

Strengthening Unemployment Insurance Integrity

The Employment and Training Administration (ETA) for the last few years has been working to strengthen the integrity of the Unemployment Insurance (UI) system. In 2004, Congress took an important step by acting on the President's proposal to end the abusive practice known as SUTA dumping by which some employers pay less than their fair share of state unemployment taxes. This legislation also gave state UI officials access to the National Directory of New Hires to identify UI beneficiaries who have gone back to work but continue to claim UI benefits. The FY 2006 Budget includes both funding requests and a set of legislative proposals that will strengthen the integrity of the UI system further.

Promoting UI Payment and Tax Integrity

For FY 2006, the Department of Labor (DOL) continues its efforts to prevent, identify, establish and collect UI overpayments and delinquent employer taxes by advancing five legislative strategies to further safeguard the UI system. These approaches would give states new tools and resources to improve Benefit Payment Control (BPC) and tax collection activities. The Administration's legislative proposals would:

- Allow states to use 5% of the recovered overpayments for BPC activities.
- Require states to impose at least a 15% penalty on overpayments individuals obtain by defrauding the UI system. Such funds could only be used for BPC activities.
- Give states the option to allow private collection agencies to retain up to 25% of the fraud overpayments and delinquent employer taxes recovered when they were otherwise deemed uncollectible.
- Provide employers with an incentive to respond to state requests for an employee's separation information, thereby reducing one of the most common sources and reasons for overpayments.
- Authorize the U.S. Treasury Department to recover overpayments of UI benefits from Federal income tax refunds.

These proposals would reduce overpayments and increase overpayment recoveries and delinquent tax collections by a total of \$2,207,000,000 over 5 years.

Preventing and Detecting Identity Theft

To prevent and detect fraudulent unemployment benefit claims filed using stolen personal information, the FY 2006 Budget requests a \$30 million increase to support the following suite of activities:



- New state investigative positions;
- Training for investigators and claims staff;
- Automated tools to help rid the UI system of identity theft and related fraud; and
- Training for front-line claims-taking staff to detect potential identity theft and alert employers and business representatives about how they can help to mitigate fraud.

A \$30 million investment in this initiative could result in annual trust fund savings of as much as \$105 million.

Reemployment and Eligibility Assessments at One Stop Centers

The FY 2006 Budget requests a \$10 million increase to continue an initiative begun with an FY 2005 appropriation to assess UI beneficiaries' need for reemployment services and their continuing eligibility for benefits through in-person interviews in One Stop Career Centers. Such attention to re-employment and eligibility already has yielded quicker returns to work for UI beneficiaries and reduced overall overpayments. An estimated annual trust fund savings of as much as \$225 million could be reaped from undertaking this initiative.

FUA Loans for IT Infrastructure

The Department proposes allowing states to borrow funds from the Federal Unemployment Account (FUA) to replace and/or update their Information Technology (IT) systems. This would be similar to the current practice of allowing states to borrow from FUA when their benefit trust funds become insolvent. States that opt to borrow would be subject to repayment of principal and interest at the same rate charged for loans used to pay benefits.