

National Unemployment Insurance Program Update

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USDOL/ETA
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National Update

- ❖ Program Trends
- ❖ WIOA and UI
- ❖ Battling the UI Improper Payment Rate and Improving Program Integrity
- ❖ REA Becomes RESEA
- ❖ Reengineering UI Benefit Accountability Processes
- ❖ Focus on Appeals
- ❖ Strategic Priorities and Looking Ahead

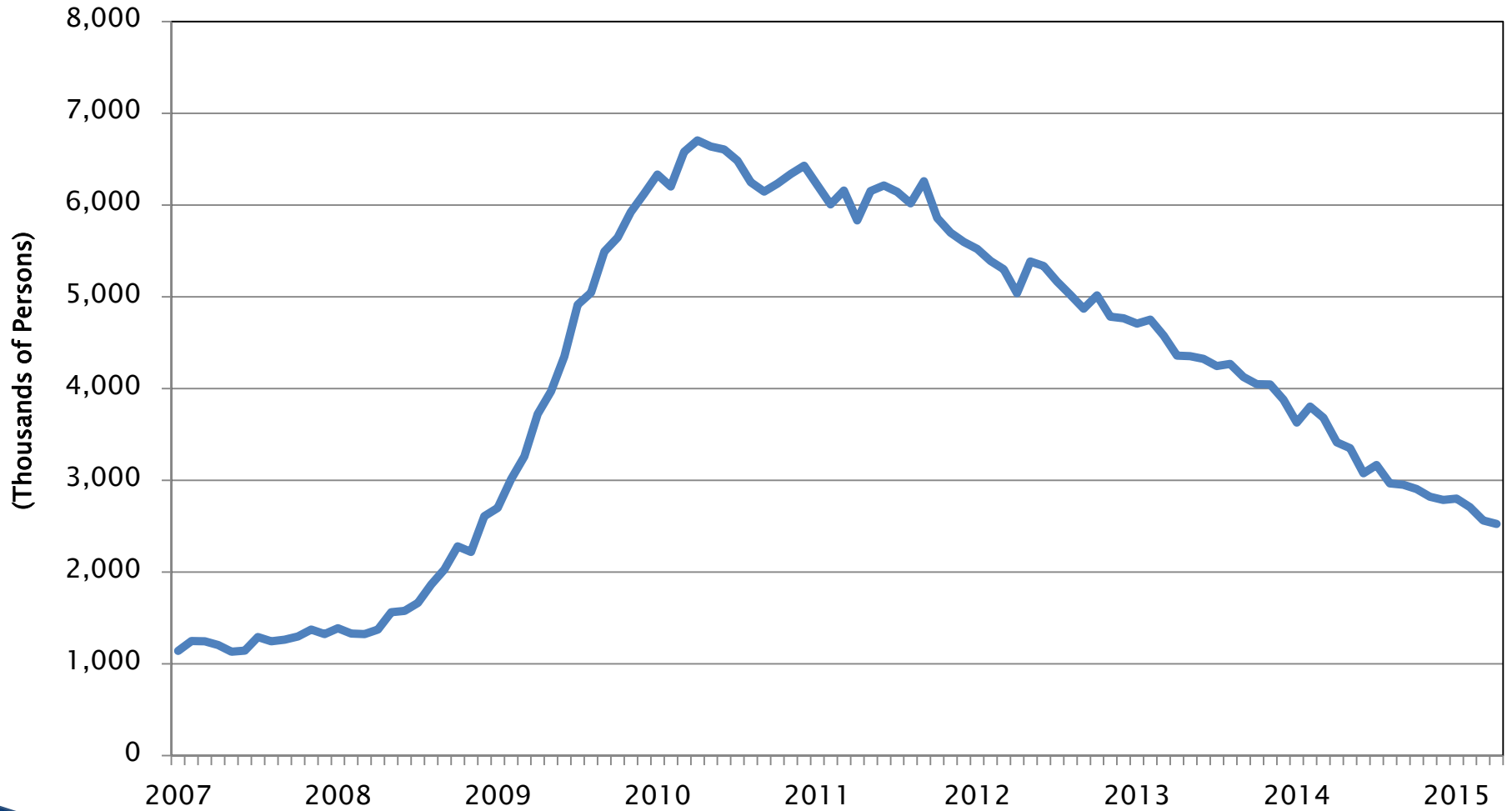
Good News

- ▶ The economy continues to improve and the unemployment rate continues to trend down nationally and in most states
- ▶ Workload is way down
- ▶ States have an opportunity to re-focus on improving basic UI program operations
- ▶ SBR funds and funds to restore base grants were available again in FY 2014 and some funding will be available in FY 2015

Not Good News: UI System Under Stress

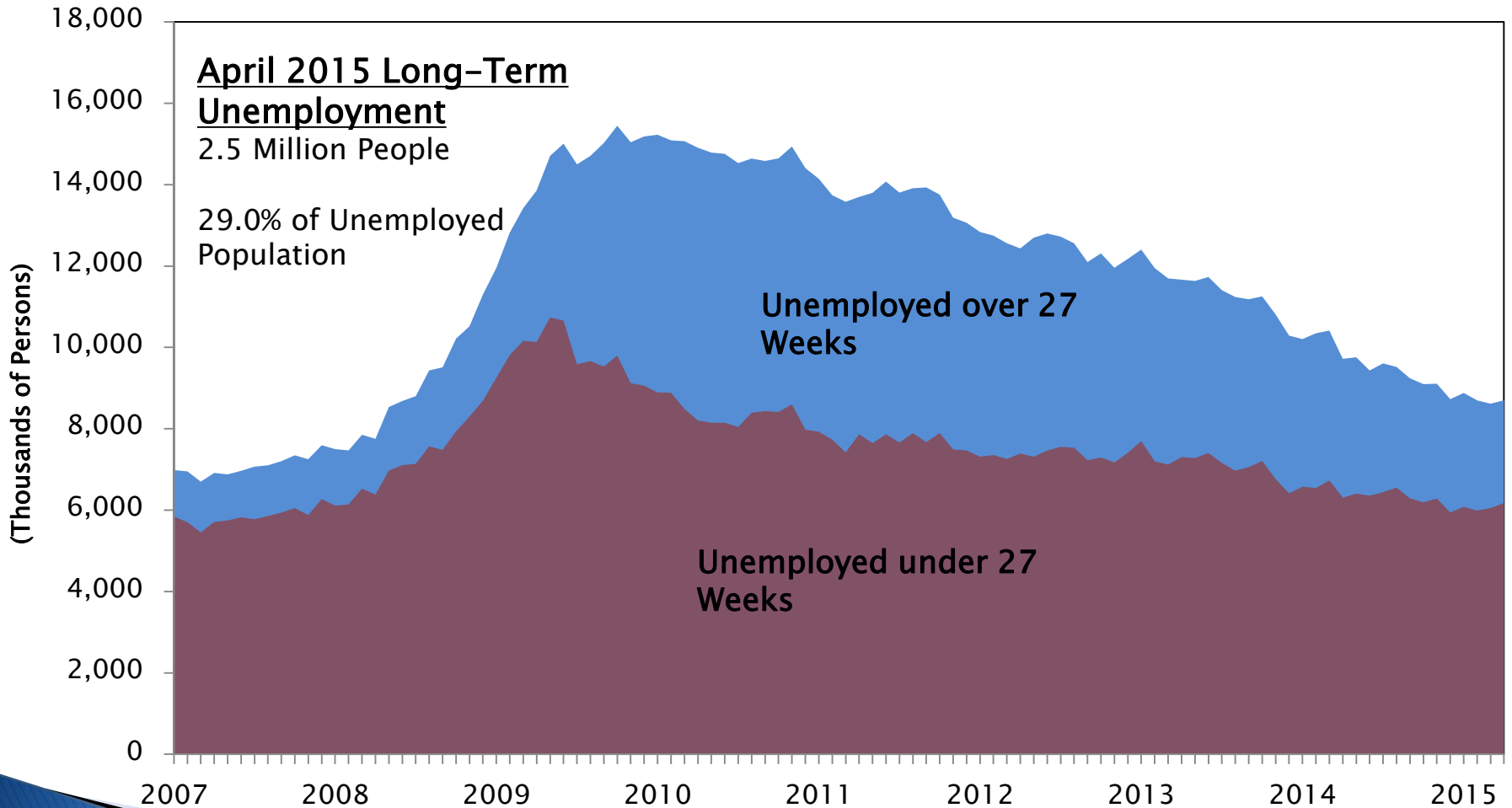
- ▶ Administrative funding diminished as workload drops
- ▶ Performance remains low
- ▶ UI improper payment rate ticking up
- ▶ Solvency
- ▶ Long-Term Unemployment
- ▶ Infrastructure challenges
- ▶ New program demands and no new money (WIOA, civil rights requirements, etc.)

Number of Long Term Unemployed (27 Weeks or More)

