

National Unemployment Insurance Program Update

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National Update

- ❖ Program Trends
- ❖ WIOA and UI
- ❖ Reengineering UI Benefit Accountability Processes
- ❖ UI Integrity Center of Excellence Moving Forward

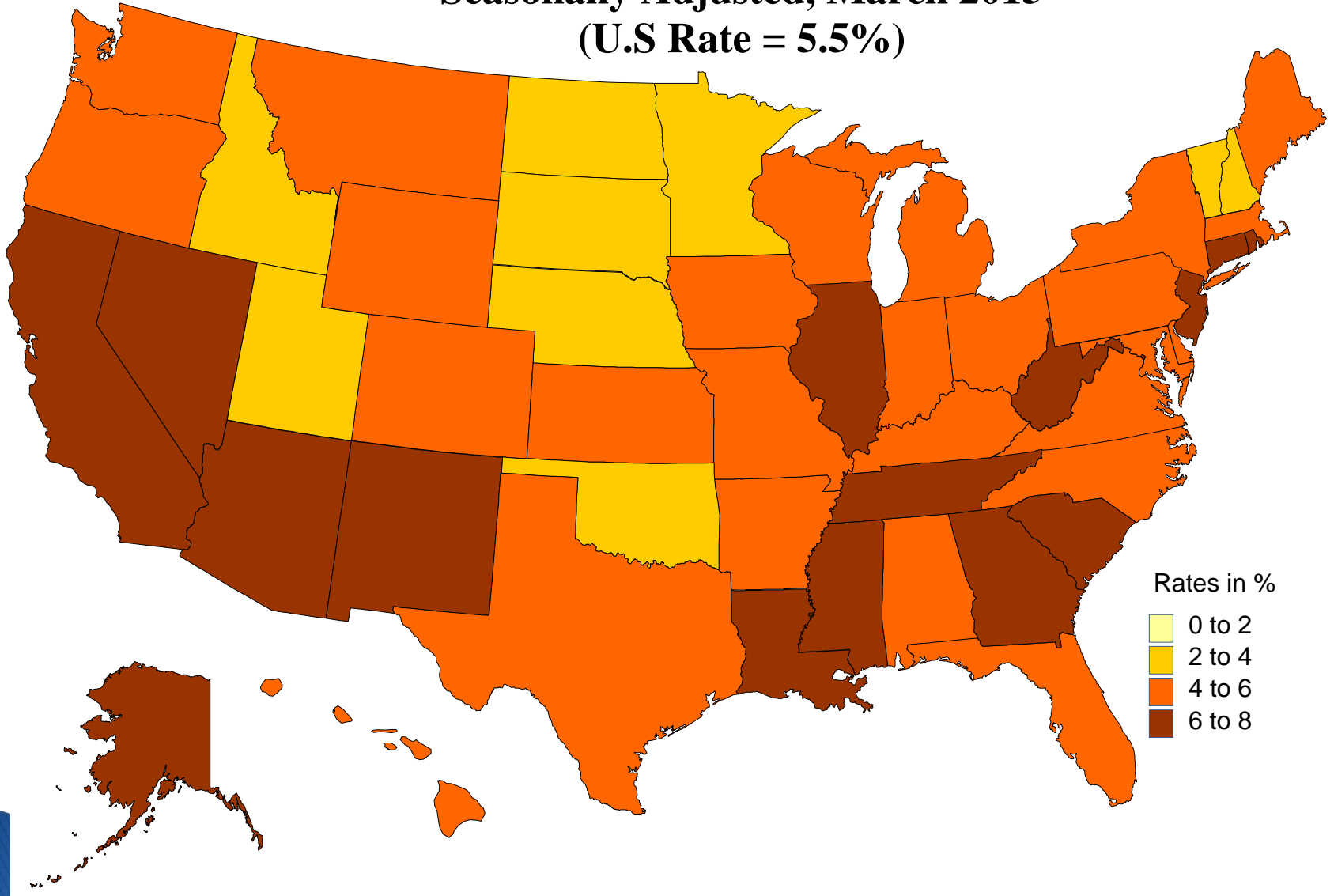
Good Trends

- ▶ The economy continues to improve and the unemployment rate continues to trend down
- ▶ Workload is down
- ▶ Duration is down
- ▶ States have an opportunity to focus on more than just implementing complex EUC programs
- ▶ SBR funds and funds to restore base grants were available again in FY 2014
- ▶ We didn't have another government shut-down this year

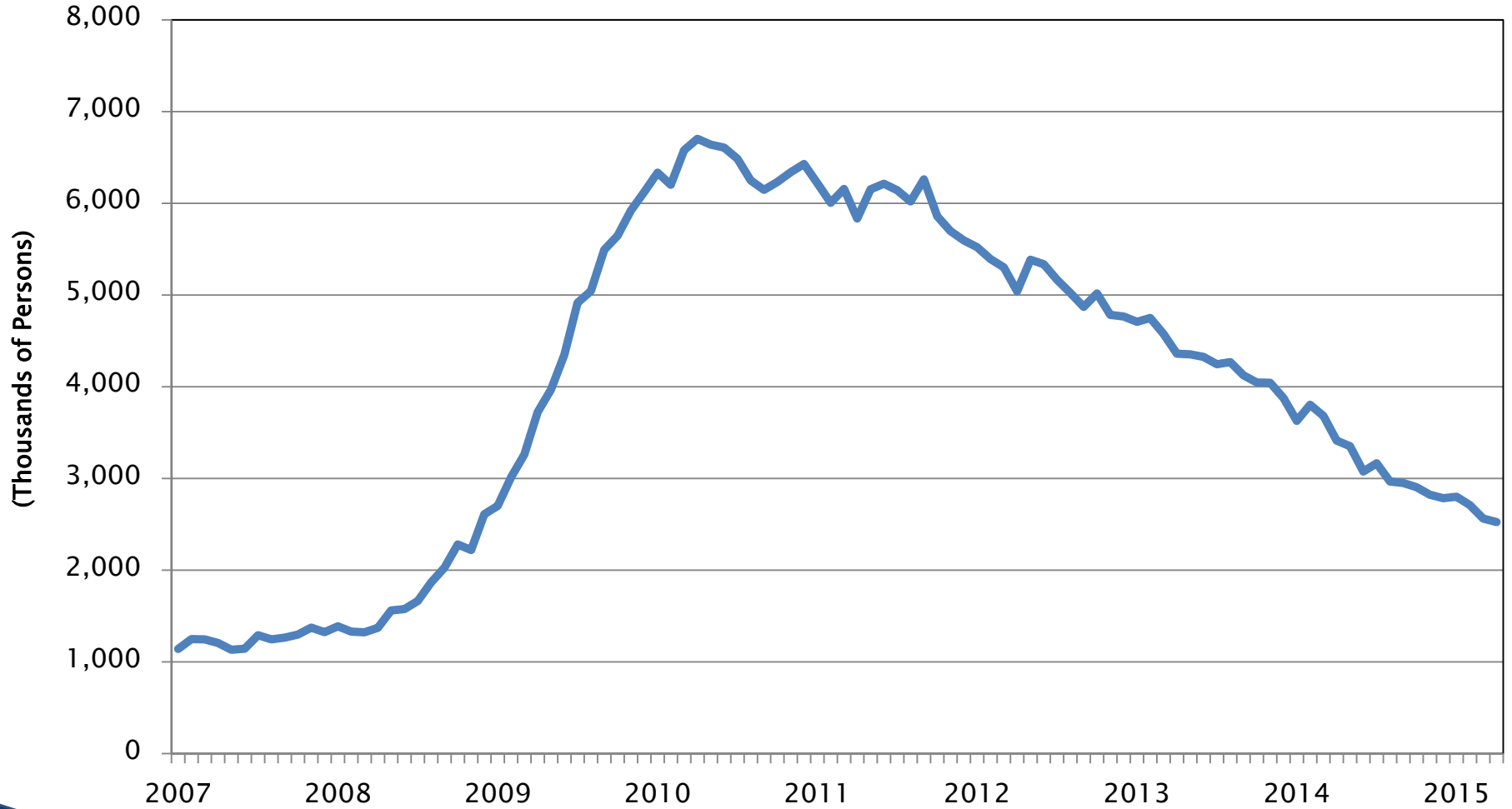
Not So Good Trends

- ▶ Lots of states still with high debt and many with loss of FUTA tax credits and add-ons
- ▶ UI's roles as a safety net and economic stabilizer is being weakened as states constrain benefit amounts and available weeks
- ▶ States continue to struggle with achieving performance standards and high improper payment rates
- ▶ Long-term unemployment remains a huge challenge

Unemployment Rates by State Seasonally Adjusted, March 2015 (U.S Rate = 5.5%)

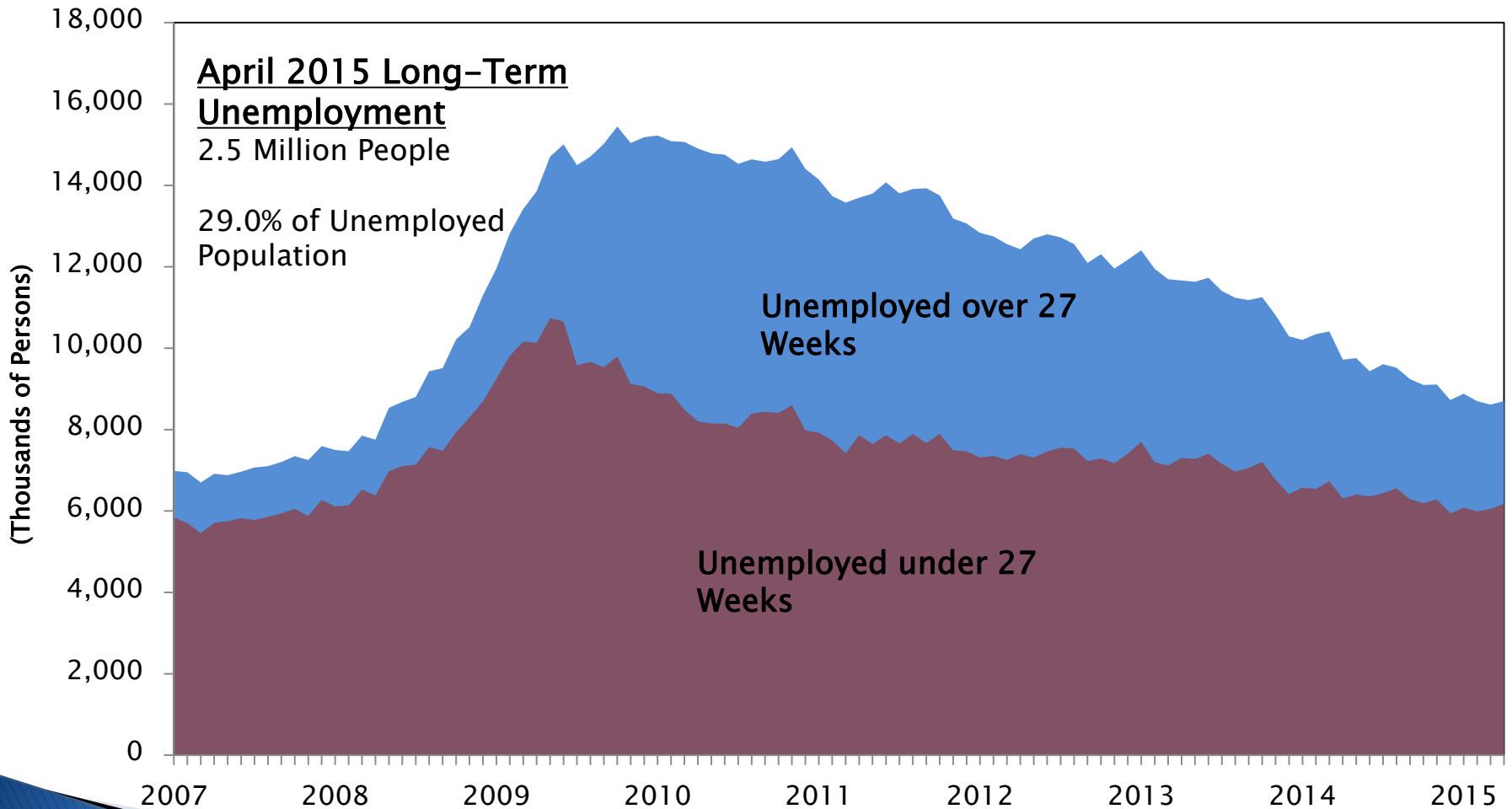


Number of Long Term Unemployed (27 Weeks or More)

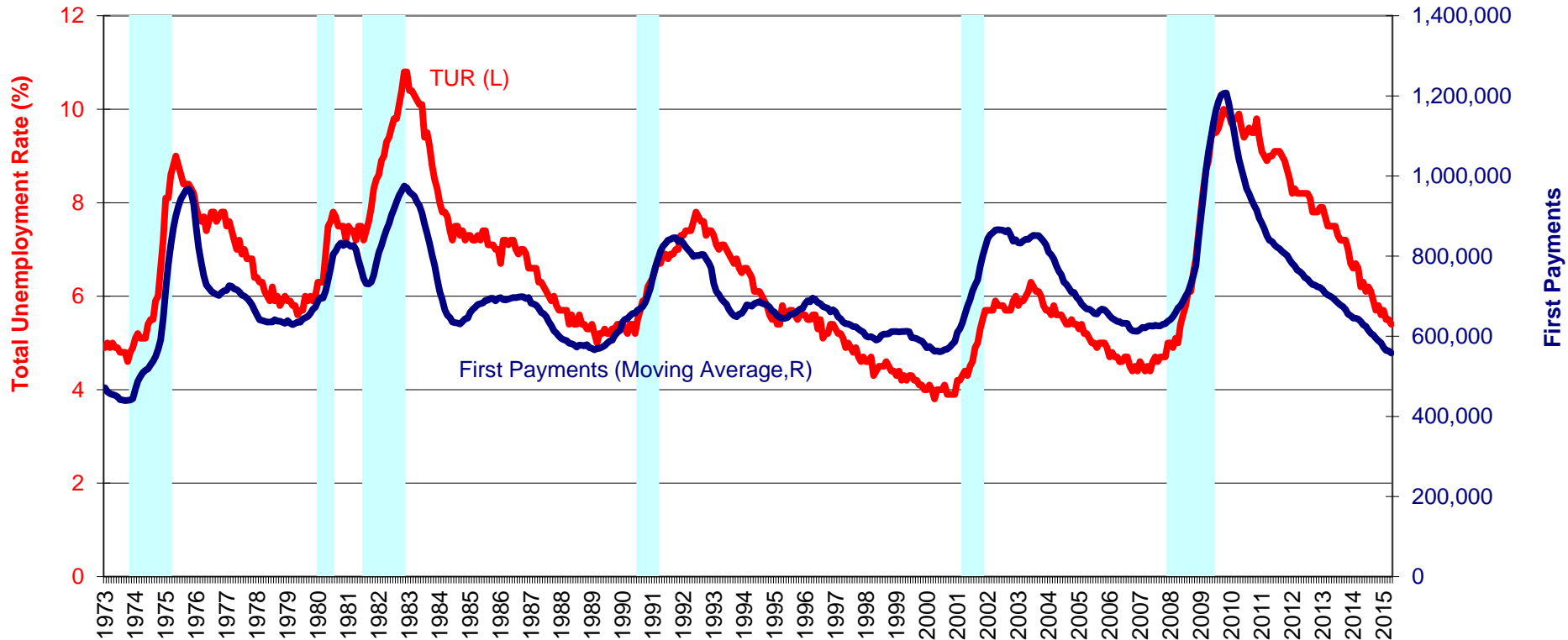


The Long-Term Unemployed Still Need Assistance

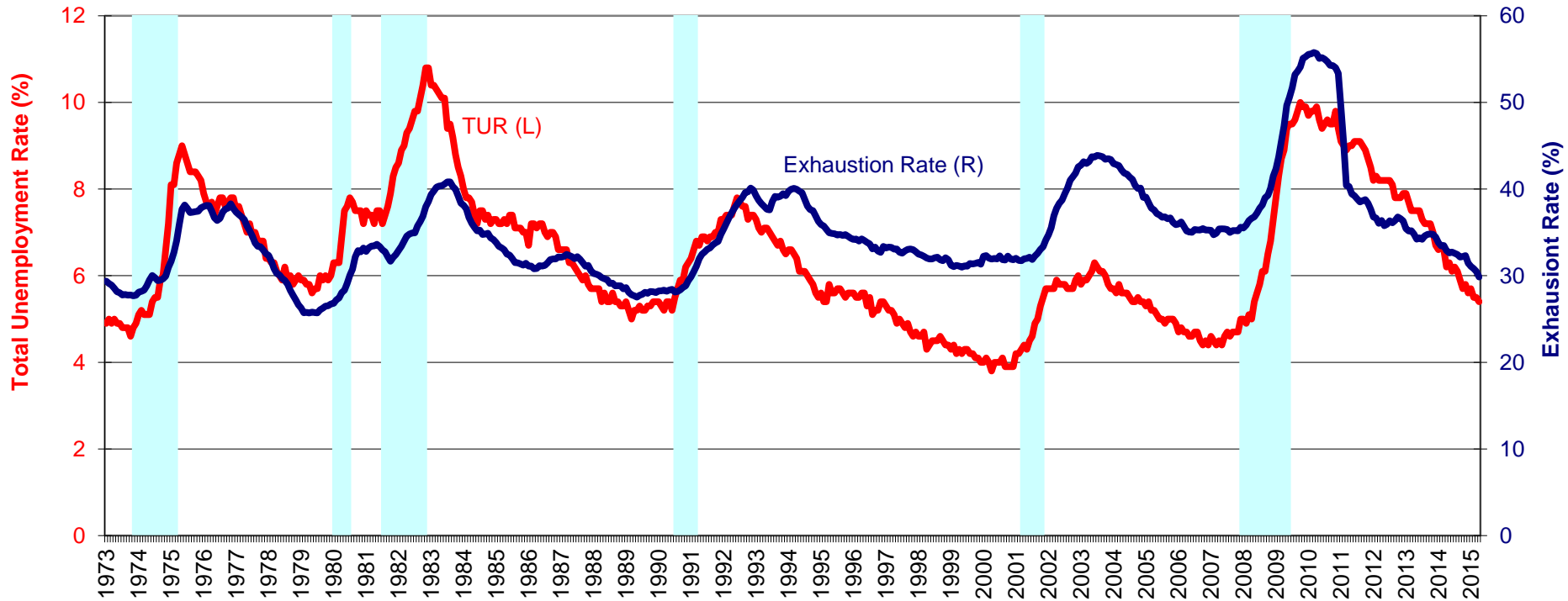
Incidence of Long Term Unemployed

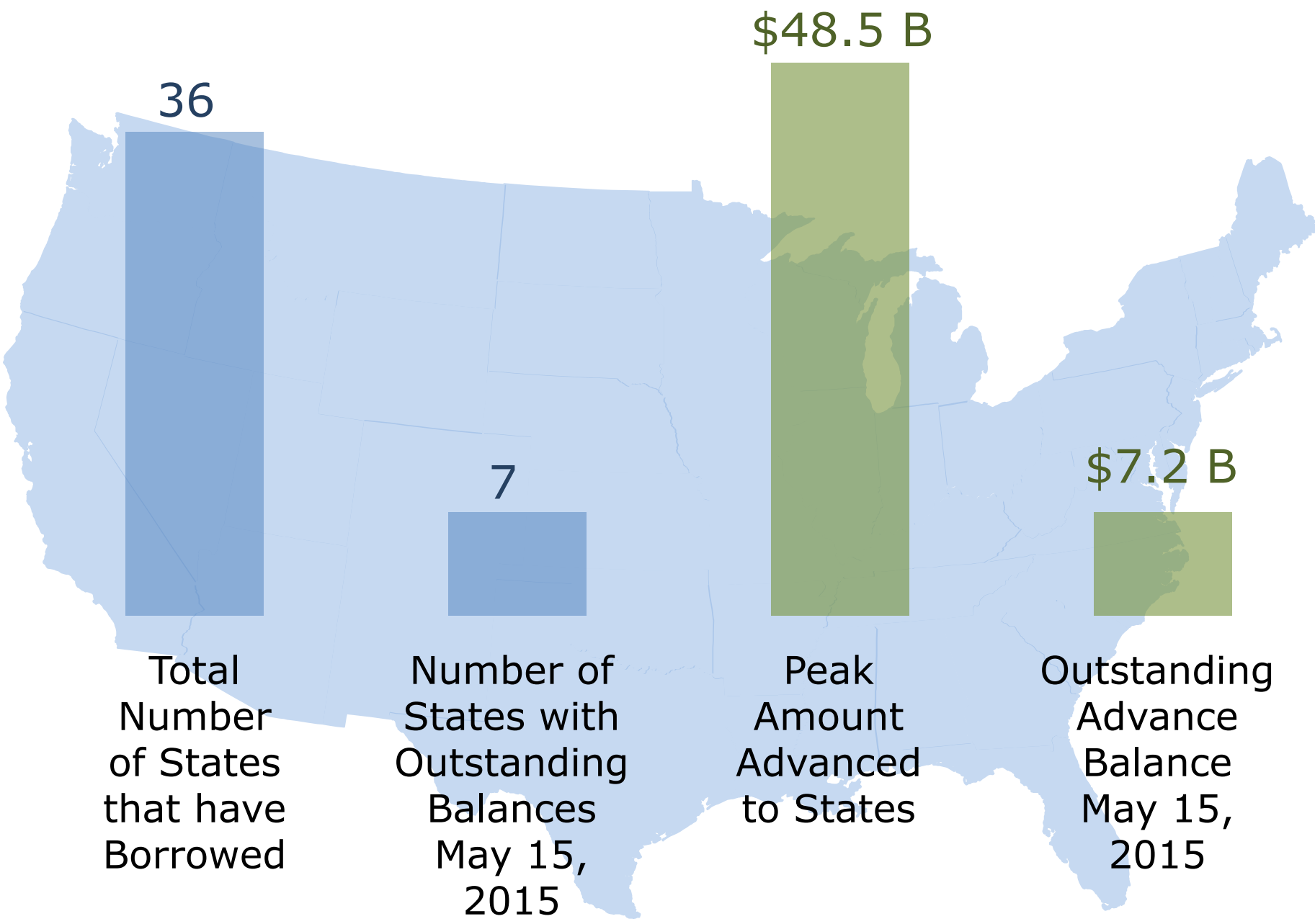


First Payments in the Regular Program



Exhaustion Rate in the Regular Program





Total
Number
of States
that have
Borrowed

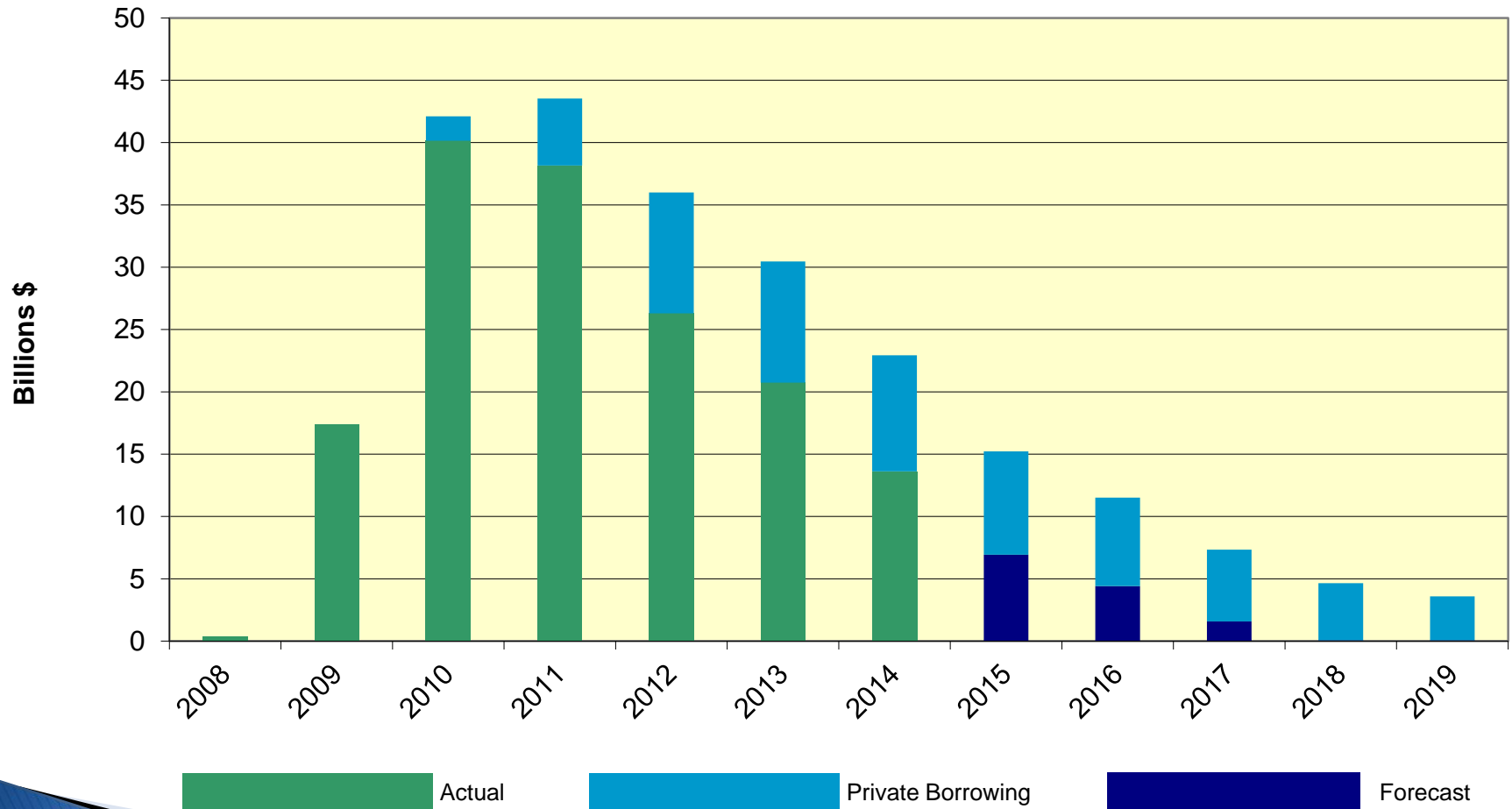
Number of
States with
Outstanding
Balances
May 15,
2015

Peak
Amount
Advanced
to States

Outstanding
Advance
Balance
May 15,
2015

Total borrowing over time and projected borrowing through 2019

End of FY Borrowing



FUTA Credit Reductions

- ❖ After two or more January 1sts with a loan balance, employers face a reduction in the FUTA credit
- ❖ 9 states have a potential credit reduction for 2015
- ❖ 9 states have a potential BCR add-on
- ❖ The deadline to apply for a waiver of the BCR add-on is July 1

Estimated FUTA Credit Reductions–2015

Potential 2015 Federal Unemployment Tax Act (FUTA) Credit Reductions

These states had Title XII advance balances on January 1, 2015 and are potentially subject to a reduction in FUTA credit on their IRS Form 940 for 2015, if the outstanding advance is not repaid by November 10, 2015:

State ⁽¹⁾	2015 Potential Credit Reduction Due to Outstanding Advance ⁽²⁾	Preliminary Estimate 2015 Potential "2.7 add-on" ⁽³⁾	Preliminary Estimate 2015 Estimated "BCR add-on" ⁽⁴⁾	Preliminary Estimate 2015 Potential Total Credit Reduction ⁽⁵⁾
California	1.5%	0.0%	1.4%	2.9%
