



CHRIS KAPENGA

WISCONSIN STATE SENATOR

Testimony on Senate Bill 401

Senate Committee on Labor and Government Reform

January 14, 2016

First, I would like to thank Chairman Nass and the members of the committee for holding a hearing on Senate Bill 401. Additionally, I would like to thank Representative Kerkman for her leadership on this issue in the Assembly.

Currently, Wisconsin views UI fraud as a less severe crime than other comparable offenses, such as theft. Defrauding the UI system is no less wrong than any other form of theft. When people look at this bill, they see that it is common sense to treat similar crimes with similar, commensurate penalties.

During a recent review of the UI laws here in Wisconsin, we noted that the penalties for someone who intentionally defrauds the UI system are substantially lower than the theft statutes. This bill seeks to remedy this situation by ensuring similar penalties for similar behavior. The penalties this bill would impose are as follows:

- If the value of any benefits obtained does not exceed \$2,500, is subject to a fine not to exceed \$10,000 or imprisonment not to exceed 9 months, or both;
- If the value of any benefits obtained exceeds \$2,500 but does not exceed \$5,000, is guilty of a Class I felony;
- If the value of any benefits obtained exceeds \$5,000 but does not exceed \$10,000, is guilty of a Class H felony;
- If the value of any benefits obtained exceeds \$10,000, is guilty of a Class G felony.

If we put more of a deterrent in place for someone breaking the law, they are less likely to do it. When the potential benefit from scamming the system outweighs the deterrent, there is an incentive for criminals to break the law. The bill, when passed, will create a disincentive to steal taxpayer money. We have already seen an increase in case referrals over the last year, and these penalties will encourage district attorneys to take on even more case referrals from the Department of Workforce Development in the future.

I ask you to consider the recommendation of Senate Bill 401 for a vote in front of the full Senate. Thank you again, Chairman Nass and members of the committee, for taking the time to hold this public hearing. I look forward to working with you on the passage of this legislation.



STATE REPRESENTATIVE

SAMANTHA KERKMAN

Senate Bill 401 / Assembly Bill 533 Unemployment Insurance Benefit Theft

Senate Committee on Labor and Government Reform
Thursday, January 14, 2016

Chairman Nass and committee members thank you holding a public hearing on Senate Bill 401 and the opportunity to provide testimony in favor of this legislation.

Senate Bill 401 would provide consistency in punishment for those who steal by making the penalties for someone who intentionally defrauds the Unemployment Insurance system match the penalties in our theft statutes.

Current penalties for UI theft are substantially lower than theft statutes – and arguably not much of a deterrent for would be fraudsters, nor much of an incentive for District Attorneys to prosecute. Theft is theft, and it makes no sense to have the penalties be lower if an individual steals UI benefits than they would be if that same individual stole money from a cash register.

The penalties under this bill for knowingly making a false statement or representation to obtain a UI benefit are:

| Value of Benefits Obtained | Penalty |
|----------------------------|---|
| Up to \$2,500 | Class A misdemeanor \$10,000 / 9 months |
| \$2,500 - \$5,000 | Class I felony \$10,000 / 3 years & 6 months |
| \$5,000 - \$10,000 | Class H felony \$10,000 / 6 years |
| Exceeds \$10,000 | Class G felony \$25,000 / 10 years |

Increased penalties for UI fraud would the integrity of the Unemployment Insurance fund and ensure that the program functions for its intended purpose: a temporary safety net for those who are out of work through no fault of their own.

Thank you for considering Senate Bill 401 today; I look forward to the committee's support.

Department of Workforce Development
Secretary's Office
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-3131
Fax: (608) 266-1784
Email: sec@dwd.wisconsin.gov



Scott Walker, Governor
Reginald J. Newson, Secretary

Senate Committee on Labor and Government Reform

January 14, 2016

Testimony on SB 401, Provided by Georgia Maxwell, Deputy Secretary

Chairperson Nass and members of the Committee:

I am Georgia Maxwell, the Deputy Secretary for the Department of Workforce Development, and I come before you today to testify in support of Senate Bill 401.

As the committee knows, Unemployment Insurance (UI) fraud impacts UI programs throughout the nation. In 2013, a St. Louis Federal Reserve study found that of the \$108 billion in UI benefits paid nationally, \$3.3 billion was obtained fraudulently. Under the leadership of Governor Walker and the legislature, the Department has put a greater emphasis on ensuring that we protect the employer funded UI Trust Fund which is used solely to pay benefits to workers who lose their employment through no fault of their own. In 2014, the Department collected over \$21 million in fraudulently obtained benefits from previous years.

At the Department, we have a diverse set of tools available to detect fraud. Some of the most successful include our wage record cross match, the state and national new hire cross matches, incarceration cross matches, and fraud detected by agency staff. Although we have many staff who are dedicated to detecting and preventing fraud, all staff play a role in ensuring that accurate and timely benefit payments are made to those who are eligible. We owe this to the employers who fund benefit payments and we owe it to UI claimants who responsibly use the program while dedicating themselves to become reemployed quickly.

Under Governor Walker's leadership, the Department has increased our ability to detect and recover fraudulently obtained benefits while increasing our efforts to prevent future fraud attempts. The Department has taken an active approach in educating both employers and claimants on the consequences of inaccurate reporting of necessary claim information and has continuously encouraged UI claimants to contact the Department with any questions regarding UI before filing their UI claim. By communicating to claimants the repercussions of reporting inaccurate information on their weekly claims and the many penalties for committing fraud, while making more information available to claimants over the internet and making staff available to answer questions through our inquiry line, the Department is working to curtail UI fraud and reduce instances of improper payments.

The Department also works to deter future fraud attempts, in part by referring the most egregious fraud cases to law enforcement for potential criminal prosecution. In 2015 the Division identified and referred 115 cases to local district attorneys. Unfortunately the Division is finding that the existing criminal consequences for fraud are minimal. The maximum fine is \$500, and the most common sentences call for repayment orders, which essentially mirror what the Department can pursue administratively under current law. These consequences fuel the perception that UI benefits theft is less severe than stealing from a brick and mortar store, a bank, or an individual's home. This legislation will correct this imbalance, protect the integrity of the program, and help deter future UI fraud attempts.

The Department will continue to share information, strengthen existing relationships and forge new strategies in an effort to ensure that the UI program remains a fair and reliable system for Wisconsin workers and employers. And, by working with our partners in the Legislature, we will strengthen our state's UI system overall.

Thank you again for your time and for the opportunity to testify today. I am happy to answer any questions the committee may have at this time.