

NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES

# NASWA State Supplemental Funding Survey

*Results from the State Supplemental Funding Survey for FY2011 and FY2012*

**July 25, 2013**



## Background

For several years, NASWA has surveyed states to determine the amount of state funds used to supplement federal grants to operate a variety of federal programs. The NASWA State Supplemental Funding Survey is the Association's longest running survey, with NASWA collecting supplemental funding information from states since 1994.

The NASWA State Supplemental Funding Survey, sponsored by the NASWA Administrative and Finance Committee, helps gauge the actual expenditures for unemployment insurance, employment services (Wagner-Peyser), labor market information, Workforce Investment Act, and one-stop operations which are supported with state funds. NASWA has used results from the Survey in past years to demonstrate to Congress and the U.S. Department of Labor that federal appropriations from both general revenue and from the employer-paid taxes for unemployment insurance and the employment service have been inadequate. For example, funding for Wagner-Peyser has remained at approximately the FY 1983 level while the labor force and the demand for services has grown dramatically.

In addition to state funding sources, the survey captures how states have spent funds allocated to them from Reed Act Distributions. Reed Act Distributions are authorized under Section 903 of the Social Security Act and are authorized when the three federal accounts in the Unemployment Trust Fund (UTF) exceed their statutory limits at the end of a federal fiscal year. If this occurs, excess funds may be transferred to the individual State accounts in the UTF. These transfers are called "Reed Act" distributions.

## Survey Results

In the latest survey, NASWA requested two years of supplemental funding data for FY 2011 and FY 2012 (years ending June 30, 2011 and June 30, 2012). Forty-four states responded to the NASWA survey, a comparable number of states who have responded to the survey in previous years as Table 1 illustrates.

Survey data captured four sources of funds states use to supplement federal funds. The four funding sources include: **State Penalty and Interest, State General Fund, State Administrative Tax, and Other Funds**. States also were asked to provide the source of funding from **Special Reed Act, Regular Reed Act** and the **\$8 Billion Reed Act** distributions for FY11 and FY12. *(Definitions of funding sources are provided under "Survey Definitions" at the end of this report).*

<b>Fiscal Year</b>	<b>Number</b>
<b>2002</b>	<b>47</b>
<b>2003</b>	<b>44</b>
<b>2004</b>	<b>45</b>
<b>2005</b>	<b>47</b>
<b>2006</b>	<b>46</b>
<b>2007</b>	<b>46</b>
<b>2008</b>	<b>45</b>
<b>2009</b>	<b>45</b>
<b>2010</b>	<b>45</b>
<b>2011</b>	<b>44</b>
<b>2012</b>	<b>44</b>

States were asked to provide the amount of funds from each source listed above for:

**Unemployment Insurance (UI), Employment Services (ES), Labor Market Information (LMI), WIA Job Training (WIA), One-Stop Operations, and a Multiple (All) Programs** category used to report the expenditures of funding where it was difficult to quantify an amount

for a specific program because the activity crosses program lines. States were also asked to specify how much was supplemented for UI Administration and UI Benefits from all Reed Act distributions.

Funding by source of funds and for which programs the funds were used in FY11 and FY12 are summarized in Tables 2 and 3 below, respectively. The data shown are actual expenditures, not obligations. Data reported by source of funding are summed to determine total state funds. In Tables 2 and 3 each cell shows how much of each funding source was used for a given program.

Data for FY11 and FY12 show a degree of consistency that is further evidenced in the longer term historical graphs later in this report. States continue to contribute significant funding to supplement federal funding sources for the referenced programs. As shown in each Table, the cell for the intersection of the Total Column and the Total Row shows states contributed almost \$600 million in additional funding in FY11 and over \$600 million in FY12 to the operation of the programs listed.