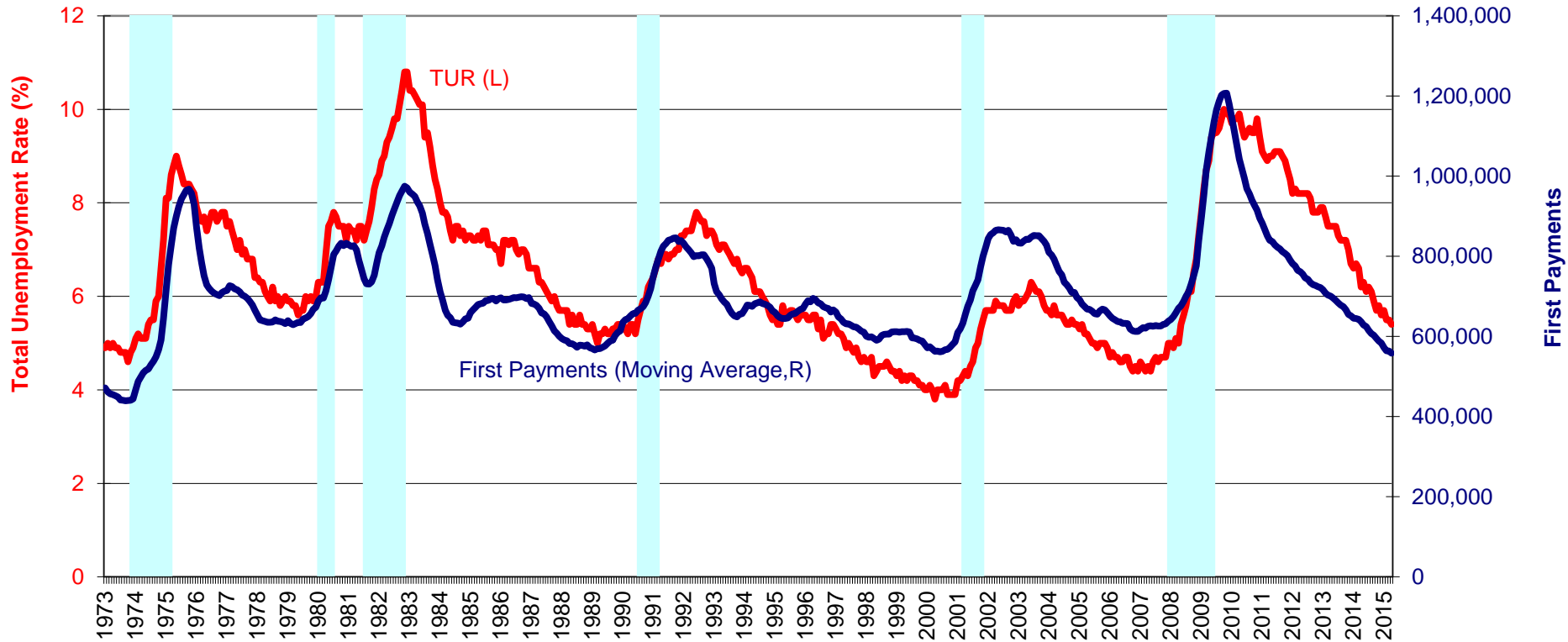


The Long-Term Unemployed Still Need Assistance

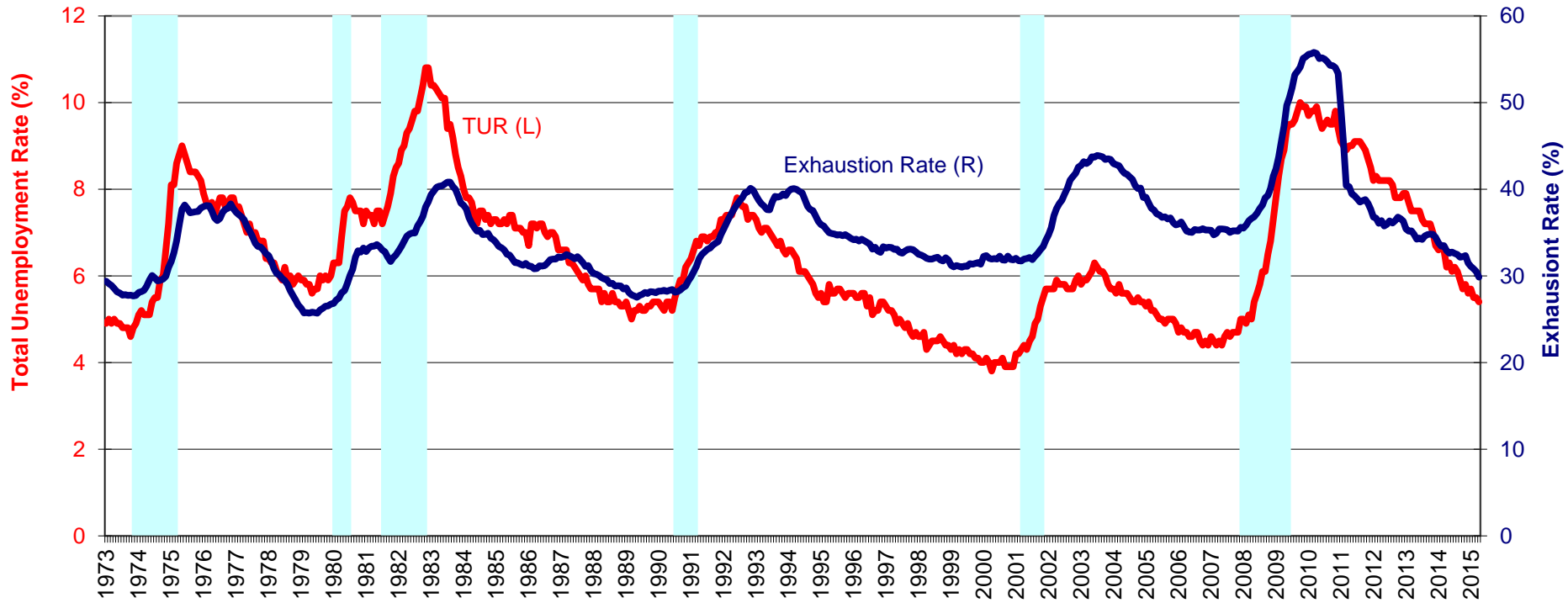
Incidence of Long Term Unemployed



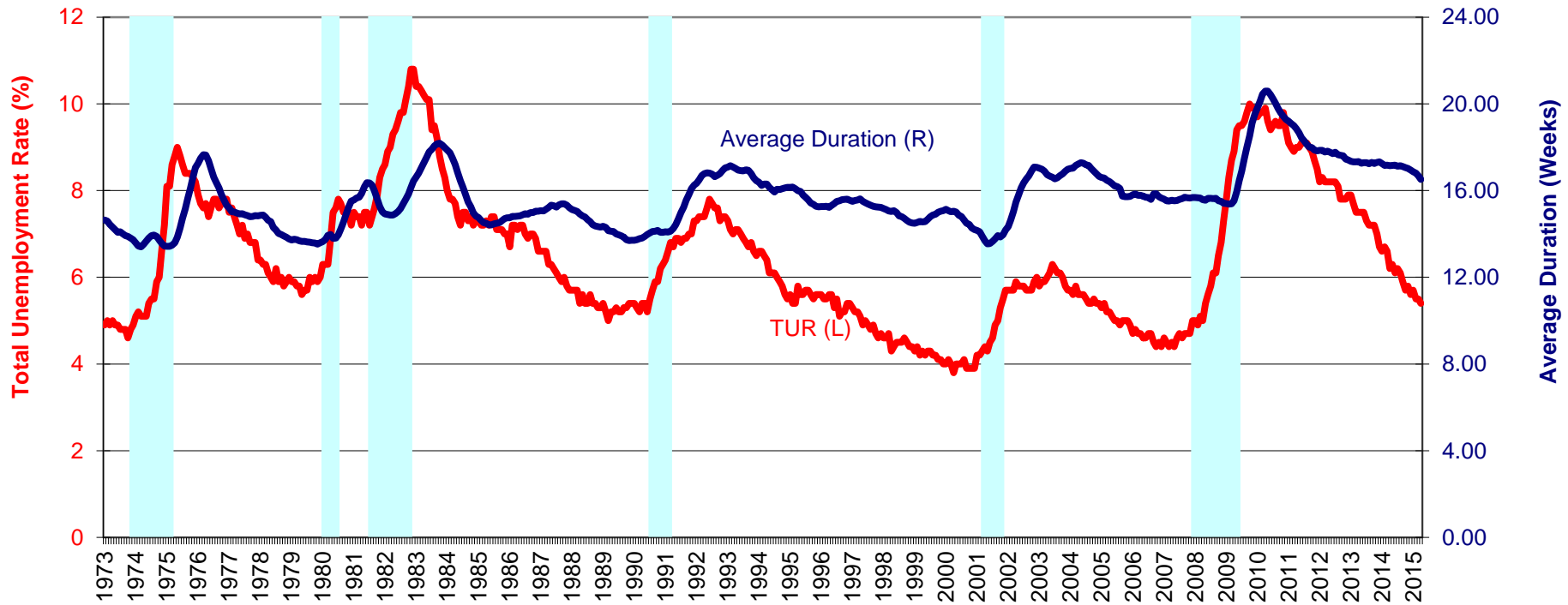
First Payments in the Regular Program

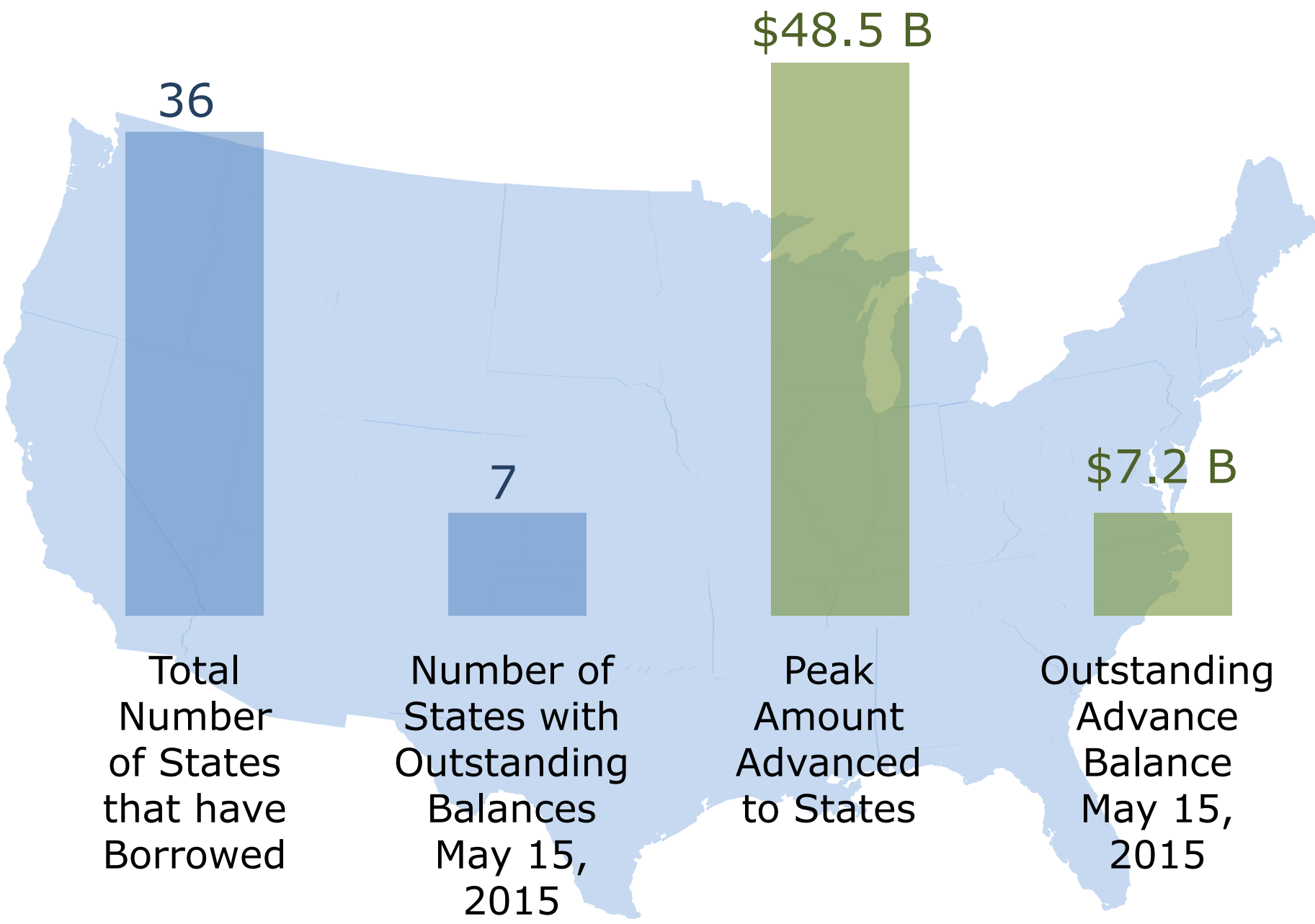


Exhaustion Rate in the Regular Program



Average Duration on UI in the Regular Program





Total
Number
of States
that have
Borrowed

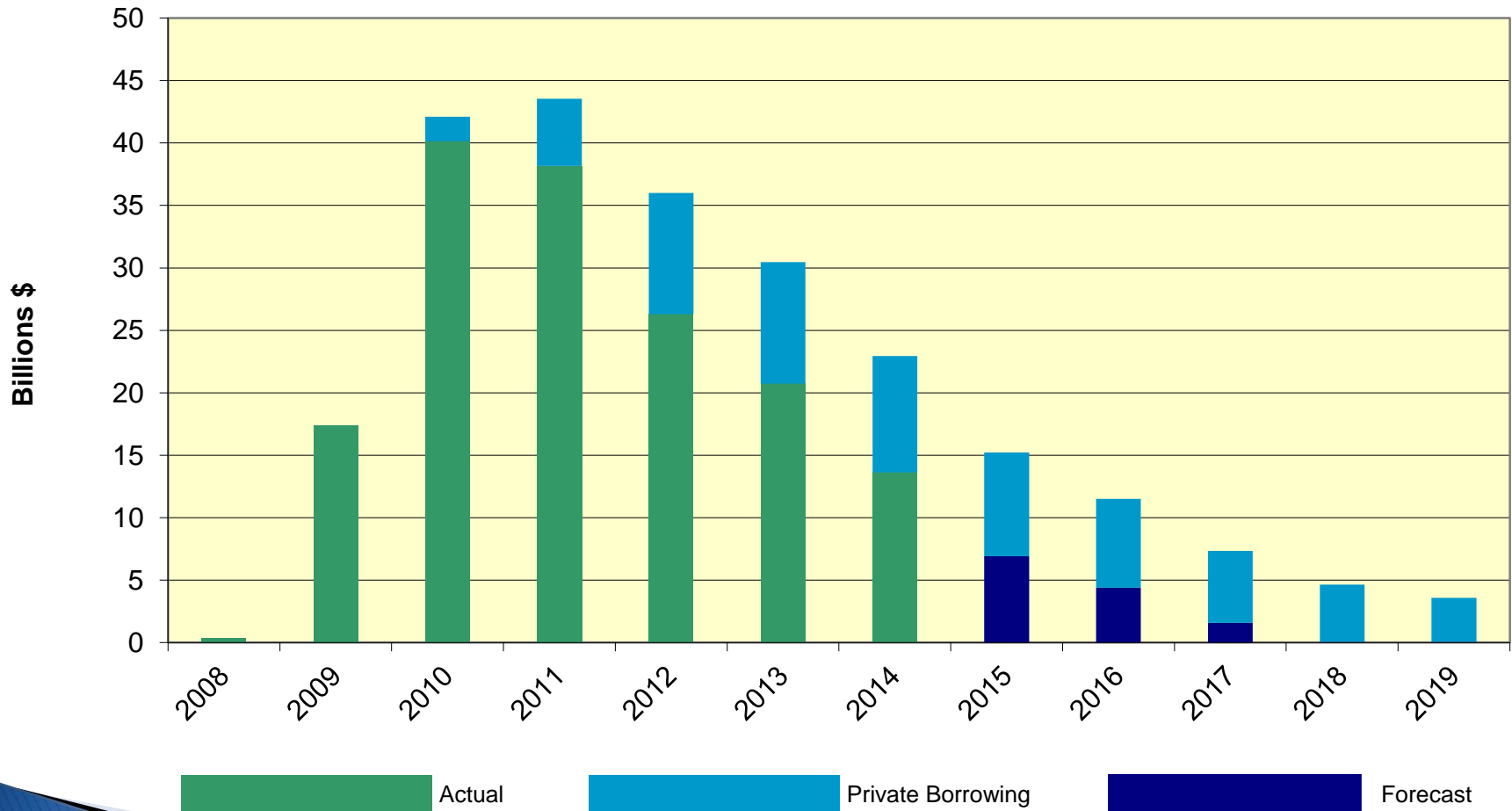
Number of
States with
Outstanding
