



NASWA Winter Policy Forum

Unemployment Insurance Update
March 1, 2005



FY 2006 President's Budget for State UI Operations

HIGHLIGHTS

- Reflects the Administration's priorities to strengthen:
 - UI payment and tax integrity and
 - UI beneficiaries' connection to reemployment.

- Funding Increases:
 - \$10 million increase for Reemployment and Eligibility Assessments
 - \$30 million increase to prevent/detect identity theft.



FY 2006 President's Budget for State UI Operations

HIGHLIGHTS

- Legislative Agenda:
 - Gives states new tools and access to additional resources for BPC and delinquent tax collection efforts.
 - Makes loans available for IT upgrades.



FY 2006 UI Budget Request

- Increases compared to FY 2005:
 - \$8.0 million increase - growth in workload for subject employers and wage records.
 - \$40 million increase – Reemployment and Eligibility Assessments (\$10 million) and Preventing Identity Theft (\$30 million).
- Decreases compared to FY 2005:
 - \$88.6 million decrease- lower claims workload.
- Net decrease of \$41 million.



FY 2006 UI Budget Request

	FY 2005 Appropriation (3.227 AWIU)	FY 2006 President's Budget (2.984 AWIU)	Change: Appropriation versus FY 2006
State Admin	2,663,040,000	2,622,499,000	-40,541,000
National Activities	10,416,000	10,416,000	0
TOTAL	2,673,456,000	2,632,915,000	-40,541,000



Reemployment and Eligibility Assessments

- The FY 2006 budget request for REAs would be used to:
 - Conduct UI continued eligibility reviews in-person in One-Stop Centers;
 - Provide labor market information to UI beneficiaries;
 - Develop work-search plans for UI beneficiaries;
 - Refer UI beneficiaries to reemployment services and training, as appropriate.

- \$10 million was appropriated in FY 2005. The FY 2006 request is \$20 million.



Identity Theft

- Top management challenge in OIG's report to Congress.
- Nationwide estimate of \$352 million per year in overpayments due to identity theft.
- \$30 million in FY '06 budget request could fund:
 - automated systems - identity verification services
 - electronic screens to detect "at risk" claims
 - training staff to detect warning signs for fraud
 - additional investigators
 - outreach efforts to employers
- ROI expected to be at least \$72 M in reduced overpayments plus about \$25 M in overpayments recovered.



Proposed Legislation

- DOL is proposing five amendments to Federal UC law to:
 - Reduce overpayments of UI benefits, and
 - Increase overpayment and tax collections.
- A sixth proposal would permit loans for IT upgrades.



UI Legislative Proposals

- *Boost states' resources to go after benefit overpayments*
 - Permits states to use 5% of all recovered overpayments for BPC activities.
- *Impose a penalty for UI fraud*
 - Requires states to impose a minimum 15% penalty on fraudulent overpayments, to be used only for BPC activities.



UI Legislative Proposals

- *Enlist private collection agencies in recovery of overpayments and delinquent employer taxes*
 - Permits states to allow collection agencies to retain a portion of the amounts they recover.



UI Legislative Proposals

- *Charge employers when their actions lead to overpayments*
 - Requires states to charge employers when overpayments are due to employer fault.
 - Employers would have incentive to respond promptly to state requests for separation information – reducing a major cause of overpayments – erroneous separation determinations.



UI Legislative Proposals

- *Collect delinquent UI overpayments through garnishment of tax refunds*
 - Authorizes the IRS to withhold UI overpayments from Federal income tax rebates through the Treasury Offset Program (TOP).



UI Legislative Proposals

- *Provide flexibility for states to improve their UI Information Technology infrastructure*
 - Permits states to borrow funds from the Federal Unemployment Account to replace/update IT systems.
 - Loans are interest-bearing.



Major Initiatives Update

SUTA Dumping

National Directory of New Hires

SSA Data Exchange

Reemployment & Eligibility Assessments

UI Confidentiality – Proposed Rule



Focus on UI Integrity

SUTA Dumping

- SUTA Dumping Protection Act of 2004 was enacted in August 2004.
- Establishes a minimum national standard for prohibiting manipulation of state experience rating.
- 50 of 53 states have submitted draft legislation to DOL for review.
 - NJ, NY, NC not yet received.
- Bills have been introduced in 25 states' legislatures.
- CA & SD have enacted legislation; ID & UT have bills before their Governors for signature.



