

Department of Labor and Training

House Fiscal Staff Presentation

Governor's FY 2021 Revised and FY 2022

May 4, 2021

Department Overview

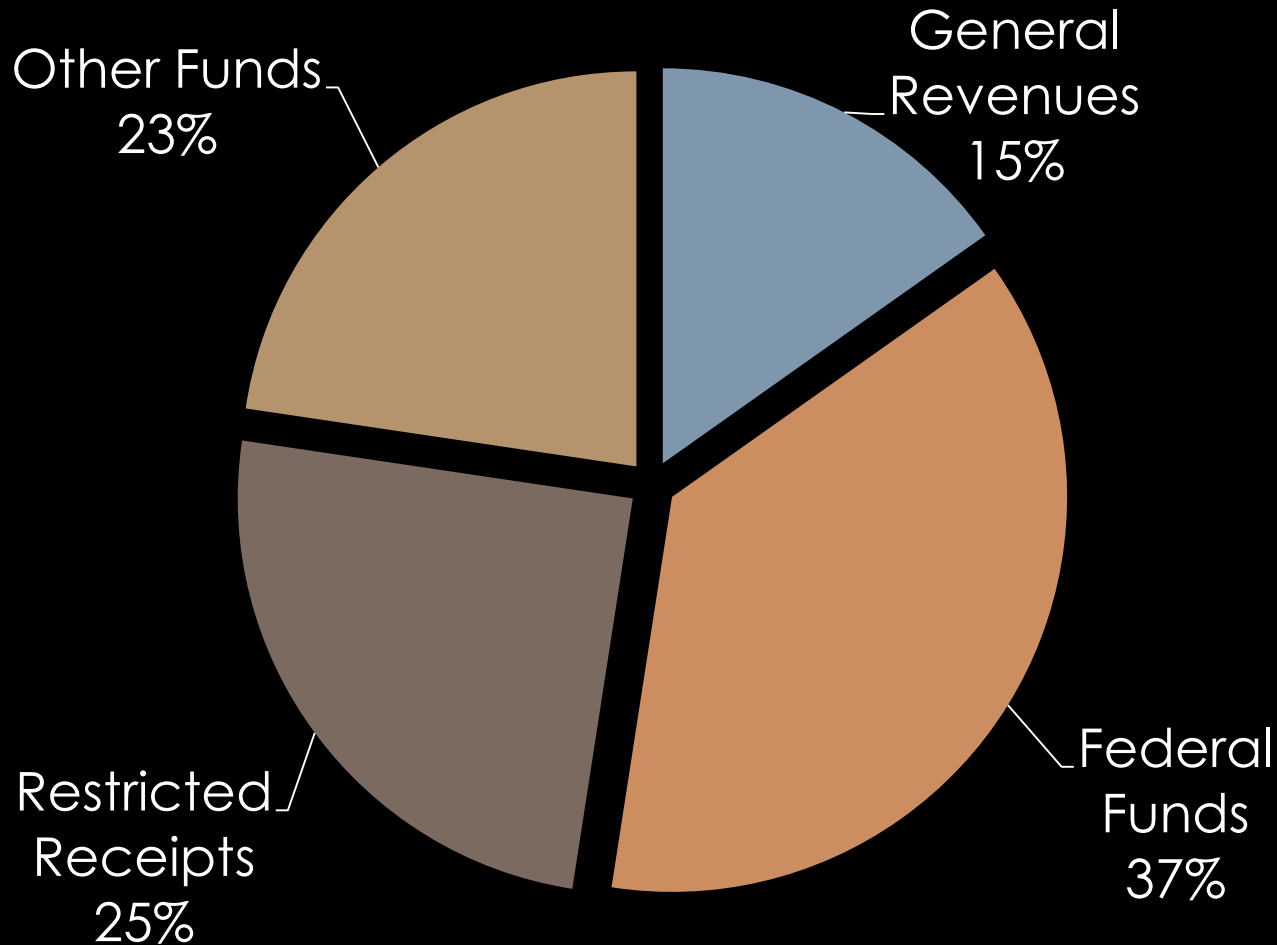
- Agency Responsibilities
 - Provide workforce development
 - Provide employment services and educational services
 - Enforce labor laws, prevailing wage rates, and workplace health and safety standards
 - Provide income support for unemployed and temporarily disabled workers

