

BILL ANALYSIS

Senate Research Center

H.B. 1496
By: Solomons (Duncan)
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Engrossed

DIGEST AND PURPOSE

Texas' unemployment insurance trust fund reached a deficit of \$529.8 million at the end of fiscal 2002. H.B. 1496 directs the State Auditor's Office (SAO) to help Texas Workforce Commission (TWC) implement innovative fraud detection and overpayment collection strategies and allow TWC to contract with a private collection agency to increase overpayment collections.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 213, Labor Code, by adding Subchapter F as follows:

SUBCHAPTER F. INITIATIVE FOR REDUCTION IN BENEFIT FRAUD AND OVERPAYMENTS

Sec. 213.091. STATE AUDITOR REVIEW. (a) Requires the state auditor to conduct a review to identify trends in benefit fraud and claim overpayments in the state unemployment compensation insurance program; and the possible causes of those trends, including:

- (A) ineffective state policies;
- (B) management and operational practices;
- (C) weaknesses in existing computer cross-matching systems applicable to benefit recipients; and
- (D) other factors considered appropriate by the state auditor.

(b) Requires the state auditor to the extent possible, to model the review on analogous fraud reviews conducted regarding other government benefit programs, such as the Medicaid program, and to target those industries identified as most affected by fraud.

(c) Requires the Office of the State Auditor, in developing the review required under this section, to consider studies performed by the U.S. Department of Labor and other state employment security agencies concerning the misclassification of workers resulting in underpayments to the UI Trust Fund, and to specifically evaluate the use of targeted audits to reduce misclassification.

(d) Requires the review to research fraudulent schemes identified by other states and how those schemes were detected; identify cost-effective strategies designed to reduce fraud, reduce claim overpayments, and increase collections of claim overpayments and leading to outcomes that the Texas Workforce Commission (TWC) can measure, track, and report; and include recommendations to TWC regarding improvements to unemployment compensation claimant job search and placement strategies designed to reduce the percentage of claimants who exhaust their unemployment compensation benefits.

(e) Requires the state auditor to complete the review not later than August 31, 2004.

(f) Requires TWC to cooperate with the state auditor in the performance of the review and pay the reasonable and necessary costs of the review with available resources from the workforce commission federal account.

Sec. 213.092. IMPLEMENTATION BY COMMISSION. (a) Requires TWC to implement the unemployment compensation insurance overpayment collection and fraud detection strategies recommended by the state auditor that TWC is able to perform with existing staff and within its existing budget.

(b) Requires TWC, if feasible with existing staff and within its existing budget, to implement the state auditor recommendations as they are developed. Requires TWC to complete implementation of the recommendations not later than August 31, 2005.

(c) Requires any strategies that TWC is unable to implement during the 2004-2005 state fiscal biennium due to fiscal constraints to be implemented on receipt by TWC of necessary funds and staff resources.

Sec. 213.093. PROPOSED LEGISLATION REGARDING USE OF PRIVATE COLLECTION AGENCIES BY COMMISSION. (a) Requires TWC, in cooperation with the state auditor, to develop proposed legislation under which TWC is authorized to enter into reasonable and prudent contingency fee contracts with private collection agencies to assist TWC in implementing the recommended strategies identified by the state auditor under Section 213.091 and pursuing uncollected overpayments of unemployment compensation benefits.

(b) Requires the proposed legislation to establish a penalty for claimants whose overpayments remain delinquent; and to authorize TWC to use the amounts received as penalties to pay the fees charged by the private collection agencies.

Sec. 213.094. JOINT REPORT. (a) Requires the state auditor and TWC, not later than March 1, 2005, to submit a joint report to the 79th Legislature that includes:

(1) all recommendations made to TWC in the review conducted under Section 213.091;

(2) a description of the actions taken by TWC as of the date of the joint report to implement those recommendations and the impact of those actions on overpayment rates and fraud identification;

(3) a description of all recommendations made to TWC in the review conducted under Section 213.091 that TWC has been unable to implement as of the date of the joint report due to fiscal constraints;

(4) a description of actions taken by TWC to reduce the rate of exhaustion of benefits by claimants to ensure that claimants achieve employment more quickly; and

(5) any legislation proposed to improve the ongoing future integrity of the unemployment compensation trust fund.

(b) Requires TWC to include in the joint report: a description of all activities that result in measurable improvements to the unemployment compensation insurance overpayment collection and fraud detection processes at TWC; and the proposed legislation developed under Section 213.093.

Sec. 213.095. EXPIRATION. Provides that this subchapter expires September 1, 2007.

SECTION 2. Effective date: upon passage or September 1, 2003.