

1 AN ACT

2 relating to reduction in benefit fraud and claim overpayments in
3 unemployment compensation.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Chapter 213, Labor Code, is amended by adding
6 Subchapter F to read as follows:

7 SUBCHAPTER F. INITIATIVE FOR REDUCTION IN BENEFIT

8 FRAUD AND OVERPAYMENTS

9 Sec. 213.091. STATE AUDITOR REVIEW. (a) The state auditor
10 shall conduct a review to identify:

11 (1) trends in benefit fraud and claim overpayments in
12 the state unemployment compensation insurance program; and

13 (2) the possible causes of those trends, including:

14 (A) ineffective state policies;

15 (B) management and operational practices;

16 (C) weaknesses in existing computer
17 cross-matching systems applicable to benefit recipients; and

18 (D) other factors considered appropriate by the
19 state auditor.

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

24 (c) In developing the review required under this section,

1 the Office of the State Auditor shall consider studies performed by
2 the U.S. Department of Labor and other state employment security
3 agencies concerning the misclassification of workers resulting in
4 underpayments to the UI Trust Fund, and shall specifically evaluate
5 the use of targeted audits to reduce misclassification.

6 (d) The review must:

7 (1) research fraudulent schemes identified by other
8 states and how those schemes were detected;

9 (2) identify cost-effective strategies designed to
10 reduce fraud, reduce claim overpayments, and increase collections
11 of claim overpayments and leading to outcomes that the commission
12 can measure, track, and report; and

13 (3) include recommendations to the commission
14 regarding improvements to unemployment compensation claimant job
15 search and placement strategies designed to reduce the percentage
16 of claimants who exhaust their unemployment compensation benefits.

17 (e) The state auditor shall complete the review not later
18 than August 31, 2004.

19 (f) The commission shall cooperate with the state auditor in
20 the performance of the review and pay the reasonable and necessary
21 costs of the review with available resources from the workforce
22 commission federal account.

23 Sec. 213.092. IMPLEMENTATION BY COMMISSION. (a) The
24 commission shall implement the unemployment compensation insurance
25 overpayment collection and fraud detection strategies recommended
26 by the state auditor that the commission is able to perform with
27 existing staff and within its existing budget.

1 (b) If feasible with existing staff and within its existing
2 budget, the commission shall implement the state auditor
3 recommendations as they are developed. The commission shall
4 complete implementation of the recommendations not later than
5 August 31, 2005.

6 (c) Any strategies that the commission is unable to
7 implement during the 2004-2005 state fiscal biennium due to fiscal
8 constraints shall be implemented on receipt by the commission of
9 necessary funds and staff resources.

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

19 (b) The proposed legislation must:

20 (1) establish a penalty for claimants whose
21 overpayments remain delinquent; and

22 (2) authorize the commission to use the amounts
23 received as penalties to pay the fees charged by the private
24 collection agencies.

25 Sec. 213.094. JOINT REPORT. (a) Not later than March 1,
26 2005, the state auditor and the commission shall submit a joint
27 report to the 79th Legislature that includes:

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

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

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

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

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

16 (b) The commission shall include in the joint report:

17 (1) a description of all activities that result in
18 measurable improvements to the unemployment compensation insurance
19 overpayment collection and fraud detection processes at the
20 commission; and

21 (2) the proposed legislation developed under Section
22 213.093.

23 Sec. 213.095. EXPIRATION. This subchapter expires
24 September 1, 2007.

25 SECTION 2. This Act takes effect immediately if it receives
26 a vote of two-thirds of all the members elected to each house, as
27 provided by Section 39, Article III, Texas Constitution. If this

H.B. No. 1496

- 1 Act does not receive the vote necessary for immediate effect, this
- 2 Act takes effect September 1, 2003.

President of the Senate

Speaker of the House

I certify that H.B. No. 1496 was passed by the House on May 2, 2003, by the following vote: Yeas 126, Nays 0, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1496 was passed by the Senate on May 27, 2003, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor