



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2648

PRINTERS NO. 3591

PRIME SPONSOR: Lawrence

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	See fiscal impact	See fiscal impact

SUMMARY: House Bill 2648, printer's number 3591, amends the Administrative Code in Office of State Inspector General, further providing for powers, purpose and duties, repealing provisions relating to coordination of Commonwealth community service programs, providing for PennSERVE and for public works employment verification, establishing the Public Works Employment Verification Account, and making a related repeal.

ANALYSIS: This legislation amends the duties of the State Inspector General in the Administrative Code. No later than May 1, 2023, the State Inspector General shall provide a report to the General Assembly regarding the ability of the office to investigate instances of actual or attempted fraud, theft, abuse, falsification of records, illicit payment and identity theft associated with the Unemployment Compensation (UC) program. The report shall be done in consultation with the Department of Labor and Industry (L&I) and shall include the following:

- The estimated number of agents necessary to conduct investigations.
- The estimated cost for personnel, equipment, and other operational needs.
- The amount of time necessary to hire and train investigators.
- How cases would be coordinated with the internal audits division within L&I and other law enforcement agencies.
- Other laws, regulations, or guidance that may limit the ability to conduct investigations.
- An estimate of the number of fraudulent payments made in UC programs between March 1, 2020, through September 30, 2022, including the number of recovered payments.

The report shall be provided to the following:

- The President Pro Tempore of the Senate.
- The Speaker of the House of Representatives.
- The Majority Leader of the Senate.
- The Minority Leader of the Senate.
- The Majority Leader of the House of Representatives.
- The Minority Leader of the House of Representatives.
- The Majority and Minority Chairpersons of the Senate Appropriations Committee.
- The Majority and Minority Chairpersons of the House Appropriations Committee.

- The Majority and Minority Chairpersons of the Senate Labor and Industry Committee.
- The Majority and Minority Chairpersons of the House Labor and Industry Committee.

The bill repeals Article XXII-B (Coordination of Commonwealth Community Service Programs) of the Administrative Code and adds a new article for PennSERVE. The PennSERVE office is established within L&I, who shall provide staff, space, equipment, and supplies for the office. The PennSERVE office shall:

- Administer programs of the National and Community Service Act of 1990 (NCSA) for the Commonwealth.
- Develop a three-year comprehensive national and community service plan and establishment of Commonwealth priorities.
- Administer a competitive process in compliance with federal regulations to select service programs to be included in the applications to the federal agency responsible for administering the NCSA.
- Administer, oversee, and monitor the performance and progress of funded programs, including evaluation, monitoring, and providing technical assistance.
- Assist in the development of high-quality community service programs.
- Develop mechanisms for recruitment and placement of individuals interested in participating in service programs, with a special emphasis on engaging disconnected youth and individuals from unserved communities.
- Facilitate publicity and recognition of volunteerism and community service.

The PennSERVE office shall meet and consult with other divisions of L&I to coordinate and enhance the quality and efficiency of service, workforce development, and job training programs. The office may jointly develop a plan with the Department of Education and the Pennsylvania Higher Education Assistance Agency (PHEAA) to increase community service opportunities for students and graduates. The office may also work with the Department of Aging to expand opportunities for intergenerational programs, and with the Department of Health to develop a proposal allowing young people to participate in health-related activities. The PennSERVE office shall service as a liaison between federal, state, and local governments for grant proposals and seeking changes in community service laws.

The PennSERVE advisory board is also established within L&I. The board shall contain at least 15, but not more than 25, voting members who shall serve for three-year terms consistent with the NCSA. Voting members shall include the following:

- The Secretary of Labor and Industry, or a designee, who shall service as presiding officer.
- The Secretary of Education, or a designee.
- A representative of a community-based agency or organization.
- A local government representative.
- A representative of local labor organizations.
- A business representative.
- An individual who is between 16 and 26 years of age that is involved with a service program for school-age youth or of a campus-based or national service program.
- A representative of a national service program.
- An individual with experience in promoting the involvement of older adults in service.

- A volunteer sector representative.
- A member of the Senate appointed by the Senate Majority Leader, or a designee.
- A member of the House appointed by the House Majority Leader, or a designee.
- A member of the Senate appointed by the Senate Minority Leader, or a designee.
- A member of the House appointed by the House Minority Leader, or a designee.

Non-voting ex-officio members, or a designee, shall include the following:

- The Secretary of Aging.
- The Secretary of the Department of Community and Economic Development.
- The Secretary of Corrections.
- The Secretary of Health.
- The Secretary of Human Services.
- The Executive Director of PHEAA.

Consistent with federal regulations, the individual who is an employee of the federal agency responsible for administering the NCSA and designated to serve as a representative to each state shall be included as an ex-officio non-voting member of the board. The chairperson of the board shall be elected by voting members of the board.

House Bill 2648 repeals the Public Works Employment Verification Act and adds a new article regarding public works employment verification to the Administrative Code. A public works contractor or subcontractor shall participate in the E-Verify Program (EVP) operated by the Department of Homeland Security in order to verify employment eligibility of each new employee. The Department of General Services (DGS) shall post requirements related to EVP online.

As a precondition of being awarded a public contract, a contractor shall provide a verification form, as prescribed by the Secretary of DGS, acknowledging compliance and responsibilities associated with the bill and EVP. Failure to verify employment through EVP or providing the verification form as prescribed are violations of the provisions in this bill. DGS shall investigate potential violations and enforce the requirements of the respective article. DGS shall also conduct audits to ensure compliance.

The following sanctions shall apply for failing to utilize EVP when hiring a new employee:

- First violations receive a warning letter from DGS.
- Second violations result in a contractor being debarred for 60 days from public work.
- Third and subsequent violations shall result in a contractor being debarred from public work for not less than one year, but not more than two years.
- In the case of a willful violations, the Secretary of DGS shall file a petition in Commonwealth Court. If the court finds that a contractor engaged in a willful violation, the court shall order a three-year debarment from public work.

Penalties shall apply for failing to provide the required verification form or making false statements when completing the form. Violating contractors shall be subject to a civil penalty of

not less than \$2,500 and not more than \$25,000 for each violation. In the event of a willful violation, a contractor shall be subject to debarment for not less than 60 days, but not more than three years.

FISCAL IMPACT: The requirements in the bill related to the report that is to be provided by the Inspector General will have no adverse impact on Commonwealth funds and can be completed within the existing budget for the office.

The establishment of the PennSERVE board will have no fiscal impact on Commonwealth funds as the board is currently operational as the Community Service Advisory Board. L&I is able to maintain its continued operations within its current budget. Members of the PennSERVE advisory board shall receive no compensation for their services.

DGS may require reimbursement from a public works contractor for the cost of an audit if the contractor is debarred from public work or is subject to a civil penalty. The cost of an audit shall be based on the amount of staff time spent on the individual audit. Penalties collected under the act shall be deposited in the Public Works Employment Verification Account as established in the General Fund. The increased dollar amount of applied penalties may result in a small increase in revenue, assuming the number of violations remains comparable to previous years.

PREPARED BY: Casey Martin
House Appropriations Committee (R)

DATE: October 26, 2022

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.