Balances
May 15,
2015

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:

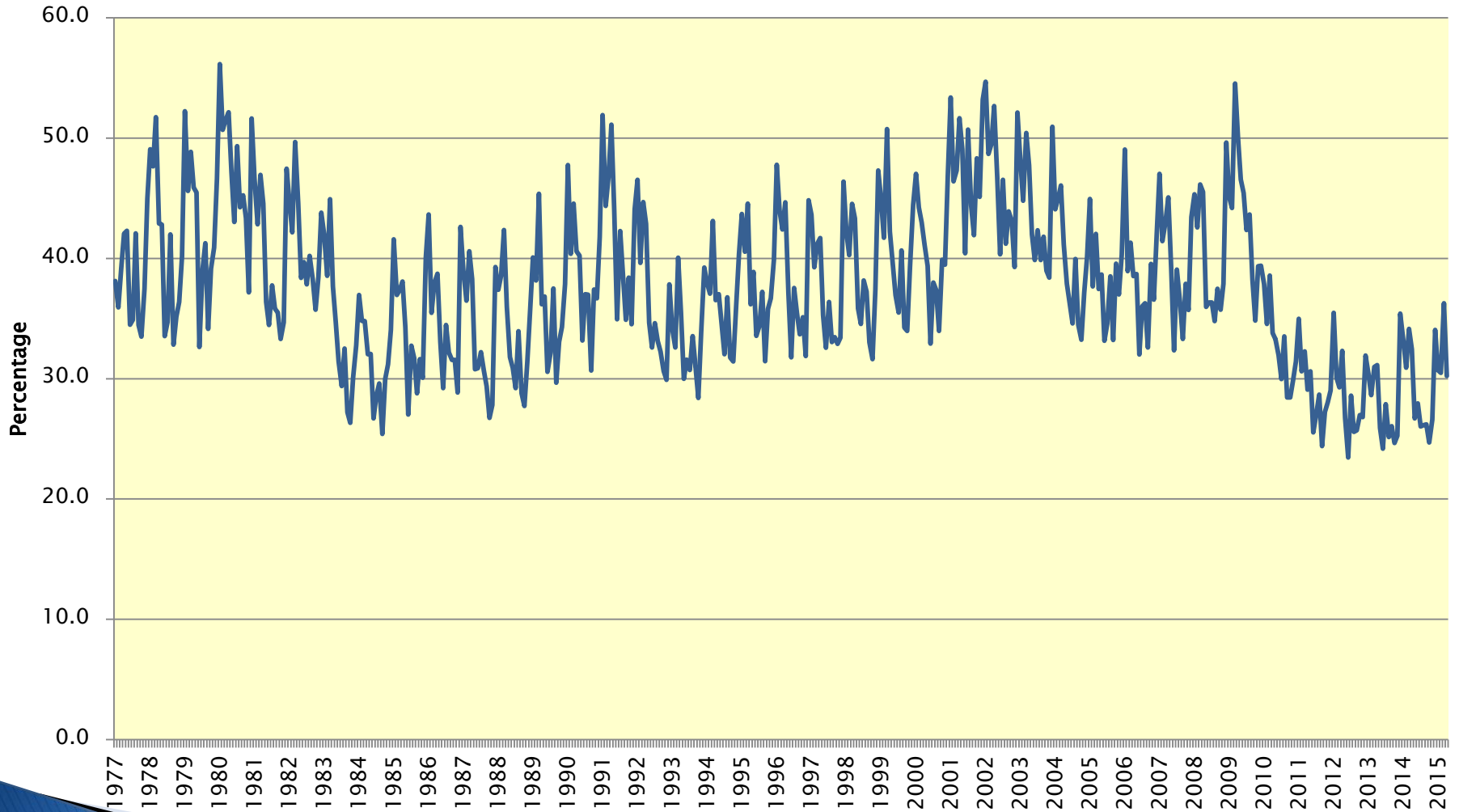
- Arkansas (25)
- Illinois (25)
- Missouri (20)
- South Carolina (20)
- Florida (12-23)
- Kansas (16-26)
- North Carolina (5-20)
- Georgia (14-20)
- Michigan (20)
- Pennsylvania (18-26)

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

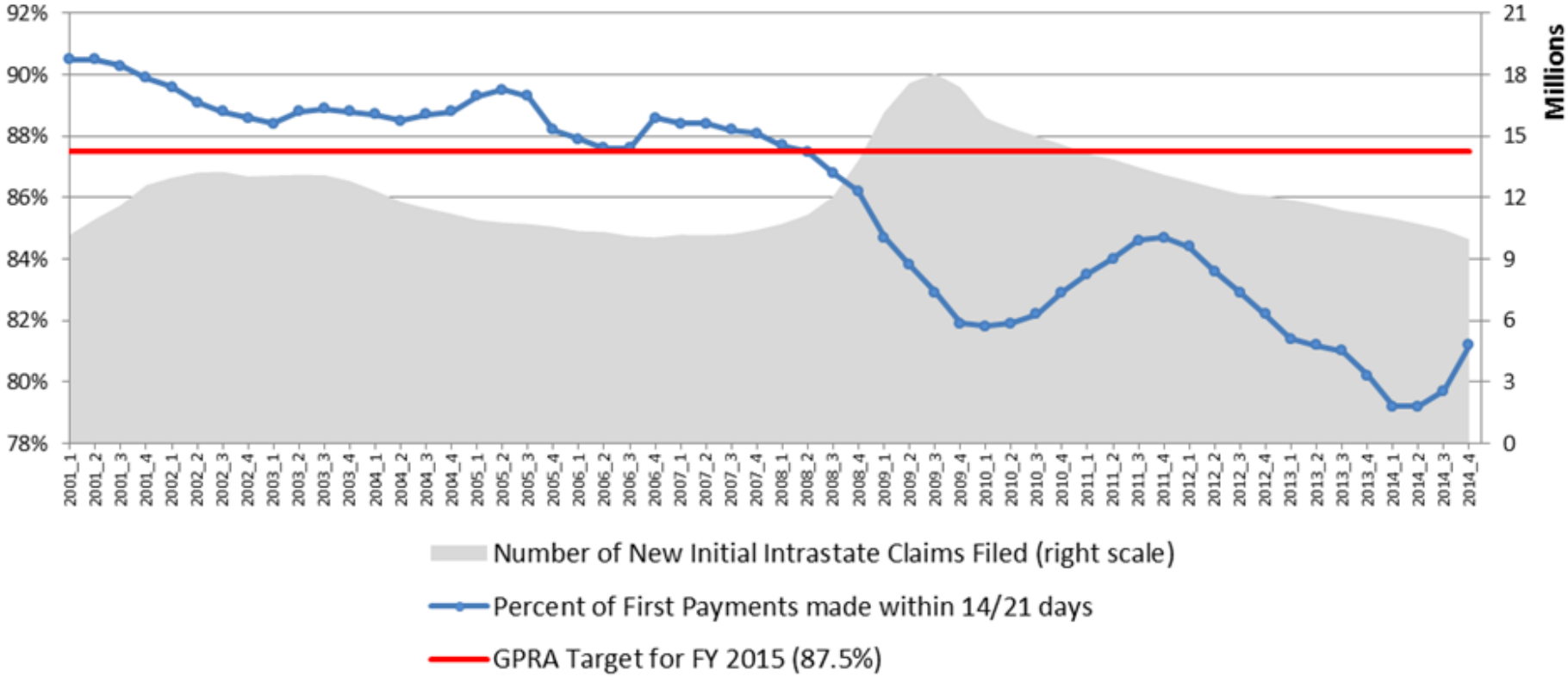
Changed Experience Rating System

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.

