

# Unemployment Insurance Administrative Funding

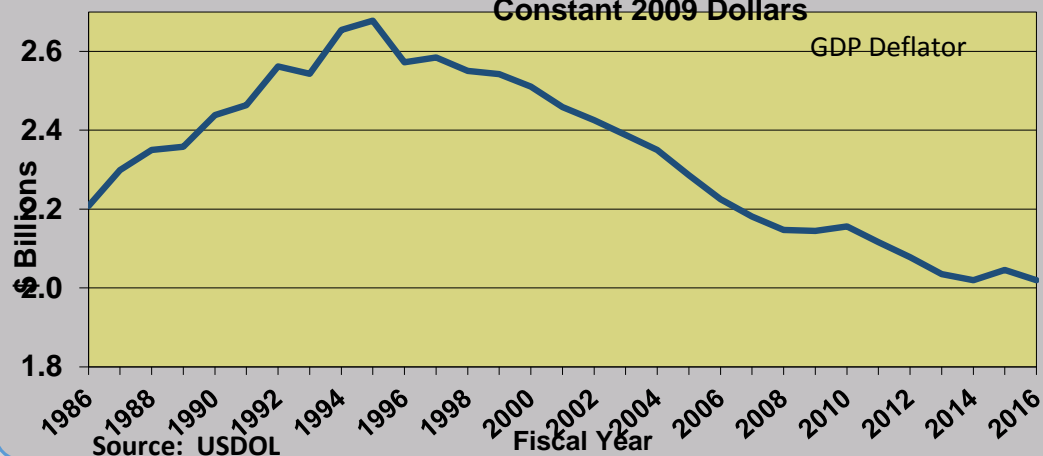
June 2017

**Jim Van Erden PhD**  
Senior Policy Advisor

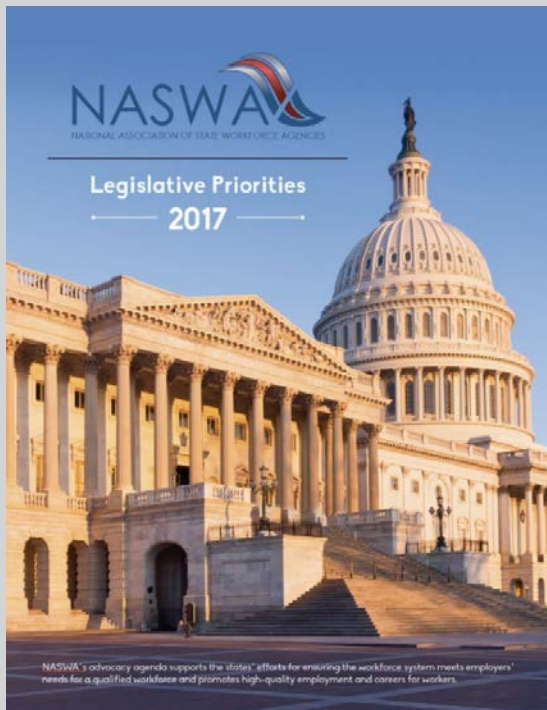
**Julie Squire**  
NASWA Policy Director and General Counsel

**Hillary Hewko**  
Policy Analyst

### Appropriations for State UI Administration Per 2.0 Million AWIU Constant 2009 Dollars



# Unemployment Insurance Administrative Funding: Top Priority for 2017



## Support Unemployment Insurance Programming

Investment in UI administration is at a 30-year low, and serious disruption in the delivery of UI benefits is at risk in the next economic downturn.

- Increase the annual state UI Administrative base allocation by 25% at a minimum, while holding the Average Weekly Insured Unemployment (AWIU) base workload constant, to meet employer and claimant expectations for acceptable customer service.
- Provide a minimum investment level of at least \$300 million/year to modernize antiquated state UI IT systems and maintain current systems.
- Adjust the set aside for UI Contingency investment to \$28 million annually (inflation adjustment).





## ***Federal Update***

Our areas of focus:

- New Administration.
- 115<sup>th</sup> Congress.

**Top Priorities:** Rollback regulations, budget with increased defense spending and cuts to domestic spending; personal and corporate tax cuts; repeal and replace Obamacare.


**Secondary priorities** more related to our work: Higher Education Act reauthorization and Career and Technical Education. WIOA implementation is on the Agenda. House Ways and Means Committee is looking at UI and TANF reform.



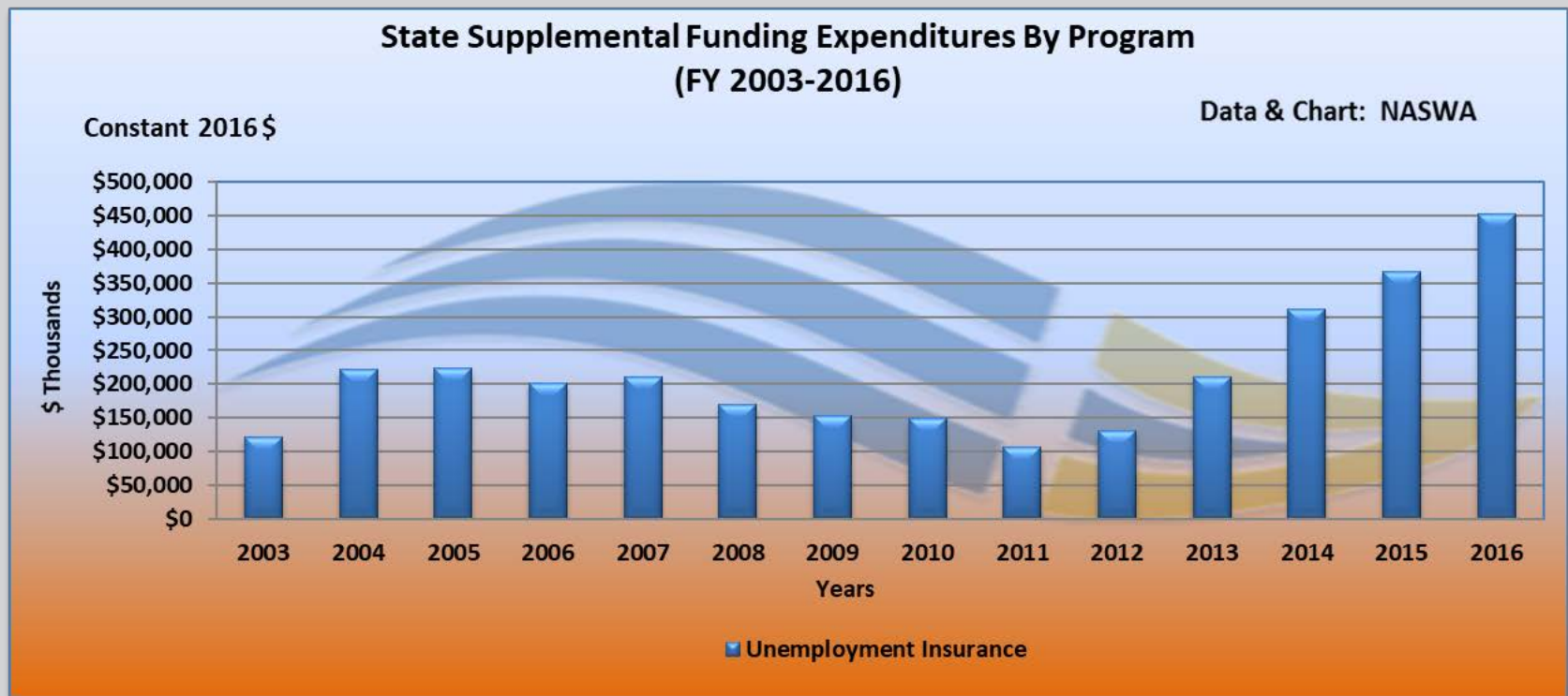
# Budget Update

FY 17 and FY 18 funding.

FY 18 budget discussions happening now.

 <b>Comparative Budget Amounts</b> Omnibus FY 2016 / Omnibus FY 2017 / Admin Budget FY 2018 (\$000s)					
Programs	Funding Levels			Difference FY 2018 vs. FY 2017	FY18/FY17 Percent Change
	FY 2016 Omnibus Bill	FY 2017 Omnibus Bill	FY 2018 Admin Proposed		
<b>Unemployment Insurance</b>					
<b>Program Operations (3)</b>	2,725,550	2,687,600	2,635,775	-51,825	-1.93%
<i>State Consortia to modernize systems (4)</i>	0	50,000	<i>Not noted</i>	-50,000	
<i>REA/RES (Reemployment)</i>	95,000	115,000	130,000	15,000	13.04%
<i>UI Integrity Center of Excellence</i>	3,000	5,500	6,000	500	9.09%
<b>National Activities</b>	14,547	14,897	12,000	-2,897	-19.45%
<small>3-Includes REA/RES and Integrity Center</small>					

# State UI Supplemental Funding

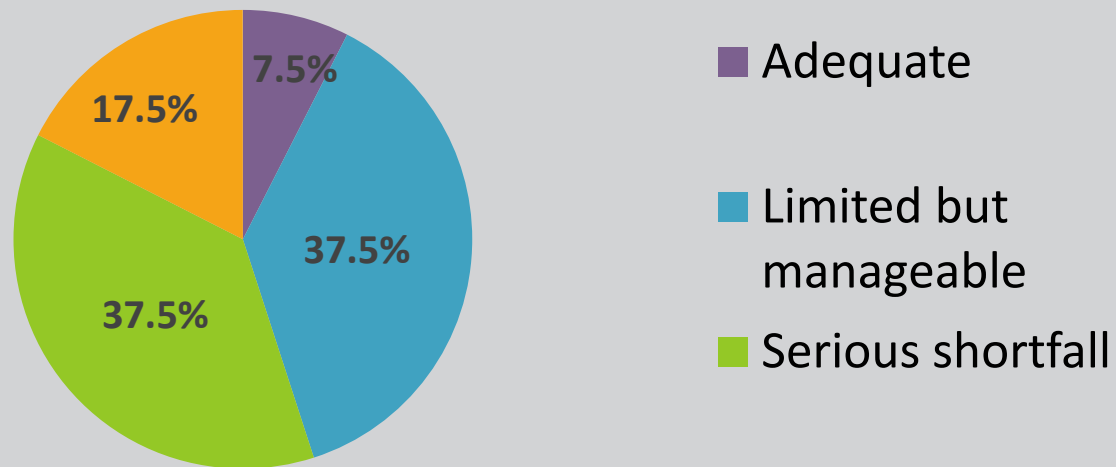


## NASWA UI Administrative Funding Survey – May, 2017

- UI Administrative Funding Workgroup: A joint workgroup of NASWA's Unemployment Insurance and Administration & Finance Committees
- NASWA surveyed states to provide information that educates Congress about what matters to states.
- 40 States Responded

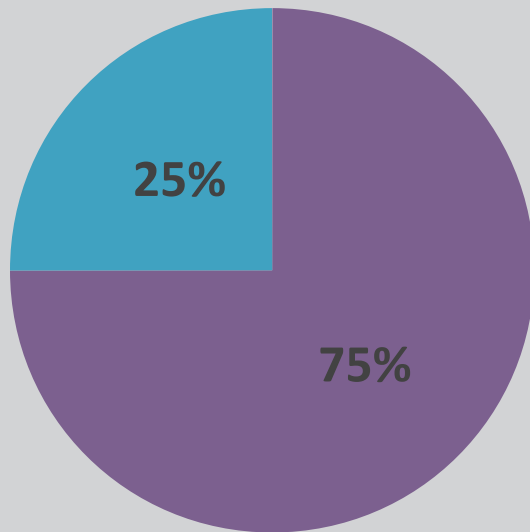


How would you describe the current level of administrative funding in your state? (40 States)



Value	Percent	Count
Adequate	7.5%	3
Limited but manageable	37.5%	15
Serious shortfall	37.5%	15
Critical shortfall	17.5%	7
Total		40