Connecticut	1.5%	0.0%	0.7%	2.2%
Indiana	1.8%	0.0%	0.9%	2.7%
Kentucky	1.5%	0.0%	0.7%	2.2%
New York	1.5%	0.0%	0.0%	1.5%
North Carolina	1.5%	0.0%	0.6%	2.1%
Ohio	1.5%	0.0%	1.2%	2.7%
South Carolina	1.8%	0.0%	0.3%	2.1%
Virgin Islands	1.5%	0.0%	1.6%	3.1%

(1) These states have passed at least two consecutive January 1's with an outstanding Federal advance and are therefore subject to a FUTA credit reduction

(2) For each January 1 a state passes with an outstanding advance, following the second one, employers in the state are subject to an additional 0.3% reduction in their FUTA credit.

(3) Following their third January 1 with an outstanding advance states are subject to an additional FUTA credit reduction called the 2.7 Add-on. a description of this add-on is in FUTA 3302(c)(2)(B). This value was preliminarily estimated based on extrapolated wages and tax contributions for the third and fourth quarter of 2014.

(4) These states are also potentially subject to the Benefit Cost Rate (BCR) additional credit reduction formula for having passed. five consecutive January 1's with an outstanding Federal advance- FUTA section 3302 (c) (2). This value was preliminarily estimated based on extrapolated wages and tax contributions for the third and fourth quarter of 2014.

(5) The FUTA credit reduction for 2015 is calculated by adding the credit reduction due to having an outstanding advance plus the reduction from the 2.7% add-on or the BCR add-on, which if it is zero is replaced by the 2.7 add-on.

