



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1852

PRINTERS NO. 3200

PRIME SPONSOR: Grove

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	\$0	\$0
Unemployment Compensation Trust Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: Amends the Unemployment Compensation (UC) Law to increase penalties for willful fraud. This legislation would take effect immediately.

ANALYSIS: Amends the Unemployment Compensation (UC) Law to increase penalties for willful fraud.

Valid Application for Benefits: This legislation would amend Section 4(w) of the UC Law to stipulate an individual's wages must be earned in "employment" (as defined under the law) for the purposes of a valid application for benefits.

Lien Priority: The legislation amends Section 308.1(c) to allow liens filed against real estate to retain their priority without the necessity of refile or revival every five years.

Qualifications Required to Secure Compensation: With respect to claimants who have been found ineligible for benefits due to a disqualifying separation from work, Section 401(F) is amended to clarify that wages earned during the minimum six-week requalification period must be earned in "employment", as defined under the law.

Penalties for False Statements: With respect to claimants who knowingly make false statements to obtain or increase any payment, the legislation amends Section 801 to increase monetary penalties to \$500 - \$1,500 (from \$100 - \$1,000) for each separate offense. This legislation also increases the minimum number of penalty weeks that such a person could be subject to from 2 to 10, and removes the current 4 year statute of limitations on the imposition of penalty weeks.

Additional 15% Monetary Penalty: The bill inserts language that requires an additional 15% penalty, payable to the UC Trust Fund, on the amount of benefits collected through willful fraud.

Fraud Conducted by Incarcerated Individuals: The legislation provides a penalty of 52 weeks for claimants who are incarcerated and who commit willful fraud to collect benefits while in jail.

Additional Monetary Penalty: Section 802 is amended to raise fines on employers who make false statements to prevent or reduce any payment. Section 803 is amended to raise fines on anyone who willfully violates any rule or regulation for which penalties are not prescribed. Offenders are subject to a summary offense and can be fined \$500 - \$1,500 (from \$100 - \$1,500), or shall be sentenced to imprisonment for no more than 30 days, or both. Each false statement, representation, or failure to disclose a material fact constitutes a separate offense.

Statute of Limitations for Legal Proceedings: Section 804 is amended to increase the number of years the Department has to initiate legal proceedings to collect monies, from 6 to 12 years.

Penalties on Employers for Violating Employment Records: Increases penalties on officers or employees of the Department or Board who violate Section 206 of the act to not less than \$100 to not more than \$300 (from not less than \$20 to not more than \$200). Also increases penalties on employers who fail to file the required reports detailing the amount of wages paid to each employee to the Department from a penalty of 10% to a penalty of 15% or not less than \$125 to not more than \$450 of the total amount of contributions paid or payable by the employer.

The legislation also amends Section 701 to increase penalties on employers from a fine of not less than \$500 to not more than \$1,500 (from not less than \$100 to not more than \$1,000), who deduct from the remuneration of individuals to finance contributions required from the employer

FISCAL IMPACT: The Department of Labor and Industry is unable to estimate the savings from this legislation on the Unemployment Compensation Trust Fund. Increasing the minimum number of penalty weeks from 2 to 10 alone, would save about \$7 million annually to the Unemployment Compensation Trust Fund.

The U.S. Department of Labor's (USDOL) UI Integrity Rates-State Improper Payment and Integrity Initiative data shows that, between July 1, 2010 and June 30, 2011, Pennsylvania had a UC fraud rate of 5.18%. Estimated regular state-provided benefits are expected to be almost \$3 billion in FY 12-13. Ridding out all UC fraud and applying that 5.18% rate to the \$3 billion in expected benefits would save the Unemployment Compensation Trust Fund about \$154 million in FY 12-13.

Any additional expenses incurred by the Department of Labor & Industry would be borne by the federally-funded Administration Fund.

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House Appropriations Committee (R)

DATE: March 12, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.