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House of Representatives
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MEMORANDUM

To: All House Members
From: Representative Seth Grove
196th Legislative District
Date: July 29, 2011
Subject: Proposed Legislation: Increased Unemployment Compensation Fraud Penalties

In the near future, I plan to introduce legislation into the House which amends the Unemployment Compensation Law to increase penalties on claimants who commit willful fraud. According to the U.S. Department of Labor's Benefit Accuracy Measurement (BAM) program, in CY 2009 Pennsylvania had a fraud rate of 4.68% on benefit payments, with the national average being 2.05%. According to this BAM report, all of our surrounding states had much lower fraud rates than the Commonwealth. We have probably all heard stories from businesses or citizens about cases of fraud in our unemployment system, and I believe this BAM data indicates that we do have a problem.

My legislation amends the current law to increase the penalty weeks that must be served by a claimant who commits fraud in order to collect benefits. Under current law, a claimant is disqualified, in addition to the weeks of improper payment, for a penalty period of up to two penalty weeks in such situations. My legislation increases this penalty period to ten weeks.

In addition, current law only allows the department to impose these penalty weeks for a period of 4 years after the end of the benefit year in which the fraud was committed. In essence, if a person does not collect unemployment again in the next four years, it is possible that they suffer no penalty. I believe this is bad public policy, and if a person defrauded the system, they should suffer the penalties whenever they again collect unemployment.

The Department of Labor & Industry estimates that, as currently written, my legislation would save the Unemployment Compensation Trust Fund about \$7 million per year. My legislation is strongly supported by NFIB and PA Chamber of Business & Industry.

If you would like to cosponsor this legislation, please contact Lisa Burkholder at lburkhol@pahousegop.com or 717-783-2655. Thank you for your consideration.