayments Returned: \$121.1 Million
- 2020 Combined Surcharge & Surcharge Interest: \$35,460.3 Million
- 2020 FUTA Credits (Source: Treasury Direct): \$1.4 Million
- 2020 SCUF Collected: \$13.5 Million

Kentucky Unemployment Insurance Tax Rates

Kentucky employers were taxed at rates set by Schedule A for both 2019 and 2020, the lowest rate schedule since 2007. Scheduled tax rates range from a minimum of 0.30 percent to a maximum of 9.00 percent. The tax rate schedules are set forth in KRS 341.270 and most recently amended on June 27, 2019.

Table 5

Tax Rate Schedules						
Reserve Ratio	Trust Fund Adequacy Rate	A	B	C	D	E
8.0% and over	0.00%	0.30%	0.40%	0.50%	0.60%	1.00%
7.0% but under 8.0%	0.00%	0.40%	0.50%	0.60%	0.80%	1.05%
6.0% but under 7.0%	0.01%	0.50%	0.60%	0.70%	0.90%	1.10%
5.0% but under 6.0%	0.21%	0.70%	0.80%	1.00%	1.20%	1.40%
4.6% but under 5.0%	0.51%	1.00%	1.20%	1.40%	1.60%	1.80%
4.2% but under 4.6%	0.81%	1.30%	1.50%	1.70%	2.10%	2.30%
3.9% but under 4.2%	1.01%	1.50%	1.70%	2.20%	2.40%	2.70%
3.6% but under 3.9%	1.31%	1.80%	1.80%	2.40%	2.60%	3.00%
3.2% but under 3.6%	1.51%	2.00%	2.10%	2.50%	2.70%	3.10%
2.7% but under 3.2%	1.61%	2.10%	2.30%	2.60%	2.80%	3.20%
2.0% but under 2.7%	1.71%	2.20%	2.50%	2.70%	2.90%	3.30%
1.3% but under 2.0%	1.81%	2.30%	2.60%	2.80%	3.00%	3.40%
0.0% but under 1.3%	1.91%	2.40%	2.70%	2.90%	3.10%	3.50%
-0.5% but under 0.0%	6.500%	6.50%	6.75%	7.00%	7.25%	7.50%
-1.0% but under -0.5%	6.750%	6.75%	7.00%	7.25%	7.50%	7.75%
-1.5% but under -1.0%	7.000%	7.00%	7.25%	7.50%	7.75%	8.00%
-2.0% but under -1.5%	7.250%	7.25%	7.50%	7.75%	8.00%	8.25%
-3.0% but under -2.0%	7.500%	7.50%	7.75%	8.00%	8.25%	8.50%
-4.0% but under -3.0%	7.750%	7.75%	8.00%	8.25%	8.50%	8.75%
-6.0% but under -4.0%	8.250%	8.25%	8.50%	8.75%	9.00%	9.25%
-8.0% but under -6.0%	8.500%	8.50%	8.75%	9.00%	9.25%	9.50%
Less than -8.0%	9.00%	9.00%	9.25%	9.50%	9.75%	10.00%

Source: Kentucky Revised Statute 341.270 <https://apps.legislature.ky.gov/law/statutes/statute.aspx?id=49129>

The table below provides a comparison of Kentucky's tax rates and taxable wage base as compared to surrounding states.

Table 6

Comparison with Surrounding States			
State	Minimum Tax Rate	Maximum Tax Rate	Taxable Wage Base
Kentucky	0.30%	9.00%	\$10,800
Illinois	0.20%	6.40%	\$12,740
Indiana	0.50%	7.40%	\$9,500
Missouri	0.00%	5.40%	\$11,500
Ohio	0.30%	9.40%	\$9,000
Tennessee	0.01%	10.00%	\$7,000
Virginia	0.10%	6.20%	\$8,000
West Virginia	1.50%	7.50%	\$12,000

Source: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#) and 2020 Highlights of State Unemployment Compensation Laws.

Comparison of Revenue Sources and Expenditures

The tables below provides a comparison between Kentucky's key UI variables to that of surrounding states.