## Have you shifted staff among various functions as a result of budget funding? (40 States)

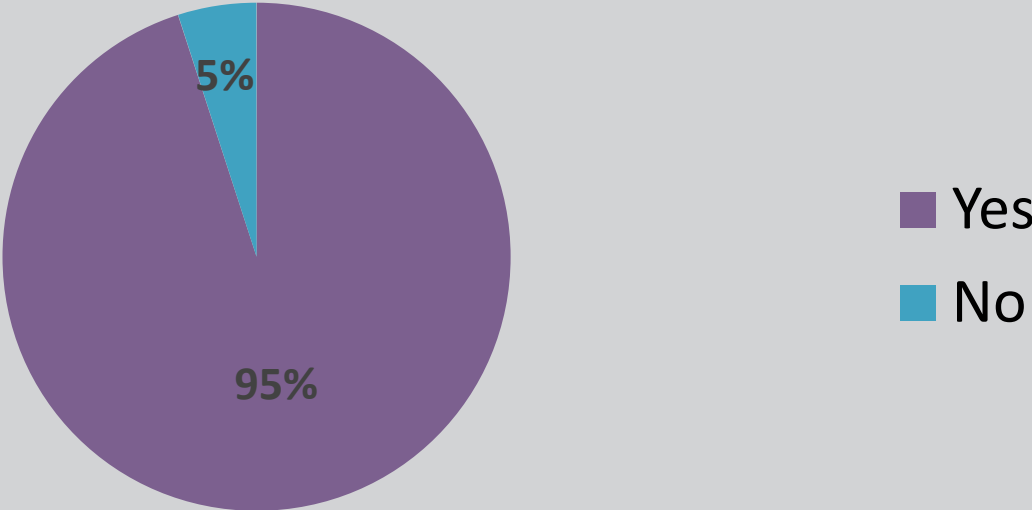


■ Yes 30 States    ■ No 10 States

### State Approaches for Shifting Staff:

- Monitored workload closely to move staff accordingly
- Cross-trained staff in new areas of UI and Wagner Peyser
- Realigned staff responsibilities by combining job functions
- Utilized overtime to keep work timely
- Laid off Staff
- Left vacancies due to attrition and retirement unfilled
- Stopped Pay Increases for Staff
- Closed and consolidated several Workforce Centers - Eliminated local office staff
- Shifted Claims to Call Centers
- Placed heavily reliance on technology – Kiosk in Workforce Centers
- Eliminated external vendor contracts

Is turnover an issue for your operations? (40 States)

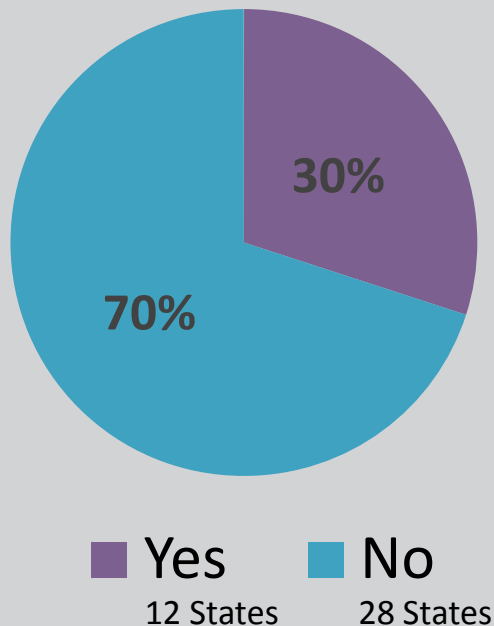


Value	Percent	Count
Yes	95.0%	38
No	5.0%	2
	Total	40

If yes, please describe the areas of your organization where turnover is an issue and the impact and reasons for the turnover. (38 States)

Areas	Reasons	Impact
<ul style="list-style-type: none"> <li>• All areas of the organization</li> <li>• All UI Tax Division</li> <li>• Entry level positions in Benefits and Tax - Claim takers and adjudicators</li> <li>• Wages &amp; Special Program</li> <li>• Data Entry unit (enters wages, new hires, does all scanning)</li> <li>• IT Division</li> <li>• Imaging and the data warehouse groups</li> <li>• Call Centers</li> <li>• Frontline seasonal employees</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement</li> <li>• Lack of upward mobility and promotional opportunities</li> <li>• Competitive market wage demand               <ul style="list-style-type: none"> <li>– Competition within the agency and other State agencies</li> <li>– Competition from the private sector</li> </ul> </li> <li>• Organizational changes</li> <li>• Complexity of system</li> <li>• High volume and fast paced work environment</li> <li>• Seasonal employees seek permanent positions</li> </ul>	<ul style="list-style-type: none"> <li>• Less experienced staff</li> <li>• Lack of technical and business expertise</li> <li>• Lack of historical knowledge</li> <li>• Low Morale</li> <li>• Constant hiring</li> <li>• Challenges recruit &amp; retaining staff</li> <li>• Additional training cost</li> <li>• Major impact on IT related to supporting legacy systems</li> <li>• Unfilled vacancies. increased workload on existing staff</li> <li>• Significant decline in performance timely employer registrations, number of delinquent employers, total outstanding delinquency, number of total audits, total audit assessments</li> </ul>

Are you able to hire the staff you need, and to retain staff to meet your needs? (40 States)



Impediments to obtain/retain appropriate staff:

- Inadequate funding
- Union Positions - Lack of State budget
- Hiring Freeze and Restrictions
- Non-competitive salary levels
- Lack of merit pay increases and benefit packages
- High fringe benefit cost rate
- Competing career advancement and higher salaries in other state departments and private sector
- Limited career paths and promotional opportunities
- Aging workforce
- Geographic location of positions
- Training needs

