



FOR IMMEDIATE RELEASE

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BAUCUS, HATCH WORK TO SAVE TAXPAYER DOLLARS BY PREVENTING UNEMPLOYMENT INSURANCE OVERPAYMENTS

Finance Leaders Continue Push to Reduce Waste and Crack Down on Fraud to Save UI Dollars

Washington, D.C. - Continuing their efforts to eliminate fraud, waste, and abuse in federal programs to save taxpayer dollars, Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Orrin Hatch (R-Utah) requested an update on the Department of Labor's efforts to cut overpayments in half and prevent fraud in the Unemployment Insurance program in a letter sent on Friday. Department of Labor (DOL) Assistant Secretary for Employment and Training Jane Oates testified before the Committee [at a June 22, 2011 hearing](#) on ways to improve the Unemployment Insurance program by decreasing costly overpayments. At the hearing, Oates said that with the proper action, overpayments could be cut in half within two years. In a letter to Oates, the Finance leaders asked Oates for the Department's progress meeting that goal.

"At a time when millions of Americans are out of work, it's outrageous to lose \$17 billion worth of Unemployment Insurance dollars to overpayment and fraud," Baucus said. **"We need an aggressive strategy to strengthen our prevention efforts. Every penny of Unemployment Insurance funding needs to be at work helping Americans pay the bills and return to employment."**

"In these times where our debt has reached record highs, it is more important than ever that we work to ensure that taxpayer dollars aren't wasted or used in fraudulent activities. The Department of Labor promised to combat waste, fraud and abuse within the unemployment insurance program. This letter follows in the words of President Reagan to trust, but verify to ensure that the Department is taking action to live up to its commitment to ensure taxpayer funds are not squandered," said Hatch.

According to the Department of Labor, overpayments in the UI program totaled over \$17 billion in 2010. Those overpayments can be caused by UI recipients continuing to claim benefits after finding work, errors in the system verifying eligibility or payments continuing to those who would otherwise be disqualified because they have stopped pursuing a new job or fail to meet other state requirements.

The full text of the letter is below:

June 22, 2012

Via electronic transmission

Jane Oates
Assistant Secretary of Employment and Training Administration
United States Department of Labor
200 Constitution Ave., NW
Washington, DC 20210

Dear Assistant Secretary Oates:

As part of the Senate Finance Committee's oversight responsibilities we are writing to check on your efforts to reduce the number of improper payments in the Unemployment Insurance program. This issue was the topic of a Committee hearing entitled "Preserving Integrity, Preventing Overpayments, and Eliminating Fraud in the Unemployment Insurance System" last June.

We do want to acknowledge and thank you for your candor in assessing the problem and your interest in addressing the problem. We are sympathetic with the challenges and complexities of administering a large program and are cognizant that states have different procedures, information technology infrastructures and budgetary constraints, which can make uniform implementation of reforms a demanding process.

At the hearing you acknowledged improper payments in the UI system cost taxpayers roughly \$17 billion a year and that approximately one-half of the overpayments in the program are controllable. In addition, you said that DOL had an aggressive plan to reduce the overpayment rate with the 11 largest States, and that you thought you could get close to reducing the amount of improper payments by half – roughly \$8 billion – within two years.

As the one-year anniversary of the hearing approaches, we hope that you can provide insight regarding DOL's progress, and report on whether the Claims Resolution Act of 2010, Trade Adjustment Assistance Extension Act of 2011 (P.L. 112-40) and the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96), which established new incentives and requirements to improve program integrity, have aided you in your efforts. These new program integrity incentives and requirements include;

- Implementing the use of Treasury Offset Program (TOP) to recapture overpayments.
- Implementing the use of the National Directory of New Hires (NDNH) and later closed loopholes in the use of the NDNH.
- Timely reporting requirements for employers.
- State collection of overpayment from other states.
- Requirement that states recover 100% of any erroneous overpayment by reducing up to 100% of the UC benefit in each week until the overpayment is fully recovered.
- Authorization for states to recover Federal Additional Compensation (FAC) overpayments through deductions to regular UC benefits.
- Requirement that state collection of Emergency Unemployment Compensation (EUC) overpayments must be made in the same manner (and subject to the same equity and good conscience criteria if applicable) as a regular Unemployment Compensation overpayment offset under each state's law.
- A 15 percent overpayment penalty when fraud is found.
- Requirement that states charge employer accounts directly if overpayment is due to action or inaction of employer.

Although there are different visions among members of Congress regarding various federal programs, we can all agree that reducing waste in our government is a critical part of good government. Toward that end, we have the following questions:

1. What specific steps has the Department of Labor taken in the past year to reduce the number of overpayments in the UI system?
2. Can you report any measurable reductions in the rate of overpayments from the numbers cited in last year's hearing?
3. Do you still project that the overpayment rate can be cut in half by 2013? If not, how much do you think it may be cut? Please explain your projections.
4. What other signs of progress can you report regarding efforts at the federal and state level to demonstrate improvement in the program integrity of the unemployment insurance system, particularly the reduction of overpayments?

We look forward to working with you further to address these important issues.

Thank you for your attention regarding this matter.

Sincerely,

Max Baucus
Chairman

Orrin G. Hatch
Ranking Member

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