

National Unemployment Insurance Program Update

Gay Gilbert, Administrator
Unemployment Insurance
USDOL/ETA
June 22, 2016

UI National Update

- ❖ **Where is Our Program Today?**
- ❖ **Most Critical Challenges**
- ❖ **A Program in Transition**
- ❖ **Using our Valuable Resources**
- ❖ **What's Important for the Future?**

Where Is The Program Today?

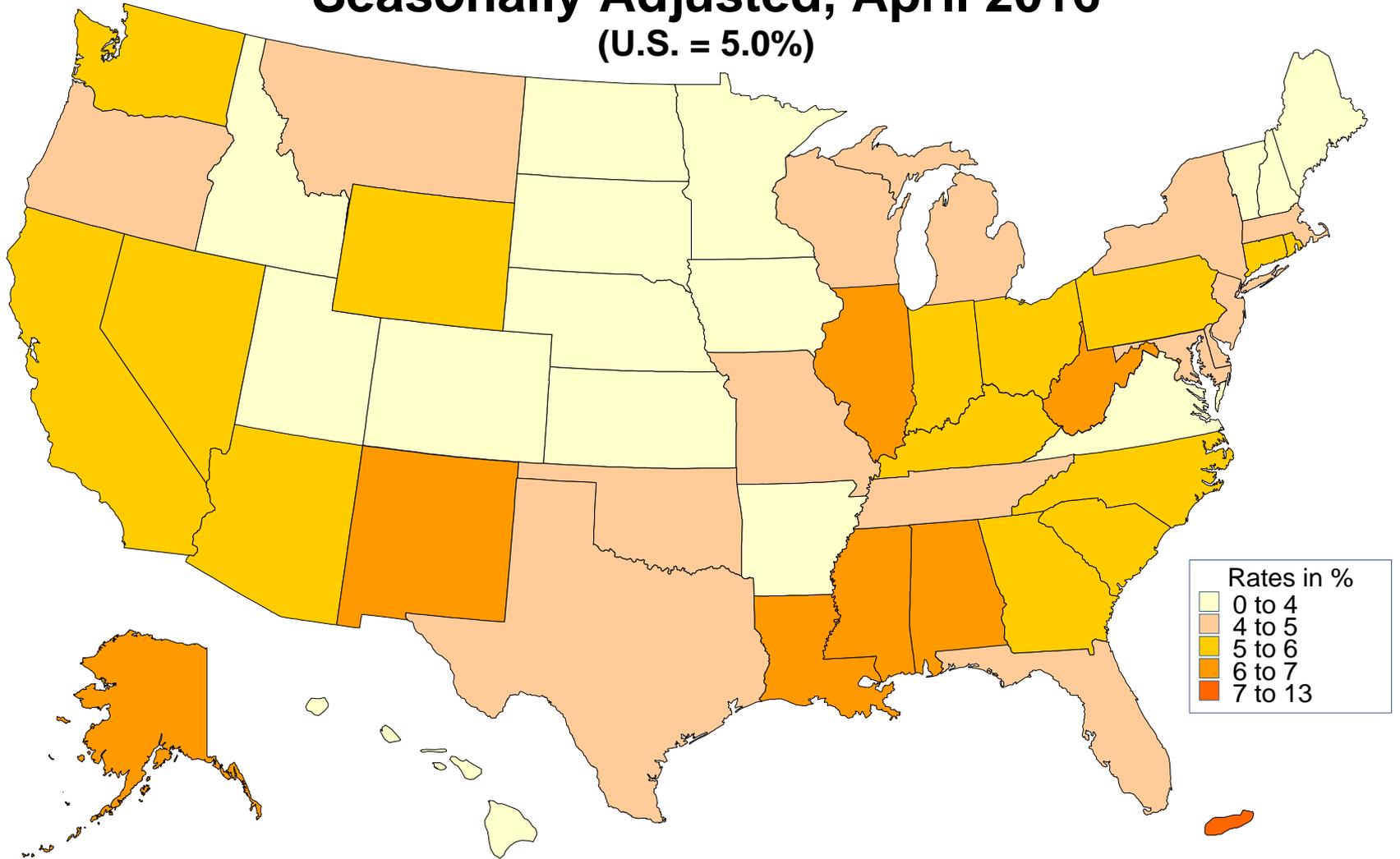
- ❖ We are experiencing the lowest workload since the 70s
- ❖ States are experiencing really constrained funding which limits staffing capacity
- ❖ As a result, states continue to struggle with meeting performance standards and integrity measures
- ❖ States are not ready for the next recession
- ❖ Many states have severely restricted benefit availability
- ❖ Taxing structures in many states do not distribute the tax burden fairly among employers

Most Critical Challenges

- ❖ Administrative Funding Not Sufficient & Budget Climate Remains Poor
- ❖ UI Customers Are Paying the Price for Poor Program Performance
- ❖ Over Half of State Trust Funds Are Not Solvent
- ❖ Loss of Institutional Knowledge and Staff Capacity Putting the Program At Risk
- ❖ IT Modernization Still Needed by a Majority of States
- ❖ Fraud Has Increased and Becoming Harder to Fight

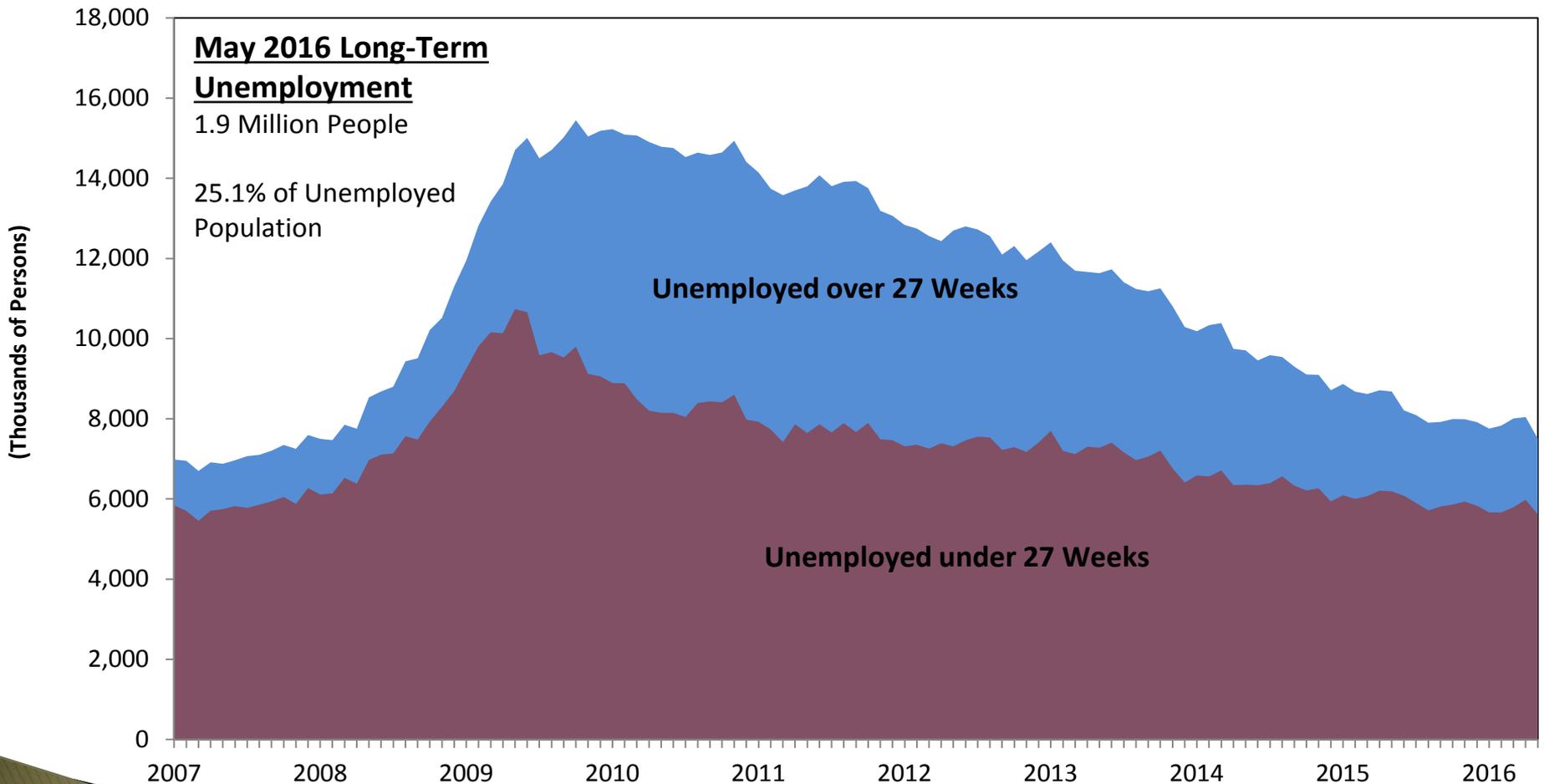
A Quick Look at the Data

Unemployment Rates by State Seasonally Adjusted, April 2016 (U.S. = 5.0%)

