

HOUSE UNEMPLOYMENT FRAUD TASK FORCE

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STATE UI TRUST FUND

- Funds State UI claimant benefits
- Health of state trust funds
 - Amount of taxes collected
 - Current economic conditions/level of unemployment
 - Ability of the state to control its benefit payments by accurately determining individuals' eligibility for UI benefits in a timely manner

HEALTH OF STATE UI TRUST FUND

- NC's State UI Fund indebtedness: \$2.8 billion
- Health of state trust funds
 - **Amount of taxes collected**
 - Current economic conditions/level of unemployment
 - **Ability of the state to control its benefit payments by accurately determining individuals' eligibility for UI benefits in a timely manner**

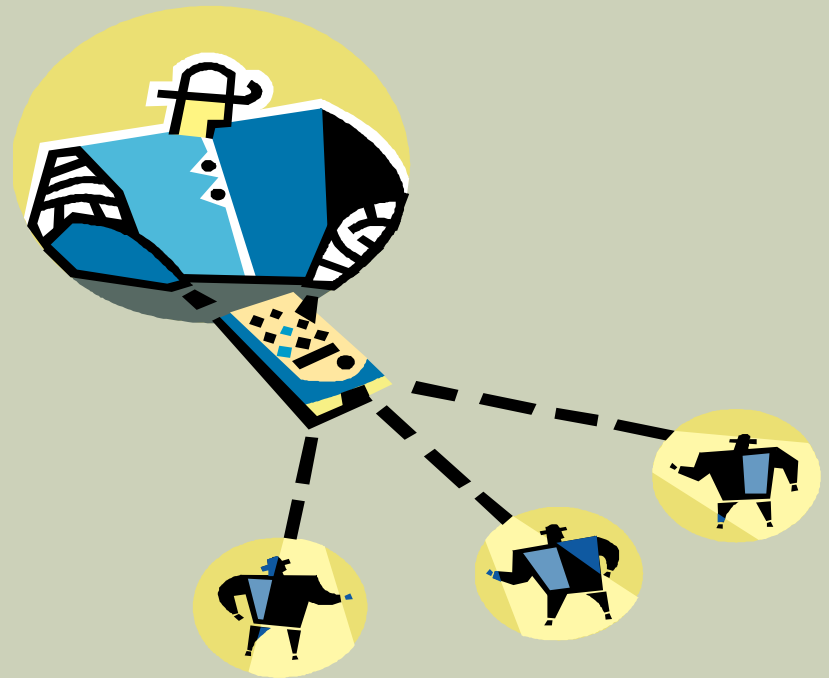
AMOUNT OF TAXES COLLECTED

■ SB 99

- Budget bill
- Directed Commerce to seek study and recommendations
- Complete mid-April

■ Enforcement

- SUTA dumping
- Misclassification of employees as independent contractors



ACCURACY OF BENEFIT PAYMENTS

**Accurately
determine
benefits**



**In a timely
manner**

UNEMPLOYMENT INSURANCE PROGRAM

What is it?

How is it
operated?

How is it
funded?

FEDERAL – STATE PARTNERSHIP

Federal law

- Established in 1935
- Complex program
- Establishes broad guidelines
- USDOL responsible for overseeing state programs
 - Effective & efficient
 - Technical assistance & training
 - Analyze UI data to diagnose potential problems and develop strategies to address them

State law

- Wide latitude to administer UI program
- Each state designs its own programs
 - Taxable wage base and rate
 - Coverage
 - Qualifying requirements
 - Eligibility requirements
 - Benefit amount & duration
 - Waiting periods
 - Appeals
 - Collection

UNEMPLOYMENT INSURANCE TAXES

FUTA

- Tax rate = 6%
 - 5.4% credit for states in compliance
 - Effective rate of 0.6%
- Taxable wage base = \$7,000
- Approximately \$42/employee

SUTA

- Tax rate varies
 - New employers = 1.2%
 - Others = 0% to 6.84%
 - Taxable wage base = \$19,700
 - Revenue payable to State Trust Fund
- State Reserve Tax
 - 20% tax on SUTA
 - Revenue payable to the State Reserve Fund
 - Imposed when Reserve Fund below certain amount

USE OF UI TAX REVENUE

■ FUTA

- Fund State UI programs
- Use performance measures to help determine allocations
- Provide state advances (loans) when a state's Trust Fund does not have adequate funding to allow for the payment of unemployment compensation

■ SUTA

- May only be used to fund unemployment compensation
- May be used to repay the principal amount of federal advances

■ State Reserve Tax

- Not restricted as to use
- May be used to fund program
- May be used to pay interest on federal advances