Table 7

Comparison of Revenue Sources and Expenditures						
State	Taxable Wage Base	Percent of Taxable Wages	Percent of Total Wages	Total Wages Taxable Employers	Total Unemployment Rate	Average Weekly Benefit
Kentucky	10,800	1.68	0.39	\$17,055,851	6.825	\$ 322.36
Illinois	12,740	2.10	0.50	\$71,615,302	9.325	\$ 351.79
Indiana	9,500	1.59	0.38	\$28,870,721	7.075	\$ 254.35
Missouri	11,500	1.00	0.20	\$26,857,564	5.975	\$ 250.98
Ohio	9,000	2.14	0.48	\$53,344,058	8.275	\$ 347.88
Tennessee	7,000	1.07	0.15	\$31,317,647	7.5	\$ 223.07
Virginia	8,000	1.37	0.23	\$45,938,728	5.95	\$ 280.47
West Virginia	12,000	2.90	0.90	\$5,084,579	8.35	\$ 270.49

Source: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#), Revised September 2020 *Average Tax Rates and Total Wages lag the rest of the data by two quarters.

Table 8

Gross Revenues (State Revenue Past 12 Months)					
State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2020 Year
Kentucky	\$ 354,748	\$ 354,748	\$ 342,051	\$ 338,715	\$ 1,390,262
Illinois	\$ 1,673,003	\$ 1,593,122	\$ 1,530,620	\$ 1,504,641	\$ 6,301,386
Indiana	\$ 451,403	\$ 557,557	\$ 576,537	\$ 596,885	\$ 2,182,382
Missouri	\$ 349,691	\$ 342,800	\$ 346,680	\$ 330,887	\$ 1,370,058
Ohio	\$ 1,086,860	\$ 1,066,931	\$ 1,092,209	\$ 1,065,182	\$ 4,311,182
Tennessee	\$ 264,651	\$ 257,391	\$ 274,631	\$ 279,434	\$ 1,076,107
Virginia	\$ 374,444	\$ 348,286	\$ 348,988	\$ 570,004	\$ 1,641,722
West Virginia	\$ 192,133	\$ 183,464	\$ 179,692	\$ 181,150	\$ 736,439

Source: US Department of Labor, Division of Fiscal and Actuarial Services, [UI Data Summary](#). *State revenues are funds deposited in state accounts in the Trust Fund. This revenue is used to pay state UI Benefits and the state share of extended benefits (EB).

Employer Protests (Disputed Claim Investigations)

The Office of Unemployment Insurance issued 608,709 unemployment insurance monetary determinations were issued in the 2020 calendar year. Of the monetary determinations, 485,994 were monetarily eligible to establish a claim. Employers protested 51,836 (10.66%) of the established claims and fact-finding reviews were conducted by the UI Adjudication Branch. Of these protested claims, 31,646 (61%) were denied benefits while the remainder were found qualified based on the reason for separation from work. An additional 32,419 claims were denied on the basis on non-separation issues.

Table 9

Kentucky Unemployment Claim Data					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2020 Total
Total Monetary Determinations	217,827	265,401	62,248	63,233	608,709
Monetarily Eligible Claims Established	167,358	242,865	41,753	34,018	485,994
Monetarily Ineligible Claims Filed	50,469	22,536	20,495	29,215	122,715
Protested by Employers	9,508	11,342	14,818	16,168	51,836
State UI	9,465	11,318	14,780	16,128	51,691
UCFE	43	24	38	40	145
Denied Benefits (61%)	4,707	5,615	9,984	11,340	31,646
State UI	4,689	5,604	9,959	11,316	31,568
UCFE	18	11	25	24	78
Benefits Approved (39%)	4,801	5,727	4,834	4,828	20,190

Source: ETA 207- Nonmonetary Determinations Activity; ETA 218- Benefits Rights and Experience

Table 10

Benefits Approved or Denied					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2020 Total
Valid Claims Established	167,358	242,865	41,753	34,018	485,994
Non-Sep Determinations	7,957	3,499	8,570	17,871	37,897
Denied Benefits (86%)	5,858	2,793	7,649	16,119	32,419
Benefits Approved (14%)	2,099	706	921	1,752	5,478

Source: ETA 207- Nonmonetary Determinations Activity; ETA 218- Benefits Rights and Experience

Appeals Data

Lower Authority Appeals Branch

In 2020, the UI Appeals Branch, or Lower Appeals Authority, issued 13,647 reportable decisions, 86.5% of which were appealed by the claimant. Of those claimant appeals, 30.2% were reversed in favor of the appellant. Employer protests accounted for 13.5% of appeals filed and 28.8% were reversed in favor of the appellant. The average age of the case at the time the decision was issued was 24.1 days.

