

BILL ANALYSIS

H.B. 1496
By: Solomons
Economic Development
Committee Report (Amended)

BACKGROUND AND PURPOSE

Texas' unemployment insurance trust fund reached a deficit of \$529.8 million at the end of fiscal 2002. The Texas Workforce Commission (TWC), which administers the state's unemployment insurance program, plans to impose a major tax increase on Texas employers to make up this deficit. Although TWC has some fraud detection and overpayment collection initiatives in place, more needs to be done to support the fund's long-term solvency and keep employer taxes as low as possible. HB 1496 directs the State Auditor's Office (SAO) to help 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

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

HB 1496 amends the Labor Code to add Subchapter F, requiring the State Auditors Office to conduct a review of benefit fraud and overpayment in the unemployment insurance system. The review must research fraudulent schemes identified by other states, identify cost effective strategies to reduce fraud, and recommend improvements to claimant job search and placement strategies. TWC shall implement the recommendations to the extent possible within existing staff and budget.

HB 1496 requires TWC, in cooperation with the SAO to develop proposed legislation to allow TWC to contract with collection agencies to collect overpayments of unemployment compensation benefits.

HB 1496 requires TWC and the SAO to submit to the 79th Legislature a report that includes the recommendations made to TWC, actions taken by TWC in implementing those recommendations and their impact on overpayment rates and fraud identification.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

EXPLANATION OF AMENDMENTS

The amendment requires the SAO to consider studies of employee misclassification resulting in underpayments to the unemployment insurance trust fund.

The amendment makes conforming changes.

The amendment strikes "unemployment compensation fund," replacing it with "workforce commission federal account."