Summary by Source

	FY 2021 Enacted	FY 2021 Revised	FY 2022 Governor	Change to Enacted
General Revenues	\$14.1	\$14.1	\$17.7	\$3.6
Federal Funds	1,044.6	1,763.5	113.5	(931.2)
Restricted Receipts	26.3	26.8	29.1	2.7
Other Funds	627.3	626.8	487.5	(139.8)
Total	\$1,712.3	\$2,431.2	\$647.7	\$(1,064.6)

\$ in millions

Summary by Source Excluding TDI/TCI/UI Payments

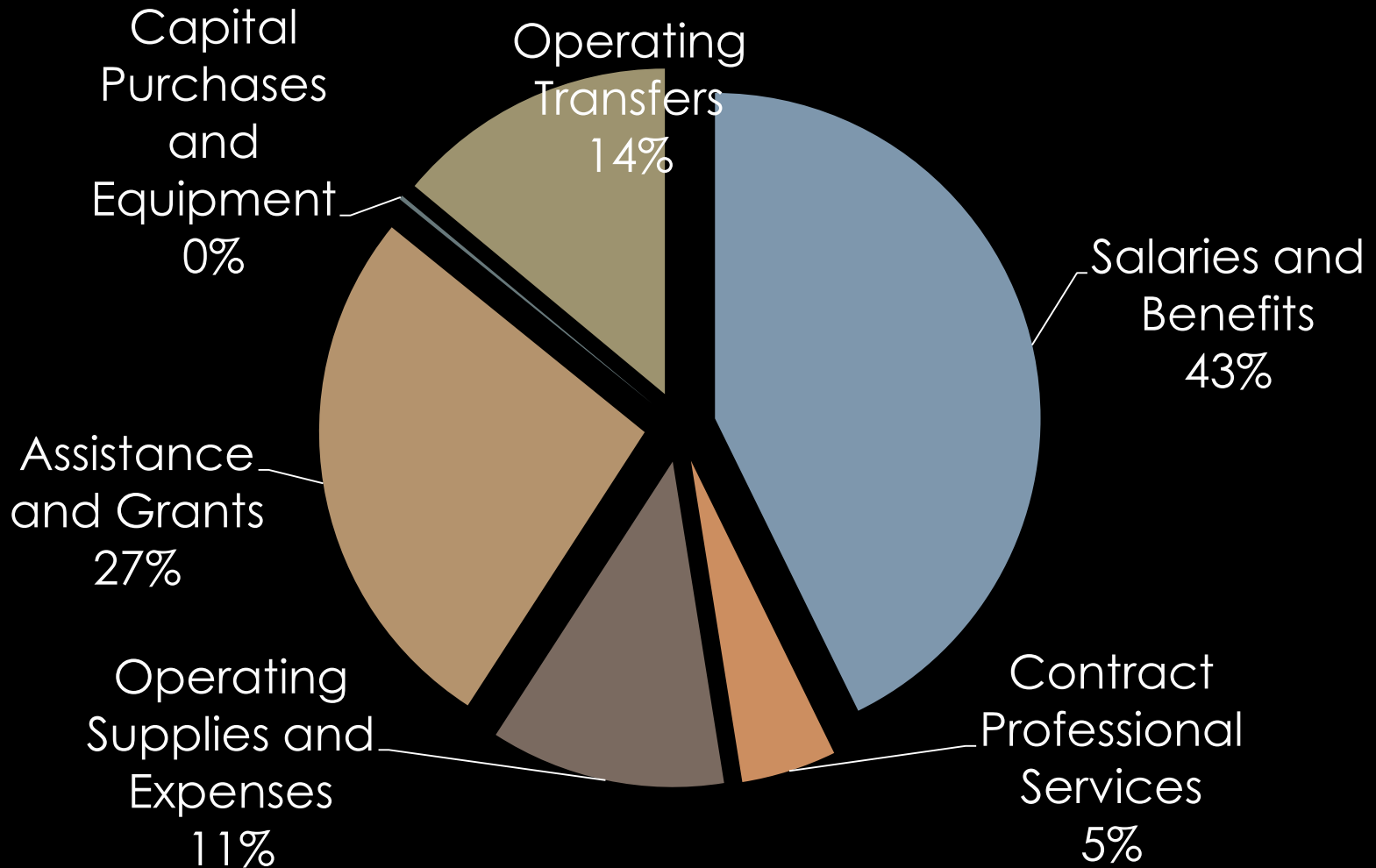


Summary by Category

