

1-1 By: Solomons (Senate Sponsor - Duncan) H.B. No. 1496
1-2 (In the Senate - Received from the House May 5, 2003;
1-3 May 7, 2003, read first time and referred to Committee on Business
1-4 and Commerce; May 19, 2003, reported favorably by the following
1-5 vote: Yeas 9, Nays 0; May 19, 2003, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to reduction in benefit fraud and claim overpayments in
1-9 unemployment compensation.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Chapter 213, Labor Code, is amended by adding
1-12 Subchapter F to read as follows:

1-13 SUBCHAPTER F. INITIATIVE FOR REDUCTION IN BENEFIT
1-14 FRAUD AND OVERPAYMENTS

1-15 Sec. 213.091. STATE AUDITOR REVIEW. (a) The state auditor
1-16 shall conduct a review to identify:

1-17 (1) trends in benefit fraud and claim overpayments in
1-18 the state unemployment compensation insurance program; and

1-19 (2) the possible causes of those trends, including:

1-20 (A) ineffective state policies;

1-21 (B) management and operational practices;

1-22 (C) weaknesses in existing computer
1-23 cross-matching systems applicable to benefit recipients; and

1-24 (D) other factors considered appropriate by the
1-25 state auditor.

1-26 (b) To the extent possible, the state auditor shall model
1-27 the review on analogous fraud reviews conducted regarding other
1-28 government benefit programs, such as the Medicaid program, and
1-29 shall target those industries identified as most affected by fraud.

1-30 (c) In developing the review required under this section,
1-31 the Office of the State Auditor shall consider studies performed by
1-32 the U.S. Department of Labor and other state employment security
1-33 agencies concerning the misclassification of workers resulting in
1-34 underpayments to the UI Trust Fund, and shall specifically evaluate
1-35 the use of targeted audits to reduce misclassification.

1-36 (d) The review must:

1-37 (1) research fraudulent schemes identified by other
1-38 states and how those schemes were detected;

1-39 (2) identify cost-effective strategies designed to
1-40 reduce fraud, reduce claim overpayments, and increase collections
1-41 of claim overpayments and leading to outcomes that the commission
1-42 can measure, track, and report; and

1-43 (3) include recommendations to the commission
1-44 regarding improvements to unemployment compensation claimant job
1-45 search and placement strategies designed to reduce the percentage
1-46 of claimants who exhaust their unemployment compensation benefits.

1-47 (e) The state auditor shall complete the review not later
1-48 than August 31, 2004.

1-49 (f) The commission shall cooperate with the state auditor in
1-50 the performance of the review and pay the reasonable and necessary
1-51 costs of the review with available resources from the workforce
1-52 commission federal account.

1-53 Sec. 213.092. IMPLEMENTATION BY COMMISSION. (a) The
1-54 commission shall implement the unemployment compensation insurance
1-55 overpayment collection and fraud detection strategies recommended
1-56 by the state auditor that the commission is able to perform with
1-57 existing staff and within its existing budget.

1-58 (b) If feasible with existing staff and within its existing
1-59 budget, the commission shall implement the state auditor
1-60 recommendations as they are developed. The commission shall
1-61 complete implementation of the recommendations not later than
1-62 August 31, 2005.

1-63 (c) Any strategies that the commission is unable to
1-64 implement during the 2004-2005 state fiscal biennium due to fiscal

2-1 constraints shall be implemented on receipt by the commission of
2-2 necessary funds and staff resources.

2-3 Sec. 213.093. PROPOSED LEGISLATION REGARDING USE OF PRIVATE
2-4 COLLECTION AGENCIES BY COMMISSION. (a) In cooperation with the
2-5 state auditor, the commission shall develop proposed legislation
2-6 under which the commission is authorized to enter into reasonable
2-7 and prudent contingency fee contracts with private collection
2-8 agencies to assist the commission in implementing the recommended
2-9 strategies identified by the state auditor under Section 213.091
2-10 and pursuing uncollected overpayments of unemployment compensation
2-11 benefits.

2-12 (b) The proposed legislation must:

2-13 (1) establish a penalty for claimants whose
2-14 overpayments remain delinquent; and

2-15 (2) authorize the commission to use the amounts
2-16 received as penalties to pay the fees charged by the private
2-17 collection agencies.

2-18 Sec. 213.094. JOINT REPORT. (a) Not later than March 1,
2-19 2005, the state auditor and the commission shall submit a joint
2-20 report to the 79th Legislature that includes:

2-21 (1) all recommendations made to the commission in the
2-22 review conducted under Section 213.091;

2-23 (2) a description of the actions taken by the
2-24 commission as of the date of the joint report to implement those
2-25 recommendations and the impact of those actions on overpayment
2-26 rates and fraud identification;

2-27 (3) a description of all recommendations made to the
2-28 commission in the review conducted under Section 213.091 that the
2-29 commission has been unable to implement as of the date of the joint
2-30 report due to fiscal constraints;

2-31 (4) a description of actions taken by the commission
2-32 to reduce the rate of exhaustion of benefits by claimants to ensure
2-33 that claimants achieve employment more quickly; and

2-34 (5) any legislation proposed to improve the ongoing
2-35 future integrity of the unemployment compensation trust fund.

2-36 (b) The commission shall include in the joint report:

2-37 (1) a description of all activities that result in
2-38 measurable improvements to the unemployment compensation insurance
2-39 overpayment collection and fraud detection processes at the
2-40 commission; and

2-41 (2) the proposed legislation developed under Section
2-42 213.093.

2-43 Sec. 213.095. EXPIRATION. This subchapter expires
2-44 September 1, 2007.

2-45 SECTION 2. This Act takes effect immediately if it receives
2-46 a vote of two-thirds of all the members elected to each house, as
2-47 provided by Section 39, Article III, Texas Constitution. If this
2-48 Act does not receive the vote necessary for immediate effect, this
2-49 Act takes effect September 1, 2003.

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