

SB 191

Overpayment of Unemployment Insurance Benefits

Senate Bill 191 redirects the existing 15% penalty imposed against people who commit fraud in order to receive unemployment insurance benefits from the Employment Department's Special Fraud Control Fund to the Unemployment Insurance Benefit Trust Fund. This change ensures that Oregon remains in conformity with federal regulations. The bill also authorizes the Employment Department to impose an additional penalty of up to 15%, and directs the additional penalty amount into the Fraud Control Fund, for use in detecting, recovering, and preventing unemployment insurance overpayments. Lastly, the bill increases the time period during which payments made in error can be offset against future benefits, from the current one year to five years. This bill was heard by the Senate Business and Transportation Committee and reported out with a "do pass" recommendation on February 7, 2013.

The Subcommittee heard testimony from the Employment Department that the additional penalty and offset provisions will help to maintain fraud control efforts and protect the integrity of the UI Trust Fund. Senate Bill 191 has a fiscal impact of \$869,000 Federal Funds, 6 limited duration positions (3.28 FTE) associated with reprogramming information systems, and one permanent position (1.0 FTE) to meet reporting requirements and provide ongoing analysis and systems maintenance related to these changes. The amendment provides Federal Funds expenditure limitation in the amount of \$869,000 to administer the provisions of Senate Bill 191.

The Transportation and Economic Development Subcommittee recommends SB 191 be amended and reported out do pass, as amended.

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: SB 191-A

Carrier – House: Rep. McKeown

Carrier – Senate: Sen. Hansell

Action: Do Pass as Amended and be Printed A-Engrossed

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: May 10, 2013

Agency

Employment Department

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$\$ Change	% Change
Federal Funds	\$	0 \$	0 \$	869,000 \$	100%

Position Summary

Authorized Positions	0	0	7	7
Full-time Equivalent (FTE) positions	0.00	0.00	4.28	4.28

Summary of Revenue Changes

Senate Bill 191 requires that the existing 15 percent penalty on fraudulently obtained Unemployment Insurance overpayments be redirected from the Employment Department's Special Fraud Control Fund to the Unemployment Insurance Trust Fund, ensuring conformity with federal legislation and reducing the department's Other Funds Special Fraud Control revenues by \$438,000 per year.

The maximum penalty on fraudulently obtained overpayments is increased from 15 percent to 30 percent and any revenues from penalties in excess of 15 percent will be deposited into the Special Fraud Control Fund. The Department estimates it will receive \$200,000 in Other Funds revenue from penalties in excess of 15 percent, partially offsetting the lost revenue due to redirection of the existing penalty.

The bill also increases the period for recovery of overpayments paid in error rather than due to fraud from 52 weeks to five years, resulting in an estimated additional \$170,000 Other Funds revenue annually that will also be directed to the Unemployment Insurance Trust Fund.

Summary of Transportation and Economic Development Subcommittee Action

Senate Bill 191 increases the maximum penalty the Oregon Employment Department may impose on overpayments of Unemployment Insurance benefits made due to false statements, misrepresentation or nondisclosure of material facts from 15 percent to 30 percent. The bill directs payment of the existing 15 percent penalty to the Unemployment Insurance Trust Fund rather than to the Employment Department's Special Fraud Control Fund to comply with federal requirements. Any revenues from penalties imposed in excess of 15 percent will be deposited into the Special Fraud Control Fund. The bill applies to overpayment decisions issued on or after October 1, 2013. The bill also increases the period during which the department may recover benefits paid in error rather than due to fraud from 52 weeks to five years. The bill has an emergency clause and takes effect on passage.

The bill includes \$869,000 Federal Funds expenditure limitation and seven positions (4.28 full-time equivalent) to complete information systems tasks related to the implementation of SB 191 and additional reporting requirements and analysis required by federal mandates. Positions include two limited duration Information Systems Specialist 8 (0.76 full-time equivalent), one permanent Information Systems Specialist 7 (1.00 full-time equivalent), one limited duration Information Systems Specialist 7 (0.63 full-time equivalent), and three limited duration Information Systems Specialist 6s (1.89 full-time equivalent). The Ways and Means Committee will be reviewing the department's information systems staffing and expenditures in the context of its total budget.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 191-A

**Oregon Employment Department
Bill McGee 503-378-2078**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0.00
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0	0.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>										
010-10 Unemployment Insurance										
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 767,000	\$ 0	\$ 0	0	7	4.28
Services and Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,000	\$ 0	\$ 0	0	0	0.00
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 869,000	\$ 0	\$ 0	0	7	4.28
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 0	\$ 0	\$ 869,000	\$ 0	\$ 0	0	7	4.28
% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Change from 2013-15 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**PROPOSED AMENDMENTS TO
SENATE BILL 191**

1 On page 1 of the printed bill, line 3, after the semicolon insert “limiting
2 expenditures;”.

3 On page 4, after line 1, insert:

4 **“SECTION 6. Notwithstanding any other law limiting expenditures,
5 the amount of \$869,000 is established for the biennium beginning July
6 1, 2013, as the maximum limit for payment of expenses from federal
7 funds other than those described in sections 2 and 4, chapter _____,
8 Oregon Laws 2013 (Enrolled House Bill 5009), collected or received by
9 the Employment Department for the administration of the provisions
10 of this 2013 Act.”.**

11 In line 2, delete “6” and insert “7”.

12 _____