	FY 2021 Enacted	FY 2021 Revised	FY 2022 Governor	Change to Enacted
Salaries & Benefits	\$54.8	\$55.9	\$50.0	\$(4.9)
Contracted Services	11.2	45.6	5.6	(5.6)
Operating Expenses	10.9	11.1	13.8	2.9
Assistance & Grants	1,618.4	2,301.5	561.7	(1,056.7)
Capital	0.2	0.2	0.2	0.1
Transfers	17.0	17.0	16.5	(0.5)
Total	\$1,712.3	\$2,431.2	\$647.7	\$(1,064.6)

\$ in millions

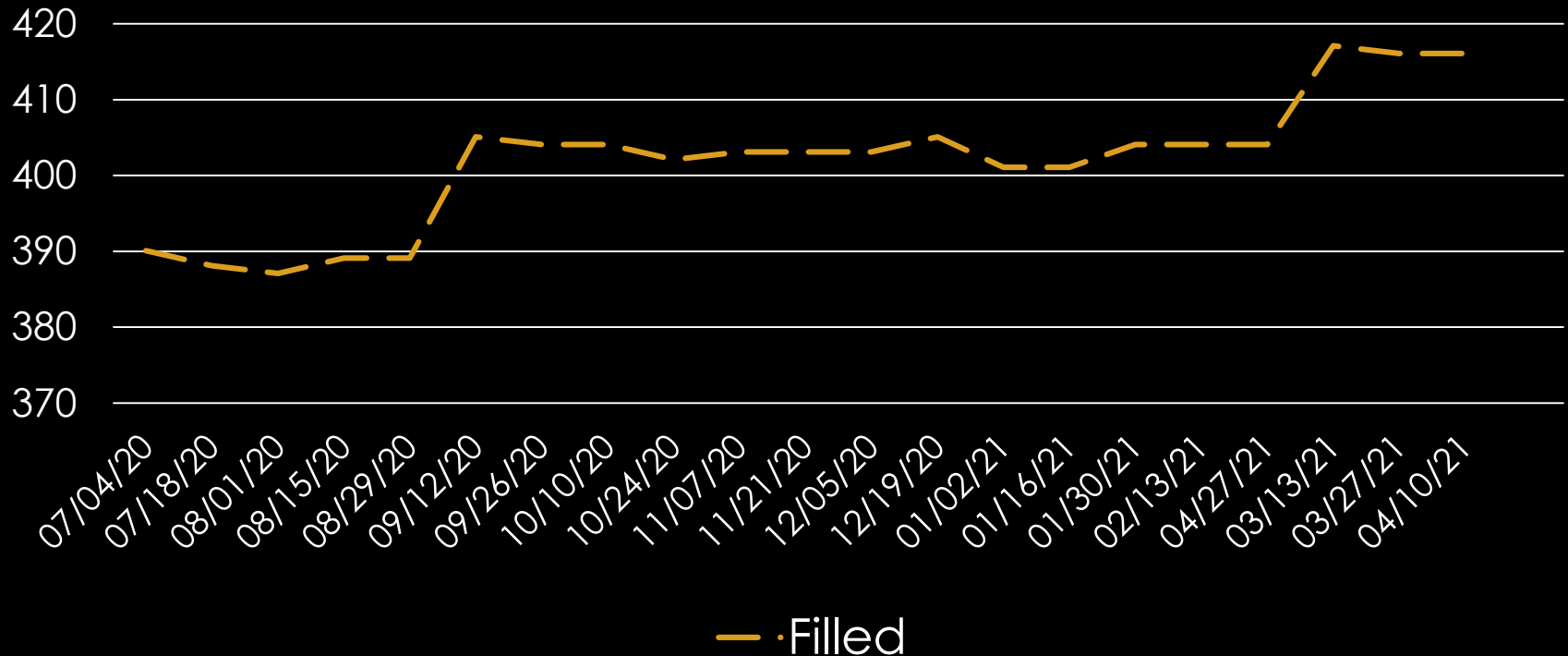
Summary by Category Excluding TDI/TCI/UI



