

By: Solomons

H.B. No. 1496

A BILL TO BE ENTITLED

AN ACT

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

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

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

SUBCHAPTER F. INITIATIVE FOR REDUCTION IN BENEFIT

FRAUD AND OVERPAYMENTS

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

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

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

(c) The review must:

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

3 (2) identify cost-effective strategies designed to
4 reduce fraud, reduce claim overpayments, and increase collections
5 of claim overpayments and leading to outcomes that the commission
6 can measure, track, and report; and

7 (3) include recommendations to the commission
8 regarding improvements to unemployment compensation claimant job
9 search and placement strategies designed to reduce the percentage
10 of claimants who exhaust their unemployment compensation benefits.

11 (d) The state auditor shall complete the review not later
12 than August 31, 2004.

13 (e) The commission shall cooperate with the state auditor in
14 the performance of the review and pay the reasonable and necessary
15 costs of the review with available resources from the unemployment
16 compensation administration fund.

17 Sec. 213.092. IMPLEMENTATION BY COMMISSION. (a) The
18 commission shall implement the unemployment compensation insurance
19 overpayment collection and fraud detection strategies recommended
20 by the state auditor that the commission is able to perform with
21 existing staff and within its existing budget.

22 (b) If feasible with existing staff and within its existing
23 budget, the commission shall implement the state auditor
24 recommendations as they are developed. The commission shall
25 complete implementation of the recommendations not later than
26 August 31, 2005.

27 (c) Any strategies that the commission is unable to

1 implement during the 2004-2005 state fiscal biennium due to fiscal
2 constraints shall be implemented on receipt by the commission of
3 necessary funds and staff resources.

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

13 (b) The proposed legislation must:

14 (1) establish a penalty for claimants whose
15 overpayments remain delinquent; and

16 (2) authorize the commission to use the amounts
17 received as penalties to pay the fees charged by the private
18 collection agencies.

19 Sec. 213.094. JOINT REPORT. (a) Not later than March 1,
20 2005, the state auditor and the commission shall submit a joint
21 report to the 79th Legislature that includes:

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

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

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

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

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

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

11 (1) a description of all activities that result in
12 measurable improvements to the unemployment compensation insurance
13 overpayment collection and fraud detection processes at the
14 commission; and

15 (2) the proposed legislation developed under Section
16 213.093.

17 Sec. 213.095. EXPIRATION. This subchapter expires
18 September 1, 2007.

19 SECTION 2. This Act takes effect immediately if it receives
20 a vote of two-thirds of all the members elected to each house, as
21 provided by Section 39, Article III, Texas Constitution. If this
22 Act does not receive the vote necessary for immediate effect, this
23 Act takes effect September 1, 2003.

COMMITTEE AMENDMENT NO. 1

Amend HB 1496 as follows:

(1) On page 1, line 24, insert the following new subsection:

"(c) In developing the study required under this section, the Office of the State Auditor shall 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 shall specifically evaluate the use of targeted audits to reduce misclassification."

(2) On page 1, line 24, renumber subsection (c) to read subsection (d).

(3) On page 2, line 11, renumber subsection (d) to read subsection (e).

(4) On page 2, line 13, renumber subsection (e) to read subsection (f).

(5) On page 2, line 15, strike "unemployment compensation administration fund" and add "workforce commission federal account."

Rodriguez