Table 11

Lower Authority Appeals Data									
	Reportable Appeals Released	Filed During Month	Average Case Age (Days)	Employers			Claimants		
				Protested by Employers	Decisions in Favor of Employers	% Reversed	Protested by Claimants	Decisions in Favor of Claimants	% Reversed
Jan	916	948	19.3	139	37	26.62%	777	224	28.83%
Feb	917	987	20.0	130	31	23.85%	787	257	32.66%
March	989	183	22.0	147	45	30.61%	842	259	30.76%
April	1119	817	21.6	146	32	21.92%	973	351	36.07%
May	878	705	21.9	131	39	29.77%	747	240	32.13%
June	892	1091	12.9	162	40	24.69%	728	176	24.18%
July	1088	1062	13.2	217	75	34.56%	871	206	23.65%
Aug	1240	1621	16.7	175	60	34.29%	1065	238	22.35%
Sept	1332	1078	19.8	199	53	26.63%	1133	291	25.68%
Oct	1139	2789	19.4	143	47	32.87%	996	187	18.78%
Nov	1329	3037	40.5	83	24	28.92%	1246	550	44.14%
Dec	1808	2665	61.7	156	45	28.85%	1652	590	35.71%
Totals	13647	16983	24.1	1828	528	28.88%	11817	3569	30.20%

Source: ETA 5130 Benefit Appeals Report; ETA 9055L Lower Authority Appeals Case Aging Report

Higher Authority Appeals

Of the issued 13,647 rendered by the UI Appeals Branch, 2,394 decision were further appeals the UI Commission, or Higher Appeals Authority. Of those second appeals, 1,943 were filed by claimants with a 7.98% reversal rate. Employers filed 451 appeals to the UI Commission, with a reversal rate of 11.97%. The average age of the case at the time the decision was issued was 25.8 days.

Table 12

Higher Authority Appeals Data									
	Reportable Appeals Released	Filed During Month	Average Case Age (Days)	Employers			Claimants		
				Protested by Employers	Decisions in Favor of Employers	% Reversed	Protested by Claimants	Decisions in Favor of Claimants	% Reversed
Jan	270	144	22.7	73	10	13.70%	197	19	9.64%
Feb	171	160	23.7	32	2	6.25%	139	5	3.60%
March	187	1077	20.0	46	4	8.70%	141	9	6.38%
April	150	180	21.8	27	8	29.63%	123	13	10.57%
May	119	119	34.0	18	2	11.11%	101	13	12.87%
June	279	148	28.7	58	7	12.07%	221	20	9.05%
July	154	157	30.5	41	4	9.76%	113	9	7.96%
Aug	156	211	25.7	32	2	6.25%	124	15	12.10%
Sept	289	194	22.9	41	4	9.76%	248	17	6.85%
Oct	140	211	24.6	20	0	0.00%	120	6	5.00%
Nov	187	158	29.8	28	3	10.71%	159	11	6.92%
Dec	292	217	24.9	35	8	22.86%	257	18	7.00%
Totals	2394	2976	25.8	451	54	11.97%	1943	155	7.98%

Source: ETA 5130 Benefit Appeals Report; ETA 9055H Higher Authority Appeal Case Aging Report

Overpayments and Recovery

UI Program Integrity and Improper Payments

The total amount of overpayments went from \$4,906,588 at the end of the first quarter to \$7,769,723 by the end of the third quarter. Overpayment data for the fourth quarter is not yet available. The majority of both fraud and nonfraud overpayments were detected through national and state new hire records. These new hire records allow UI staff to detect instances where the claimant has returned to work but continues to claim unemployment benefits. As of the third quarter, there were 2,517 fraud cases pending prosecution. Substantially all of these fraud cases were the result of claimant filings or imposter claims and not employer fraud.

Claimant fraud occurs when a claimant receives benefits through subterfuge or by misrepresenting information provided on their claim. The misrepresentation could include, but is not limited to, providing a false reason for job separation, misreporting of income, concealing inability, or lack of availability for work. In 2020, Kentucky also saw a rise in imposter claims, or identify theft claims. This type of fraud is detected through victim or employer reporting, along with UI system detection of fraudulent emails, address records, IP addresses, or banking information. Imposter claims occur when an individual's Social Security Number and personal information is stolen and used to create a claim that was not filed by the owner. Benefits are then sent via direct deposit to the imposter's bank account or added to loadable debit cards. In addition to imposter claims, some benefits were fraudulently received by individuals who gained access to non-fraudulent claims by exploiting weak or unsophisticated 4-digit PINs and then altering payment information.