Actions Taken By States To Reduce Benefits:

States Reducing Benefit Duration:

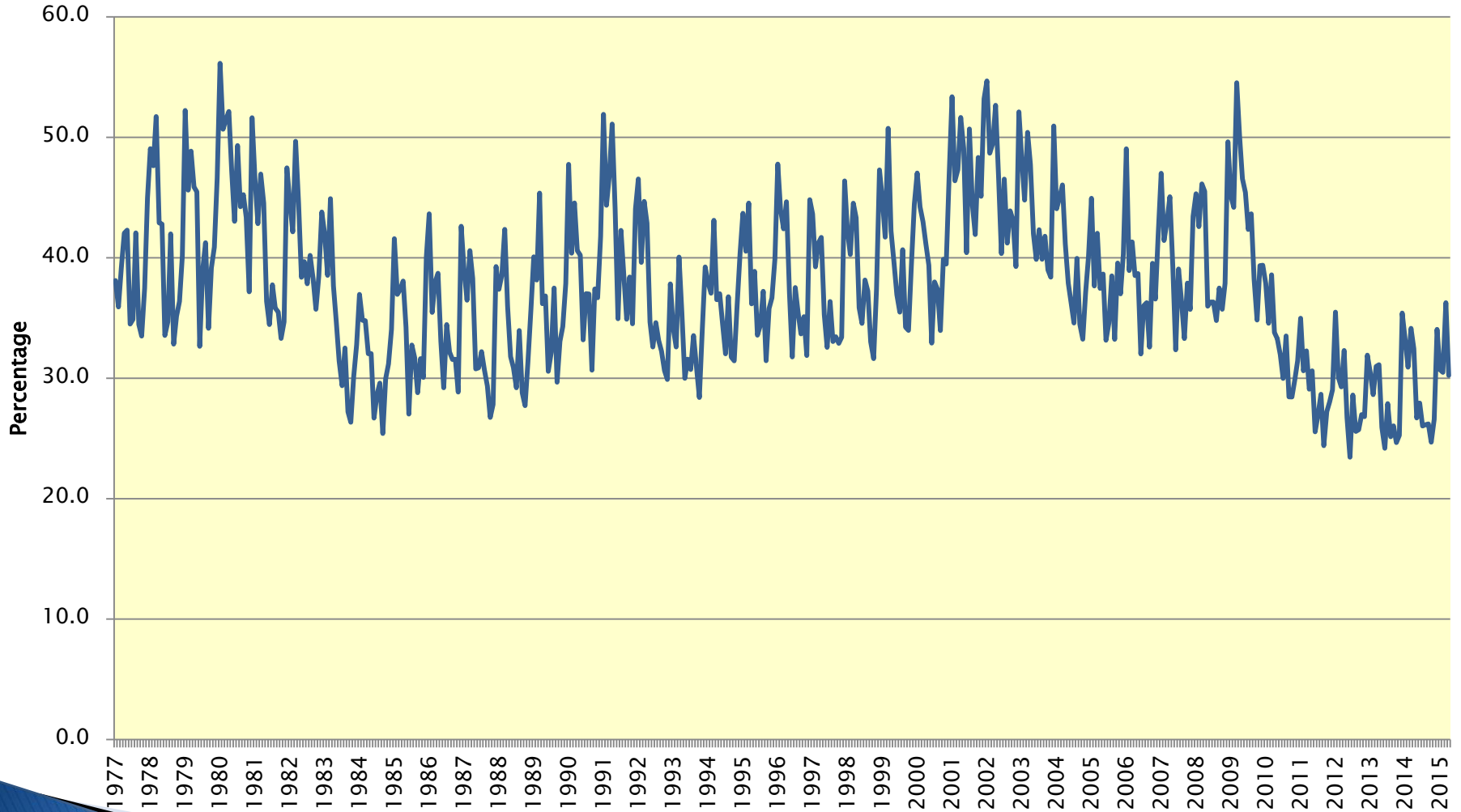
- Arkansas (25)
- Illinois (25)
- Missouri (20)
- South Carolina (20)
- Florida (12–23)
- Kansas (16–26)
- North Carolina (5–20)
- Georgia (14–20)
- Michigan (20)
- Pennsylvania (18–26)

Other Actions Used to Reduce Benefits:

- Elimination of dependents benefits
- Raised qualifying earnings
- Changed definitions of misconduct
- Increased number of weeks of employment needed to requalify for UI after being declared ineligible due to misconduct

Reciency Rate

(NSA; JAN 1977 - APR 2015)



Significant Changes in State Benefits/Taxes Since the Recession Ended

Increased Taxable Wage Base¹

Arkansas
Colorado
Florida
Illinois
Indiana
Kansas
Kentucky
Mississippi
New York
Rhode Island
South Carolina
Vermont
Wisconsin

Reduced Benefit Duration²

Arkansas (25)
Florida (12–23)
Georgia (14–20)
Illinois (25)
Kansas (16–26)
Michigan (20)
Missouri (20)
North Carolina (5–20)
Pennsylvania (18–26)
South Carolina (20)