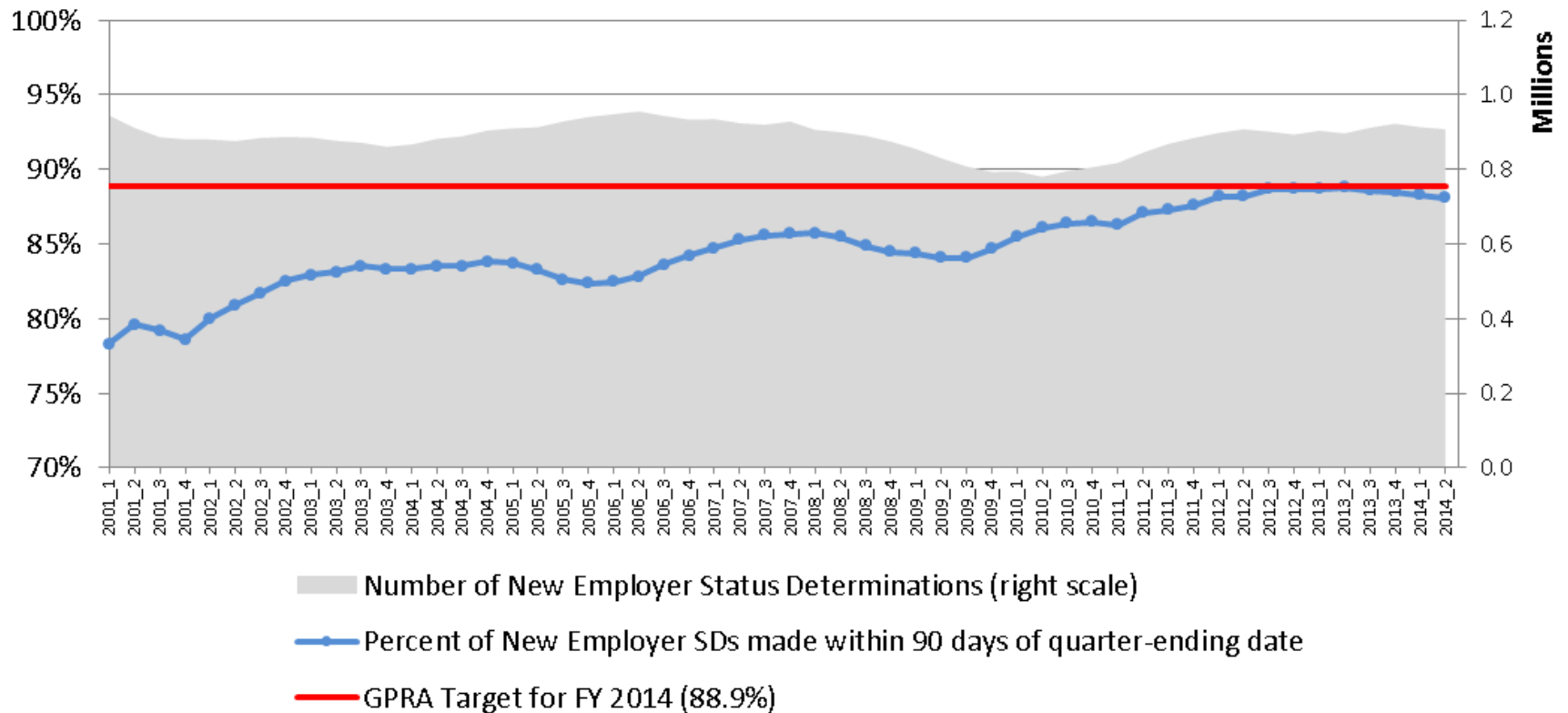
First Payment Timeliness

Rolling 4 Qtrs



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

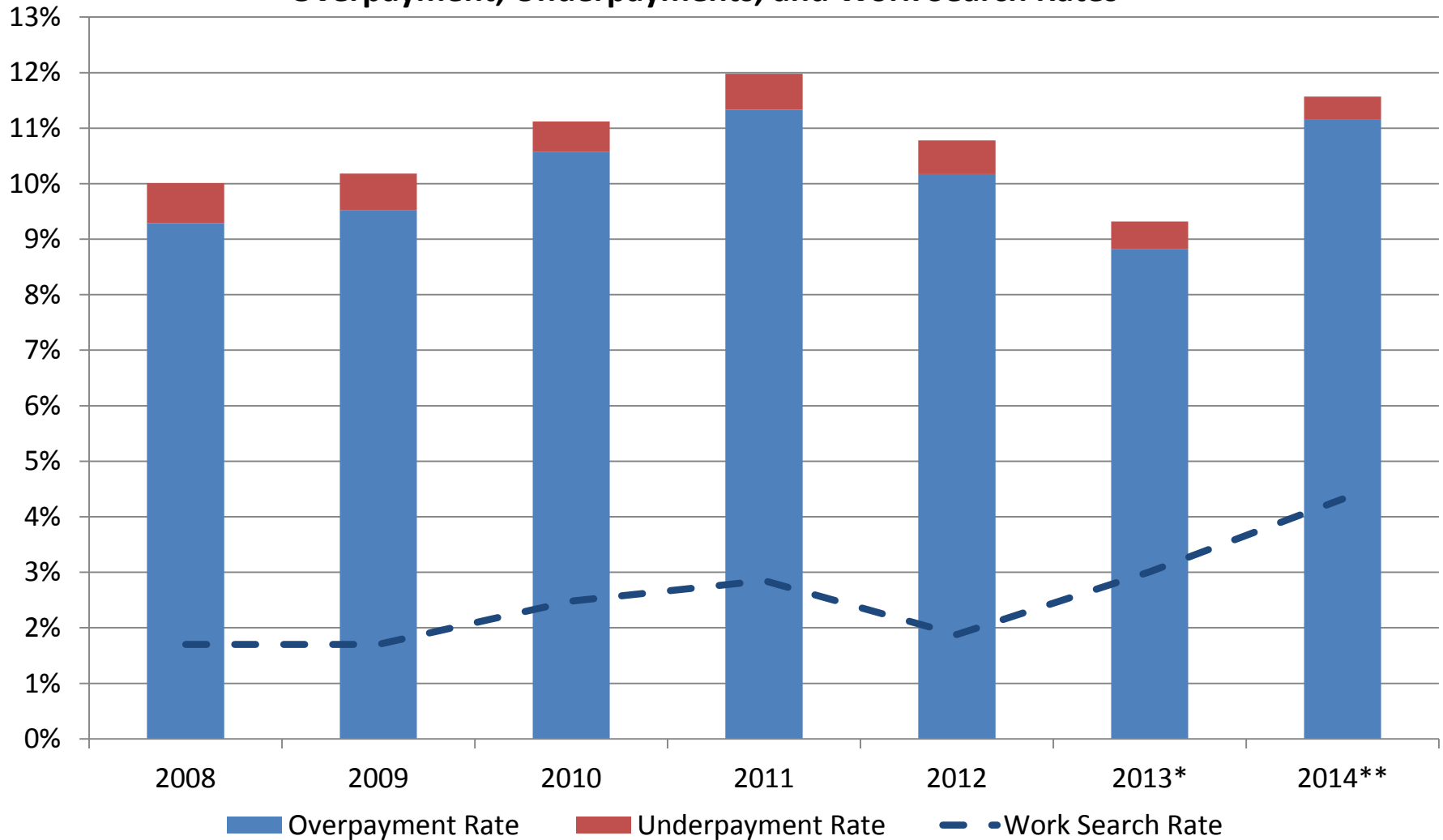
***Excludes improper payments determined “technically proper” under State law**

Dollar amounts are in billions.

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

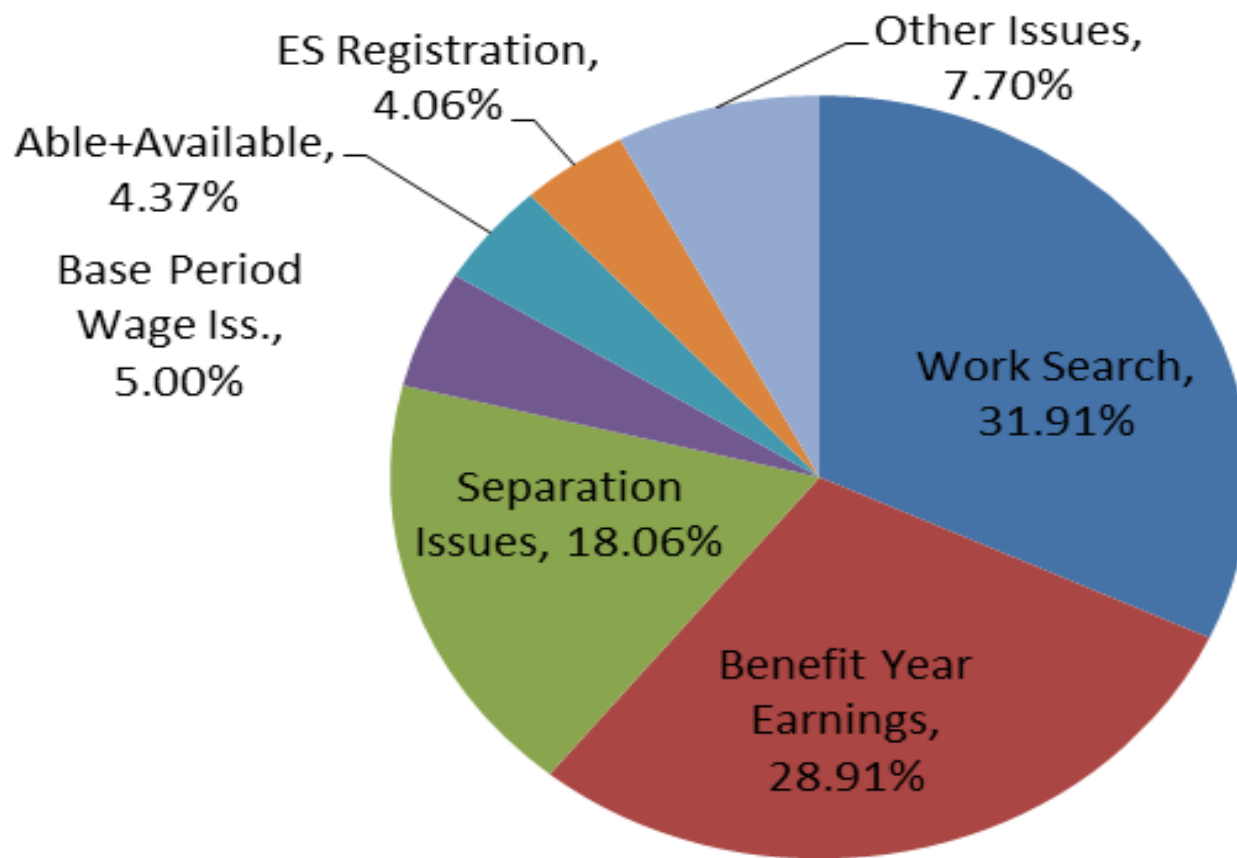
UI Improper Payment Rate

Overpayment, Underpayments, and Work Search Rates



IPIA 2013 adjusted rate for recoveries = 9.32%

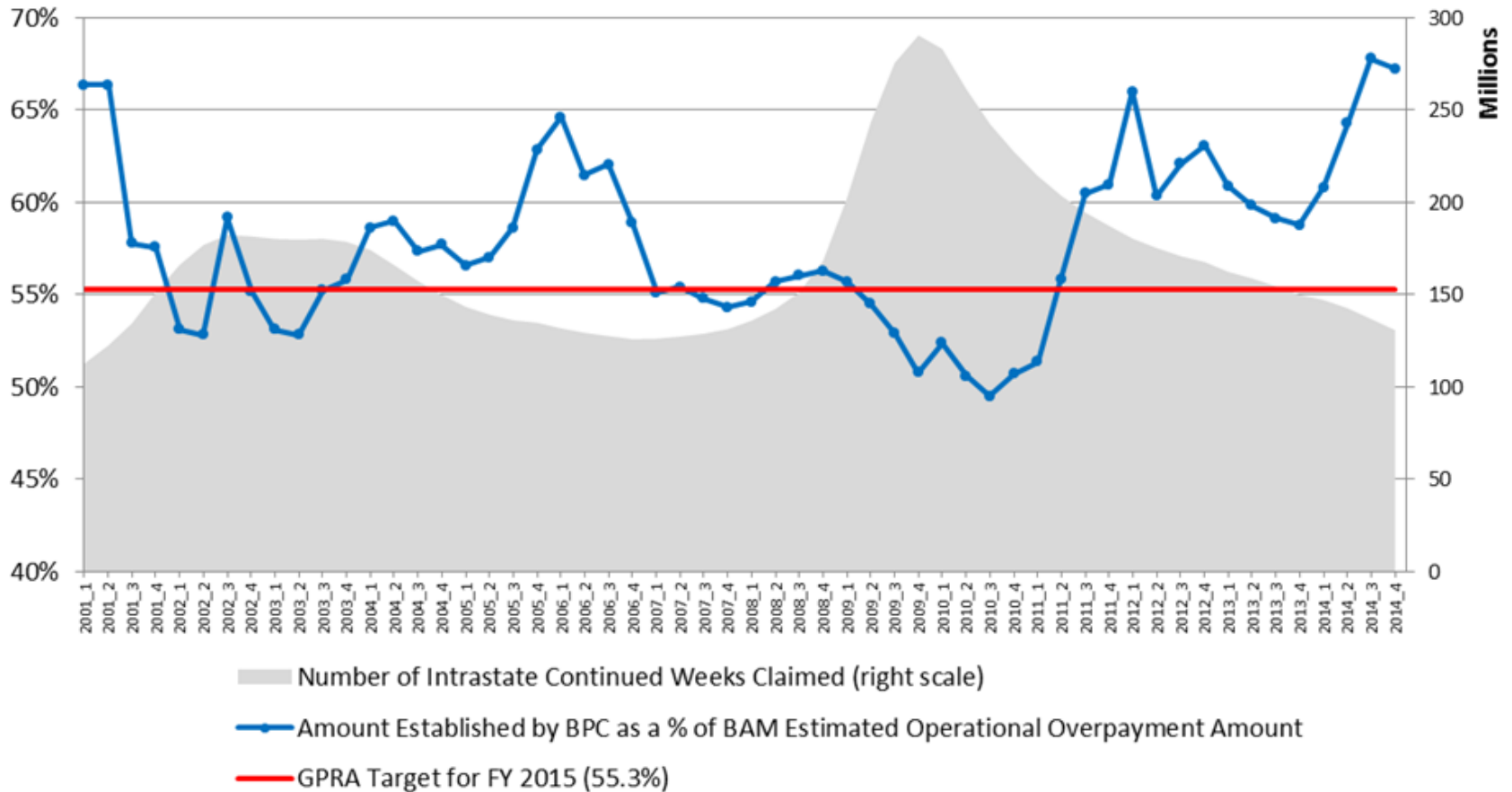
IPIA 2014 rate excludes all technically proper payments



