

## **BILL ANALYSIS**

Senate Research Center  
77R15772 JMM-D

C.S.S.B. 444  
By: Fraser  
Business & Commerce  
5/10/2001  
Committee Report (Substituted)

### **DIGEST AND PURPOSE**

Currently, Texas lacks specific strategies to increase the identification and recovery of unemployment insurance benefit overpayments, while the percentage of fraudulent overpayments identified remains below the national average. C.S.S.B. 444 would direct the state auditor to conduct a study to determine, to the fullest extent possible, the amount of fraudulent claims in the unemployment insurance system.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 213A, Labor Code, by adding Section 213.010, as follows:

Sec. 213.010. STUDY OF BENEFIT OVERPAYMENTS AND FRAUD. (a) Requires the state auditor to conduct a study to determine, to the fullest extent possible, the number of fraudulent claims filed and paid under this subtitle and the number and dollar amount of fraudulent premium underpayments by employers. Requires the Texas Workforce Commission (commission) to use the study to establish the most effective fraud detection system.

(b) Authorizes the state auditor, if the state auditor determines that the study should be conducted, in whole or in part, by another entity, to contract with one or more independent, nongovernmental entities to conduct all or part of the study. Provides that notwithstanding the entities to which the state auditor participates in the study, the state auditor is responsible for supervising the study and for reporting the results of the study as provided by Subsection (e).

(c) Provides that the fraud detection system established as a result of the study conducted under this section to incorporate the commission's automated system for filing and paying claims.

(d) Requires the state auditor, in developing the study, to use as a model analogous studies performed by other governmental entities that administer benefit programs, including the medical assistance program under Chapter 32 (Medical Assistance Program), Human Resources Code. Requires the state auditor, in developing the study required by this section, to consider studies performed by the United States Department of Labor and other state employment security agencies concerning the misclassification of workers and resulting underpayments to the unemployment insurance trust fund, and to evaluate the use of targeted audits to reduce misclassification. Requires the study to include thorough research on fraudulent schemes and methods of fraud detection used in other states and an analysis of businesses and industries most affected by fraud under this subtitle.

(e) Requires the state auditor to report the results of the study to the presiding officer of each house of the legislature not later than January 1, 2003.

SECTION 2. Effective date: upon passage or September 1, 2001.

**SUMMARY OF COMMITTEE CHANGES**

SECTION 1. Amends As Filed S.B. 444, Chapter 213A, Labor Code, by amending previously proposed Section 213.010.