Two sources, Penalty and Interest, and State Administrative Taxes, provided the primary source of funds. The UI and ES programs received the majority of the funds. While WIA received similar overall funding levels in FY11 and FY12 with 36 states providing additional funding in 2011 and 37 states in 2012. However, in each year, just two states (NJ & MN) accounted for over 80 percent of WIA funds in FY11 && and approximately 90 percent of the total funds supplied in FY12. Funding for UI increased 50 percent from FY11 to FY12. LMI received a much smaller amount reflecting the lower level of overall funding for the program. States also continued to make use of their Reed Act funds for both administrative purposes and paying UI benefits.

**Table 2  
NASWA State Supplemental Funding: FY 2011**

Source	UI	ES	LMI	WIA	Multiple Programs	Total
Penalty and Interest	\$49,805,066	\$21,319,206	\$506,683	\$6,388,098	\$2,178,274	<b>\$80,197,327</b>
State General Fund	\$900,756	\$9,440,119	\$553,000	\$15,803,546	\$28,863,848	<b>\$55,561,269</b>
State Admin Tax	\$46,377,122	\$112,045,876	\$705,854	\$30,652,005*	\$0	<b>\$159,128,852</b>
Other Sources	\$1,998,608	\$8,147,024	\$553,329	\$104,685,181**	\$875,502	<b>\$11,574,463</b>
<b>Subtotal</b>	<b>\$99,081,552</b>	<b>\$150,952,225</b>	<b>\$2,318,866</b>	<b>\$157,528,830</b>	<b>\$31,917,624</b>	<b>\$441,799,097</b>
Special Reed Act	\$66,074,073	\$4,249,898				<b>\$70,323,971</b>
Regular Reed Act	\$11,284,029	\$6,000,000				<b>\$17,284,029</b>
\$8 Billion Reed Act	\$55,175,521	\$3,633,756				<b>\$58,809,277</b>
<b>Total</b>	<b>\$231,615,175</b>	<b>\$164,835,879</b>	<b>\$2,318,866</b>	<b>\$157,528,830</b>	<b>\$31,917,624</b>	<b>\$588,216,374</b>
*One state accounts for \$29,541,000 of total			** One state accounts for \$99,781,603 of total			
<b>Reed Act UI Breakout</b>	<b>UI Administration</b>	<b>UI Benefits</b>	<b>Total UI</b>	<b>Total ES</b>	<b>Total Reed Act</b>	
Special Reed Act	\$48,220,702	\$17,853,371	\$66,074,073	\$4,249,898	<b>\$70,323,971</b>	
Regular Reed Act	\$11,196,447	\$87,582	\$11,284,029	\$6,000,000	<b>\$17,284,029</b>	
\$8 Billion Reed Act	\$34,084,507	\$21,091,014	\$55,175,521	\$3,633,756	<b>\$58,809,277</b>	

**Table 3**  
**NASWA State Supplemental Funding: FY 2012**

Source	UI	ES	LMI	WIA	Multiple Programs	Total
Penalty and Interest	\$66,794,140	\$25,625,107	\$884,461	\$3,689,385	\$1,566,104	<b>\$98,559,197</b>
State General Fund	\$20,501,384	\$10,886,742	\$592,970	\$7,985,457	\$27,186,293	<b>\$67,152,846</b>
State Admin Tax	\$43,781,362	\$111,569,613	\$770,045	\$30,107,886*	\$0	<b>\$156,121,020</b>
Other Sources	\$6,613,390	\$2,497,974	\$1,859,233	\$131,478,977**	\$448,190	<b>\$11,418,787</b>
<b>Subtotal</b>	<b>\$137,690,276</b>	<b>\$150,579,436</b>	<b>\$4,106,709</b>	<b>\$173,261,705</b>	<b>\$29,200,587</b>	<b>\$494,838,713</b>
Special Reed Act	\$45,312,278	\$975,248				<b>\$46,287,526</b>
Regular Reed Act	\$17,525,661	\$6,500,000				<b>\$24,025,661</b>
\$8 Billion Reed Act	\$30,139,730	\$16,713,287				<b>\$46,853,017</b>
<b>Total</b>	<b>\$230,667,945</b>	<b>\$174,767,971</b>	<b>\$4,106,709</b>	<b>\$173,261,705</b>	<b>\$29,200,587</b>	<b>\$612,004,917</b>
*One state accounts for \$28,547,000 of total			**One state accounts for \$126,382,809 of total			
<b>Reed Act UI Breakout</b>	<b>UI Administration</b>	<b>UI Benefits</b>	<b>Total UI</b>	<b>Total ES</b>	<b>Total Reed Act</b>	
Special Reed Act	\$29,583,438	\$15,728,840	\$45,312,278	\$975,248	<b>\$46,287,526</b>	
Regular Reed Act	\$11,071,078	\$6,454,583	\$17,525,661	\$6,500,000	<b>\$24,025,661</b>	
\$8 Billion Reed Act	\$28,432,763	\$1,706,967	\$30,139,730	\$16,713,287	<b>\$46,853,017</b>	