**Overpayment Root Causes by
Percentage of Dollars Overpaid
Oct. 1, 2013 – Sept. 30, 2014**

Detection of Overpayments

Rolling 4 Qtrs



Refocusing on UI Fraud

- ▶ Fictitious employer and identify theft schemes growing and more sophisticated
- ▶ Engaging with other Federal program partners and OIGs to improve information sharing and strategies that work
- ▶ More “up front” cross matching
- ▶ Growing interest in requiring photo IDs
- ▶ IP Address blocking successful in many states
- ▶ Growing capacity for data analytics to support identification of “at risk” claims

UI Integrity Center of Excellence

- ▶ Data Analytics
- ▶ State Training Modules coming soon and Integrity Training Institute
- ▶ Data Hub for Cross Matching
- ▶ Model Benefit Payment Control Organization
- ▶ Collection/Dissemination of Best Practices
- ▶ Integrity IT Business Requirements
- ▶ Integrity Technology Summit This Fall
- ▶ And more!

UI and WIOA

- ▶ **Must provide “assistance” to help claimants file claims in One–Stop Centers**
- ▶ **UI as Mandatory One–Stop Partner**
- ▶ **New language emphasizing the role of Wagner–Peyser in providing reemployment services to UI claimants**
- ▶ **Alignment of data systems**
- ▶ **Increased demand for wage record data for performance**

WIOA Opportunities

- ▶ Ensuring that UI is an integral part of the workforce system
- ▶ Opportunities to leverage UI programs: RESEA, SEA, STC
- ▶ Opportunities to better link UI IT infrastructure to workforce system infrastructure in ways that support reemployment and ensure UI claimant eligibility

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
- ▶ Getting state UI agencies and the workforce system broadly to see UI as a core component of the workforce system
- ▶ Lots of opportunity and limited resources

What is DOL Doing?

- ▶ NPRM Published/Comments Were Due June 15th – Expect Lots of Them!
- ▶ Lots of Interim Operating Guidance, including UI Specific
- ▶ Technical Assistance (webinars, Quick Start Action Planners, resources and best practices, and more
- ▶ For information on the statute, regulations, and policy, go to:
http://www.doleta.gov/wioa/eta_default.cfm
- ▶ For technical assistance resources, go to:
<https://wioa.workforce3one.org/>

What State UI Agencies Should Be Doing Now

- ▶ Read and comment on the NPRM
- ▶ Take advantage of technical assistance opportunities
- ▶ Be at the table now with workforce system partners and planning for WIOA implementation.
- ▶ Understand what it means to be a mandatory One-Stop partner
- ▶ Work collaboratively with workforce system partners to envision more aligned data systems
- ▶ Seize the Opportunity!!!

REA Becomes RESEA

- ▶ FY 2015 provided states flexibility to use RESEA funds for reemployment services
- ▶ RESEA transitioning to uniform targeting of claimants most likely to exhaust and UCX claimants
- ▶ RESEA merging with Worker Profiling and Reemployment Services (WPRS) Program
- ▶ FY 2016 Budget contains proposal for mandatory RESEA program in all states

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

- ▶ Piloting new state self–assessment tool for program operations in Q1 of FY 2016
- ▶ Pilot new process for deploying UI program experts (ETA and States) to support “at risk” state improvements in Q1 and Q2 of FY 2016 in 2–3 states
- ▶ Full implementation in FY 2017

Now on to UI Appeals

- ▶ **A look at the numbers**

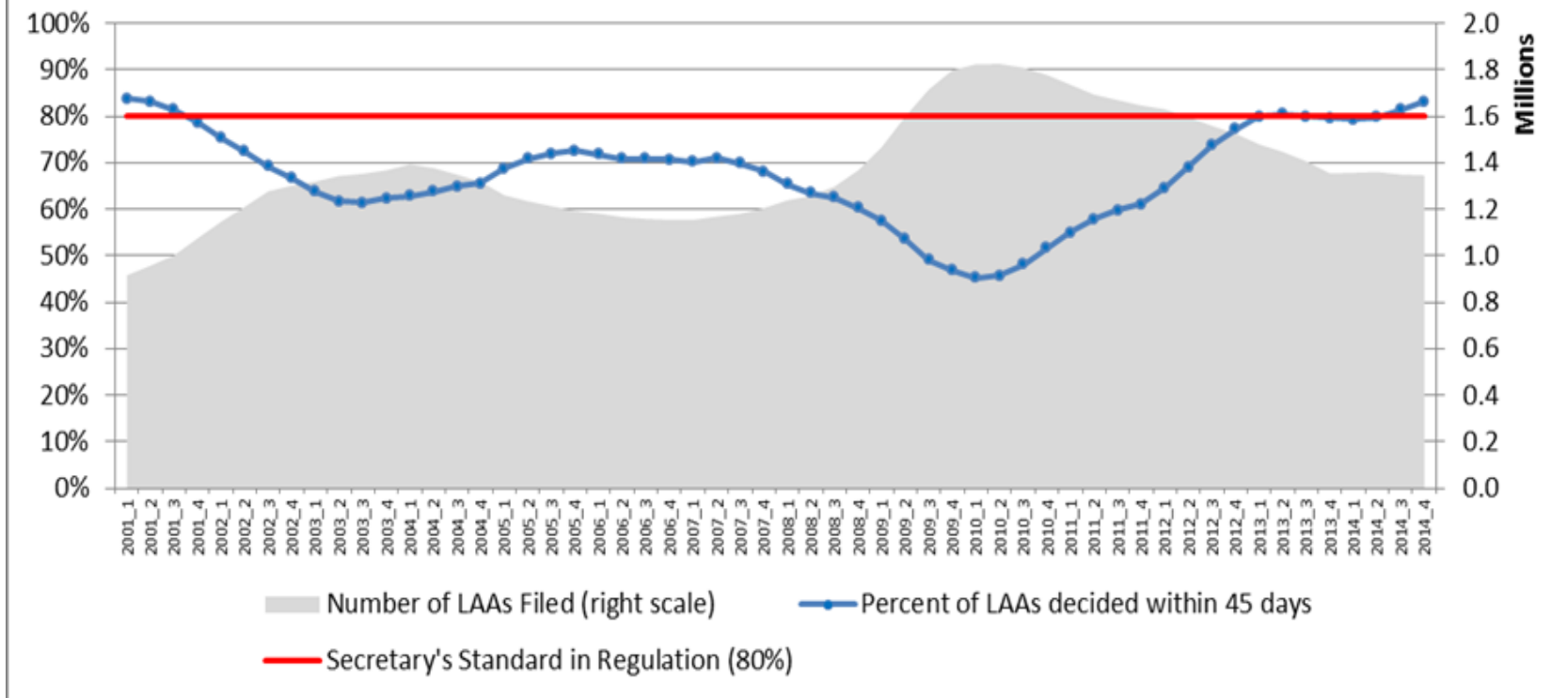
- ▶ Lower Authority Appeals
- ▶ Higher Authority Appeals

