



TESTIMONY ON HOUSE BILL 614

Ohio House of Representatives Ways and Means Committee

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Chairman Merrin and members of the committee,

Thank you for the opportunity to submit testimony on House Bill 614. My name is Joe Horvath, and I am a visiting fellow at Opportunity Solutions Project. OSP is a nonprofit, nonpartisan advocacy organization that seeks to restore the path to self-sufficiency by removing barriers to work. The study bill you are considering can make life simpler and fairer for Ohio employers, your Department of Job and Family Services (JFS), and individuals who rely on the continued health of your unemployment system. It can do this by weighing and, ultimately, implementing a commonsense system integrity reform.

This bill, and its results, are very important. Ohio's unemployment trust fund is among the nation's least well-funded, and employers are paying the price. Only two states were funded at a worse rate than Ohio's 0.42 solvency ratio, according to the United States Department of Labor's (USDOL) most recent unemployment solvency report.ⁱ More recently, discussions about the Ohio unemployment trust fund center on its looming insolvency and need to borrow federal dollars.ⁱⁱ Ohio has had long-term unemployment trust fund solvency issues, in part caused by improper payments, which will only be exacerbated by the ongoing COVID-19 pandemic.

Unfortunately, the incentive from additional unemployment benefits created by Congress and confusion over eligibility have opened the door for fraud. With the rapid increase of new UI claims, more fraudulent claims are also being filed. The Secret Service has discovered a Nigerian fraud ring stealing unemployment benefits that could cost hundreds of millions of dollars.ⁱⁱⁱ Washington had to temporarily stop UI claims after \$1.6 million in fraudulent claims, and the FBI is investigating fraudulent claims in Rhode Island.^{iv-v} Oklahoma is investigating 4,200 UI fraud complaints.^{vi} Maine has identified more than 2,000 fraudulent claims.^{vii} However, even though this new impetus to police fraud and abuse, it is important to remember that system integrity should always be a priority.

It is unethical for ineligible people to collect unemployment at the expense of the truly needy. Further, it is irresponsible for a state to not safeguard its unemployment system from fraud. Sadly, waste, fraud, and abuse are common even in more "normal" economic times. A recent New Jersey investigation showed the state had spent more than \$300 million on benefits to employed individuals. In 2015, Florida found more than 60,000 cases of fraud costing more than \$500 million. In 2016, Ohio itself found out it had sent checks to 1,500 incarcerated individuals.^{viii} This is a problem because, while incarcerated people should be supported and afforded opportunities upon release, the purpose of unemployment compensation is to provide temporary and limited assistance while someone is between jobs.

From 2016-2019, Ohio's improper unemployment benefit payment rate was already higher than 13 percent.^{ix} USDOL categorizes states into three main color-coded categories, with 13 percent being the threshold for inclusion in the least healthy group. This high improper payment rate predates the COVID-19 outbreak, which, if recent reports from other states are any indicator, will almost certainly cause Ohio's improper payment rate to increase.

It is critical that, in studying the potential for reform and correction, the committee includes a simple but potent solution like database cross-checks. Ideally, policy stemming from any examination of integrity would include a recommendation that JFS perform cross-checks between claims and existing public databases to determine eligibility. These databases include the National Integrity Data Hub, the National Directory of New Hires, and incarceration records. These databases already exist, are reliable, and would be simple for JFS to access and utilize.

Should you have any questions, please do not hesitate to reach out. Thank you.

- i Office of Unemployment Insurance, “State Unemployment Insurance Trust Fund Solvency Report 2020,” U.S. Department of Labor, February 2020, <https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2020.pdf>.
- ii Jennifer Edwards Baker and Jason Scott, FOX 19, May 6, 2020, <https://www.fox19.com/2020/05/06/bill-seitz-we-tried-no-one-wanted-fix-shortfalls-ohios-unemployment-insurance-fund/>.
- iii J. Edward Moreno, “The Hill,” May 16, 2020, <https://thehill.com/homenews/news/498160-secret-service-unearths-overseas-fraud-ring-stealing-millions-in-unemployment>.
- iv Jim Brunner and Paul Roberts, “Seattle Times,” May 14, 2020, <https://www.seattletimes.com/business/economy/washington-halts-unemployment-payments-for-two-days-after-finding-1-6-million-in-fraudulent-claims-amid-coronavirus-pandemic/>.
- v Kim Kalunian, “WPRI,” May 5, 2020, <https://www.wpri.com/news/politics-government/fbi-probing-hundreds-of-ri-unemployment-fraud-claims/>.
- vi Mckenna Eubank, “Fox 25,” May 1, 2020, <https://okcfox.com/news/local/unemployment-fraud-happening-at-an-alarming-rate-officials-said>.
- vii Ed Morin, “Maine Public,” May 27, 2020, <https://www.mainepublic.org/post/maine-dept-labor-reports-surge-false-unemployment-claims>.
- viii FGA, Unemployment Insurance Program Integrity Fact Sheet, <https://thefga.org/research/unemployment-insurance-program-integrity/>.
- ix U.S. Department of Labor State Fact Page, <https://www.dol.gov/general/maps/2019/oh>.