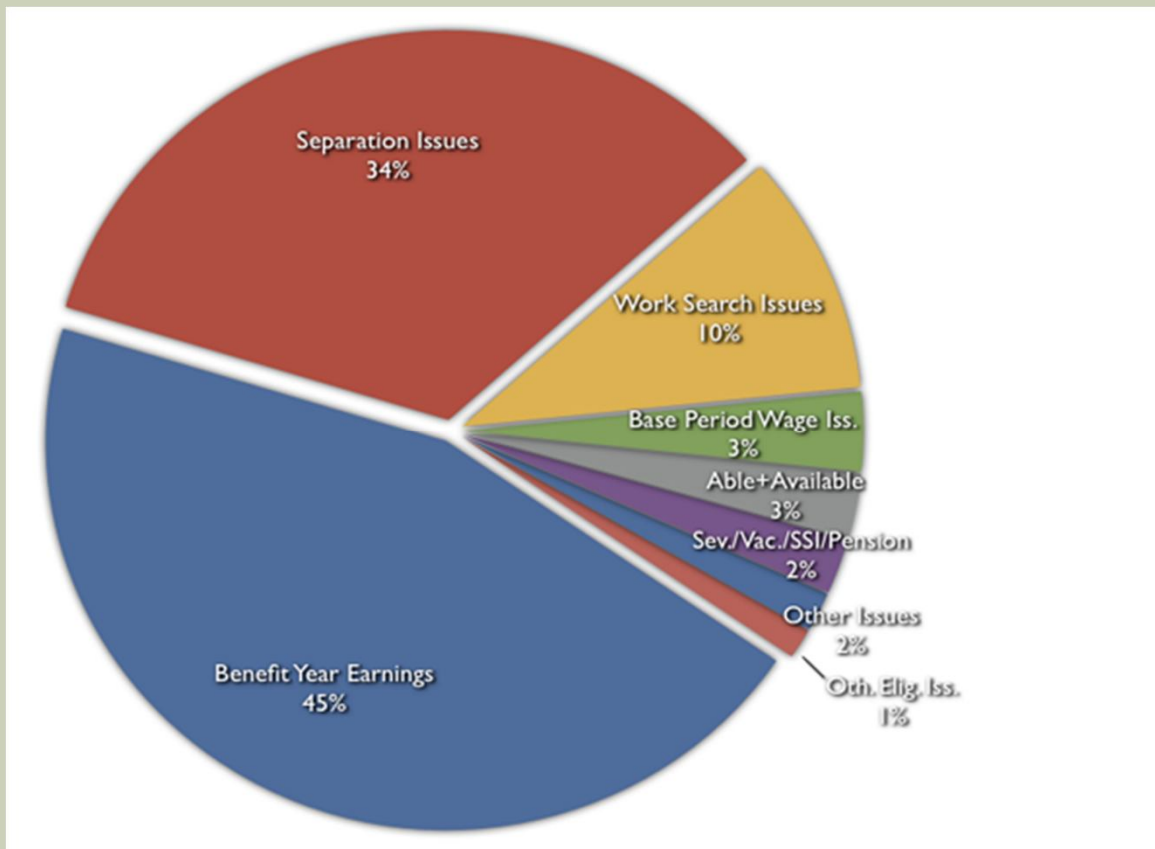
PROGRAM INTEGRITY

Key
Component
to Program
Integrity is
Accuracy of
Benefit
Payments

IMPROPER PAYMENTS

- Improper payments occur when:
 - Funds go to the wrong recipient
 - Right recipient receives the wrong amount
 - Documentation is not available to support a claim
- Not all improper payments are fraudulent
- All improper payments weaken the integrity of the UI program and the viability of the state trust funds
- Improper payments = Overpayments & Underpayments

IMPROPER PAYMENTS IN NC UI PROGRAM



- Covers 3 years 2008-2011
- IPP Rate of 8.86% \$556m
- OP rate of 8.51% \$534m
- Fraudulent OP rate of 2.4% \$12m
- Operational rate of 5.34% \$28m
(reasonably expected to detect and recover)

<http://www.dol.gov/dol/topic/unemployment-insurance/index.htm>

INCREASED FOCUS ON PROGRAM INTEGRITY

- **2002:** GAO study on Unemployment Insurance, *Increased Focus on Program Integrity*
- **2009:** Executive Order 13520 – *Reducing Improper Payments and Eliminating Waste in Federal Programs*
- **2011:** Trade Adjustment Assistance Extension Act
- **2012:** Middle Class Tax Relief and Job Creation Act

KEY COMPONENTS OF PROGRAM INTEGRITY



- **PREVENT** improper payments in the first instance
- **DETECT** overpayments that do occur
- **RECOVER** overpaid amounts

LEGISLATIVE ACTIONS NEEDED TO IMPROVE PROGRAM INTEGRITY

Charge of the
Task Force:

Recommend
Legislative
Actions
Needed to
Prevent,
Detect, and
Recover
Overpayments

TODAY'S PRESENTERS

- Division of Employment Security, Department of Commerce
- US Department of Labor
- UWC – An organization nationally recognized as the voice of business on issues affecting UI



DIVISION OF EMPLOYMENT SECURITY

- Overview of Claims Process
- **PREVENT** improper payments
 - Adjudications, document verification, appeals
 - Staff, resource allocation, training, tools available, tools used, tools needed
- **DETECT** and **RECOVER** overpayments
 - Benefit Payment Control
 - Difference between overpayments and fraudulent overpayments
 - Staff, resource allocation, training, tools available, tools needed, write-offs, prosecutions

US DEPARTMENT OF LABOR

- **Priority US DOL places on payment integrity**
- **Core strategies to reduce improper payments**
 - Cross-functional task forces
 - State Quality Service Plans
 - National Directory of New Hires
 - State Information Data Exchange Systems
 - Implementation of Performance Measures
 - Treasury Offset Program Implementation

UWC – STRATEGIC SERVICES ON UNEMPLOYMENT & WORKERS' COMPENSATION

- Established in 1933
 - Broad-based, country-wide association devoted to representing the business community
 - Promotes UI programs that provide fair benefits to workers at an affordable cost to employers and the community
- Best practices in UI overpayment and fraudulent overpayment prevention, detection, and recovery

ADDITIONAL RESOURCES

Available
online

RESOURCES AVAILABLE ON TASK FORCE WEBSITE

- DES organizational chart
- Position descriptions and training materials for local and central office employees of DES
- Forms
- Manuals
- Links to other outside resources
- <http://www.ncleg.net/gascripts/committees/committeeWebsites.pl>
- Click: House Unemployment Fraud Task Force