- ▶ **Reengineering of Appeals Review**

- ▶ Next Appeals Review

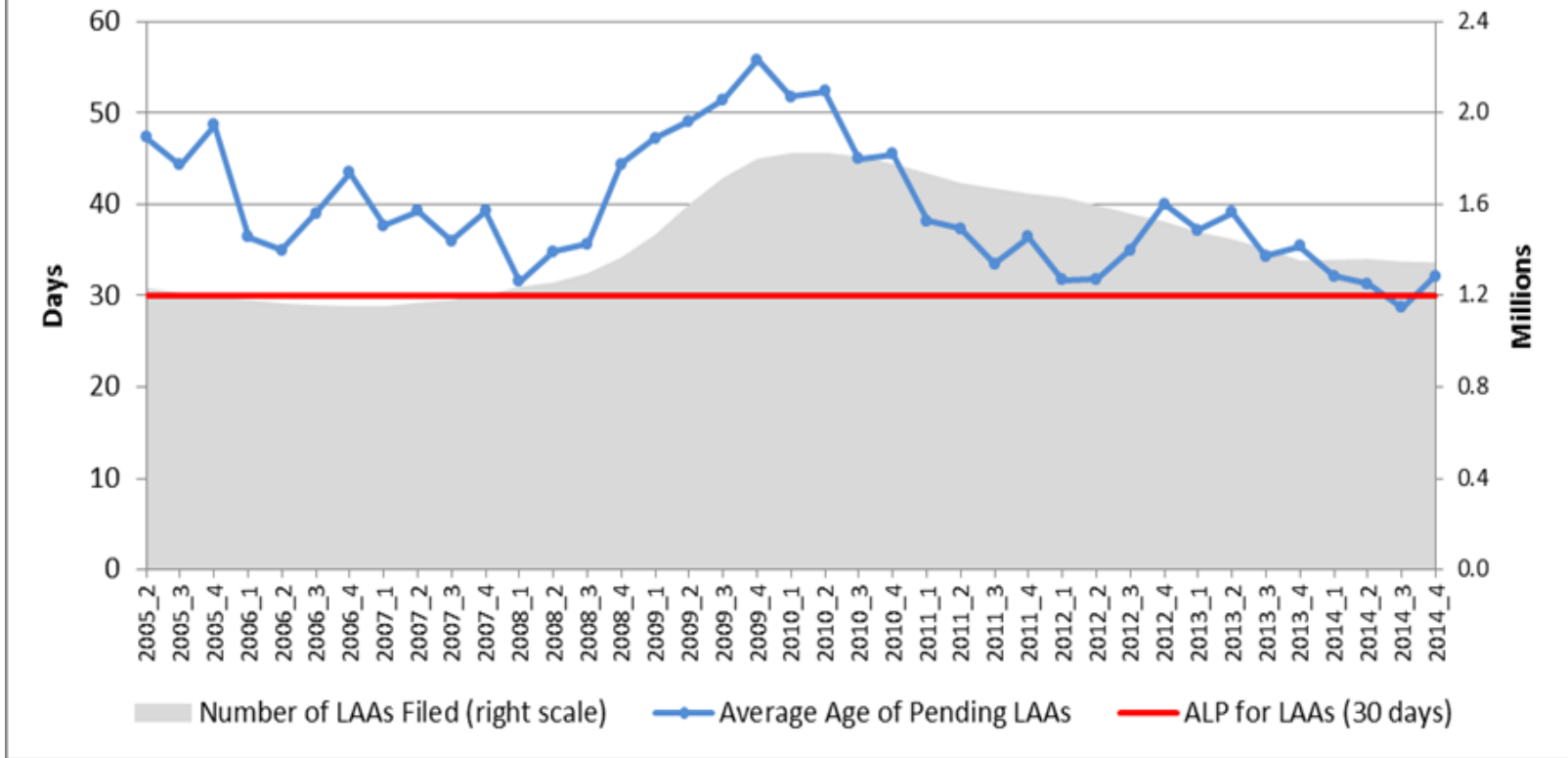
Lower Authority Appeals

45-Day Timeliness
Rolling 4 Qtrs



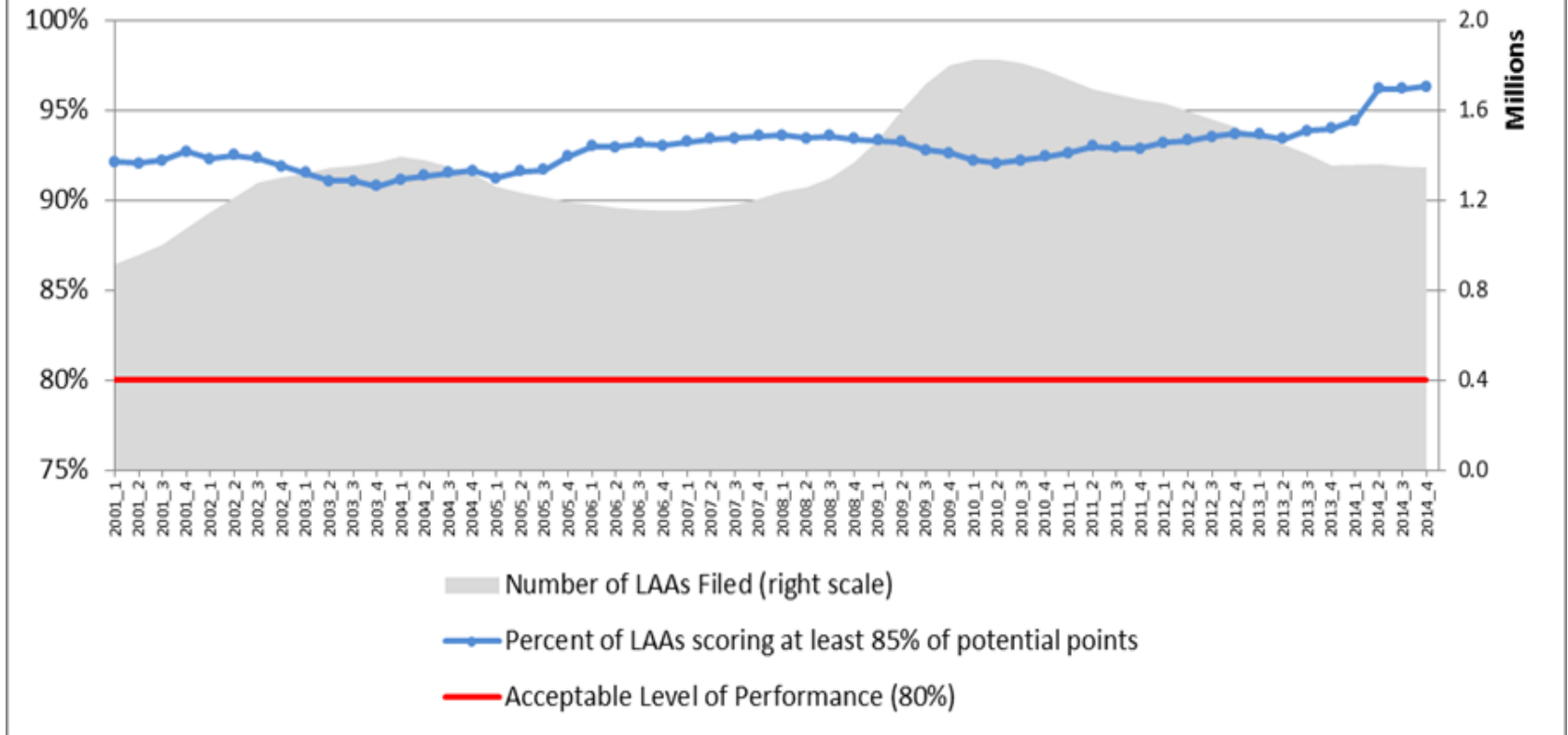
Average Age of Pending Appeals