SUTA Dumping Detection System

- Automated system for states to detect employers involved in SUTA dumping.
- 7 states (NC, NE, RI, TX, UT, VA, and WA) have just concluded a pilot test of the system.
- Modifications of software to be completed by March 31.
- Release of software to states expected by April 15.



Focus on UI Integrity National Directory of New Hires (NDNH)

- State access to NDNH authorized by SUTA Dumping Protection Act of 2004.
- NDNH contains data not available in state new hire directories – Federal wages and wages from multi-state employers who report all hires to one state.



National Directory of New Hires

- DOL, HHS' Office of Child Support Enforcement (OCSE) and SSA are working on implementation of UI access to NDNH.
- 3 volunteer states (TX, UT, and VA) to test cross matching with the NDNH data.
- MOUs signed between states and HHS for pilot test.



National Directory of New Hires Pilot Test

- Begins March 1.
- Pilot states will crossmatch UI payment files against NDNH's:
 - W 4file of employer new hires (for several weeks before UI payment and several weeks after);
- One calendar quarter of UI claims will be matched against NDNH's:
 - National quarterly wage file which includes federal & military workers for the same quarter;
 - National UI claims file for the same quarter.



National Directory of New Hires Pilot Test

- Results - Pilot states will recommend:
 - Databases that provide best match
 - Communications structure
 - Time period - # of weeks/quarters of information to use
 - How often to match data
 - Implementation guidelines



Focus on UI Integrity SSA Data Exchange

- Real-time access to SSA data to verify a new claimant's personal information (name, SSN, etc.).
- In FY 2003, DOL funded 39 states to implement the SSA data exchange.
- 14 states have signed agreements with SSA to receive SSA data.
- SSA has signed agreements with 18 states to receive their wage and claim information.



SSA Data Exchange

- 7 states (AL, MI, ME, MT, NC, NE, and RI) are testing the system.
- 2 states (AL and MT) have completed IV&V and are certified as meeting SSA security requirements.
- Funds available this year for states that have not received funding in the past for SSA data exchange.



Reemployment and Eligibility Assessments

- REA grants recently awarded to 21 states from FY '05 funds totaling \$17.8 million.
- To conduct in-person interviews in One-Stops to assess UI beneficiaries need for reemployment services and their continued eligibility for benefits.



REA Grants

■ CA	\$1,988,292	NV	\$ 219,619
■ CT	746,928	NJ	760,963
■ DC	263,565	NY	614,742
■ FL	1,982,002	ND	466,000
■ HI	125,000	OH	604,721
■ ID	292,500	RI	589,670
■ IL	1,315,954	SC	687,581
■ IN	704,741	TX	517,575
■ ME	680,906	VA	958,825
■ MA	1,052,955	WA	1,907,492
■ MN	1,314,448		



Reemployment and Eligibility Assessments

- By Spring 2006, expect to evaluate the impact of REAs:
 - Number of UI beneficiaries who report for REAs
 - Number and types of disqualifications
 - Types of reemployment services
 - Number of beneficiaries with wage credits in calendar quarter immediately following the REA
- Study of nine selected states, representing a variety of approaches, will be conducted to compare outcomes.



UI Confidentiality

Summary of Proposed Rule

- Requires information about individuals or employers collected in administration of UC program be kept confidential.
- Establishes uniform minimum requirements for cost reimbursement, safeguards, and data sharing.



UI Confidentiality

Summary of Proposed Rule

- Outlines statutorily required disclosures of confidential UI information to other agencies:
 - (HHS, HUD, TANF, Child Support Enforcement Agencies, RR Board, Food Stamp Agencies).
- Provides exceptions for disclosure, at state's option:
 - To public officials in performance of duties;
 - To agents/contractors conducting public duties on behalf of public officials;
 - To attorneys/agents/third parties based on informed consent;
 - To officials with subpoena authority or in response to a court order.



UI Confidentiality - Proposed Rule Status

- Notice of Proposed Rulemaking published in *Federal Register* on August 12, 2004.
 - Comment period ended October 12, 2004.
- Received 38 sets of comments, primarily from states, plus U.S. Census Bureau, NASWA, research community, and employer interest groups.
- DOL is drafting final rule for Departmental and OMB clearance.