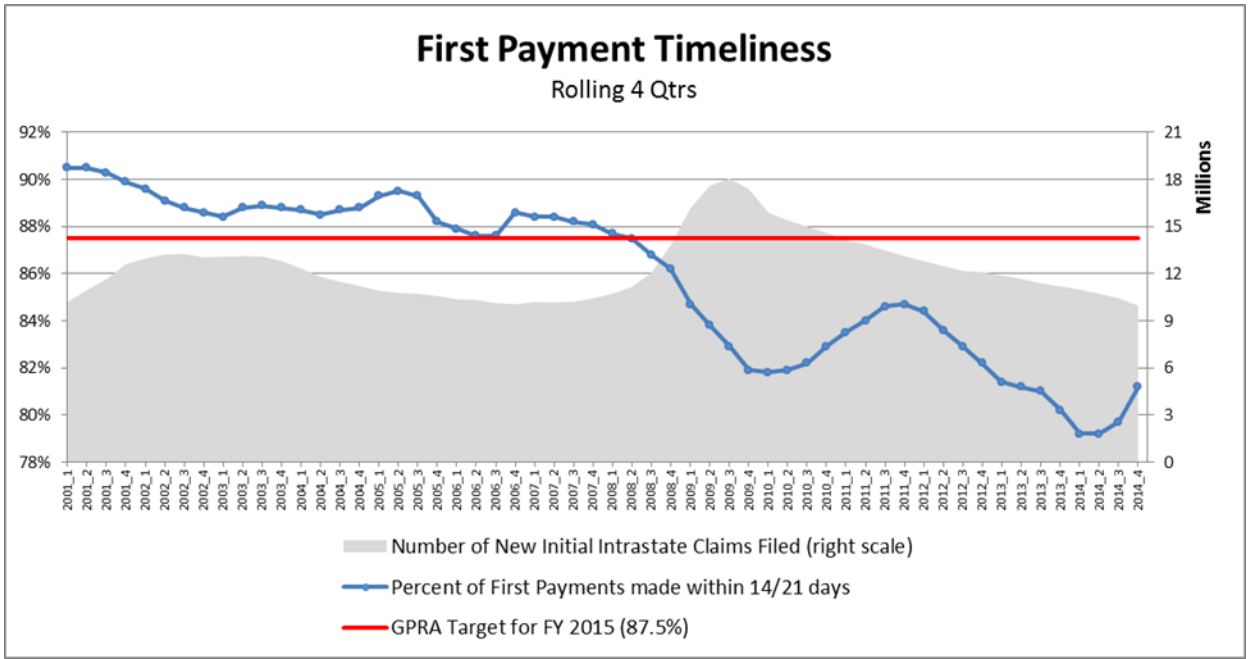
Issued Bonds to Repay Title XII

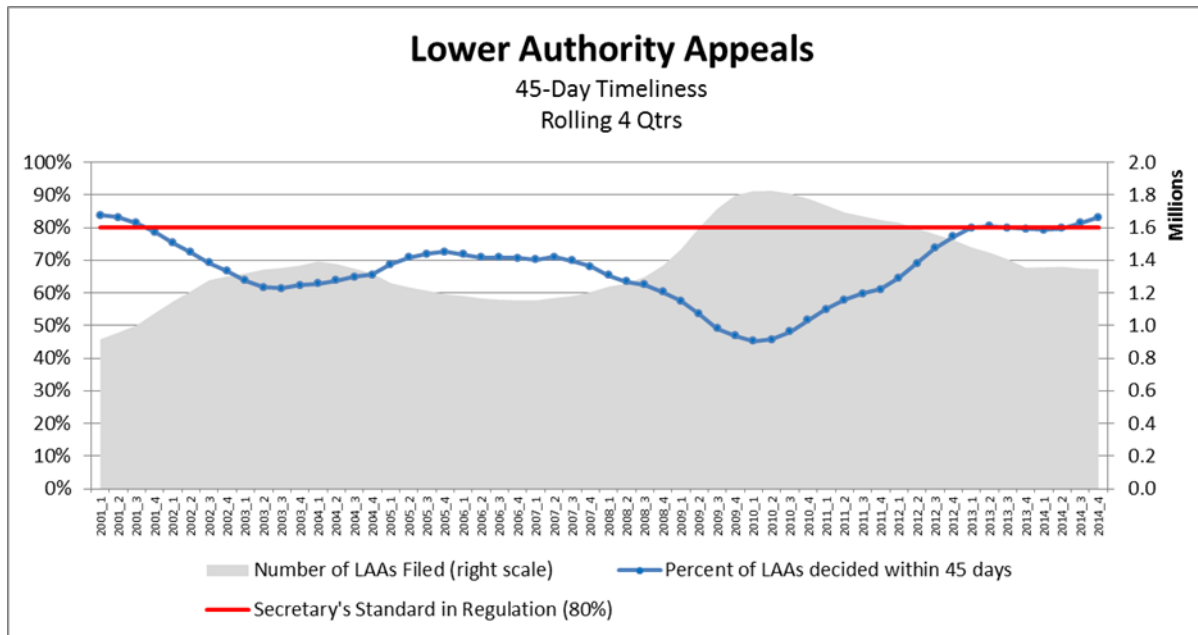
Arizona
Colorado
Idaho
Illinois
Michigan
Nevada
Pennsylvania
Texas

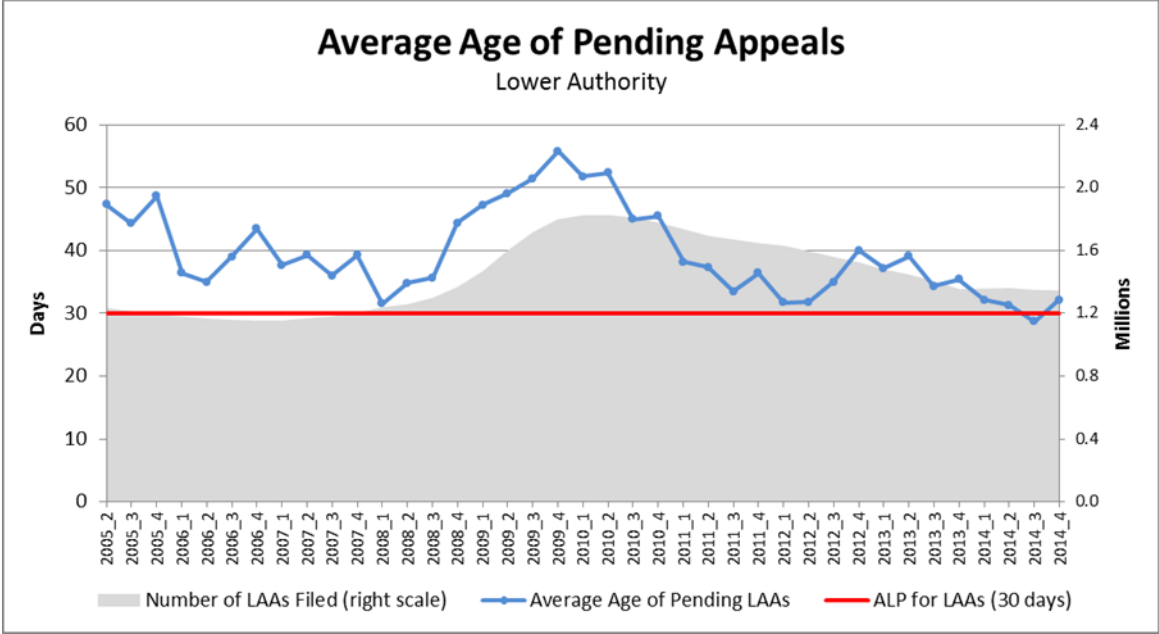
Changed Experience Rating System

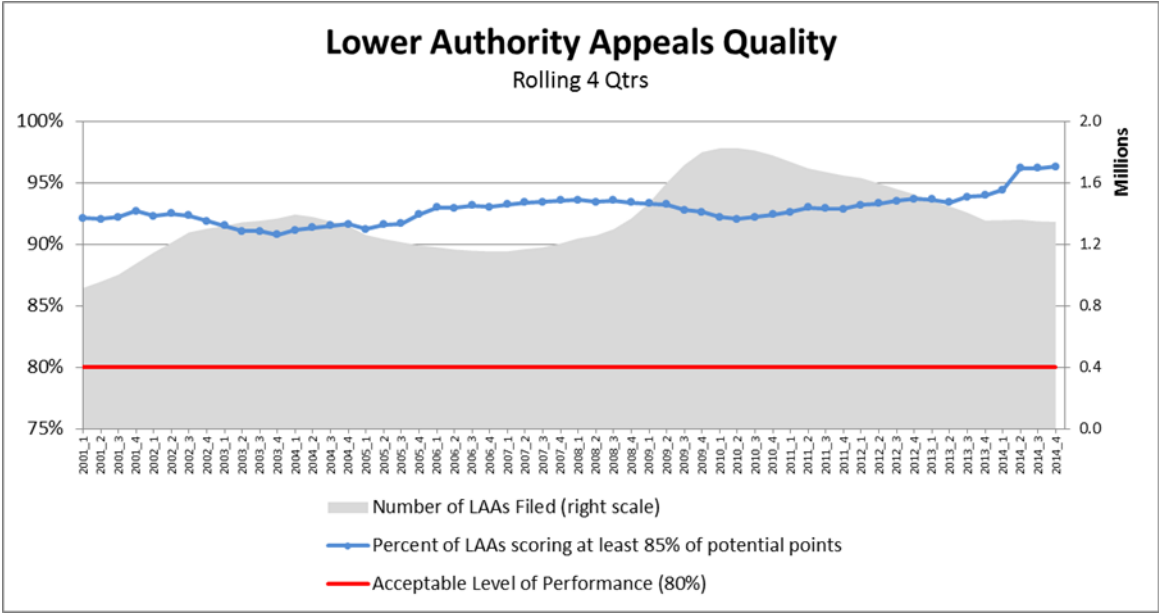
New Mexico
South Carolina

1. May include a further indexing of the wage base, a phased-in increase, or a delayed increase.
2. States that lowered their maximum potential duration or raised their minimum qualifying duration.