Staffing

Full-Time Positions		Chg. To Enacted
Enacted Authorized	425.7	-
FY 2021 Gov. Rev.	425.7	-
FY 2022 Request	425.5	(0.2)
FY 2022 Governor	462.7	37.0
FY 2022 Funded FTE	445.0	19.3
Filled as of April 10	416.1	(9.6)
FY 2020 Average Filled	379.8	(45.9)

Staffing – Current Year Filled



July 4, 2020	April 10, 2021	Average
390.1	416.1	401.8

Staffing - Overview

- FY 2022 - \$49.9 million, 462.7 FTE
 - \$4.9 million less than enacted
 - Funds ~ 445 positions
 - Includes current service adjustments
 - Adds 37.0 positions
 - 2.0 new positions – workplace fraud unit
 - 35.0 shifted from DOR
- FY 2021 Revised - \$55.9 million, 425.7FTE
 - \$1.0 million more from federal funds
 - Primarily UI overtime support

Unemployment Insurance

- Unemployment insurance taxes are paid by employers
 - Federal and state component
 - Federal tax used for
 - Administrative expenses
 - Loans to states when needed to pay benefits
 - Partially reimburse states for extended benefits
 - State tax used solely for benefits
 - Different levels depending on trust fund health
 - Taxes currently range 0.9% to 9.4% on first \$24k

Unemployment Insurance

- State has 9 tax schedules: A - I
 - Each schedule has 28 tax rate groups
- Schedules based on reserve ratio of fund as of September 30 of prior year
 - $\text{Trust Fund balance} \div \text{total wages paid during year} = \text{reserve ratio}$
- Individual rates based on employer's level of reserves
 - Pandemic impact to trust fund balance could lead to higher tax rates

Unemployment Insurance

- Employers who pay UI taxes also subject to additional 0.21% job development assessment
- Directed to the Job Development Fund
 - Admin. expenses
 - Programs
 - Lost federal funds

Examples			
Schedule - Level	JDF	UI	Total
H - 3	0.21%	1.5%	1.71%
H - 20	0.21%	6.6%	6.81%
G - 6	0.21%	2.0%	2.21%
G - 15	0.21%	4.4%	4.61%
F - 5	0.21%	1.5%	1.71%
F - 28	0.21%	9.4%	9.61%

Job Development Fund

- Under current law, 0.02% of JDF tax is dedicated to support core services
 - Unemployment insurance
 - Employment services programs
- Remaining 0.19% allocated at discretion of Governor's Workforce Board
 - Subject to appropriation

Unemployment Insurance

- Individual rates based on employer's level of reserves
 - April 2020 Executive Order 20-19 prevents individual employer rates from being impacted by COVID-19 related unemployment
 - All employers still subject to higher rates if a higher rate schedule is in effect
 - Lower trust fund reserves lead to higher schedules

Unemployment Trust Fund

- Executive Order 20-19 on April 9
 - Suspends charges to employer accounts for COVID-19 related unemployment claims
 - Extended multiple times, still in effect
 - Prevents individual employer experience ratings from being impacted by pandemic
 - Overall trust fund health determines the rate
- All employers are subject to higher rates if a higher rate schedule is in effect

Unemployment Insurance

Examples	Tax Year 2020 – Schedule F		Tax Year 2021 – Schedule H	
	Tax Rate	Max. Tax per Employee	Tax Rate	Max. Tax per Employee
Experience - Reserve Ratio				
17+%	1.2%	\$288	1.7%	\$434
5.0 to 6.49%	3.1%	\$744	3.6%	\$886
0.0 to 1.99%	4.2%	\$1,008	4.5%	\$1,107
-0.01 to -1.99%	4.4%	\$1,056	5.1%	\$1,255
-6.0 to -7.99%	5.8%	\$1,392	6.2%	\$1,525
-24.0% & Lower	9.4%	\$2,397	9.8%	\$2,411

