

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 8, 2003

TO: Honorable Jim Keffer, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1496 by Solomons (Relating to reduction in benefit fraud and claim overpayments in unemployment compensation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1496, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2004 | \$0 |
| 2005 | \$0 |
| 2006 | \$0 |
| 2007 | \$0 |
| 2008 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from FEDERAL FUNDS 555 | Probable Savings from UNEMPLOYMENT TRST FND ACCT 938 |
|--------------------|---|---|
| 2004 | (\$318,400) | \$0 |
| 2005 | \$0 | \$8,600,000 |
| 2006 | \$0 | \$8,600,000 |
| 2007 | \$0 | \$8,600,000 |
| 2008 | \$0 | \$8,600,000 |

Fiscal Analysis

The bill would amend Chapter 213 of the Labor Code to require the State Auditor's Office (SAO) to examine the Texas Workforce Commission's (TWC) unemployment insurance (UI) program integrity efforts in the areas of overpayment and fraud. The bill would also require SAO and TWC to submit a report to the Legislature on recommendations made by SAO following its review and TWC's actions to implement those recommendations.

The bill would implement portions of recommendation GG-32 of the Comptroller of Public Accounts' (CPA) January 2003 *e-Texas* report.

If enacted by a vote of two-thirds of all the members of each house, the bill would become effective immediately. Otherwise, the bill would take effect September 1, 2003.

Methodology

SAO assumes 5,000 staff hours would be required to conduct the required study in 2004, billed at the agency's current rate of \$63.68 per hour. TWC assumes these costs would be paid with federal funds they are awarded to administer the UI program.

CPA estimates \$5.3 million in overpayments would be recouped from strategies implemented by TWC based on the SAO review. This estimate assumes the national rate of overpayments in the UI program (1.2 percent) and the national rate of collection of these overpayments (54.8 percent). CPA further estimates \$3.3 million in fraud payments would be recouped, based on the national rate of fraud in the program (0.87 percent) and the national rate of collection of these payments (59.4 percent).

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 308 State Auditor's Office, 320 Texas Workforce Commission

LBB Staff: JK, JO, JRO, RT, JC