NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES

EUC08 UI Administrative Funding and State Staff Reductions

Results of a NASWA survey on the impact of reduced EUC08 administrative funding on UI state staff levels

February 1, 2013

Staffing Levels Survey: EUC08

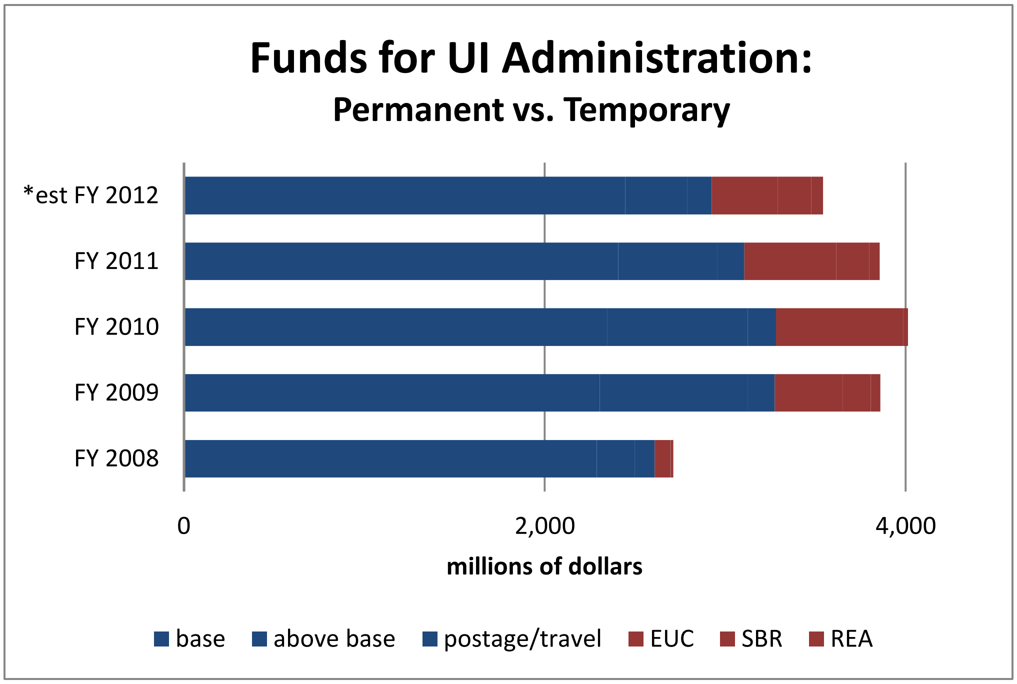
Issue Overview

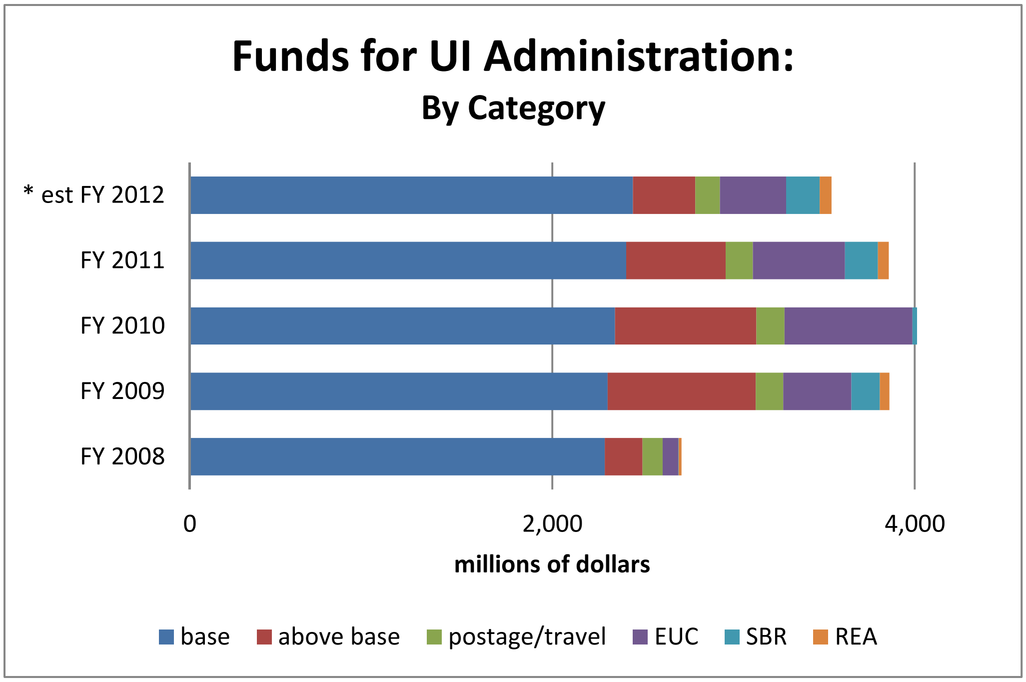
Title III of the Social Security Act requires the Secretary of Labor to provide state Unemployment Insurance (UI) programs with administrative grants sufficient for "proper and efficient administration." These funds come from permanent and temporary sources:

- Administrative funding under permanent law covers "base," "above-base," and postage and travel funding. Base funding can be thought of as funding provided to states each year to cover normal ongoing operations. Above-base funding is provided when states experience unemployment higher than their base levels. Above-base funding, in a sense, is "earned" by states as they administer unemployment claims in excess of their base levels.

- Temporary funding has been provided in response to the "Great Recession," which began in the first quarter of fiscal year 2008. There are three types of temporary funding: (1) administrative funding for the temporary Emergency Unemployment Compensation (EUC08) program; (2) Supplemental Budget Request (SBR) funding for selected states, which is derived from undistributed above-base funds near the end of a fiscal year; and (3) funding for Reemployment and Eligibility Assessments (REA) for selected states.

The bar graphs below show permanent and temporary grants to states for administration of their UI programs. In the first graph, total administrative funding peaked in fiscal year 2010 and then began to decline in fiscal years 2011 and 2012. Permanently authorized funding increased sharply from fiscal year 2008 to 2009 and then began a gradual decline. States were forced to ramp up quickly in response to the Great Recession and then faced gradual declines in funding over the next three years. Temporary funding followed a similar pattern, but began to decline more rapidly in 2011 and 2012 due to declines in above-base and EUC08 funding.





As grants for administration of state UI programs continue declining, states face the prospect of cutting their staff levels. A major challenge for states came at the end of 2012 when they were confronted with the expiration of EUC08. Until very late in 2012, many state officials thought EUC08 would expire and states would receive no more administrative funds for the EUC08 program. This focused their attention on the potential need to cut administrative spending, which could have meant substantial staffing cuts at the beginning of 2013. Fortunately, EUC08 was extended for one year, but the declines in UI administrative funding likely will continue if the economy continues expanding.

States argue that even in good economic times they do not receive enough administrative funds to administer their programs as well as they would like. Since 1995, the federal government has not adjusted grants to states for administration of their UI programs for inflation (except for the one percent increase in fiscal year 2010). When adjusted for inflation and normalized at a base two million average weekly insured unemployment level, base funding for State UI Administration is at its lowest level since 1986.

In order to determine how states were dealing with the short-term and long-term declines in funding, NASWA surveyed its members. The results of the survey are discussed below.

Executive Summary

During the NASWA Board of Directors Meeting December, 6-7, 2012, several states expressed concern about the prospects of cuts in federal funding for administration of Unemployment Insurance (UI). The Board of Directors asked NASWA to survey all states on whether states will have to cut unemployment insurance staff due to reductions in federal funding for UI administration. Below are the highlights of state responses from the survey[1].

[1] State responses were collected prior to the extension of the Emergency Unemployment Compensation (EUC08) program on January 2, 2013 under the American Taxpayer Relief Act of 2012.

1. **Are you projecting to cut UI staffing levels in CY 2013 due to reductions in federal administrative funding for UI? (This question assumes EUC08 will expire at the end of this year).**
    - Of the 42 states to respond to the survey, 23 indicated they are projecting to cut UI staffing levels in CY 2013 due to reductions in federal administrative funding for UI. Nineteen states indicated they are not projecting reductions in UI staffing levels due to reductions in UI administrative funding for CY 2013.

2. **If yes, how many full-time-equivalent (FTE) UI staff positions do you expect to eliminate?**
    - Nineteen states indicated that they would have to eliminate full-time equivalent (FTE) UI staff positions. The total number expected layoffs for all states to respond to this question are 1,265 FTE UI staff.
    - The average percent reduction in UI FTE staffing levels is 15.4 percent with levels ranging from 1.5 percent to 49 percent.

3. **If staff positions are reduced, what is the likely effect on services?**

a) Increased client wait times.

- Twenty three states indicated client wait times would increase if staff levels were reduced. Five states said client wait times would not increase if staff levels were reduced and three of those states were those who said they would have to reduce UI staff levels for CY 2013.

b) Reduced services for business

- Fourteen states indicated services available to business would be reduced if staff positions are reduced. Fourteen states responded that business services would not be reduced if there were reductions in staff; ten of those states were those who said they would have to reduce staff levels for CY 2013.

c) Reduced administrative performance on USDOL measures.