Unemployment Insurance

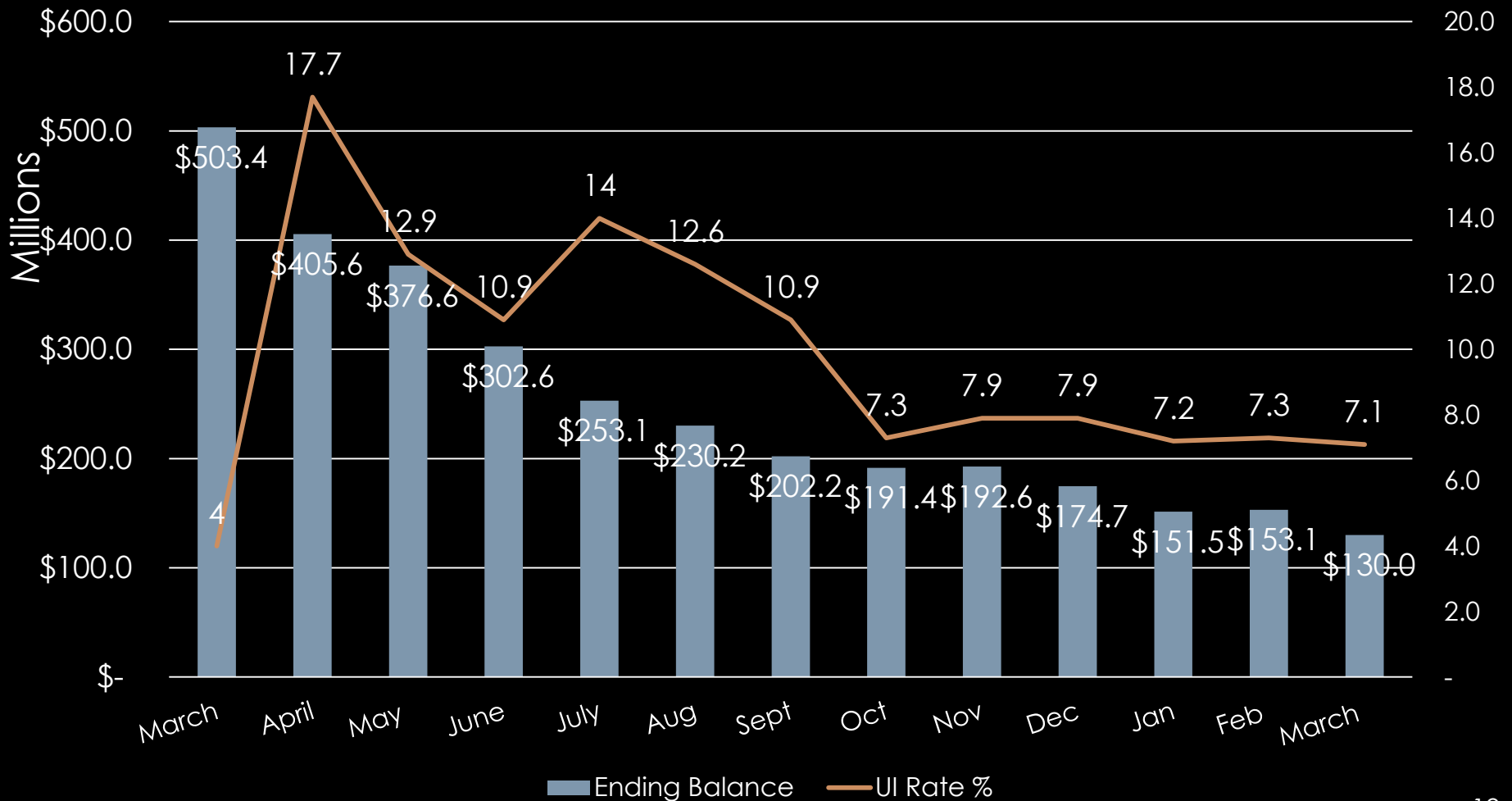
Examples	Tax Year 2021 – Schedule H		Tax Year 2022? – Schedule I?	
	Tax Rate	Max. Tax per Employee	Tax Rate	Max. Tax per Employee
Experience - Reserve Ratio				
17+%	1.7%	\$434	1.9%	\$485
5.0 to 6.49%	3.6%	\$886	3.9%	\$994.5
0.0 to 1.99%	4.5%	\$1,107	4.8%	\$1,224
-0.01 to -1.99%	5.1%	\$1,255	5.4%	\$1,377
-6.0 to -7.99%	6.2%	\$1,525	6.4%	\$1,632
-24.0% & Lower	9.8%	\$2,411	10.0%	\$2,550