Lower Authority

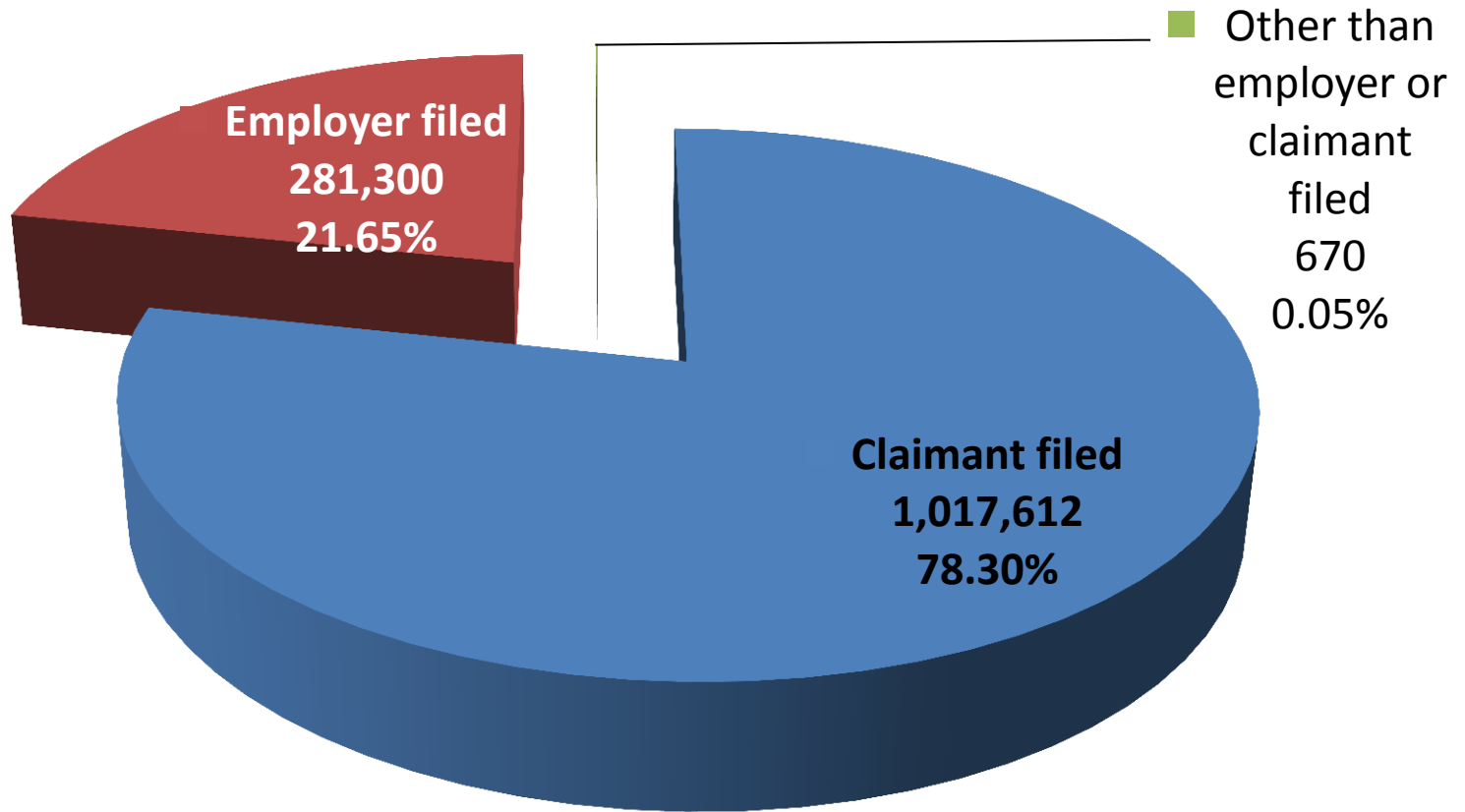


Lower Authority Appeals Quality

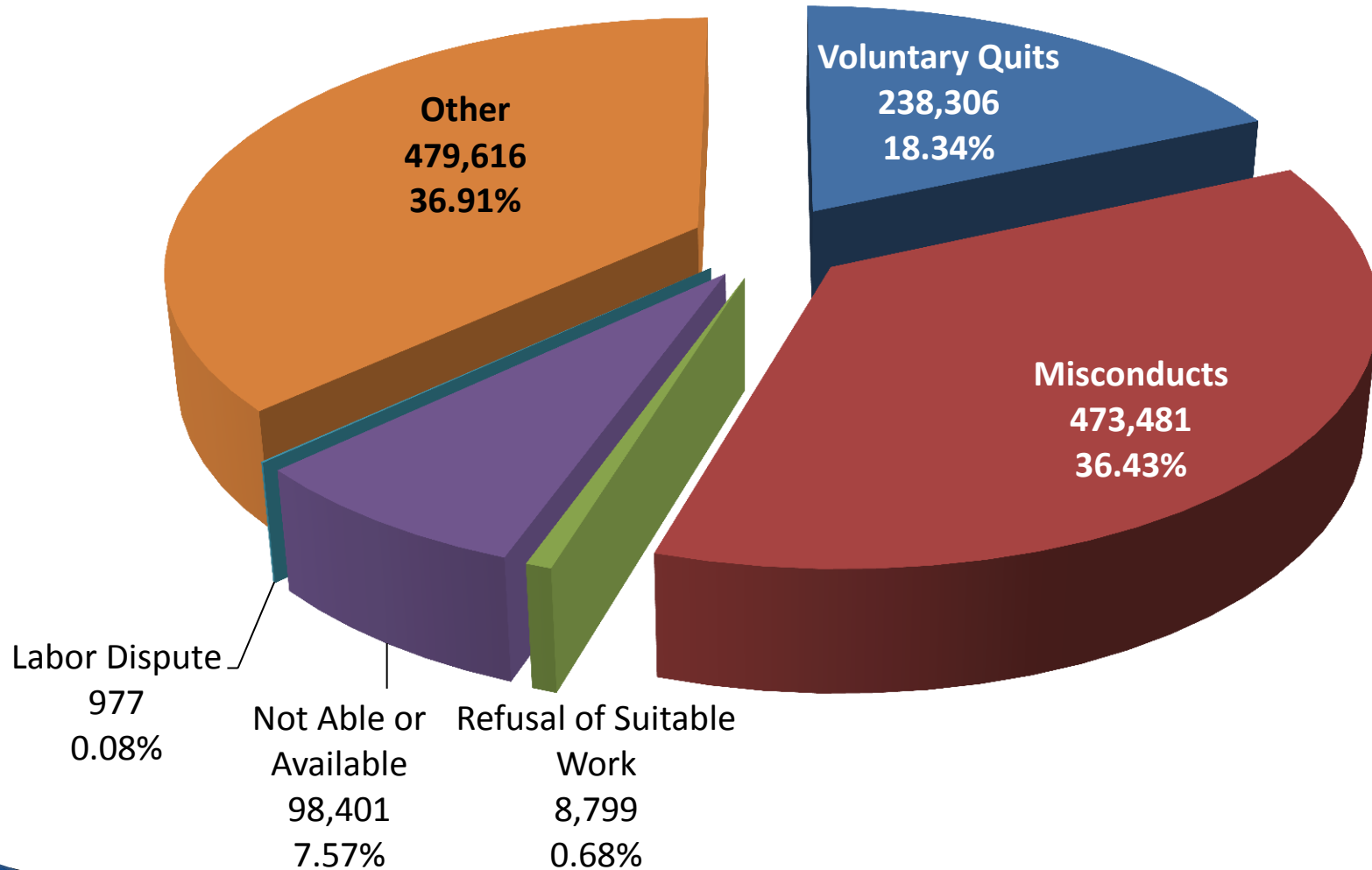
Rolling 4 Qtrs



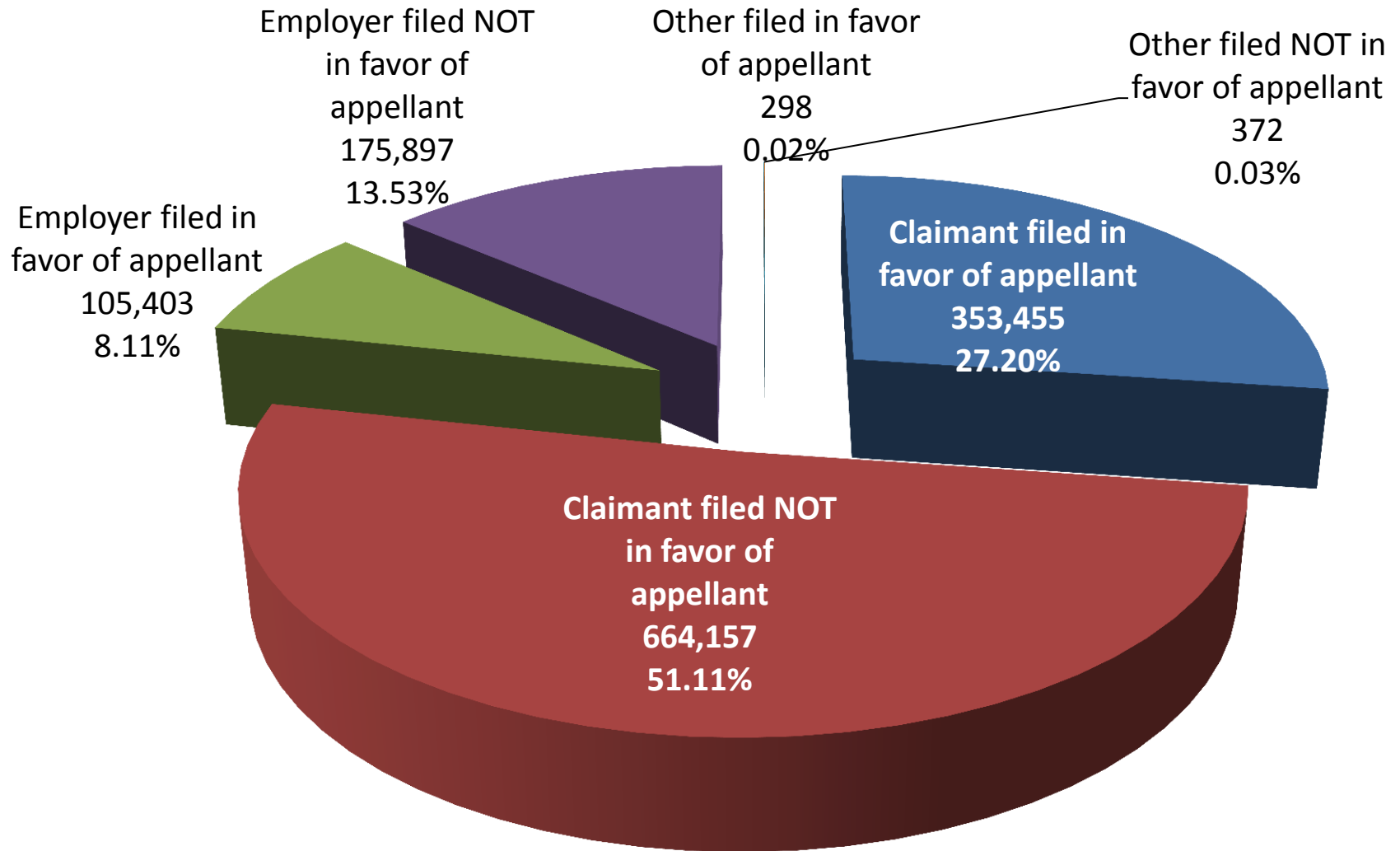
Who is Filing Lower Authority (L.A.) Appeals ?



