



June 2017

Scott B. Sanders
Executive Director



Legislative Priorities 2017



NASWA's advocacy agenda supports the states' efforts for ensuring the workforce system meets employers' needs for a qualified workforce and promotes high-quality employment and careers for workers.

PROPOSAL TO HELP STATES INCREASE THE INTEGRITY OF THE UNEMPLOYMENT INSURANCE PROGRAM

February 2017

I. ISSUE STATEMENT

The Federal State Unemployment Insurance (UI) program has a long history of helping American workers during economic downturns and as they transition through dynamic labor markets. Since 2000, the UI program has paid out over \$890 billion in benefits. Despite the efforts of state agencies and the federal government, **estimated** fraud and overpayments rates remain high, over 11 percent for FY 2016.

State workforce agencies continue to build on robust fraud and overpayment detection systems, with much work still to be done. Through NASWA's UI Integrity Center, Information Technology Support Center, and UI Committee, members work together to explore current and emerging issues, produce products, and share best practices toward the goal of reducing improper benefit payments and the evasion of required employer taxes.

To help states to work together and implement promising integrity initiatives, NASWA proposes to:

1. Provide funding for the UI Integrity Center at a minimum of \$3 million annually to continue efforts to help eliminate UI fraud and overpayments.
2. Permit states to use up to five percent of recovered benefit overpayments and employer contributions, collected as a result of investigations, to improve program integrity activities by reinvesting in systems dedicated to those efforts.

II. BACKGROUND

States have already implemented many processes and systems to help prevent, detect and recover improper payments. These include electronic communications systems with employers to get information needed to make decisions more quickly (the State Information Data Exchange systems), using the National Database of New Hires to find out when people claiming benefits have returned to work, and the Treasury Offset Program to help recover benefit overpayments. At the same time, there are increased challenges to avoiding improper payments. Declining administrative funding impedes states' abilities to quickly make accurate decisions. There are more, and more complex, fraud schemes targeting the UI system with criminals quickly evolving their tactics.

Funded through the U.S. Department of Labor, NASWA's UI Integrity Center (Center) allows states to work together to find innovative strategies to prevent, detect and recover improper payments. The Center's efforts are coordinated by a steering committee primarily comprised of state representatives. State UI staff are also involved in the work of the Center through an extensive system of advisory groups. The Center's current work focuses on six tasks:

1. **State Engagement:** Developing a model benefit payment control operation plan designed to assist states in operationalizing integrity practices. To date, two comprehensive integrity assessment reports covering 48+ states have been produced and state outreach initiatives are ongoing. A model benefit payment blueprint is nearing completion which will be integrated into a web accessible data base.
2. **National UI Integrity Academy:** Develop and implement a set of Integrity related training

Ensure Sufficient, Flexible Workforce Development Investment

Provide no less than current investment levels for workforce and training programs.

Now is the time to invest, not divest, in the success of the public workforce system. States are in the midst of implementing the Workforce Innovation and Opportunity Act (WIOA) with collaboration and innovation, including demand-driven training, apprenticeships, and career pathways, which will close skills gaps for employers and help workers increase their earnings.

- However, these successful results are endangered due to continued reduced investment. WIOA formula programs alone were cut by \$585 million, in actual dollars, since 2001 (a 20% reduction and a time of historically low unemployment).
- Workforce agencies today are faced with persistent long-term unemployment and any further reductions will detrimentally impact our ability to assist both jobseekers and employers under the enhanced programmatic services mandated by WIOA.

Maintain investment for governor's statewide needs at 15%.

Both the WIOA mandate and the current House and Senate bills include states receiving 15% of WIOA formula investment, which is essential to ensuring states have the capacity to implement effective programs to meet statewide and regional employer demands for a high-quality workforce.

Increase flexibility and programmatic alignment for maximum utilization of investment.

Provide states enhanced flexibility between funding streams and support coordination among the federal/state programs to accelerate jobseekers' hiring, drive innovative solutions, address employer needs, and coordinate service delivery, while maximizing the return on taxpayer dollars.

WIOA employment & training programs assisted 7.3 million individuals over the last program year, and Employment Services (Wagner-Peyser) programs assisted an additional 14.1 million jobseekers.

In 2016, 64% of WIOA participants gained employment, including 77% of adult participants and 82% of dislocated workers who received training services. In addition, the Employment Services programs placed 62% of jobseekers in employment with 84% staying in those positions 6+ months.

Reform Unemployment Insurance (UI)

Help states improve the integrity of the Unemployment Insurance program.

- Encourage further investment in integrity activities by permitting states to use up to 5% of recovered claimant overpayments and additional employer contributions collected to fight fraud.
- Invest in the Unemployment Insurance Integrity Center at a minimum of \$3 million annually to continue efforts toward eliminating UI fraud.

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).



- Top three challenges from UI Directors: administrative funding, staffing and IT modernization.
- Top policy areas of interest:
 - family medical leave/parental leave legislation proposing administration in the UI agency
 - legislation carving out additional exemptions from coverage (including for Uber type drivers)
 - possibility of adding occupational codes to wage records
 - work search and integration with reemployment and WIOA
 - concern about BAM method of determining overpayments
 - Interest in impact of marijuana legalization



**4th Annual Veterans Conference, August 16-18, 2017,
Washington DC**

**81st Annual Conference/Workforce Summit, October 11-13, 2017,
Coeur d'Alene, ID**

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



Questions?

www.naswa.org

