

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 2648

**PRINTER NO.** 3591

**AMOUNT**

See Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

June 8, 2022

**PRIME SPONSOR**

Representative Lawrence

**DESCRIPTION**

House Bill 2648 amends the Administrative Code to make changes to the duties of the Inspector General, add requirements for public works employment and establish the Office of PennSERVE and the PennSERVE advisory board.

This bill requires the Inspector General to, no later than May 1, 2023, provide a report to the General Assembly outlining the office’s ability to investigate instances of fraud, theft, abuse, falsification of records, illicit payments and identity theft associated with the unemployment compensation program. The report shall provide an estimated number of required agents to conduct investigations, the estimated costs, the amount of time needed to hire and train agents and the amount of fraudulent payments made in the program between March 1, 2020, and September 30, 2022.

The legislation adds a requirement on the verification form for contactors and subcontractors indicating that they are enrolled in the E-Verify Program (EVP). The department may require the reimbursement of the cost of an audit if a contractor or subcontractor is disbarred from public work or is subject to civil penalty under the act. It also increases the penalties for the failure to verify the employment eligibility of a new employee through the EVP as follows:

- A first violation remains a warning;
- A second violation increases the length of disbarment from public work from 30 days to 60 days;
- A third and all subsequent violations increase the length of disbarment to one to two years; and
- A willful violation increases the length of disbarment to five years.

Penalties are increased for contractors and subcontractors that do not provide the verification form or make false statements or misrepresentations regarding completing the form. Civil penalties are increased to a range of \$2,500 to \$25,000 for each violation based on the duration and severity of the violation. Disbarment for a duration of 60 days to five years is applicable for willful violations based on the duration and severity of the violation.

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Civil penalties collected shall be deposited into the Public Works Employment Verification Account to be used by the department to administer and enforce the act.

House Bill 2648 also establishes the PennSERVE Office within the Department of Labor and Industry (department). The responsibilities of the office are as follows:

- Administer the programs under the National and Community Service Act (NCSA) of 1990;
- Develop a three-year national and community service plan;
- Administer a competitive process to select service programs to be included in applications to the federal agency administering programs under the NCSA;
- Administer, oversee and monitor program performance;
- Develop high-quality community service programs;
- Develop mechanisms for recruitment and placement of individuals interested in participating in service programs with an emphasis on disconnected youth from under-served communities;
- Publicize and recognize volunteerism and community service; and
- Serve as the liaison between government entities for submitting grant proposals, accessing funds and seeking changes in federal law or regulation.

The PennSERVE Board shall be established within the department and will be made up of at least 15 and not more than 25 members including the following:

- Secretary of Labor and Industry;
- Secretary of Education;
- Secretary of Aging;
- Secretary of Community and Economic Development;
- Secretary of Corrections;
- Secretary of Health;
- Secretary of Human Services;
- Executive Director of PHEAA;
- Individuals appointed by the Governor representing affected constituent entities; and
- Individuals appointed by the majority and minority leaders of both chambers of the General Assembly.

Members shall not receive compensation but shall be reimbursed for ordinary and necessary expenses incurred in the performance of the board.

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### **FISCAL IMPACT:**

The report required to be compiled by the Inspector General will have no impact on Commonwealth funds as the Office of Inspector General can compile the report within its current budget. The Office of Inspector General was appropriated \$5.2 million in FY 2022-23.

House Bill 2648 increases the range for civil penalties for not providing a verification form or making false statements about the completion of the EVP form from \$250 - \$1,000 to \$2,500 - \$25,000. The legislation also allows for the department to require the reimbursement for the cost of an audit if the entity is disbarred or subject to civil penalty. Since FY 2015-16, penalties assessed averaged \$250 per violation across an average of 15 findings annually, generating \$3,750 of revenue. Assuming the department conducts the same number of audits each year and finds a similar number of violations that are assessed at the new, low end of the penalty range, the department may realize additional revenue of approximately \$33,750. If the department chooses to require the reimbursement of audits that result in the disbarment or civil penalty, additional funds may be realized to offset the costs of performing the audits.

The establishment of the PennSERVE board will have no fiscal impact on Commonwealth funds as the board is currently operational as the Community Service Advisory Board. The department is able to maintain its continued operations within its current budget.