- Nineteen states indicated their performance on USDOL measures would be affected if staff positions are reduced. Eight states indicated administrative performance on USDOL measures would not be affected if there were reductions in staff levels. Six of those states were those who indicated they would have to reduce staff levels for CY 2013.

Cuts to UI Staffing Levels for CY 2013

The survey asked states a series of questions about whether they expected to reduce staffing levels, the magnitude of staff level reductions, if any, for full-time equivalent (FTE) staff and whether a reduction in UI staff levels would increase client wait times, reduce business services and performance. States also were asked to describe any legal, regulatory or contractual constraints states might face in reducing staff.

Forty two states responded to the survey. They fall into three general categories:

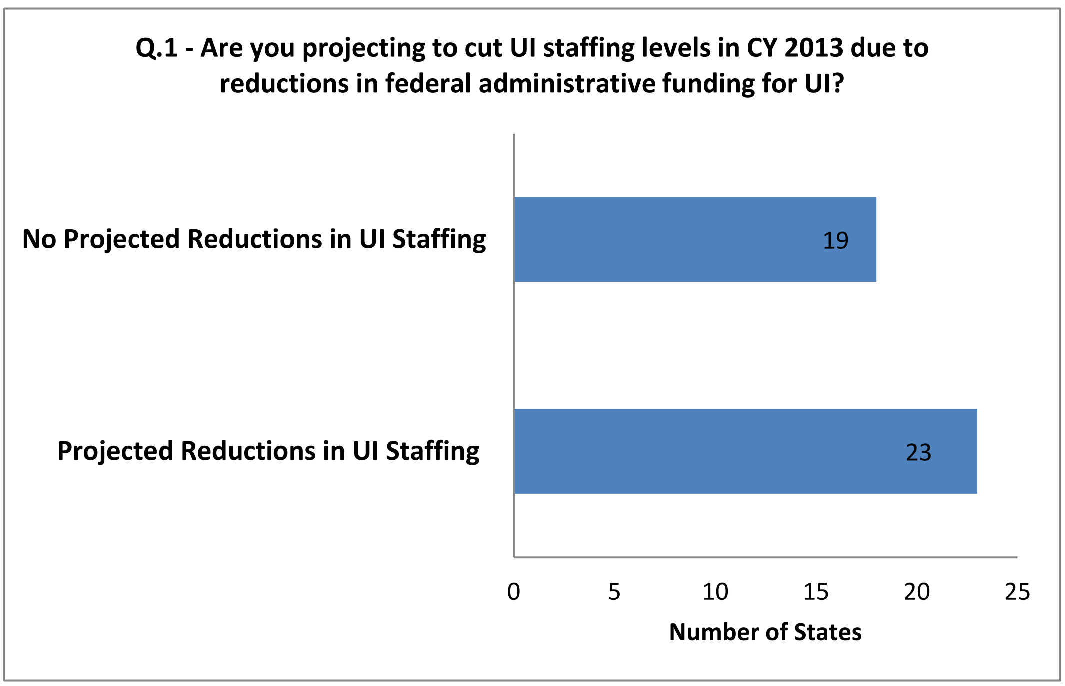
- States projecting cuts to staff and decline in performance and delivery of services;
- States projecting cuts in staff but no decline in performance and delivery of services and;
- States projecting no cuts to staff or decline in performance and delivery of resources.

According to the survey, some 23 states indicated they are planning on reducing UI staffing levels in calendar year (CY) 2013. These 23 states cited several reasons for the cuts, including:

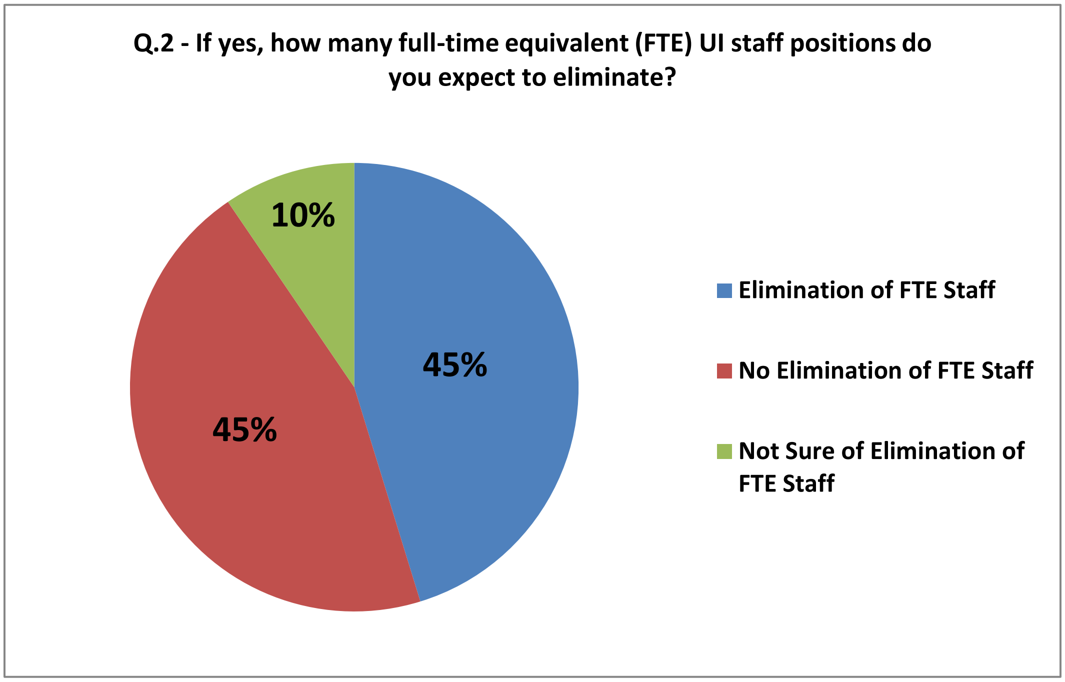
- The administrative funding states receive to operate their UI programs is inadequate to sustain the current level of operations;
- The expiration of EUC08 will no longer provide the funding many states needed even before the Great Recession;
- An improving economy and declining levels of UI claims would reduce the need for staff members that were hired for the surge in claims during the Great Recession.

States projecting cuts in staff levels also mentioned several other cost-cutting measures, including:

- Reducing the number of hours worked by temporary staff;
- Reducing the amount of overtime hours available and;
- Allowing positions to remain vacant and reducing staff levels through attrition and retirements.



States indicating a reduction in UI program staff levels for CY 2013 also were asked to project the level of reductions in FTE positions. Of the 23 states indicating some form of staffing reductions, 19 states are planning on eliminating FTE staff positions. A total of 1,265 FTE's are planning on being let-go from the 19 states indicating reductions in FTE staff. The average percent reduction in UI FTE staffing levels projected by states is 15.4 percent, ranging from 1.5 to 49 percent among the states.



Increased Client Wait Times

Reductions in funding, resources and staff levels for state UI programs also will affect the services provided to both UI claimants and businesses as well as reduce performance. States were asked in the survey if a reduction in staff levels (temporary or permanent) would increase client wait times.

Some twenty-three states indicated client wait times would increase if staff positions were reduced. Five states said client wait times would not increase with a reduction in staff levels; three of those five states were states projecting staff cuts in CY 2013.

The majority of states indicated client wait times would increase due to a reduction in temporary staff funded through the EUC08 program. Many of the temporary positions described by states are located in UI call centers, processing centers or in local offices meant to provide direct services to UI claimants. Several states noted reduced temporary and permanent staff levels would result in significant delays in processing initial claims, continued claims, and making eligibility and adjudication decisions. In addition to a delay in the timeliness of services provided to UI claimants, some states suggested they might ration the availability of services to individuals, with one state indicating that it might allow individuals to call only on certain days of the week based on the last digit of their Social Security Number.

Reduced Business Services

When asked how businesses would be affected by reductions in funding, there was less consensus among states compared to the impact of cuts resulting in client wait times.

- Fourteen states indicated services to business would be reduced if staff positions were reduced.
- Fourteen states responded that business services would not be reduced if there were reductions in staff; ten of which were states projecting reduced staff levels for CY 2013.