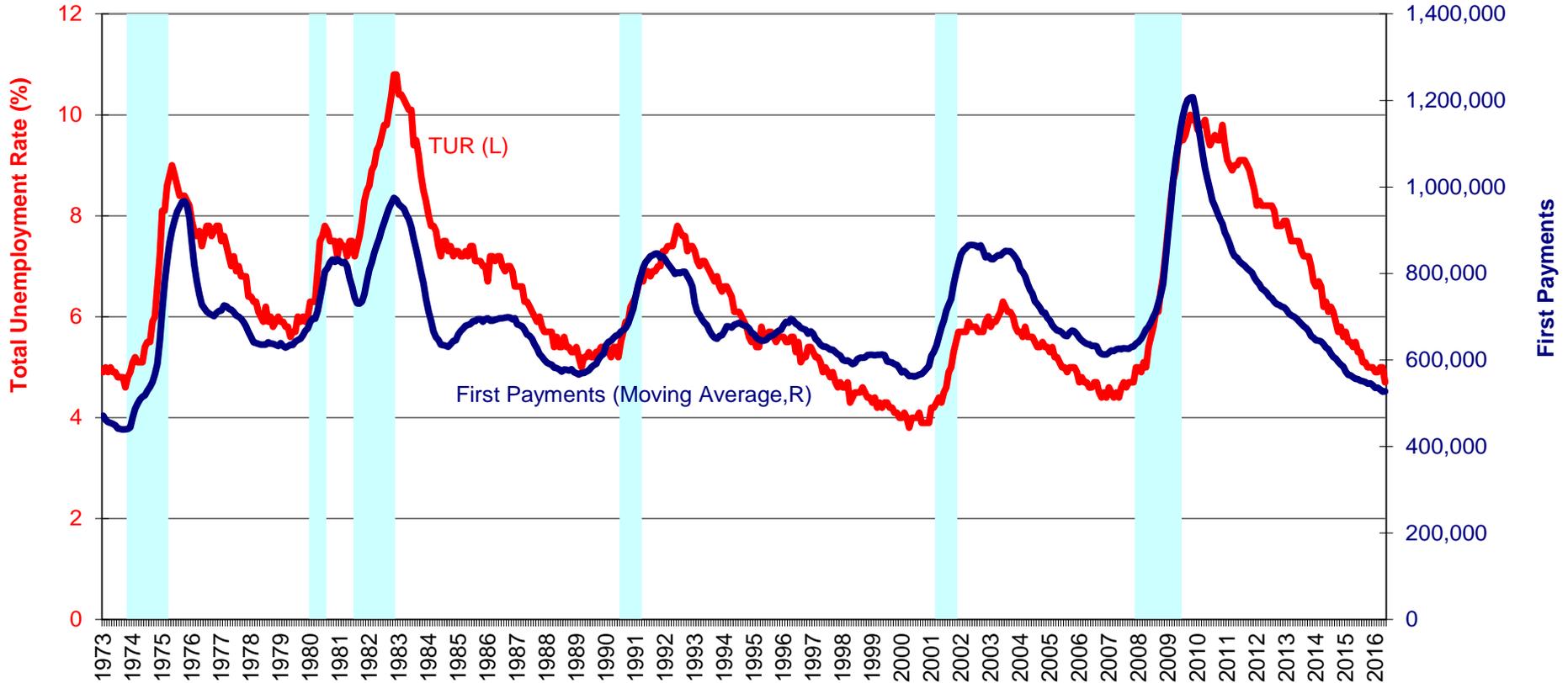


The Long-Term Unemployed Still Need Assistance

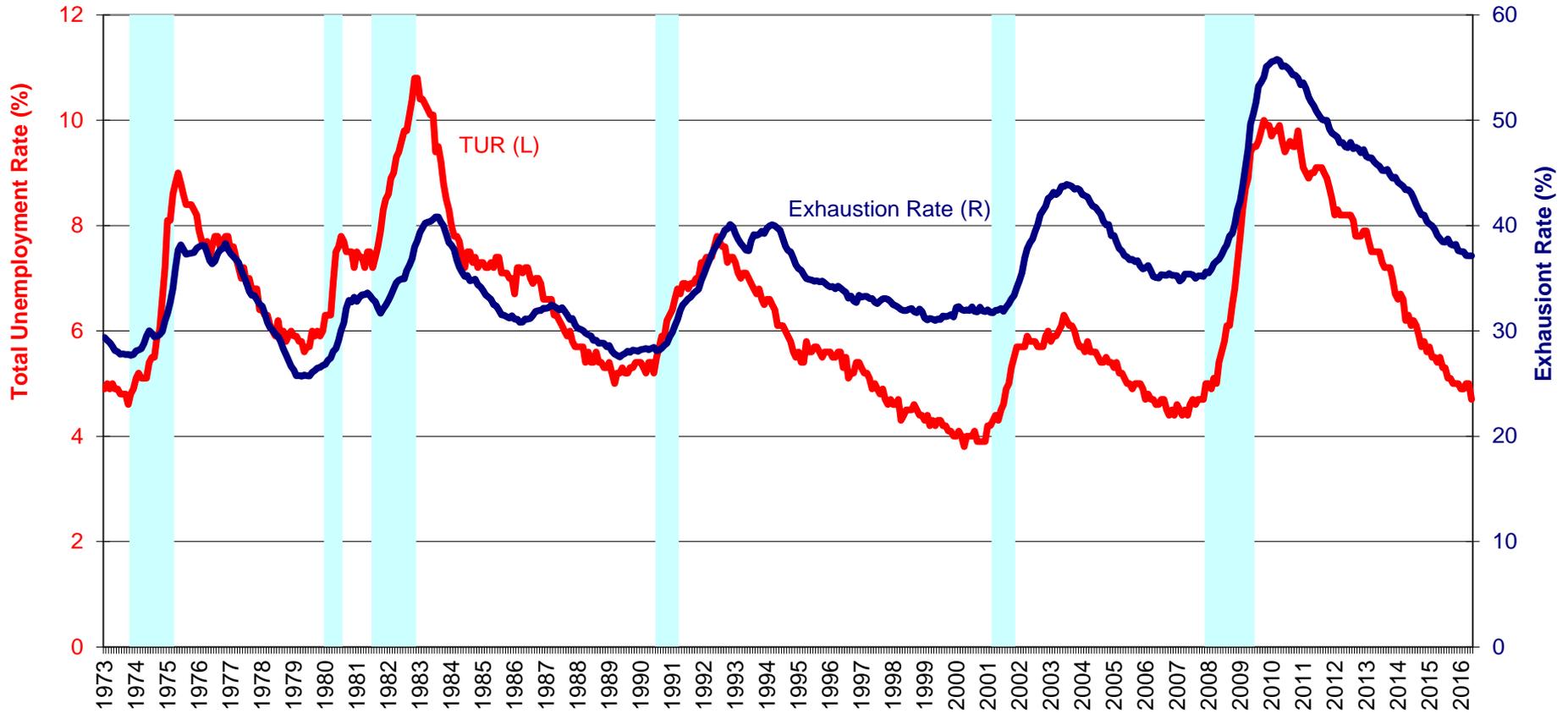
Incidence of Long Term Unemployed



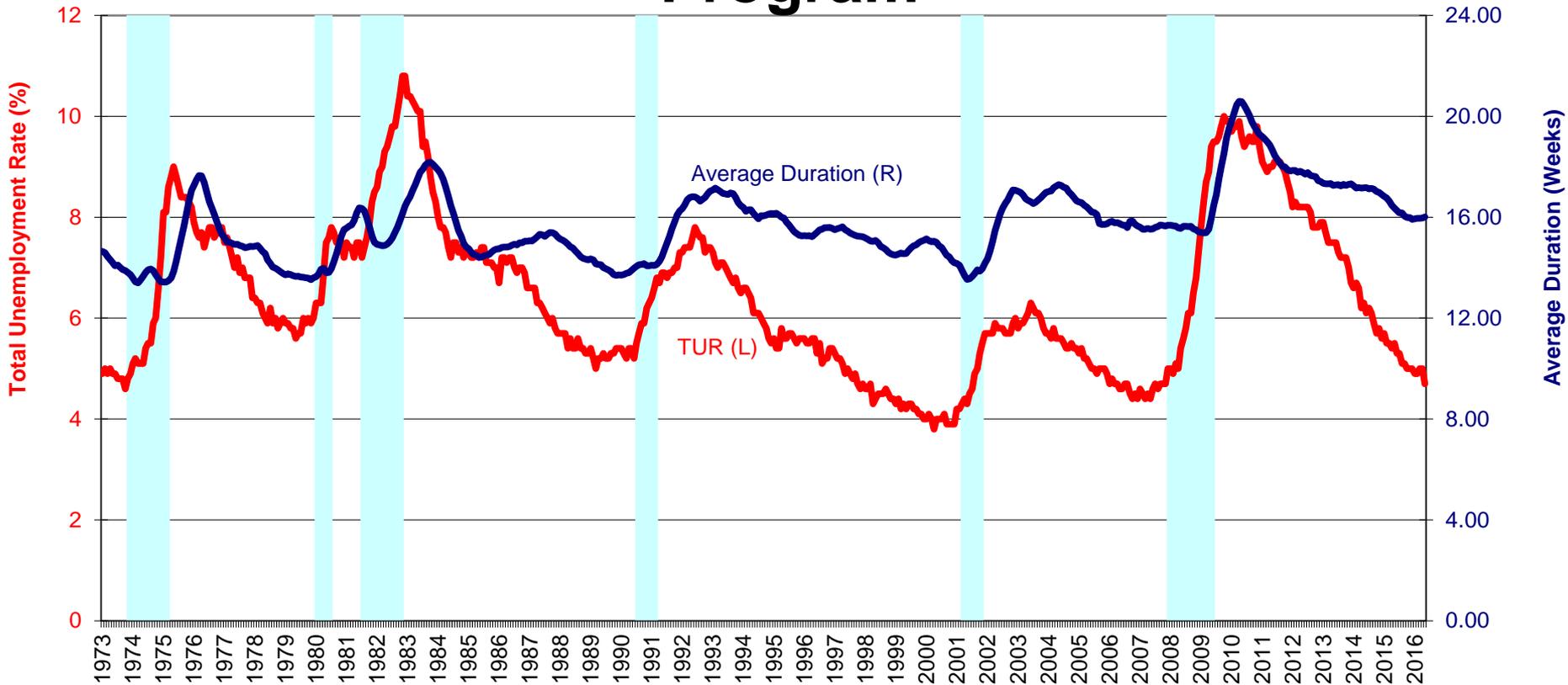
First Payments in the Regular Program



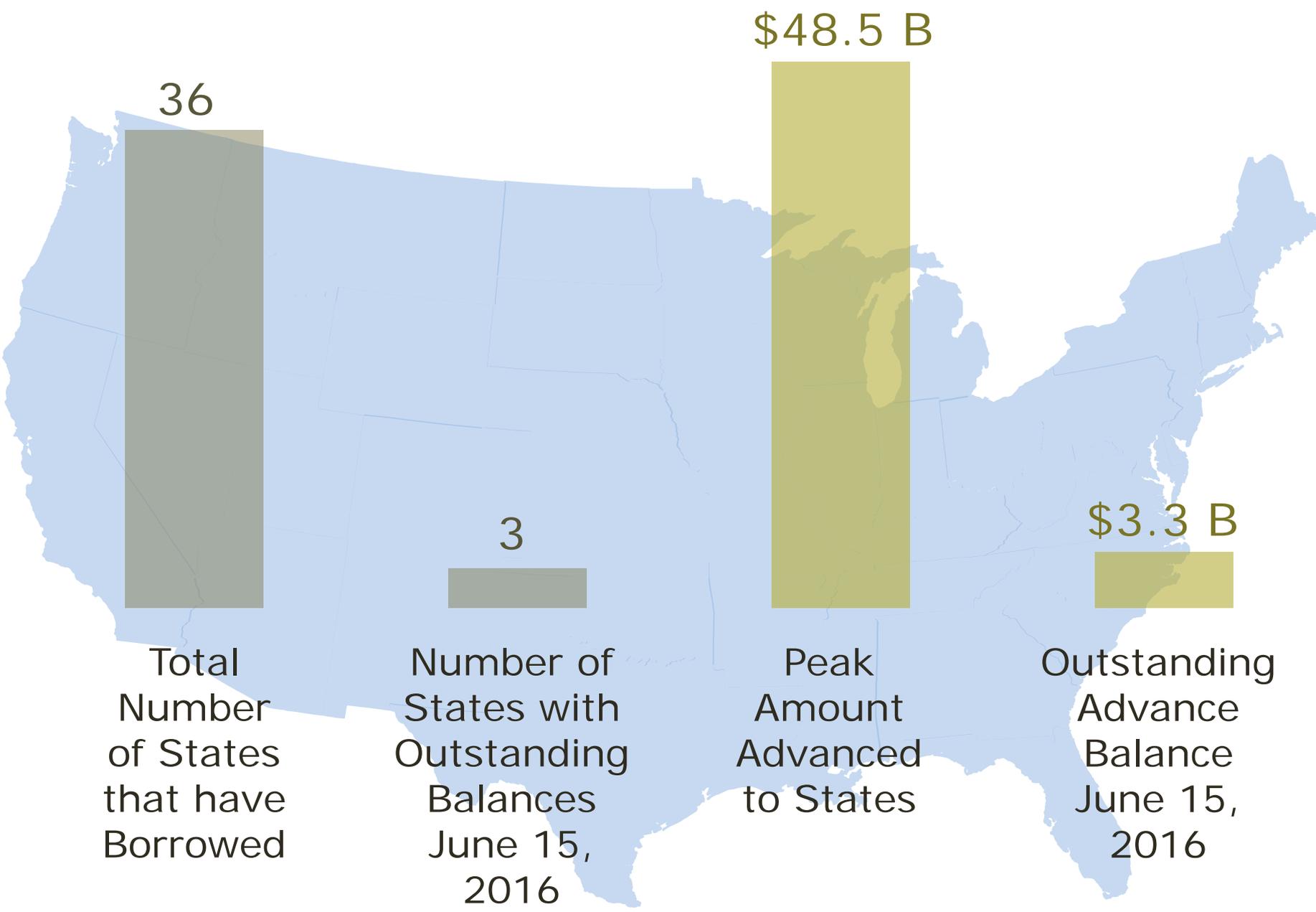
Exhaustion Rate in the Regular Program



Average Duration on UI in the Regular Program



Source: US DOL/BLS and US DOL/Office of Unemployment Insurance



36

Total
Number
of States
that have
Borrowed

3

Number of
States with
Outstanding
Balances
June 15,
2016

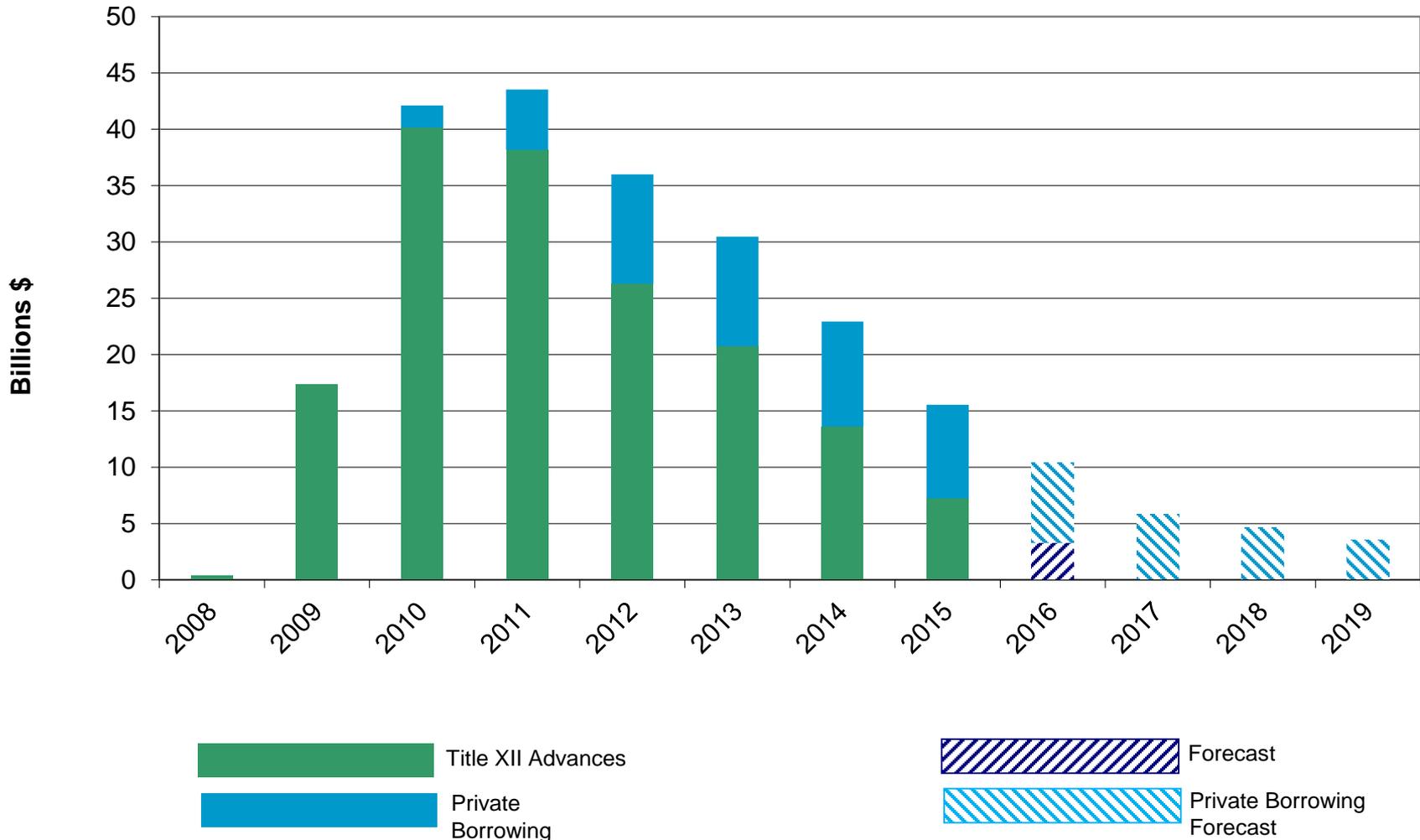
\$48.5 B

Peak
Amount
Advanced
to States

\$3.3 B

Outstanding
Advance
Balance
June 15,
2016

Total borrowing over time and projected borrowing through end of FY 2019



As of Dec 31		
	Loans Outstanding	Bonds Outstanding
2002	310,560,000	
2003	1,581,134,000	
2004	1,102,896,000	
2005	595,576,000	
2006	135,457,000	
2007	134,600,000	
2008	932,631,000	
2009	26,470,242,000	
2010	40,220,176,000	1,959,880,000
2011	36,433,321,000	5,377,450,000
2012	27,054,005,000	9,704,070,000
2013	20,656,443,000	9,725,720,000
2014	13,937,734,000	9,319,495,000
2015	7,355,478,000	8,300,295,000

Potential FUTA Credit Reductions - 2016

Updated: May 2016

These states had Title XII advance balances on January 1, 2016 and are potentially subject to a reduction in FUTA credit on their IRS Form 940 for 2016, if the outstanding advance is not repaid by November 10, 2016:

State ⁽¹⁾	2016 Potential Credit Reduction Due to Outstanding Advance ⁽²⁾	Preliminary Estimate 2016 Potential "2.7 add-on" ⁽³⁾	Preliminary Estimate 2016 Estimated "BCR add-on" ⁽⁴⁾	Preliminary Estimate 2016 Potential Total Credit Reduction ⁽⁵⁾
California	1.8%	0.0%	0.4%	2.2%
Connecticut	1.8%	0.0%	0.1%	1.9%
Ohio	1.8%	0.0%	0.3%	2.1%
Virgin Islands	1.8%	0.0%	1.3%	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 consecutive 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 consecutive 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 2015.