The following graphs show the historical data<sup>1</sup> from the NASWA Supplemental Funding Surveys from 2002 through 2012. The first one shows the funding levels for each year by the source of the funding and how the funds were expended by program.

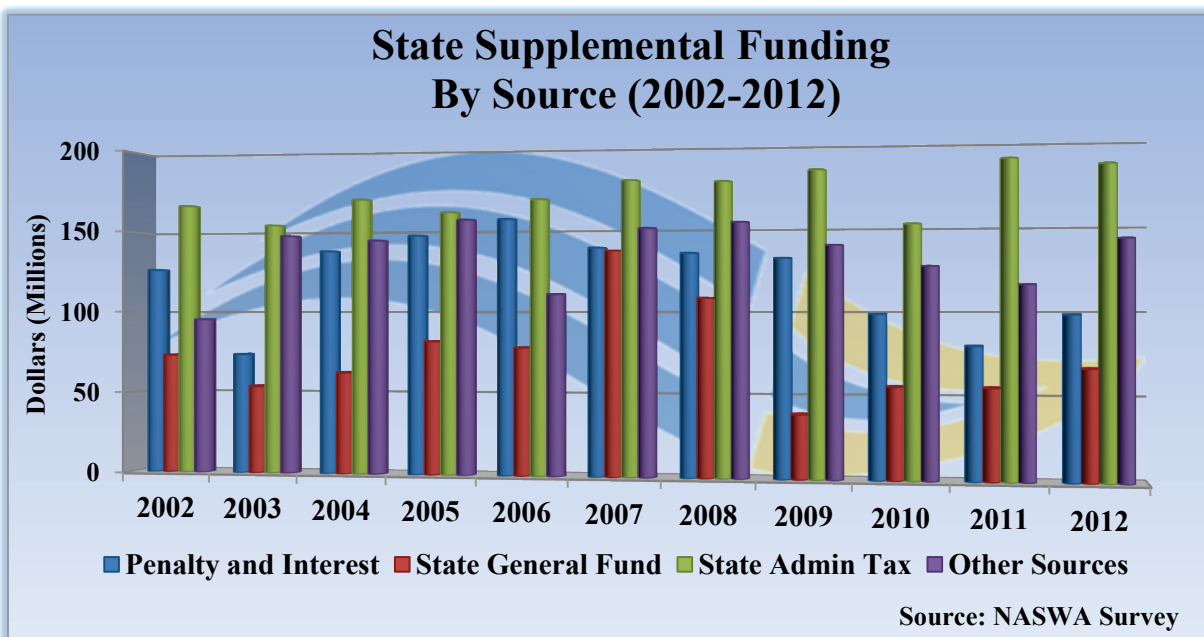
In the first chart the *Penalty and Interest* and *State Administrative Taxes* are, and have been a reliable source of supplementary funding for the past decade. The *Other Sources* have also been fairly consistent over the years, but the exact source of funding in this account is not known and it may have a fair amount of variation within.