At current funding levels, do you foresee additional impacts on program performance in FY 2017? FY 2018? (39 States)

Yes: 28

No: 5

Unknown: 6



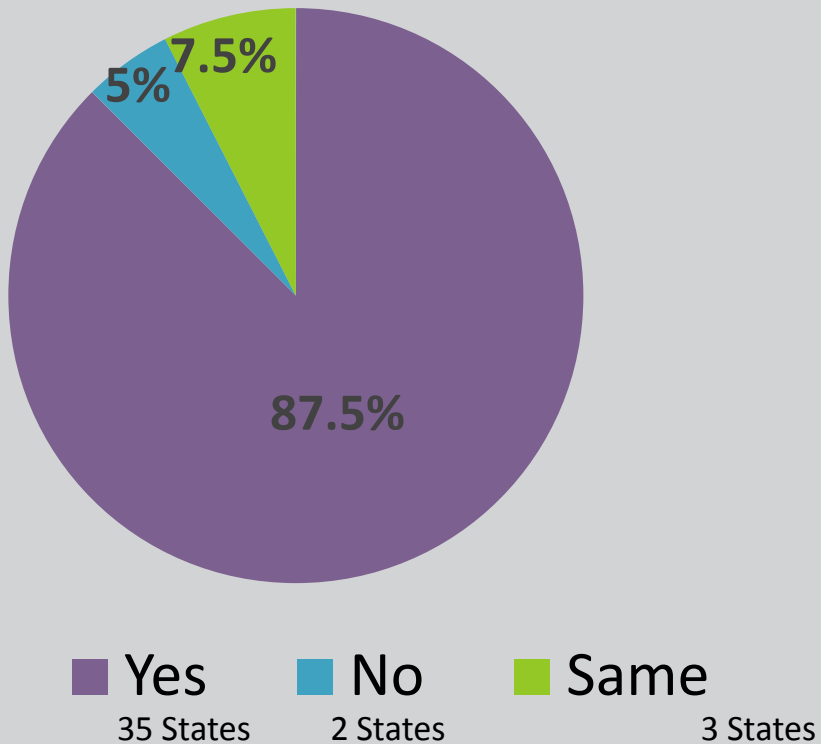
How would you categorize the status of your IT systems and infrastructure?

	Adequate	Needs Improvement	Barely Functional
Benefits Count	9	29	2
Tax Count	13	24	3
Fraud/overpayment detection Count	13	26	0
Appeals Count	14	25	0
Accounting Count	13	23	3
Other Count	6	9	3

## How are your IT systems controlled?

	Agency Controlled	State Centralized	Combined
Benefits Count	19	4	17
Tax Count	20	4	16
Fraud/overpayment detection Count	19	4	16
Appeals Count	19	5	16
Accounting Count	12	6	21
Other Count	2	1	8

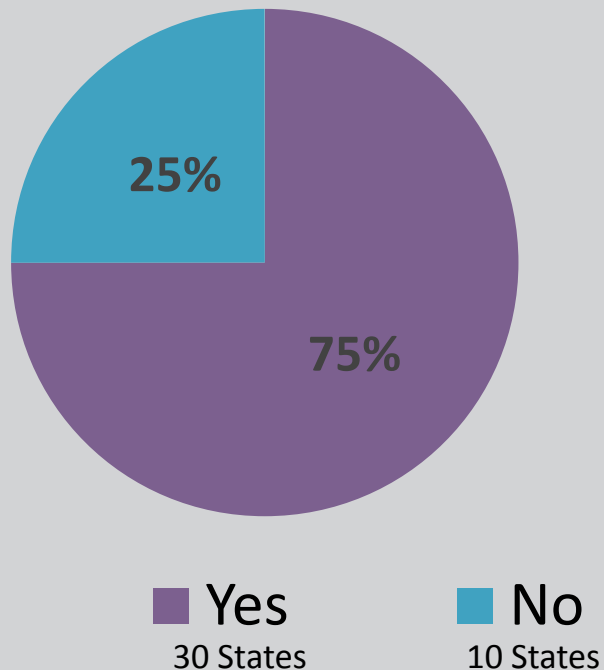
## Are your IT costs increasing? (40 States)