(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 2015.

(5) The potential FUTA credit reduction for 2016 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 can be waived and replaced by the 2.7 add-on, FUTA section 3302(c)(2)(C).

Actions Taken By States To Reduce Benefits:

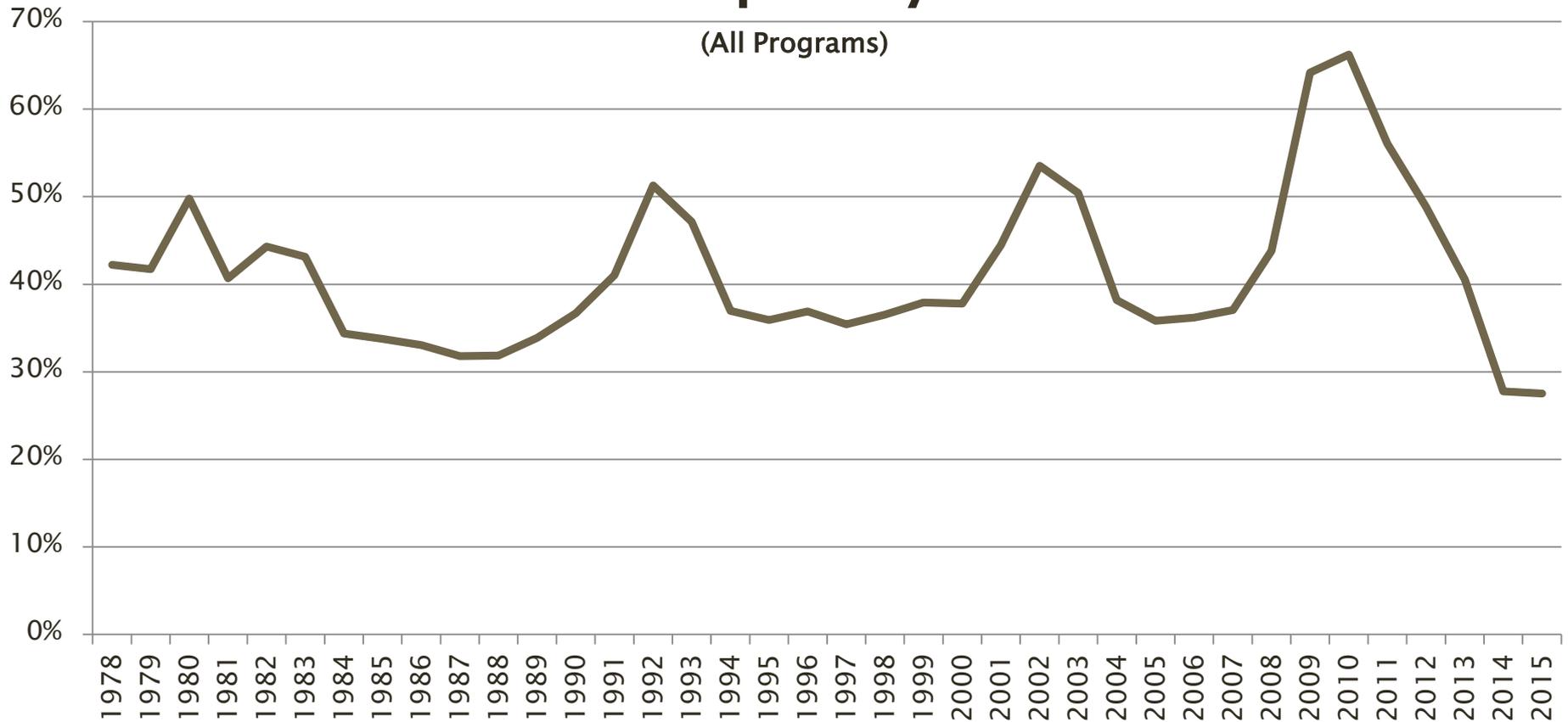
States Reducing Benefit Duration:

- Arkansas (25)
- Kansas (16–26)
- North Carolina (5–20)
- Florida (12–23)
- Michigan (20)
- Pennsylvania (18–26)
- Georgia (14–20)
- Missouri (13–20)
- South Carolina (20)

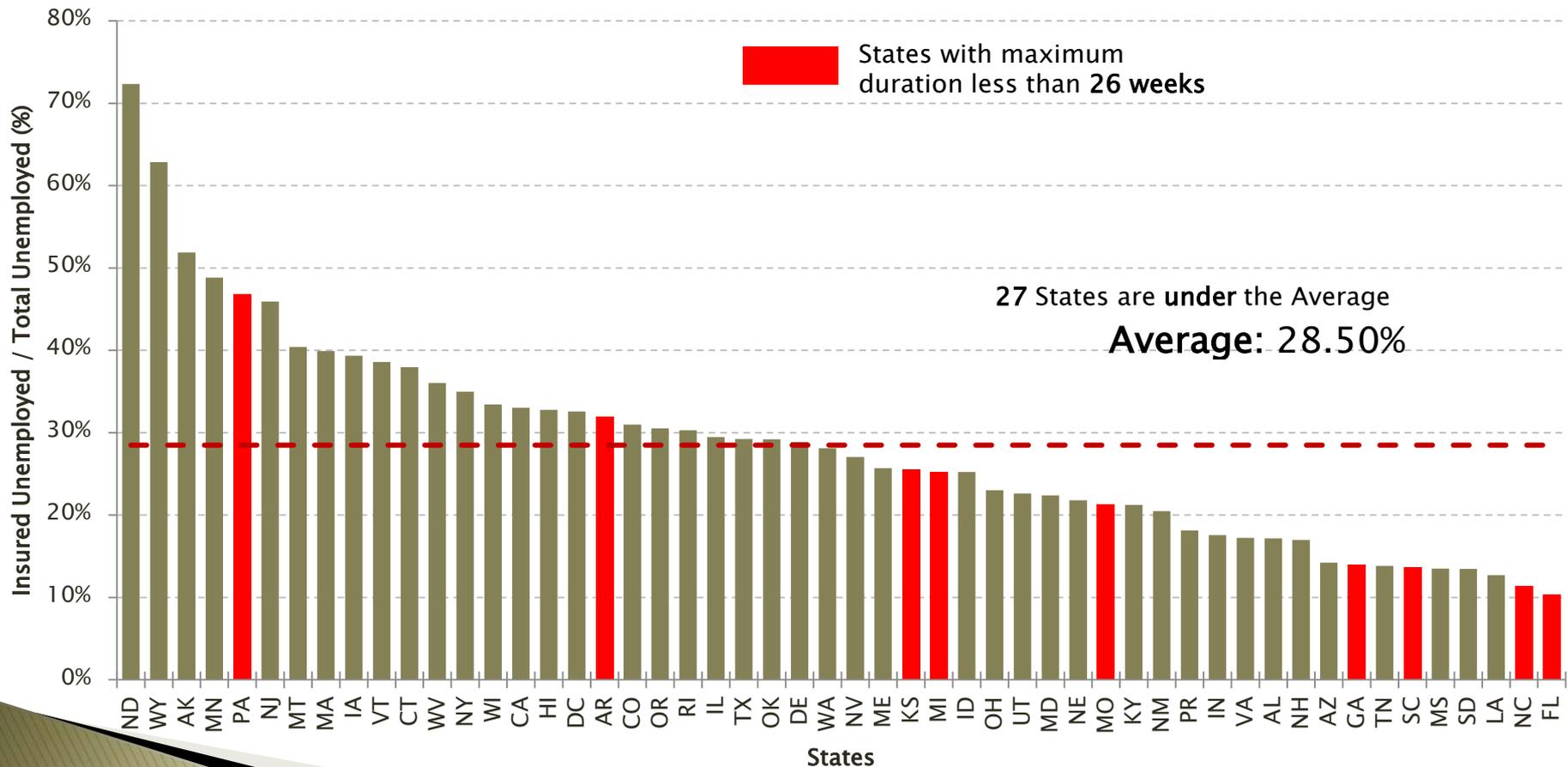
Other Actions Used to Reduce Benefits:

- 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

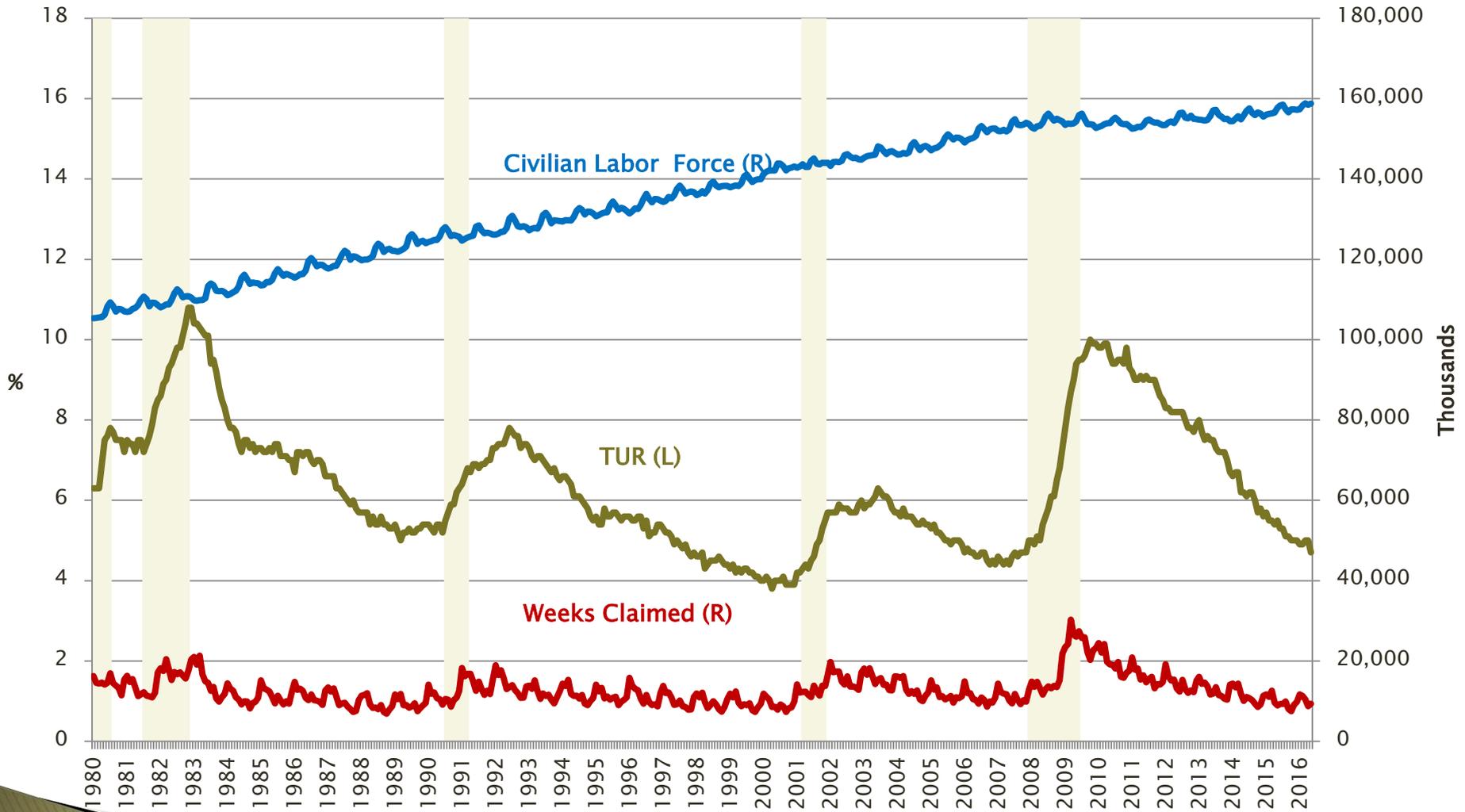
U.S. Reciprocity Rates



Fourth Quarter 2015 Reciprocity Rate (Insured Unemployed / Total Unemployed)



Weeks Claimed, Civilian Labor Force, and TUR



Significant Changes in State Taxes Since the Recession Ended

Increased Taxable Wage Base¹

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

Issued Bonds to Repay Title XII

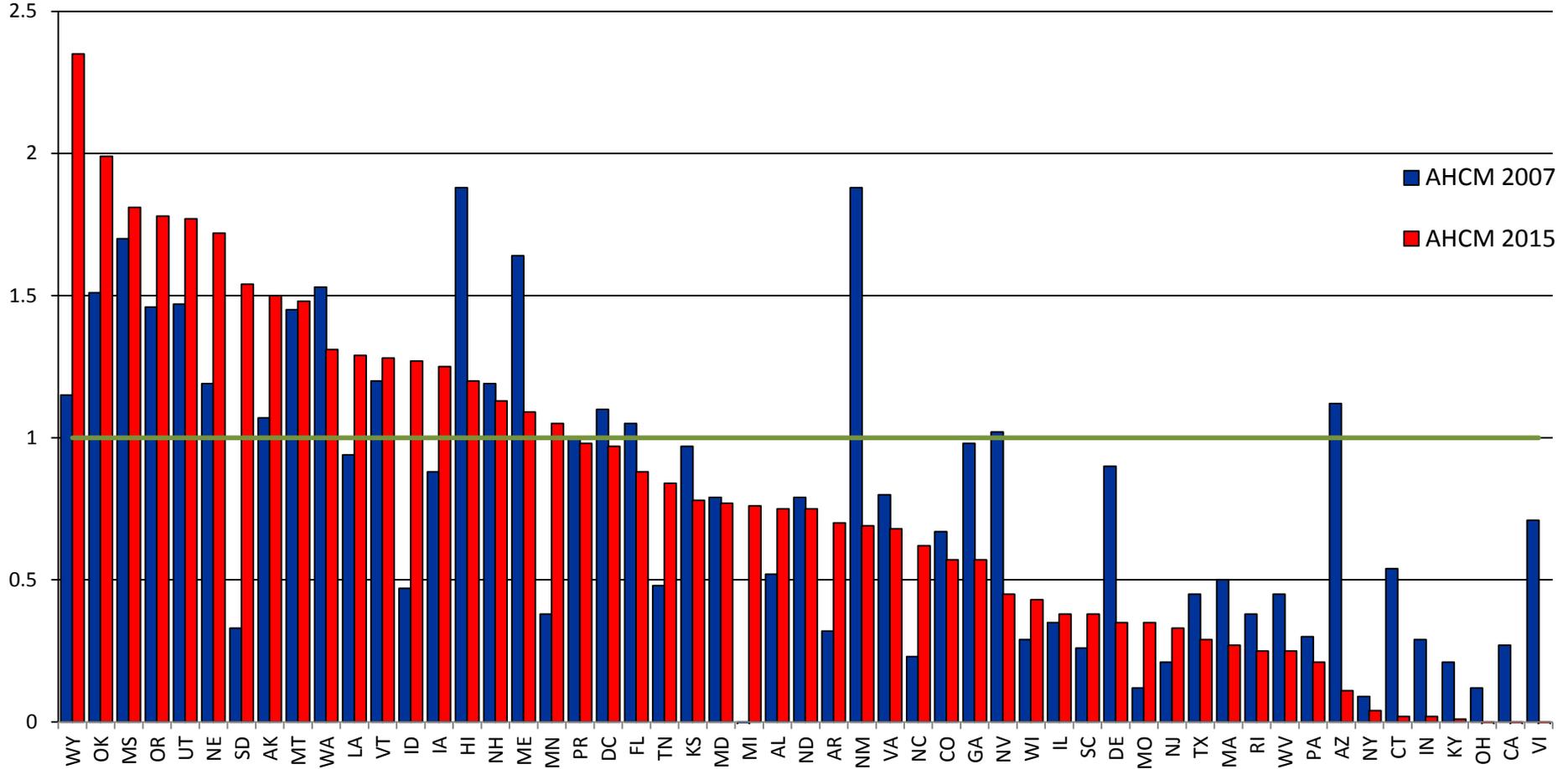
Arizona
Colorado
Idaho
Illinois
Michigan
Nevada
Pennsylvania
Texas

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.