The impact of The Great Recession, which began in December 2007 and ended in June, 2009, can be seen in the category of “State General Fund” in Chart 1 below. Funding for this category contracted to one of the lowest levels NASWA has seen. While there has been a gradual improvement, it has been very slow. States are trying to maintain services, but providing them in a cost-effective manner and assisting more customers.

According to USDOL, in the 12-month period ending September 30, 2008, the Workforce System, under the Workforce Investment Act (WIA) served 2.8 million Adult Workers; 401,000 Dislocated Workers and 249,000 WIA Youth. These levels escalated dramatically in the 12 month period ending September 30, 2012 as the WIA Adult program served 7.1 million workers, the WIA Dislocated Worker program served 1.1 million, and the WIA Youth program served 226, 000.

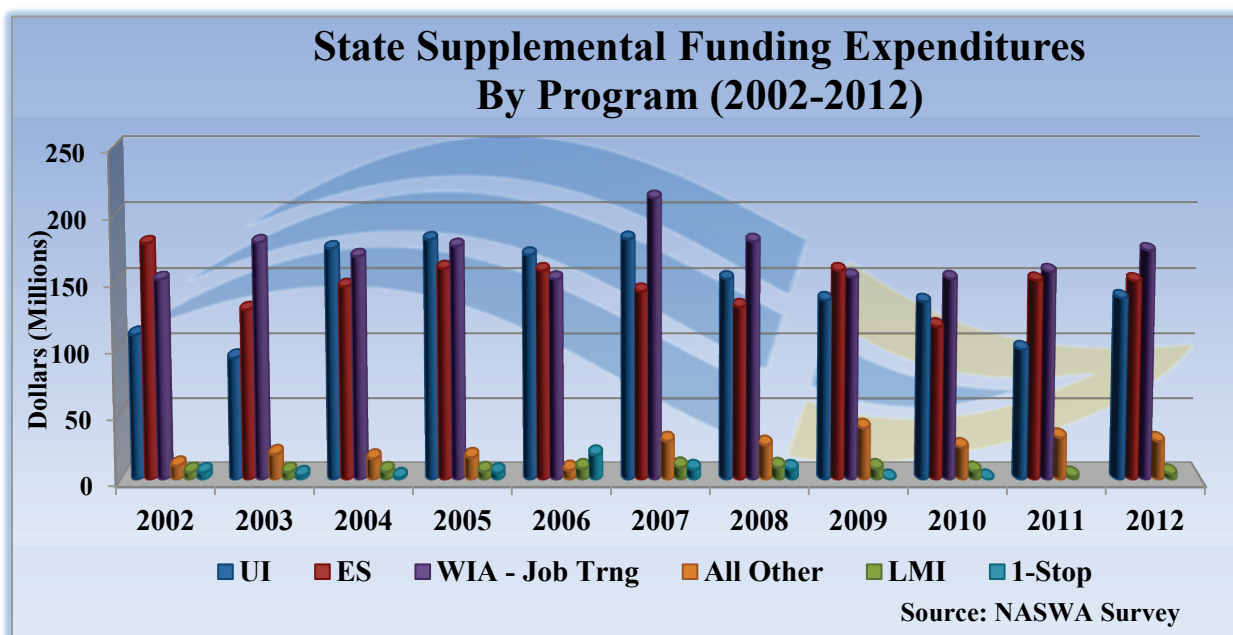
<sup>1</sup> Note: Although the number of states reporting for each year in the NASWA Supplemental Funding Survey varies, the same states are not always in or out of the survey. Changes in the mix of states, their size and the amount of supplemental funding reported can cause some of the variation shown in the graphs included in this report.

**Chart 1**



In Chart 2 the continued focus on providing supplemental funding for UI, ES and WIA is evident throughout the period shown. UI drops off some in FY10 and FY11 perhaps reflecting the additional funding the states received from federal general revenue to operate the EUC08 program and the higher earnings in UI administrative funds from a higher UI workload.