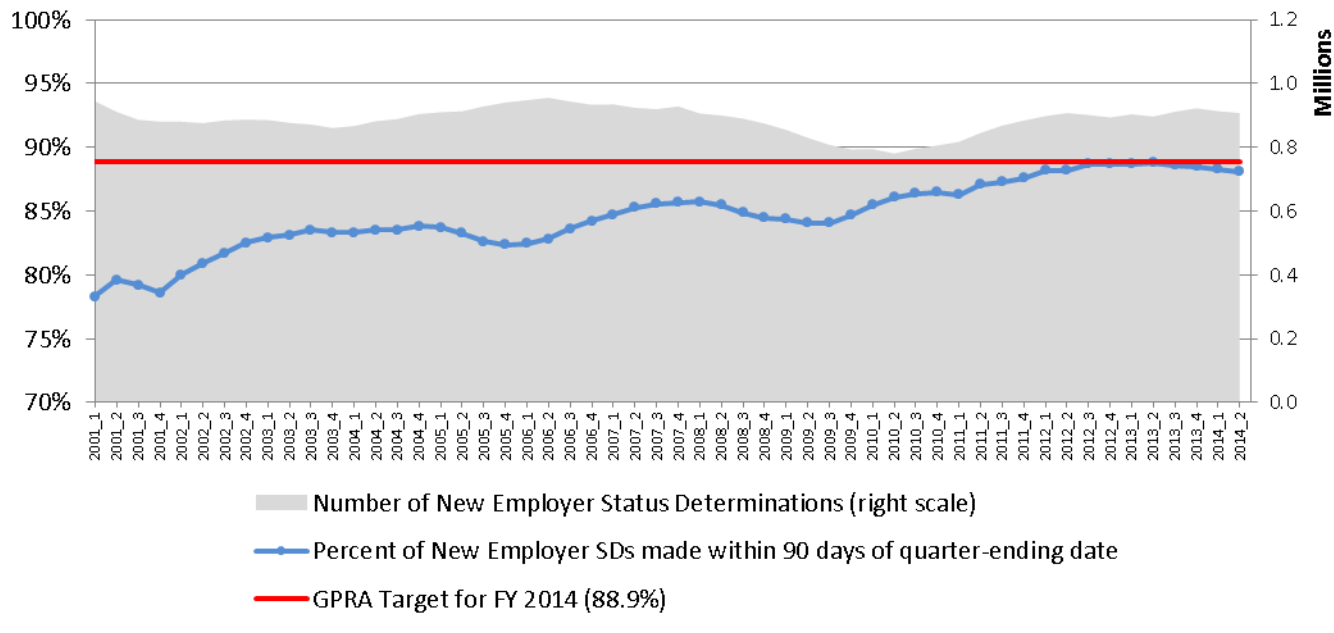






Timeliness of New Employer Status Determinations

Rolling 4 Qtrs



IPIA UI Improper Payment Rate

Improper Payments Information Act (IPIA) 2014 (7/1/13 – 6/30/14)

Estimated Overpayment Rate (OP)	11.16%
Estimated Underpayment Rate (UP)	0.41%
Total Improper Payment Rate*(OP + UP)	11.57%
Total Estimated Amount Improper Paid	\$5.60

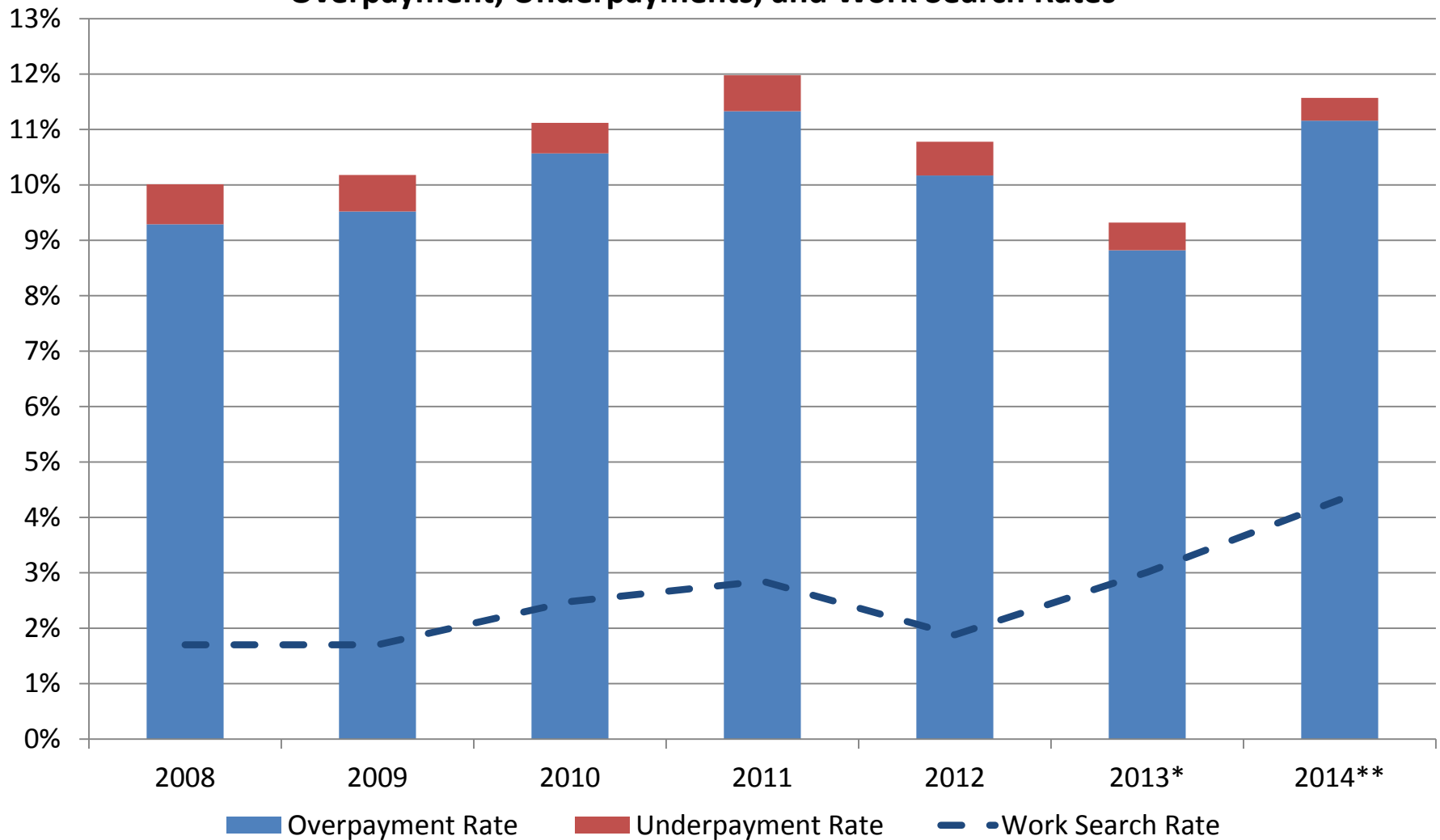
***Excludes improper payments determined “technically proper” under State law**

Dollar amounts are in billions.