### IT Costs that are increasing:

- Infrastructure
- Maintenance & Support
- Development
- Staffing rates

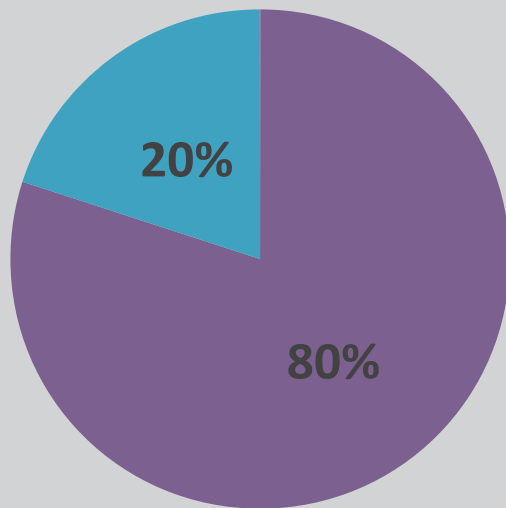
Aside from modernization, do you need additional IT funding? (40 States)



How would you use additional IT funds?

- System maintenance
- Staffing
- System integration
- Training for legacy system
- New IT services

## Do you need additional funds to upgrade/modernize IT functions? (40 States)



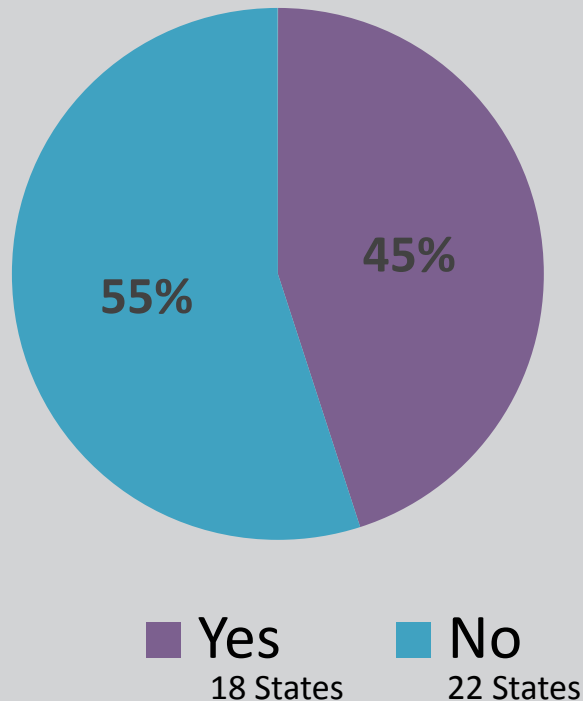
■ Yes  
32 States

■ No  
8 States

### How would you use additional IT modernization funds?

- Long term technology solutions
- Move off existing mainframe for Benefit/ Tax System within the next 5-10 years
- Integration between systems
- Salesforce enhancement
- Cloud hosting environment
- Front end applications enhancements

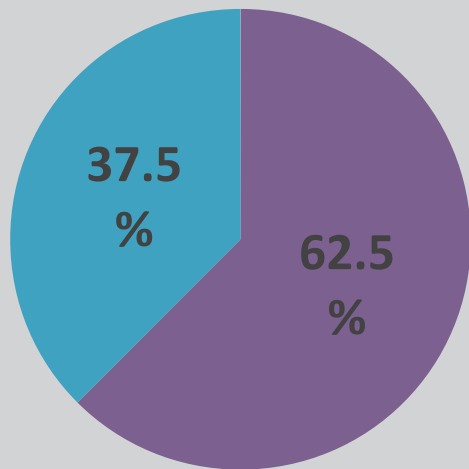
Do you have adequate resources (other than staffing) to efficiently prevent, detect and recover fraud and overpayments? (40 States)



- Resources Needed:
- Better IT system
  - Training opportunities
  - Expand Prison Cross-match
  - New Hire crossmatch
  - Identity theft detection tools



Are there critical fraud/overpayment program enhancements that you cannot do with your state's current resources? (40 States)



■ Yes 25 States    ■ No 15 States

Functions at Risk:

- Prevent fraud employer accounts collected against UI Trust Fund
- Limited by procurement and union issues related to hiring staff
- Data analytics



**National UI Directors' Conference, November 6-9, 2017,  
Orlando, FL**

# Questions?

**Julie Ellen Squire | Policy Director and General Counsel**

National Association of State Workforce Agencies

444 North Capitol St., NW | Suite 300 | Washington, DC  
20001

P 202.434.8059

E [jsquire@naswa.org](mailto:jsquire@naswa.org) | W [naswa.org](http://naswa.org)