Average High Cost Multiple, 2007 & 2015

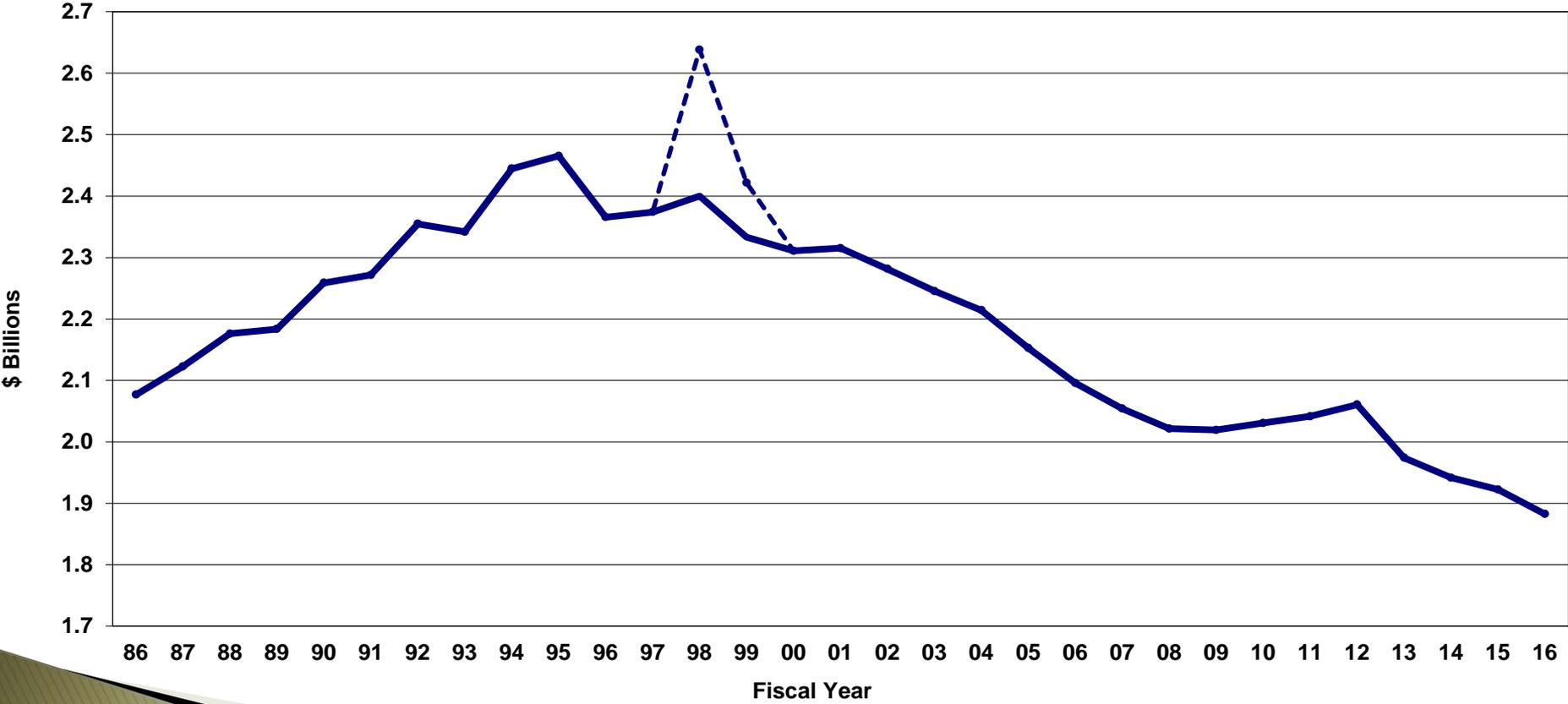


Source: DOL/OUI

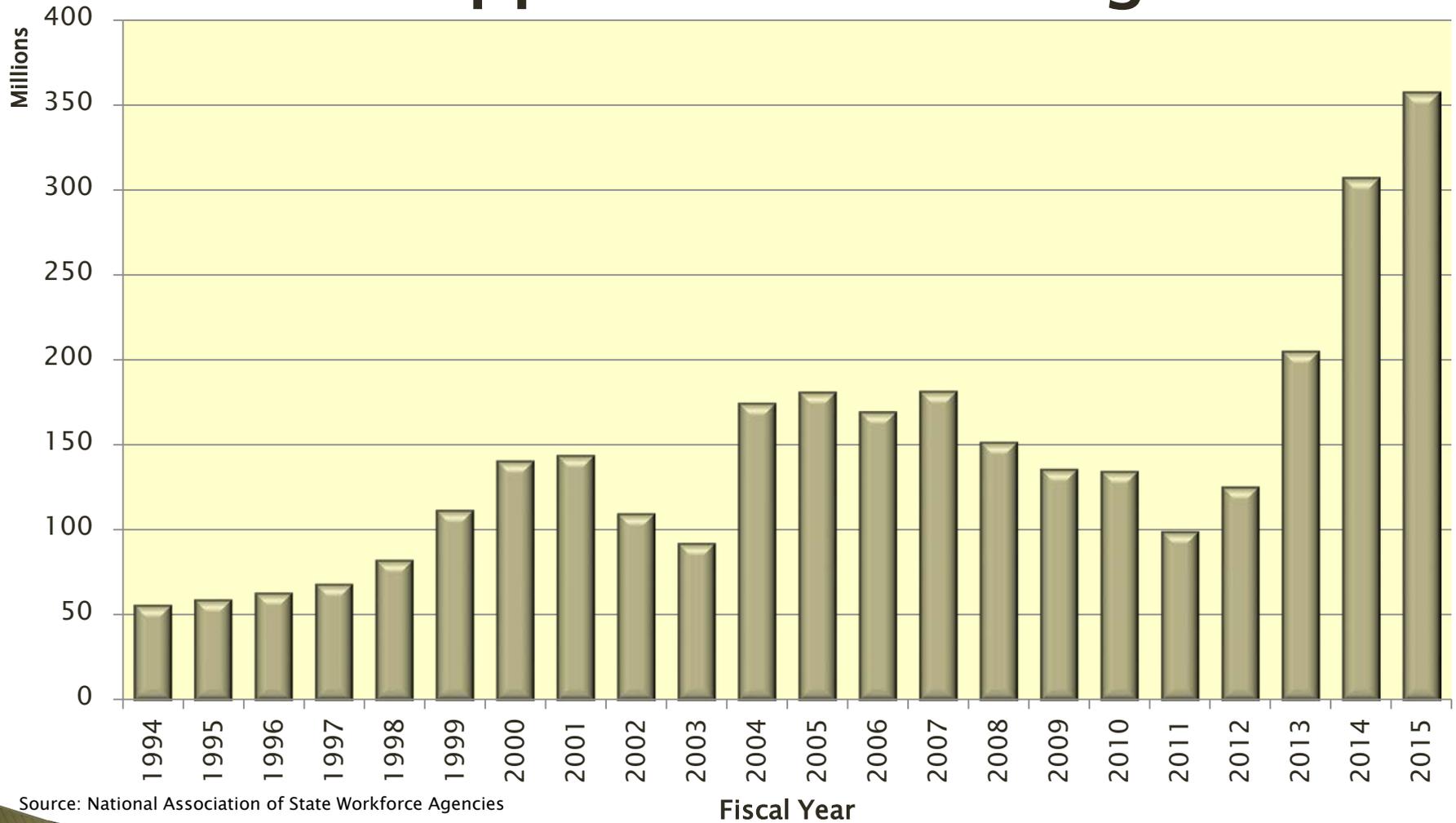
Appropriations for State UI Administration per 2.0 Million AWIU