**Chart 2**



## Future Supplemental Funding Issues for States

There are a number of complex, and competing, factors that will likely influence future supplemental funding.

First the continued improvement in the economy may put less pressure on the need to provide additional funding for programs while also increasing revenue from some funding sources. At the same time, however, state and federal budgets are being closely watched and a variety of legislative and appropriation changes have been enacted, or are being proposed, that might reduce funds flowing to the programs. On the program side, a slower recovery will put additional pressure on program staff to serve the long-term unemployed.

NASWA will conduct the next Supplemental Funding Survey in late summer of 2013, to update the results for FY13 (ending June 2013). This period will cover the first portion of the federal sequestration for the federal fiscal year (FFY) 2013 for UI and WIA Youth, Adult and Dislocated Worker programs. Results from this survey are expected in the fall of 2013. The full impact of the sequestration for FFY 2013 and any state supplemental funding changes will not be known until the 2014 survey is completed.

## Survey Definitions

### Penalty and Interest Funds

In every state, an employer is subject to certain interest or penalty payments for delay or default in payment of contributions, and usually incurs penalties for failure or delinquency in filing required reports. All states except Minnesota have set up special administrative funds, made up of such interest and penalties, to meet special needs. The most usual statement of purpose includes one or more of these three items:

- To cover expenditures for which Federal funds have been requested but not yet received, subject to repayment to the fund;
- To pay costs of administration found not to be properly chargeable against funds obtained from Federal sources; or
- To replace funds lost or improperly expended for purposes other than, or in amounts in excess of, those found necessary for proper administration.

A few of these states provide for the use of such funds for the purchase of land and erection of buildings for agency use or for the payment of interest on Federal advances. In some states, the fund is capped; when it exceeds a specified sum, the excess is transferred to the unemployment fund or, in one state, to the general fund.

### State General Fund

In government accounting, this is a fund used to account for all assets and liabilities of a nonprofit entity except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of a governmental unit. Much of the usual activities of a municipality are supported by the general fund. Examples are the purchase of supplies and meeting operating expenditures. An example of a specialized fund, on the other hand, is the capital projects fund that accounts for financial resources used for the acquisition or construction of major capital facilities.

### State Administrative Tax

Taxes for UI Administration or Non-UI Purposes —States also collect a wide array of taxes which are established for administrative purposes. These purposes may be UI administration, job training, employment service administration, or special improvements in technology. These taxes are not deposited in the state's unemployment fund, but in another fund designated by state law. Since Federal grants for the administration of the UI program may not be used to collect non-UI taxes, almost all legislation establishing non-UI taxes provide that a portion of the revenues generated will be used for payments of costs of collecting the tax. Expired taxes are not listed.

### Reed Act

Reed Act Distributions are authorized under Section 903, of the Social Security Act, which provides that when, among other things, three accounts in the Unemployment Trust Fund (UTF) reach their statutory limits at the end of a Federal fiscal year, and any excess funds will be transferred to the individual State accounts in the UTF. These transfers are called "Reed Act" distributions.

Under the SSA, the primary purpose of Reed Act funds is the payment of “cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration” (Section 903(c)(1), SSA). However, subject to conditions specified in Section 903(c) (2), SSA, a State is permitted, at its discretion, to use Reed Act funds for “the administration of its unemployment compensation law and public employment offices.”

There are three groups of Read Act Distributions. Funds should be reported based on the particular group by which the state received the funds. The three groups are:

**Regular Reed Act: Distributions which occurred:**

July 1, 1956

July 1, 1957

July 1, 1958

Oct. 1, 1998

**Special Reed Act: Distributions which occurred:**

October 1, 1998

October 1, 1999

October 1, 2000

October 1, 2001

**\$8 Billion Reed Act: Distribution which occurred:**

March 13, 2002