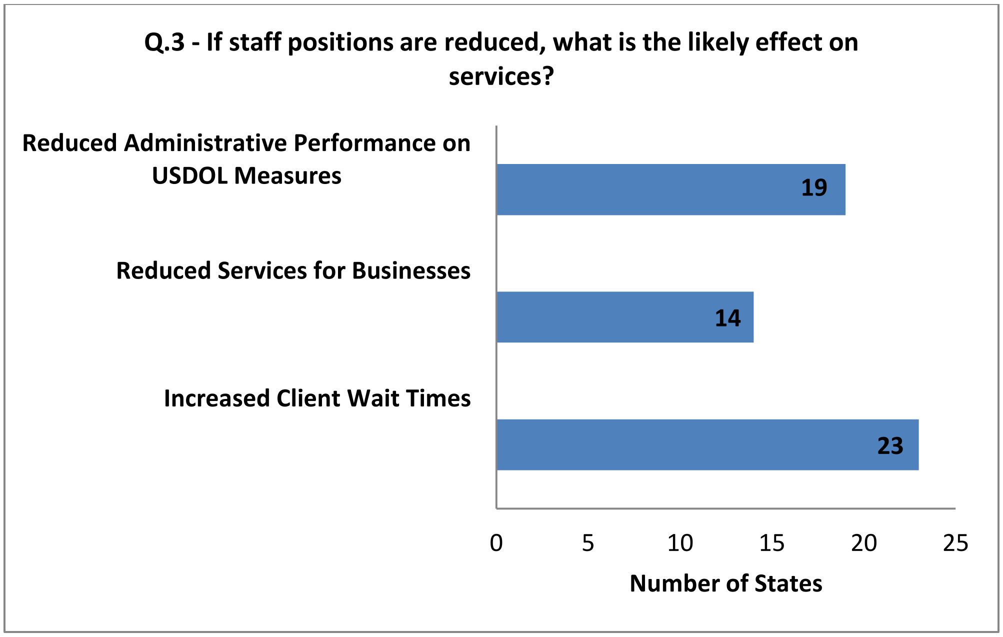
- As many states indicated the reason for increased client wait times would be largely due to lack of staff to handle program workloads, the same reason also was cited for expected reduction of services for businesses.
- Several states noted reductions in staff levels would result in increased wait and response times for business calls and inquiries, review of employer separation notices and the processing of employer appeals.
- States indicating reduced services available to businesses also noted a reduced workforce would limit agency outreach and engagement efforts with the business community.
- States expecting no reduction in services for businesses noted efforts to integrate and implement comprehensive UI and Workforce online registration platforms which will allow current staff to make more substantive efforts to reach the business community.

Reduced Administrative Performance on USDOL Measures

In the administration of state UI programs, USDOL establishes performance measures and goals for states workforce agencies. States were asked what effect reductions in staff levels would have on their ability to meet USDOL performance measures.

- Nineteen states indicated performance on USDOL measures would be negatively affected if staff positions were reduced.
- Eight states indicated administrative performance on USDOL measures would not be affected. (Six of those states were those who indicated they have to reduce staff levels for CY 2013.)
- States specifically mentioned lower performance on the first payment and non-monetary timeliness administrative performance measures would occur with a reduction in staff levels as workloads remain relatively elevated.
- States also indicated a reduction in staff levels will shift the focus of senior level employees to day-to-day activities and processing operations, preventing agencies from engaging in broader efforts to make each state's UI program more efficient. Specifically, many states mentioned they would be unable to participate in USDOL integrity initiatives meant to improve performance levels because they would have to focus on the daily operations of the program.

States indicating performance on USDOL measures would not be affected by reduced staff levels cite recent implementation of new software aimed towards making state UI program operations more efficient. These new systems will allow remaining staff to move away from daily operations and maintain performance on USDOL measures. One state did note that with reduced funding levels over a sustained period of time, the maintenance of the new systems will be difficult, running into the same issues states faced causing the need for a new system. States also indicated that integrity and monitoring initiatives will be negatively affected, with fewer staff to dedicate to quality control processes and reviews.



Legal, Regulatory or Contractual Constraints in Cutting UI Staffing Levels

As states face the possibility of reducing staff levels as a result of the expiration of EUC08 as well as funding due to a decrease in projected UI claim workloads, they must conform to any legal, contractual or regulatory agreements between the state and public sector unions. Many states, in response to the Great Recession, increased staffing levels with temporary workers to handle the increased workload. With the Great Recession over and the economic recovery continuing to strengthen, states do not have the funding or in some states the need for these workers. But the survey showed there were no legal, regulatory or contractual restrictions in limiting the hours or the employment of temporary employees for a majority of states.

However, when it comes to the reduction of FTE's at state workforce agencies, state agencies must follow the collective bargaining agreements. States that indicated they are projecting layoffs in FTE staff members said the layoffs would be determined by seniority for the most part. States also mentioned that after the initial round of layoffs, in some cases, individuals would be demoted to fill positions once filled by temporary employees. Hourly FTE's also would see a reduction of hours per week. States responding to this question also indicated they would allow attrition to reduce their FTE staff levels and not backfill those positions with FTE replacements, but perhaps temporary employees, creating more flexibility in the context of persistent federal budgetary uncertainties.