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Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Unemployment Insurance Program Integrity
As prepared for delivery

Clement Stone, a great American businessman and philanthropist, once said, "Have the courage to say no. Have the courage to face the truth. Do the right thing because it is right. These are the magic keys to living your life with integrity."

These words provide helpful wisdom today as we face the truth and the challenges in our nation's Unemployment Insurance program.

In these difficult economic times, Unemployment Insurance, or UI, provides a critical lifeline to millions of Americans who lost jobs through no fault of their own. UI ensures that families can still put food on the table, gas in the car and keep roofs over their heads while looking for their next job. The beneficiaries of this program are workers. They have worked, they want to work and they will work again.

In a recession, Unemployment Insurance spending increases. This funding gives a temporary boost to the economy that helps keep both families and businesses afloat. This helps stabilize our economy.

However, the substantial job losses of the Great Recession stretched UI programs nationwide. This strain has led to an increase in improper UI payments due to errors, inefficiencies, and even fraud.

To do the right thing and create the solutions this program needs, we must first understand why these overpayments occur. That is why we are holding today's hearing.

In 2009, the Department of Labor reported \$11.4 billion in improper UI payments. Last year, that number spiked to more than \$17 billion.

With leadership from this Committee, Congress passed legislation last year to curb abuse and waste in the unemployment system. This law allows the Treasury Department to recover overpayments from those who don't report their earnings. It also eliminated the ten-year time limit the government had to collect overpayments.

The law requires employers to report the very first day new hires begin working. This helps determine whether workers were receiving improper Unemployment Compensation benefits. Although this legislation is helping curb these inefficiencies, we need to do more.

The leading cause of UI overpayments is claimants who have returned to work, but continue to claim benefits. The second-largest cause is errors verifying that unemployed workers meet all the requirements to be eligible for UI benefits. The third-largest cause of overpayments is workers who fail to fulfill state requirements. These requirements can include an active search for work or registration with the state employment service.

The UI program is too important for this money to be wasted. We need to work together to develop solutions to end these overpayments. This must be a combined effort that includes beneficiaries, employers, States, the private sector and the Federal government.

Right now, everyone's budgets are tight. Families are having trouble making ends meet, and we clearly need to fix our federal budget problems. There is not a penny to waste.

The Administration's most recent budget includes valuable ideas to address many of the program's issues. In this proposal, those who defraud the system would be required to pay a 15 percent penalty and return the wrongly-collected funds. Employers would be held accountable for overpayments resulting from extremely untimely responses to inquiries about their employees' work history. State governments would be encouraged to stop overpayments before they happen -- not just to collect after the fact. The federal government would have improved tools to recoup losses due to fraud and waste.

While the Administration's proposal contains some good ideas, there should also be a role for private-sector solutions in UI's future. These ideas may be the key to lasting administrative and data processing upgrades the system needs. States and private industry have also devised systems to reduce overpayments and streamline the program. We should examine all of these plans.

Senators have also come to the table with new ideas. I applaud my colleagues' efforts and look forward to working with each of them to develop solutions.

We will discuss with our witnesses today the challenges and opportunities for improvement in the UI system. So as we address these challenges, let us have courage. Let us face the truth. And let us do right by the millions of Americans that are counting on us to preserve the integrity of our Unemployment Insurance system.

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