Some types of fraud that appeared during the 2020 year were unique to the COVID-19 pandemic. As PUA benefits were expanded to include wages from self-employment, Kentucky received hundreds of fraud tips concerning individuals who misrepresented their wages and claimed to be laid off from self-employed. The biggest source of PUA fraud claims were filed by out-of-state workers with no wage data in Kentucky. After PUA benefits became available, Kentucky implemented additional verification as quickly as possible which helped to curb fraud. With additional focus and support from the US Department of Labor, Kentucky's UI Integrity Branch has since hired a number of fraud investigators to review potentially fraudulent claims filed during 2020 and updated fraud investigations processes. At least 40,000 fraud tips remain to be investigated. With the help of new staff and existing staff temporarily assigned to assist with fraud tips, Kentucky is making diligent progress in reviewing claims and recovering benefits that were fraudulently paid. Additional safeguards, including the change from 4-digit to 8-digit PINs and verification of email addresses, have helped to prevent additional instances of fraud.

Table 13

Overpayment Causes	Quarter 1		Quarter 2		Quarter 3	
	Cases	Amount	Cases	Amount	Cases	Amount
Fraud Total	2,368	\$ 2,397,022	1,875	\$ 1,379,126	1814	\$ 1,302,239
Nonfraud Total	4,766	\$ 2,311,586	2704	\$ 2,651,444	4094	\$ 6,359,465
Reversals	250	\$ 171,153	81	\$ 72,421	251	\$ 145,610
State Agency Errors	530	\$ 1,149,634	792	\$ 1,171,524	1932	\$ 3,624,631
Claimant Errors	3,986	\$ 990,799	1831	\$ 1,407,499	1911	\$ 2,589,224
Penalty		\$ 197,980		\$ 97,567		\$ 108,019
Total Overpayments	7,134	\$ 4,906,588	4,579	\$ 4,128,137	5,908	\$ 7,769,723
Recovery/Reconciliation	Fraud	Nonfraud	Fraud	Nonfraud	Fraud	Nonfraud
Outstanding at Begging of Period	\$ 32,735,807	\$ 30,270,140	\$33,261,267	\$33,363,975	\$33,780,517	\$33,453,765
Recovered Total	\$ 1,608,516	\$ 1,208,144	\$ 637,601	\$ 471,363	\$ 1,316,454	\$ 1,347,118
Written-Off	\$ 54,387	\$ 14,796	\$ 13,015	\$ -	\$ 29,474	\$ 11,482
Receivables Removed at End of Period	\$ 210,371	\$ 189,086	\$ 209,260	\$ 187,858	\$ 210,371	\$ 189,086
Outstanding at End of Period	\$ 208,659	\$ 31,363,975	\$33,780,517	\$33,453,765	\$33,526,457	\$38,373,563
Recovered for Other States	\$ -	\$ 1,104	\$ 9,962	\$ 4,342	\$ 4,146	\$ 246
Total Accounts Receivable	\$	64,625,242	\$	67,234,282	\$	71,900,020

Source: ETA 227 Overpayment Detection and Recovery

Glossary

Average Duration

The number of weeks compensated for the year divided by the number of first payments. (ETA 5159)

Average High-Cost Rate

The average of the three highest calendar year benefit cost rates in the last 20 years (or a period including three recessions, if longer). Benefit cost rates are benefits paid (including the state's share of extended benefits but excluding reimbursable benefits) as a percent of total wages in taxable employment.

Average High-Cost Multiple

Calendar year reserve ratio (or "TF as % of total wages"); divided by the average high-cost rate.

Average Tax Rate (Taxable Wages)

Total employer contributions for a 12-month period divided by the total taxable wages for the same period. (ES 202)

Average Weekly Benefit Amount

Benefits paid for total unemployment divided by weeks compensated for total unemployment. (ETA 5159)

Benefits Paid

The unemployment benefits paid to individuals under a state program, usually the first 26 weeks of benefits, for all weeks compensated including partial payments.

CARES

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted to provide emergency assistance during the COVID-19 pandemic and became effective on March 27, 2020. The CARES Act established Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA).

Consolidated Appropriations Act 2021

The Consolidated Appropriations Act of 2021 is an act making consolidated appropriations for the fiscal year ending September 30, 2021, and providing coronavirus emergency response and relief. Congress enacted it on December 27, 2020.