L.A. Appeals Decisions by Type of Issue

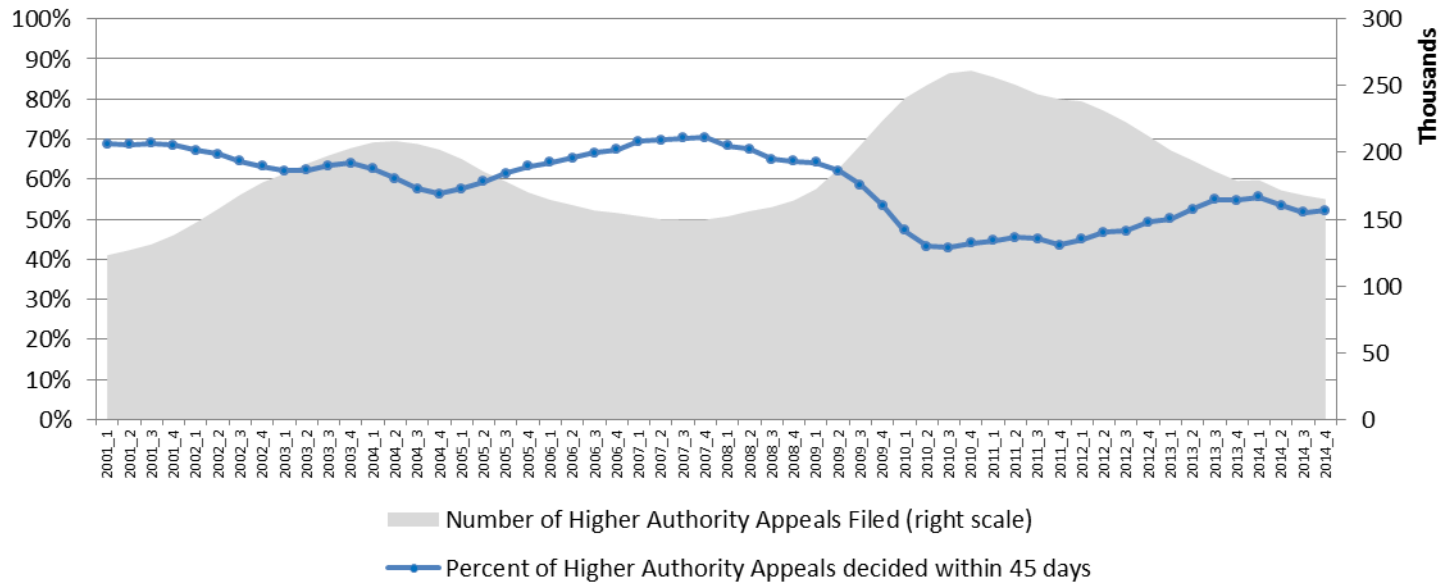


L.A. Appeals Decision Outcomes by Appellant



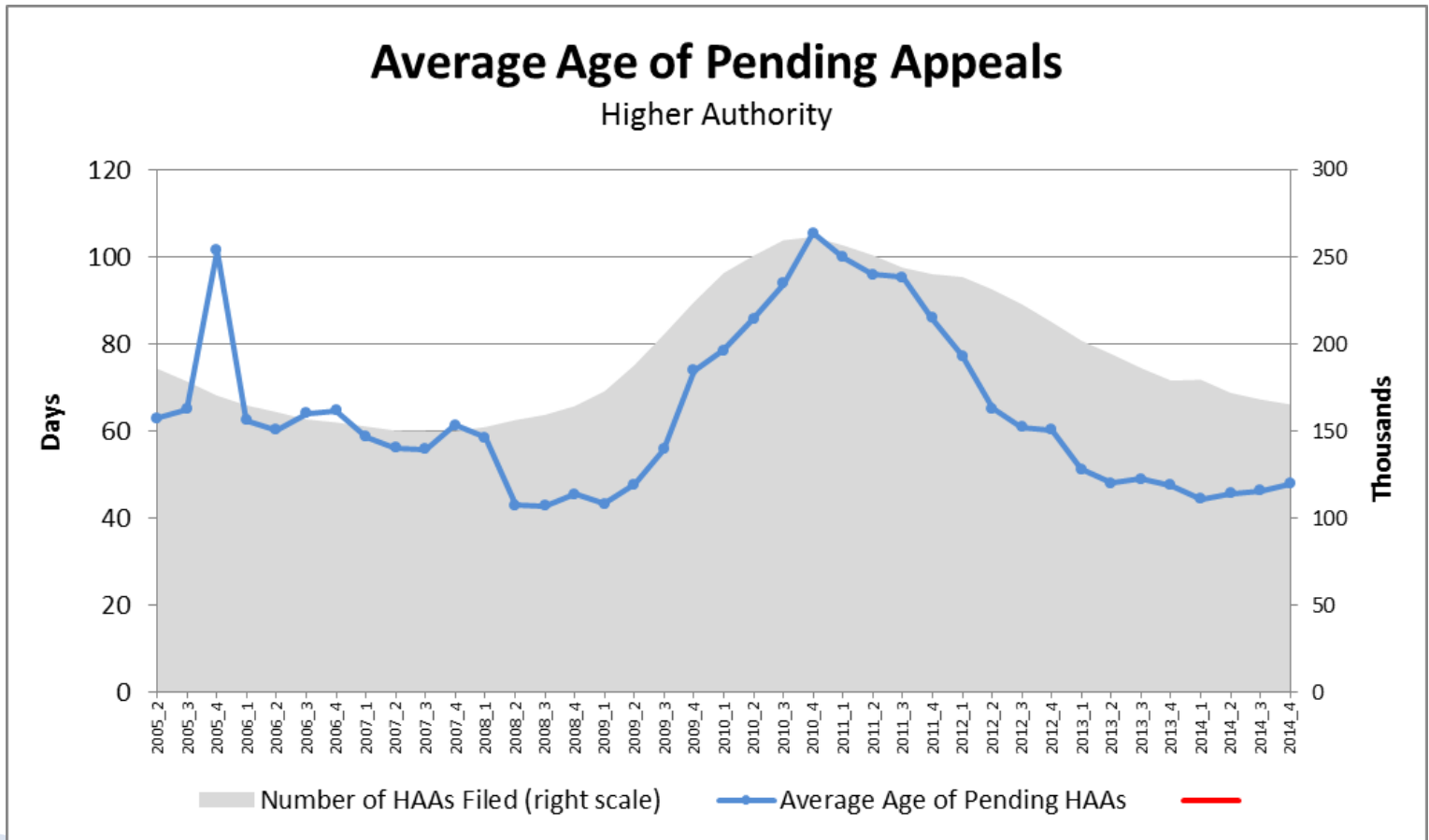
Higher Authority Appeals

45-Day Timeliness
Rolling 4 Qtrs

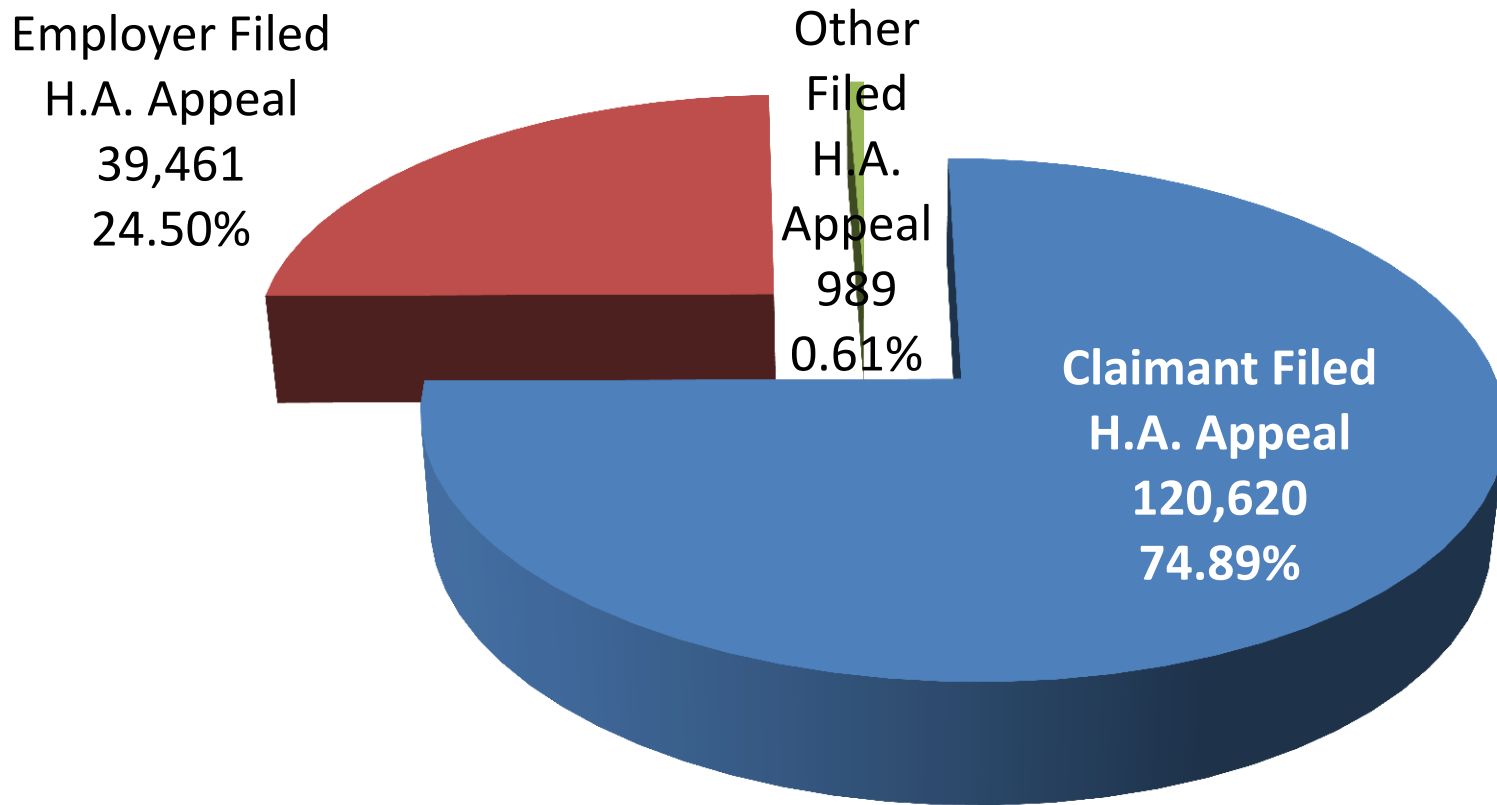


Average Age of Pending Appeals

Higher Authority

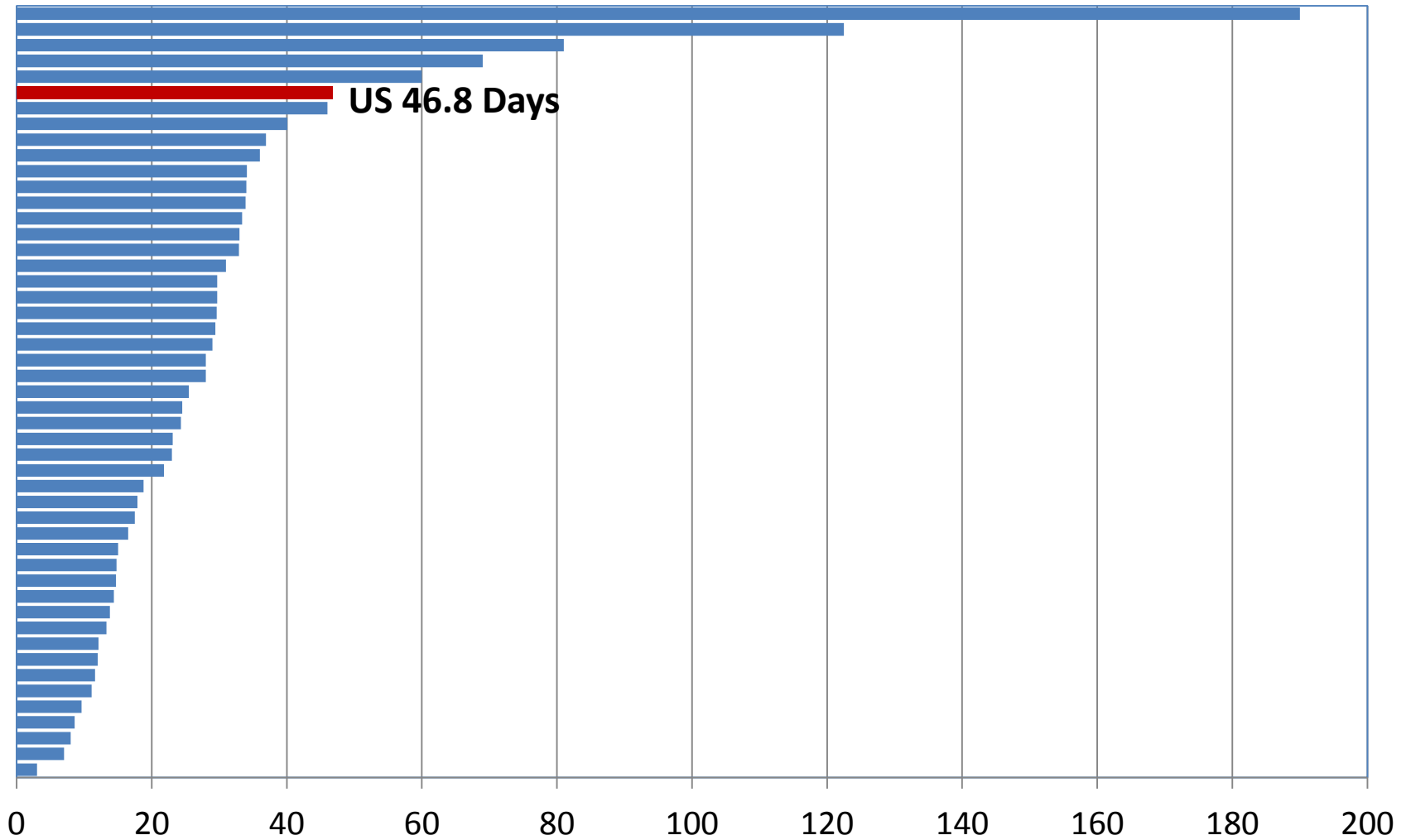


Who is Filing Higher Authority (H.A.) Appeals?

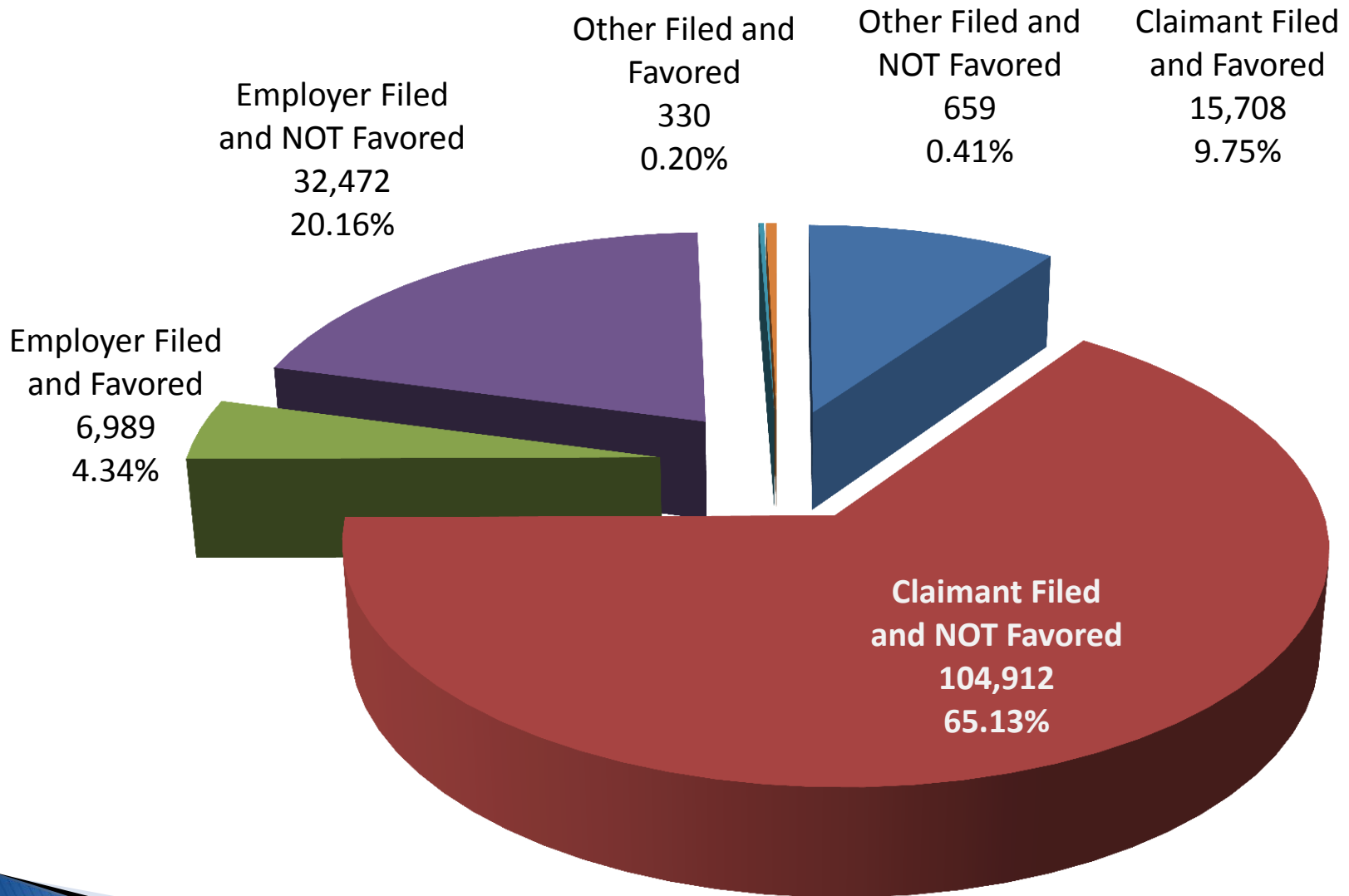


Average Age of Pending Higher Authority Appeals

Core Measure ≤ 40 Days (as of 3/31/2015)



H.A. Appeals Decision Outcomes by Appellant



Reengineering of Appeals Review

- ▶ The Annual Appeals Review will now be referred to as the National Appeals Review (NAR).
- ▶ The NAR will be held every three years instead of annually.
- ▶ During the other two years of the triennial cycle, the ETA will coordinate to provide states training and other technical assistance.
- ▶ Next National Appeals Review in 2017

Reengineering of Appeals Review

- ▶ Sample sizes, as well as the subsampling process conducted by ETA, will remain the same.
- ▶ ETA is considering potential changes to the review's scoring process and will engage states before finalizing a new approach.
- ▶ Training webinars with the states will be scheduled to review changes and provide guidance on implementation.

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

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 reemployment service delivery for UI claimants