- **Based on completion rate of 100% of BAM cases**

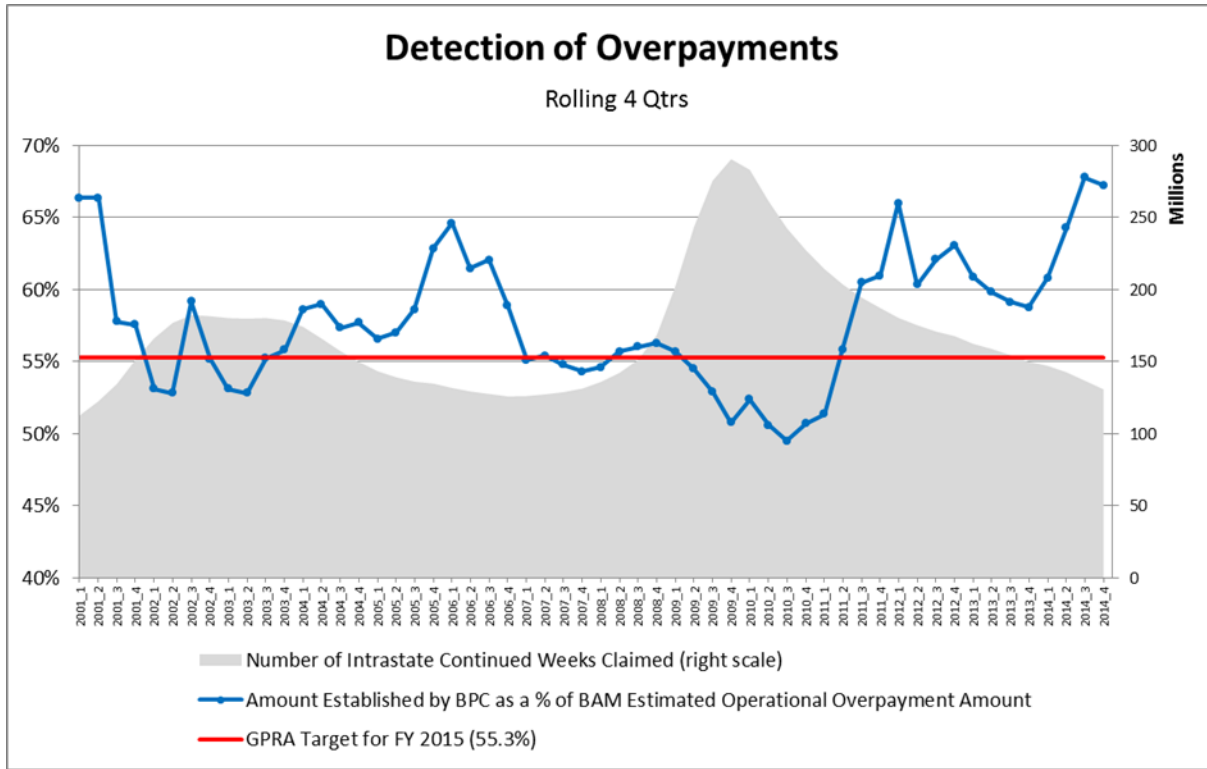
UI Improper Payment Rate

Overpayment, Underpayments, and Work Search Rates



IPIA 2013 adjusted rate for recoveries = 9.32%

IPIA 2014 rate excludes all technically proper payments



Program Strategic Priorities

- ▶ Improved program integrity and reduction of the UI improper payment rate
- ▶ Improved program performance
- ▶ Improved reemployment outcomes for UI claimants
- ▶ Trust fund solvency
- ▶ Increasing state capacity for UI administration
- ▶ UI information technology modernization
- ▶ WIOA Implementation

Challenges Under WIA

- ▶ UI not firmly at the strategic planning table for state workforce strategies
- ▶ States with no physical presence in One-Stops provided limited assistance in filing UI claims
- ▶ States varied widely in their approach to connecting UI claimants to One-Stop services
- ▶ No local buy-in for serving UI claimants in One-Stops

What's Different with WIOA

- ▶ New language on providing “assistance” to help claimants file claims in One-Stop Centers
- ▶ There may be a requirement for UI to fund some portion of One-Stop infrastructure
- ▶ New language emphasizing the role of Wagner-Peyser in providing reemployment services to UI claimants
- ▶ More prescriptive roles for State Boards on key issues like one-stop certification and alignment of data systems
- ▶ Increased demand for wage record data for performance

What Are the WIOA Opportunities?

- ▶ Ensuring that claimants receive assistance needed to file for benefits
- ▶ Ensuring a common front door for the workforce system that includes UI benefit delivery and ensures integrated delivery of reemployment services to UI claimants
- ▶ Opportunities to better link UI IT infrastructure to workforce system infrastructure in ways that support reemployment and ensure UI claimant eligibility

What are the WIOA Challenges?

- ▶ WIOA no longer requires mandatory One-Stop partner programs to be member of the State Workforce Board, so getting to the table for state planning is more complex
- ▶ UI is not a “core program” and it is permissive for states to do a “combined state plan” that includes other than core programs
- ▶ The UI system doesn’t see themselves as an integrated component of the workforce system
- ▶ Locals do not see UI as core to the workforce system

What is DOL Doing?

- ▶ Doing lots of consultation with the system – webinars, town halls, receiving email questions and comments, etc.
- ▶ Sorting through lots thorny policy issues
- ▶ Working on a Notice of Proposed Rule Making to be published in January
- ▶ Identifying policy guidance (both early and down the road) and technical assistance needs for the system
- ▶ Identifying resources needs at all levels and communicating that to the right entities

What Should You Be Doing as UI Directors?

- ▶ **Seize the Opportunity!!!**
- ▶ **You need to be at the table now with your workforce system partners understanding the impacts of WIOA for your state.**
- ▶ **You need to begin thinking about how your state will provide “assistance” to UI claimants in One-Stop Centers**
- ▶ **You need to work collaboratively with your workforce system to envision more aligned data systems**
- ▶ **You need to be a player!**

Reengineering UI Benefit Accountability Processes

Why Now?

- ▶ Reduced staff capacity (numbers and program knowledge) at both the Federal and State levels
- ▶ System is struggling with benefit performance overall
- ▶ States have struggled more with basic program operations that are a key underpinning of program performance

Reengineering UI Benefit Accountability Processes

A New Framework

- ▶ Extended Cycles for Existing Peer Reviews and SQSP Planning
- ▶ New focus on program operations impacting program performance/integrity using TPS as a model (self assessment process)
- ▶ New “At Risk” Determination Process
- ▶ Use of UI system experts in ways to support program improvement
- ▶ More formalized training components

Reengineering UI Benefit Accountability Processes

Next Steps

- ▶ Getting states to the table in our workgroups
- ▶ Onboarding contractors to help
- ▶ Periodic touch bases with the UI Committee and the system broadly
- ▶ Guidance and technical assistance as new processes are finalized
- ▶ Full implementation targeted for FY 2016

Integrity Center of Excellence

- ▶ **Building Data Analytics Capacity**
- ▶ **Secure Fraud Portal Available Now and Growing**
- ▶ **Integrity Training for States**
- ▶ **Capturing/Disseminating Best Practices**
- ▶ **Incarceration Data Matching Pilot**
- ▶ **Model BPD Operations**
- ▶ **IT Integrity Business Requirements**
- ▶ **New Partnership with CESER Kicking Off**

Looking Ahead

- ▶ A time of rebuilding and program strengthening
- ▶ Focus on building staff capacity
- ▶ A continued focus on strong program integrity and performance
- ▶ A new opportunity in WIOA to revitalize and enhance service delivery through the workforce system
- ▶ Lots of opportunities to work collaboratively as a Federal/State partnership