1.8 2.0 2.2 2.4 2.6

$ Billions

Fiscal Year

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

Source: USDOL

GDP Deflator
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.
• 115th 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.

---

**Comparative Budget Amounts**

Omnibus FY 2016 / Omnibus FY 2017 / Admin Budget FY 2018

<table>
<thead>
<tr>
<th>Programs</th>
<th>FY 2016 Omnibus Bill</th>
<th>FY 2017 Omnibus Bill</th>
<th>FY 2018 Admin Proposed</th>
<th>FY 2018 vs. FY 2017</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Insurance</td>
<td>2,725,550</td>
<td>2,687,600</td>
<td>2,635,775</td>
<td>-51,825</td>
<td>-1.93%</td>
</tr>
<tr>
<td>Program Operations (3)</td>
<td>0</td>
<td>50,000</td>
<td>Not noted</td>
<td>-50,000</td>
<td>-100%</td>
</tr>
<tr>
<td>State Consortia to modernize systems (4)</td>
<td>95,000</td>
<td>115,000</td>
<td>130,000</td>
<td>15,000</td>
<td>13.04%</td>
</tr>
<tr>
<td>REA/RES (Reemployment)</td>
<td>3,000</td>
<td>5,500</td>
<td>6,000</td>
<td>500</td>
<td>9.09%</td>
</tr>
<tr>
<td>UI Integrity Center of Excellence</td>
<td>14,547</td>
<td>14,897</td>
<td>12,000</td>
<td>-2,897</td>
<td>-19.45%</td>
</tr>
<tr>
<td>National Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
State UI Supplemental Funding

State Supplemental Funding Expenditures By Program
(FY 2003-2016)

Data & Chart: NASWA

Constant 2016 $
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)

<table>
<thead>
<tr>
<th>Value</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate</td>
<td>7.5%</td>
<td>3</td>
</tr>
<tr>
<td>Limited but manageable</td>
<td>37.5%</td>
<td>15</td>
</tr>
<tr>
<td>Serious shortfall</td>
<td>37.5%</td>
<td>15</td>
</tr>
<tr>
<td>Critical shortfall</td>
<td>17.5%</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>40</td>
</tr>
</tbody>
</table>
Have you shifted staff among various functions as a result of budget funding? (40 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

25% Yes
75% No

30 States Yes
10 States No
Is turnover an issue for your operations? (40 States)

<table>
<thead>
<tr>
<th>Value</th>
<th>Percent</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>95.0%</td>
<td>38</td>
</tr>
<tr>
<td>No</td>
<td>5.0%</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>40</td>
</tr>
</tbody>
</table>
If yes, please describe the areas of your organization where turnover is an issue and the impact and reasons for the turnover. (38 States)

<table>
<thead>
<tr>
<th>Areas</th>
<th>Reasons</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>• All areas of the organization</td>
<td>• Retirement</td>
<td>• Less experienced staff</td>
</tr>
<tr>
<td>• All UI Tax Division</td>
<td>• Lack of upward mobility and promotional</td>
<td>• Lack of technical and business expertise</td>
</tr>
<tr>
<td>• Entry level positions in Benefits and Tax - Claim takers and adjudicators</td>
<td>opportunities</td>
<td>• Lack of historical knowledge</td>
</tr>
<tr>
<td>• Wages &amp; Special Program</td>
<td>• Competitive market wage demand</td>
<td>• Low Morale</td>
</tr>
<tr>
<td>• Data Entry unit (enters wages, new hires, does all scanning)</td>
<td>• Competition within the agency and other State agencies</td>
<td>• Constant hiring</td>
</tr>
<tr>
<td>• IT Division</td>
<td>• Competition from the private sector</td>
<td>• Challenges recruit &amp; retaining staff</td>
</tr>
<tr>
<td>• Imaging and the data warehouse groups</td>
<td>• Organizational changes</td>
<td>• Additional training cost</td>
</tr>
<tr>
<td>• Call Centers</td>
<td>• Complexity of system</td>
<td>• Major impact on IT related to supporting legacy systems</td>
</tr>
<tr>
<td>• Frontline seasonal employees</td>
<td>• High volume and fast paced work environment</td>
<td>• Unfilled vacancies. increased workload on existing staff</td>
</tr>
<tr>
<td></td>
<td>• Seasonal employees seek permanent positions</td>
<td>• Significant decline in performance timely employer registrations, number of delinquent employers, total outstanding delinquency, number of total audits, total audit assessments</td>
</tr>
</tbody>
</table>
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?

<table>
<thead>
<tr>
<th>Service</th>
<th>Adequate</th>
<th>Needs Improvement</th>
<th>Barely Functional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>9</td>
<td>29</td>
<td>2</td>
</tr>
<tr>
<td>Tax</td>
<td>13</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Fraud/overpayment detection</td>
<td>13</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>Appeals</td>
<td>14</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>Accounting</td>
<td>13</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>
How are your IT systems controlled?

<table>
<thead>
<tr>
<th></th>
<th>Agency Controlled</th>
<th>State Centralized</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits Count</td>
<td>19</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Tax Count</td>
<td>20</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Fraud/overpayment detection Count</td>
<td>19</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Appeals Count</td>
<td>19</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Accounting Count</td>
<td>12</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td>Other Count</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>
Are your IT costs increasing? (40 States)

- Yes: 35 States (87.5%)
- No: 2 States (5%)
- Same: 3 States (7.5%)

IT Costs that are increasing:
- Infrastructure
- Maintenance & Support
- Development
- Staffing rates
Aside from modernization, do you need additional IT funding? (40 States)

- Yes: 30 States
- No: 10 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)

- **Yes**: 55% (18 States)
- **No**: 45% (22 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)

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

37.5% Yes
62.5% No

25 States, 15 States
National UI Directors’ Conference, November 6-9, 2017, Orlando, FL
Questions?

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