Adjusted into constant 2005 dollars

Dashed Line displays inclusion of Y2K funds in FY98 and FY99



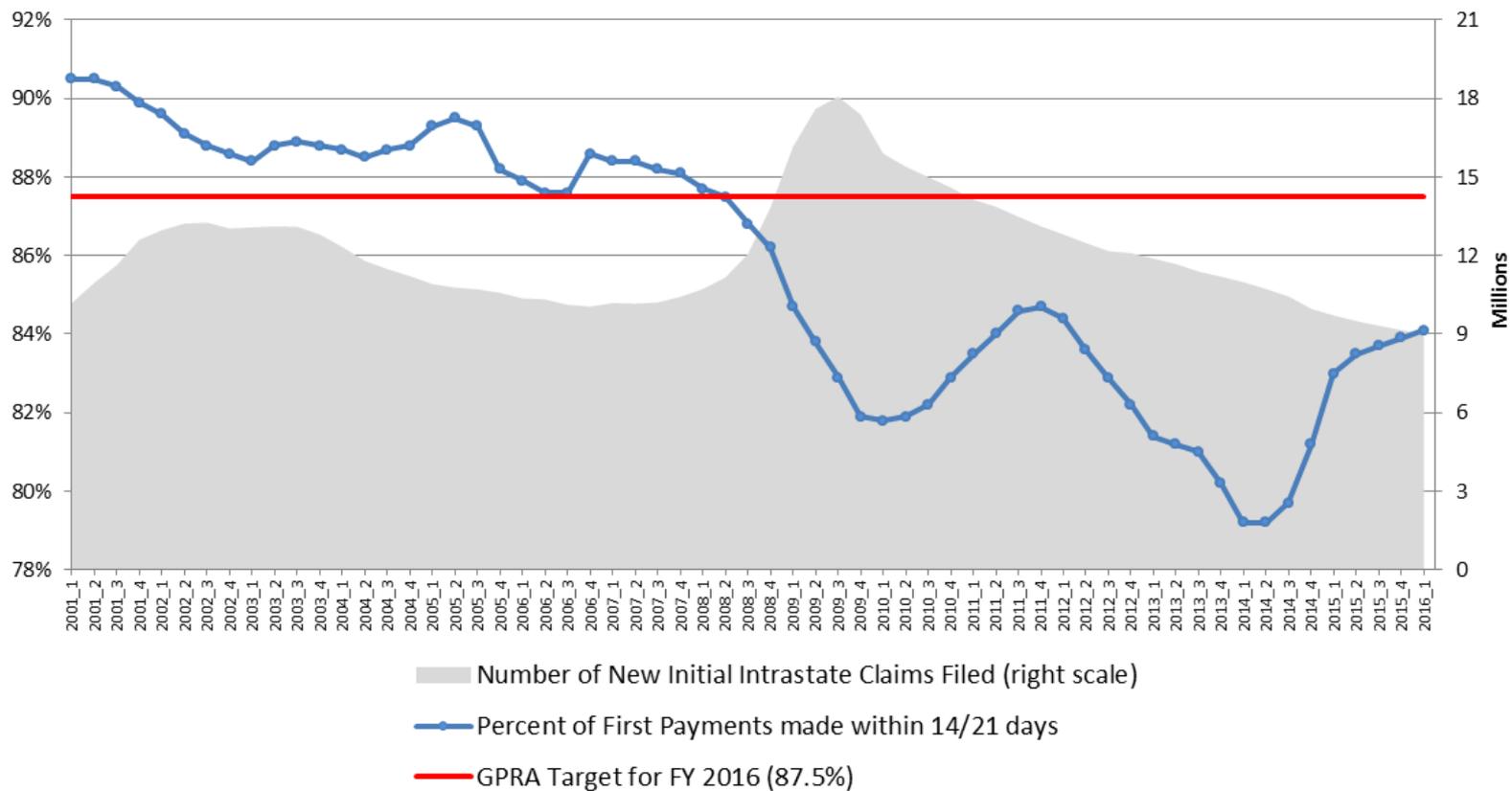
State Supplemental Funding for UI



Source: National Association of State Workforce Agencies

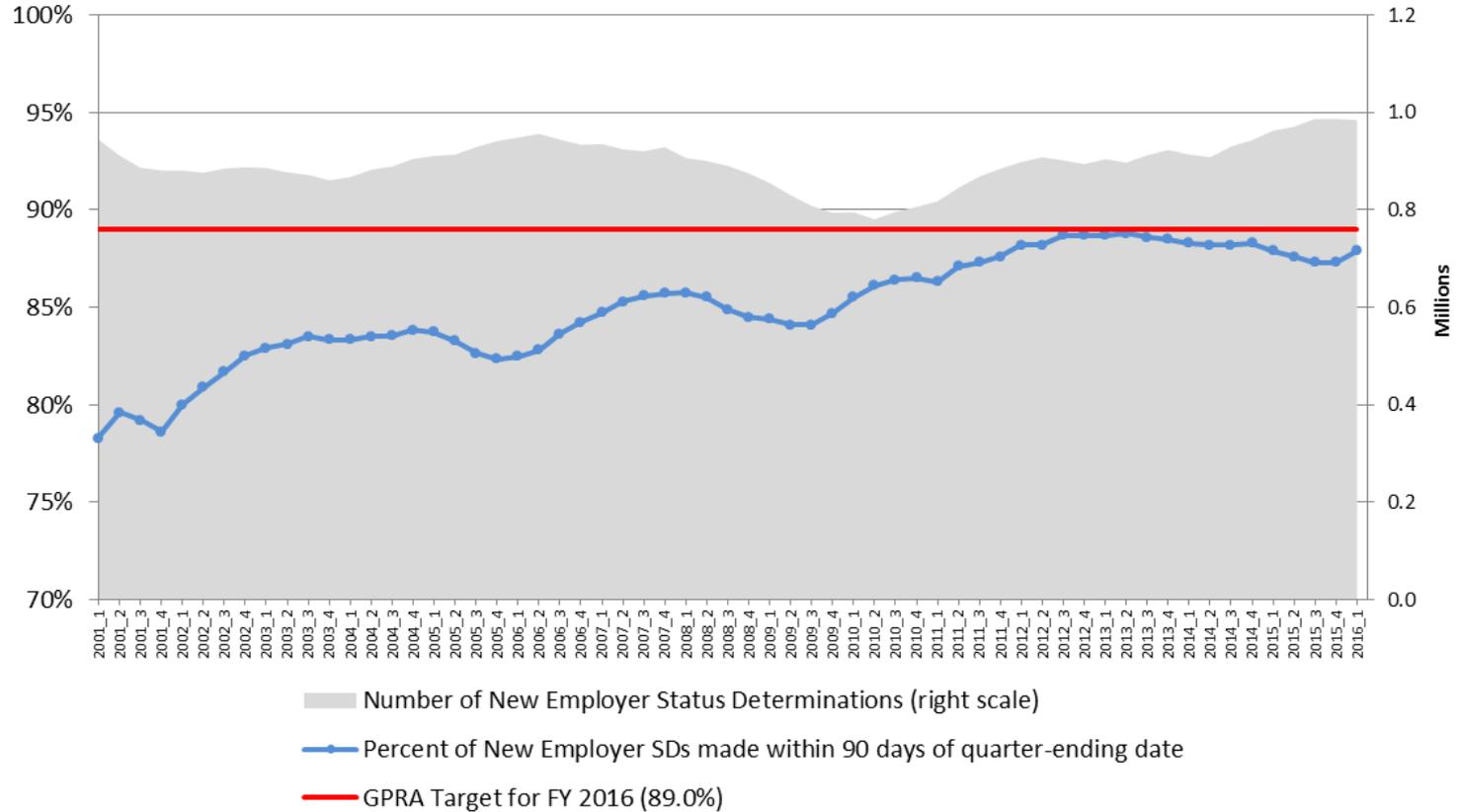
First Payment Timeliness

Rolling 4 Qtrs



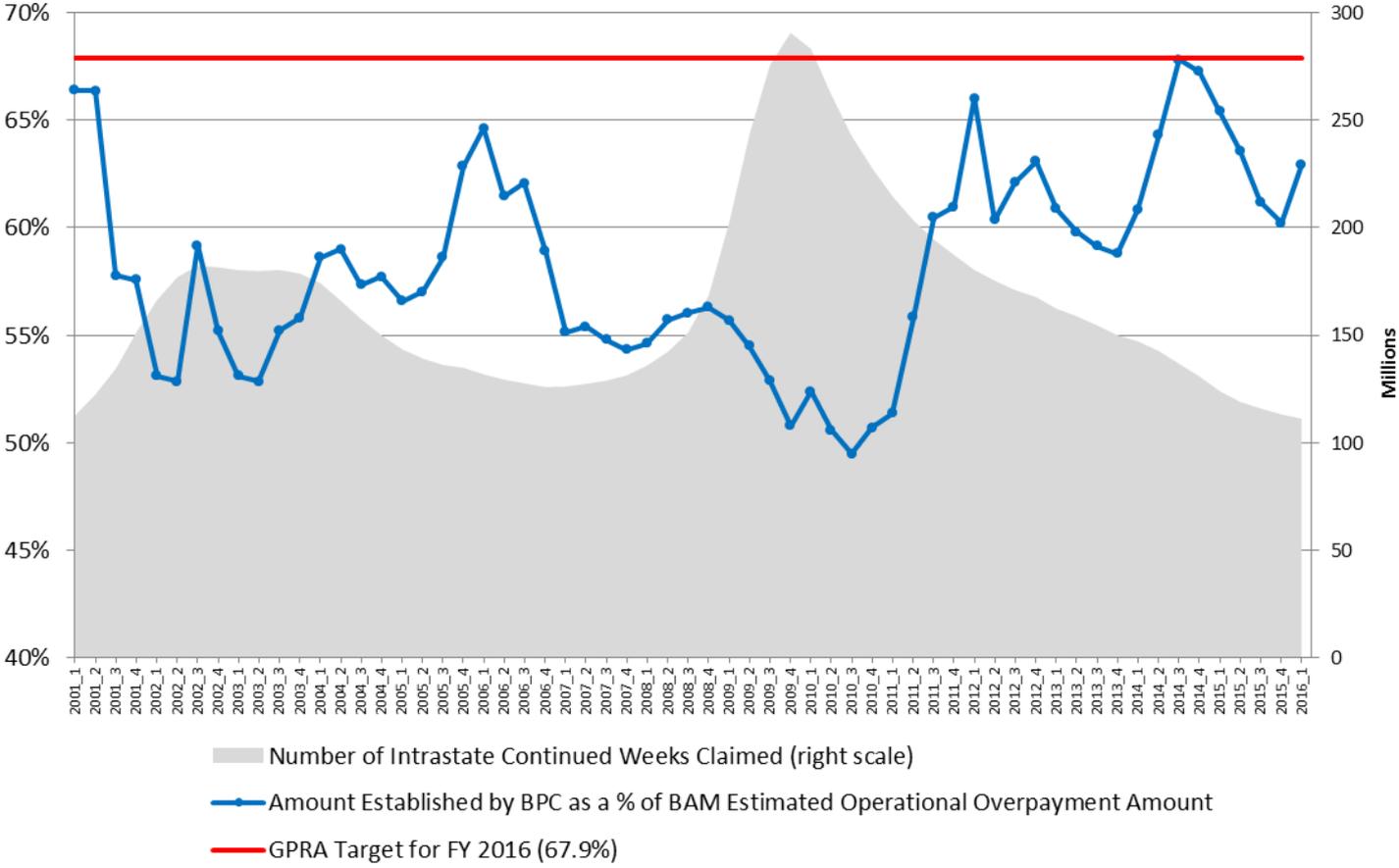
Timeliness of New Employer Status Determinations