Covered Employment

The number of employees covered by unemployment insurance reported to the states by employers. (ETA 202)

EB

Extended Benefits (EB) provide an additional thirteen weeks of benefits to workers who have exhausted regular unemployment compensation. EB compensation is triggered if a state has an insured unemployment rate for the previous thirteen weeks of at least five percent and is 120 percent of the average rate for the same thirteen-week period in the two previous years. After the initial thirteen weeks, EB compensation will end if the above criteria is no longer met.

FPUC

Federal Pandemic Unemployment Compensation (FPUC) provides an additional \$600 per week to individuals collecting unemployment insurance benefits. Enacted as part of the CARES Act.

High-Cost Multiple

Trust fund balance as a percent of total wages divided by the high cost rate. The high-cost rate is the highest historical ratio of benefits to wages for a 12-month period.

Initial Claims

Any notice of unemployment filed (1) to request a determination of entitlement to and eligibility for compensation or (2) to begin a second or subsequent period of eligibility within a benefit year or period of eligibility. Interstate claims count in the paying state. (ETA 5159)

Insured Unemployment Rate

The rate computed by dividing insured unemployed for the current quarter by covered employment for the first four of the last six completed quarters. (ETA 539)

Interest Earned

The amount of interest earned on the UI Trust Fund account. (Unpublished US Treasury reports)

LWA

Lost Wage Assistance (LWA) is part of an executive order to extend enhanced federal unemployment benefits. Funding for LWA comes from the Federal Emergency Management Administration's (FEMA) Disaster Relief Fund. Eligible claimants in Kentucky received an additional \$400 for each of six weeks, starting in August and ending September 5, 2020. To receive LWA, workers must have a weekly benefit amount of at least \$100 and have certified that they are unemployed because of the COVID-19 pandemic.

Outstanding Loan Balance

Balance, as of the end of the quarter, of advances acquired by the state under Title XII of the Social Security Act. (Unpublished US Treasury reports)

PEUC

Pandemic Emergency Unemployment Compensation (PEUC) provides an extension of unemployment benefits to workers who have exhausted regular unemployment compensation under the CARES Act.

PIN

Personal Identification Number used to access or log in to an unemployment claim.

PUA

Pandemic Unemployment Assistance (PUA) provides up to 79 weeks of unemployment benefits to workers impacted by COVID-19 who would not otherwise be eligible for regular unemployment compensation. PUA benefits provide flexibilities in compensation to include individuals who are self-employed, work in non-covered employment, or do not have sufficient base-period wages to qualify for a claim.

Rank

All rankings are from highest to lowest for a particular item. Ties receive the same rank.

Reciency Rate

The insured unemployed in regular programs as a percent of total unemployed.

SCUF

The Service Capacity Upgrade Fund (SCUF) was enacted by the Kentucky General Assembly in 2018. Contribution rates are reduced by .075%. That reduction diverts contributions that would have been applied to employer reserve accounts to SCUF. It is effective for five years or until the fund reaches \$60 million.

State Revenue

Funds deposited in state accounts in the Unemployment Trust Fund. These revenues are used to pay state UI benefits and the state share of EB. (ETA 2112)

Subject Employers

The number of employers subject to UI taxes. (ETA 581)

Tax Year

The 12-month period in which a state's tax rate schedules and taxable wage base remain constant.

Taxable Wages

Wages paid to covered employees that are subject to state UI taxes. (ES 202)

Taxable Wage Base

For each state, the maximum amount of wages paid to an employee by an employer during a tax year, which are subject to UI taxes. Wages above this amount are not subject to tax.

Total Unemployed

The average number of individuals, 16 years of age or older, who do not have a job but are available for work and actively seeking work in the week of the 12th for the three months of the quarter. This includes individuals on layoff and waiting to report to a new job within 30 days.

Total Unemployment Rate

The rate computed by dividing total unemployed (TUR) by the civilian labor force. (Bureau of Labor Statistics)

Total Wages

All wages or remuneration paid to workers on all payrolls covered by unemployment insurance. (ES 202)

Total Wages (Taxable Employers)

All wages or remuneration paid to workers by all taxable employers. (ES 202)

Trust Fund Balance

The balance in the individual state account in the UI Trust Fund. (Unpublished US Treasury reports)

UCFE

Unemployment compensation for federal civilian employees.

UCX

Unemployment compensation for ex-service members.