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**Senate Bill 116**  
**Senate Insurance Committee**  
**Chairman Hackett**  
**Sponsor Testimony – Senator Bob Hackett and Senator Bill Reineke**  
**March 17, 2021**

Vice-Chair Romanchuk, Ranking Member Craig, and members of the Senate Insurance Committee, thank you for allowing me the opportunity to give sponsor testimony on Senate Bill 116. During this unprecedented pandemic, Ohio, and our country at large, have experienced a drastic increase in unemployment claims and payments.

Unfortunately, there has been a correlated increase in fraudulent claims, siphoning taxpayer dollars away from those who desperately need help and into their own pockets.

Due to the extraordinary circumstances and number of claims made daily to JFS, the traditional safeguards that protect against fraudsters and criminals were either overwhelmed or suspended. I understand the thought process, I really do! A lot of Ohioans have been affected by the pandemic, and they need prompt, immediate assistance. Throughout our work on the Unemployment Modernization Council, however, it has become increasingly clear that, while well intentioned in this time

of crisis, relaxing traditional safeguards has directly led to a drastic increase in the number of fraudulent claims. This increase, in turn, has led to longer wait-times and slower service for Ohioans in need. Testimony from ODJFS at our Joint Council last Thursday indicated that approximately 5 million calls came in during the month of March. It is clear that the system is overburdened, and that criminals are making their way through the cracks that have been created by reduced security measures.

Prior to the pandemic, we relied on verification via certification by the applicant through the use of user IDs and passwords. Further documentation and verification could be used to cross-reference data that would help identify those applicants that were likely to be filing fraudulently. However, with the onset of the pandemic, traditional safeguards were relaxed for the sake of expediency. Similarly, it has been noted in testimony presented to the Council that the PUA system would be particularly attractive to fraudsters due to the combination of being a self-certified, online application that would be paying out large amounts of money. The weakness was even acknowledged by the US Dept. of Labor!

A couple weeks ago, ODJFS reported that at least **\$330 million had been paid out in fraudulent claims**. In January, the US Dept. of Labor estimated that **\$36 billion** has been paid out fraudulently. In March, the Inspector

General estimated that **more than \$63 billion had been paid out improperly through fraud or errors.**

How much are we really losing to this?

This fraud not only deprives our state and federal governments of necessary resources during a pandemic, but it also slows down the process by which benefits are distributed. Another concern, beyond the millions of dollars leaving the state (and the billions of dollars leaving the country), is the long-term impact of the widespread identity theft that is being done to facilitate these frauds. Our constituents have enough to worry about in these uncertain times, without the added stress of finding out that unemployment benefits are being paid out in their name.

In testimony received by the Council, there is a real concern about the employer identity theft. At the end of the day, the question is, “Who is going to foot the bill for this fraud?” Employers have great concerns on whether their accounts are being properly charged, if their accounts will be reconciled so that 2021 contribution rates are accurate, and with what happens to the benefits of those workers who refuse to return to work due to the pandemic. What happens to their unemployment taxes? As an employer and advocate for small business, these are real issues!

According to the UWC, there have been many suggestions for fixing the system. Most notably, they suggest that we implement stop payment provisions. These provisions would make it so that those claims which are identified as high risk fraud or identify theft receive special attention prior to sending out any payments.

One of my county prosecutors made a powerful analogy in a letter to the county auditor. Right now, the State of Ohio is akin to “a bank getting robbed and blaming the customer. Now [the State is] asking for repayment with the understanding that they will pay us back.”

Senate Bill 116 will seek to stop the fraud by requiring those who are eligible for state unemployment benefits or pandemic unemployment assistance (PUA) to provide proof of identification at a local employment office before their unemployment payments can begin.

Applicants would need to submit their driver’s license, or, if they do not have a driver’s license, they can submit any two of the documents required to apply for a license. These documents must contain the applicant’s name and address. After the local employment office administrator has verified the applicant’s identity, the applicant is not

required to present the documents again for the rest of that benefit year.

Here is a small list of things that we require an ID for:

Driving	Boarding an Airplane
Job Applications	Buying Firearms
Bank Transactions	Buying a House
Purchasing/Registering a Car	Medicare/Medicaid
Applying for an Apartment	Retirement Accounts
Professional License Applications	

By cleaning up the system and reducing the number of fraudulent cases, the personnel at ODJFS will finally be able to focus on those who matter the most, our constituents.

I would also like to take a moment to thank Senator Reineke for his work on the Unemployment Compensation Modernization and Improvement Council. Vice-Chairman, members of the committee, thank you for your consideration. We would be happy to take any questions you may have at this time.