Rolling 4 Qtrs



Detection of Overpayments

Rolling 4 Qtrs



IPIA UI Improper Payment Rate

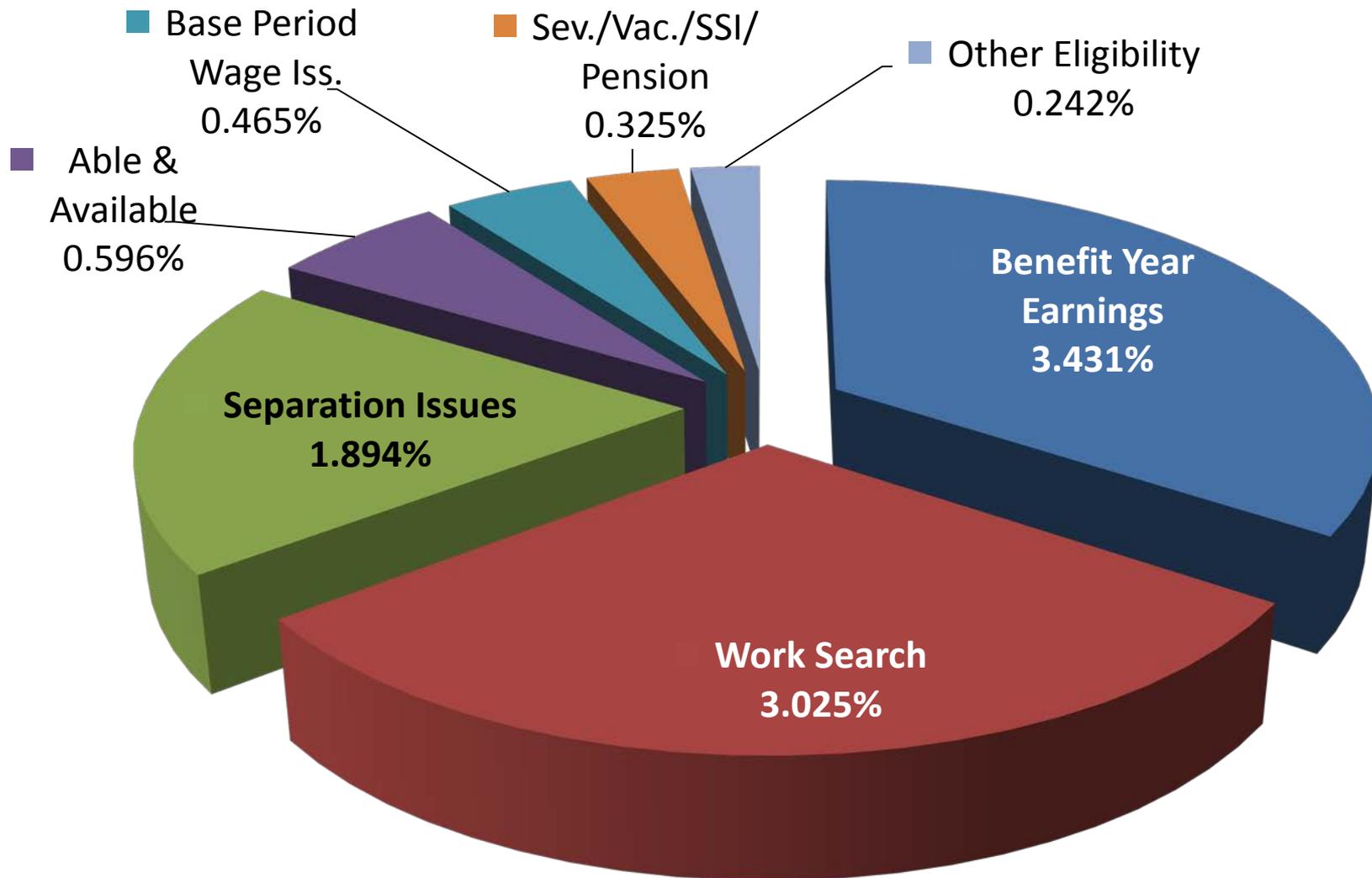
**Improper Payments Information Act
(7/1/2014 – 6/30/2015)**

Estimated Overpayment Rate (OP)	10.287%
Estimated Underpayment Rate (UP)	0.444%
Total Improper Payment Rate*(OP + UP)	10.732%
Total Estimated Amount Improper Paid	\$3.530

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

Dollar amounts are in billions.

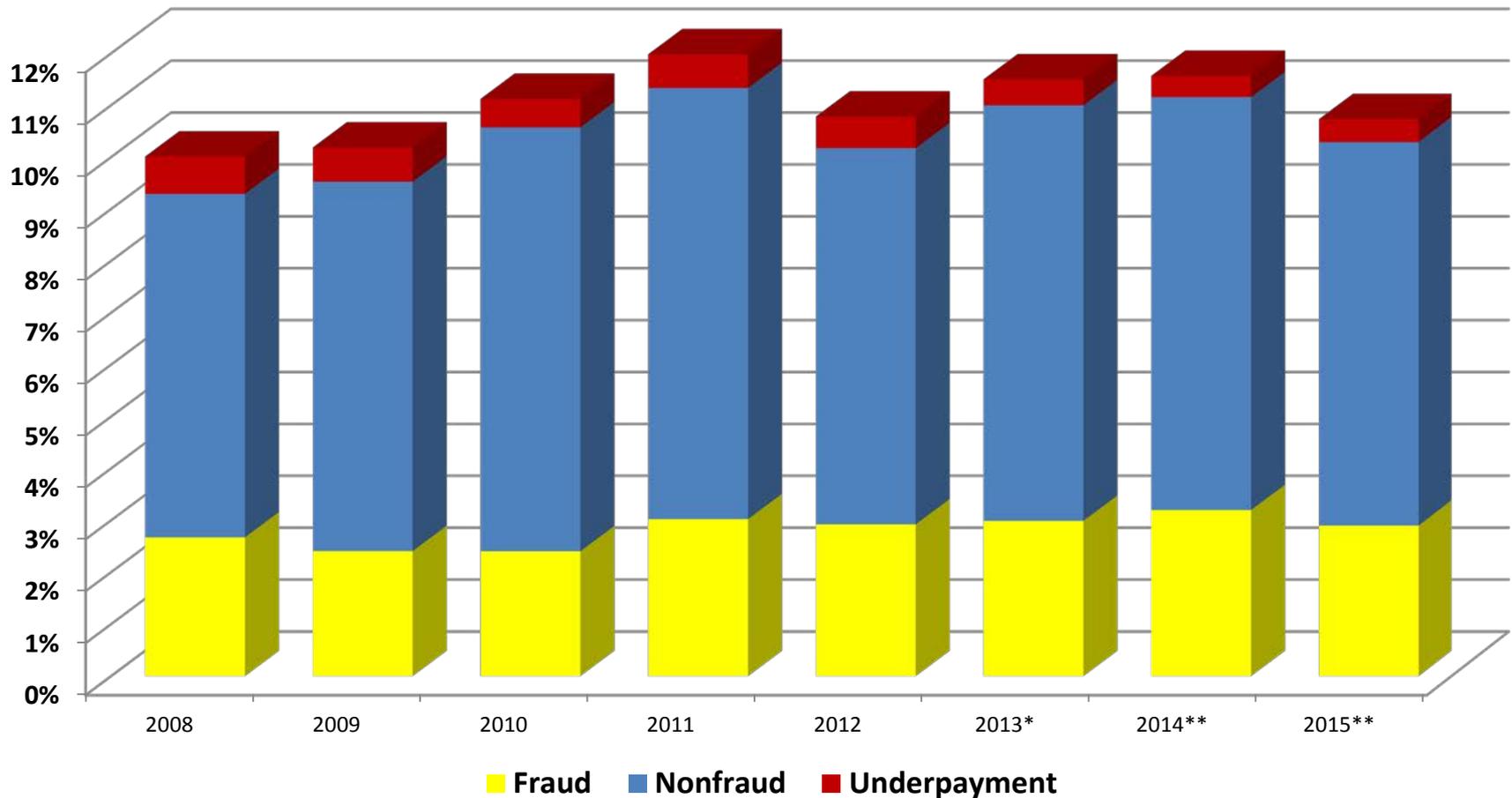
- **Based on completion rate of 99.55% of BAM cases**



**Overpayment Root Causes by
Percentage of Dollars Overpaid
July 1, 2014 – June 30, 2015**

UI Improper Payment Rate

Fraud and Nonfraud Overpayments, and Underpayments



IPIA 2013 adjusted rate for recoveries = 9.32%

IPIA 2014 and IPIA 2015 rates exclude all technically proper payments

A Program in Transition

- ❖ WIOA Implementation
- ❖ Reengineering UI Benefit Accountability Processes
- ❖ Reemployment Services and Eligibility Assessment Program (RESEA)
- ❖ Re-envisioning UI Work Search Requirements
- ❖ Important New Guidance

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

Reemployment Now Integral Component of UI

- ❖ WIOA Explicitly Reinforces
- ❖ RESEA Gaining Traction and More Funding
- ❖ FY 2016 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 2017 Budget contains proposal for mandatory RESEA program in all states

Re-envisioning State UI Work Search Requirements

- ❖ DOL Sponsored/NASWA Supported Workgroup
- ❖ Goal to Bring Work Search Requirements into 21st Century With Focus on Successful Reemployment
- ❖ Adaptable Framework for States Consideration
- ❖ “My Reemployment Plan” Coming Soon

Reengineering UI Benefit Accountability Processes

- ❖ Nine states piloted new state self-assessment tool for program operations in FY 2016
- ❖ Piloted new process for identifying “high priority” states and use of expert teams to support technical assistance om FY 2016
- ❖ Moving through OMB clearance now
- ❖ Full implementation during FY 2017

UI Integrity Center of Excellence

- ❖ Training Academy
- ❖ State Engagement/Capturing Best Practices
- ❖ Model BPC Operations
- ❖ Suspicious Actor Repository
- ❖ Integrated Data Hub
- ❖ Digital Library
- ❖ Data Analytics
- ❖ State Grants for Innovative Solutions

What's Important for the UI Program's Future?

- ❖ Bringing Key Stakeholders to the Table To Address Program Challenges
- ❖ Shoring Up the Foundations of the Program
 - Ensuring a Safety Net for American Workers
 - UI as an Economic Stabilizer in Economic Downturns
- ❖ Making UI Policies in a Balanced and Collaborative Process
- ❖ Addressing Program Funding Issues Across the Board
- ❖ Quality Administration of the Program

???QUESTIONS**???**
COMMENTS