



Testimony in Support of Senate Bill 302

**Committee on Insurance
Ohio State Senate**

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Chairman Hackett and members of the Senate Insurance Committee,

Good afternoon, my name is Brian Sikma and I am a visiting fellow at the Opportunity Solutions Project where I research and write about ways to improve unemployment insurance systems. We believe that work is a virtue and that a job is the best human improvement program ever devised.

The provisions of Senate Bill 302 will improve both the operation and integrity of Ohio's unemployment insurance (UI) program. Unemployment insurance was designed to facilitate the transition to a new job. It was never designed to replace a job. That's why these programs have, traditionally, only partially replaced wages lost whenever a worker, through no fault of their own, became unemployed. And that's why these payments have been of finite duration since the end goal was a new job, not an ongoing government benefit.

Over the past two years, the impact of COVID-19, federal changes to UI eligibility, and a massive influx of cash to pay for new, federally created benefits combined to create an environment rife with abuse by bad actors. According to estimates, up to \$300 billion in unemployment benefits were paid out as a result of fraudulent claims during the first three-quarters of the pandemic.ⁱ Ensuring the validity and accuracy of initial UI claims is the front line of defense against fraud. Preventing the payment of fraudulent claims is a public policy imperative to ensure trust fund solvency and fund availability for workers who are truly transitioning from one job to the next.

A remarkable feature of UI fraud is that many schemes to obtain fraudulent payments can be detected by straightforward cross-checks of new and recurring claims with existing state and national databases. Fraudulent actors exploit existing gaps in these systems to claim eligibility and hope that program administrators take their claims at face value. Connecting databases with frequent and routine cross-checks eliminates this vulnerability.

Incarcerated persons are not employed and thus do not qualify for UI. But that doesn't stop some bad actors from applying for UI benefits from behind bars. In California, inmates filed over 35,000 UI claims in a six-month period in 2020 and succeeded in securing approval for \$140 million in UI payments.ⁱⁱ That's why SB 302's weekly cross-check of UI claims with the Department of Rehabilitation and Corrections' databases is important.

Death record cross-checks like those contained in the bill close yet another vulnerability in the UI system. The theft of deceased individuals' identities offers bad actors a chance to use a legitimate identity to obtain government benefits. Since the state manages the collection and centralization of vital records and the administration of benefits, ensuring these systems work together to detect identity theft resulting in false claims is a commonsense win for taxpayers.

Requiring UI claimants to verify their identity by providing either a driver's license or two documents that could be used to authenticate a driver's license is a logical extension of existing policy in other areas. Here in Ohio, identification is required to cast a ballot, buy certain medications, and accomplish a whole host of other tasks. Since identity theft is a leading factor in UI fraud, verifying the identity of claimants is a robust step in both detecting and deterring fraud.

Employers are the ones who fund Ohio's unemployment insurance system. Their UI taxes ensure a base of funds is available to meet program obligations. When they terminate employment, they are contacted about the nature of that termination to verify benefit eligibility, and they are the ones who offer jobs to those who are searching for work (a requirement for UI eligibility). SB 302's codification of an online system that facilitates employer

reporting of individuals who refuse to accept job offers harnesses a powerful tool to preserve the integrity of the UI system.

Finally, requiring the Department of Job and Family Services to annually report on UI program integrity efforts provides the public with transparency and policymakers such as yourselves with valuable insight. Through these annual reports, you will be able to identify trends in UI fraud, enforcement effort effectiveness, and have meaningful data to use in future policy decisions.

Thank you for your time today. I am happy to answer any questions you may have.

¹ Jonathan Bain, Jonathan Ingram, Tyler Lamensky, "Unmasking the unemployment crisis: The new pandemic plaguing America," Foundation for Government Accountability (2021), <https://thefga.org/paper/unemployment-fraud-crisis/>.

² Adam Beam, "California OK'd aid in name of Scott Peterson, other killers," Associated Press (2020), <https://apnews.com/article/sacramento-california-prisons-290cd657122ea1191a7dcbb14bd4a507>.