Unemployment Insurance

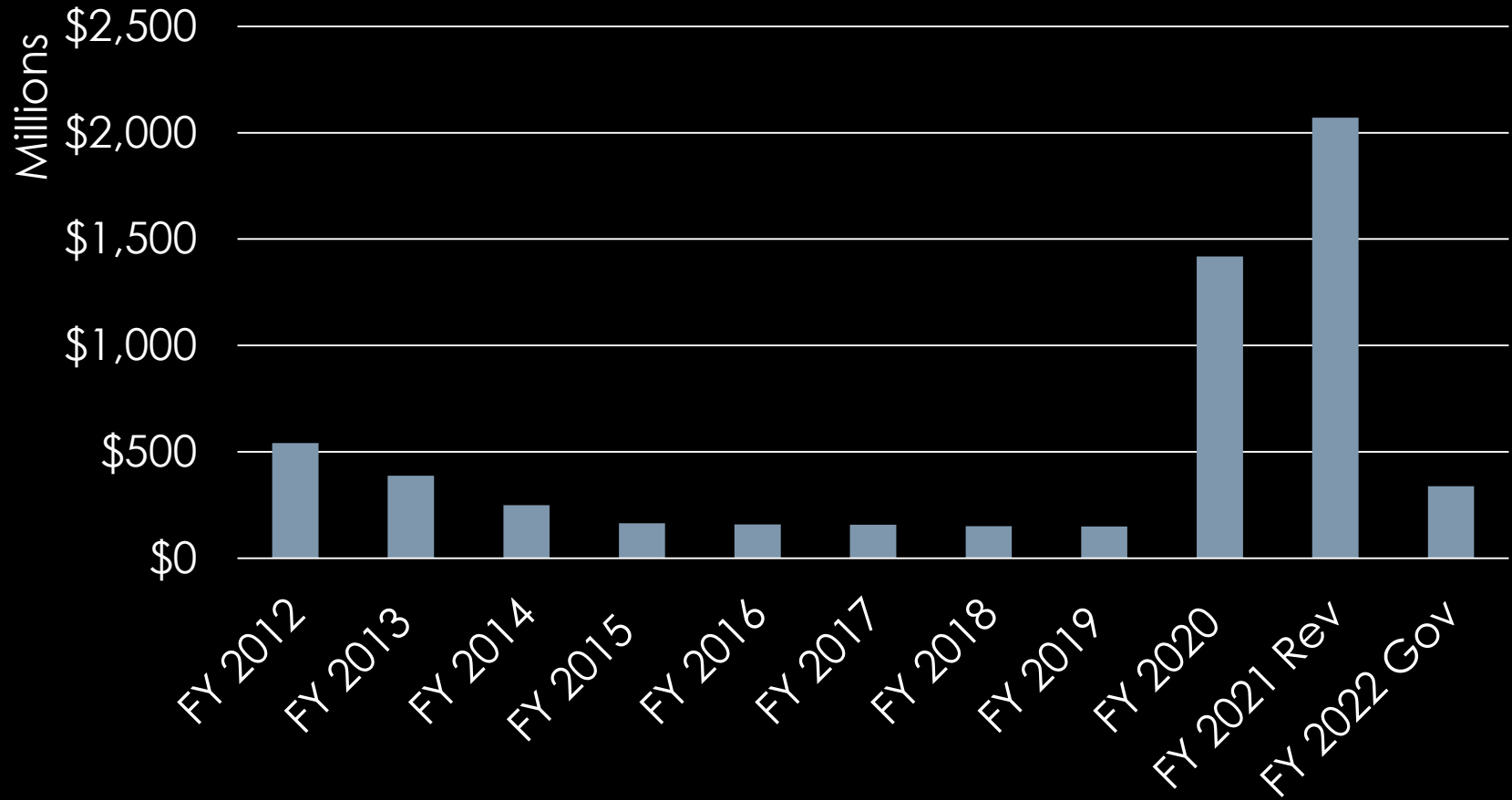
- Trust Fund Solvency
 - As of 4/25, balance is \$120 million
 - 2020 began with \$537.9 million
 - Balance is fluctuating
 - Employer payments
 - Reimbursement for some benefit payments
- Governor assumes \$337.6 million in FY 2022
 - Does not reflect changes in ARP
 - \$300 extra and longer benefit time

Unemployment Trust Fund

End of Month Trust Fund Balance vs Unemployment Rate

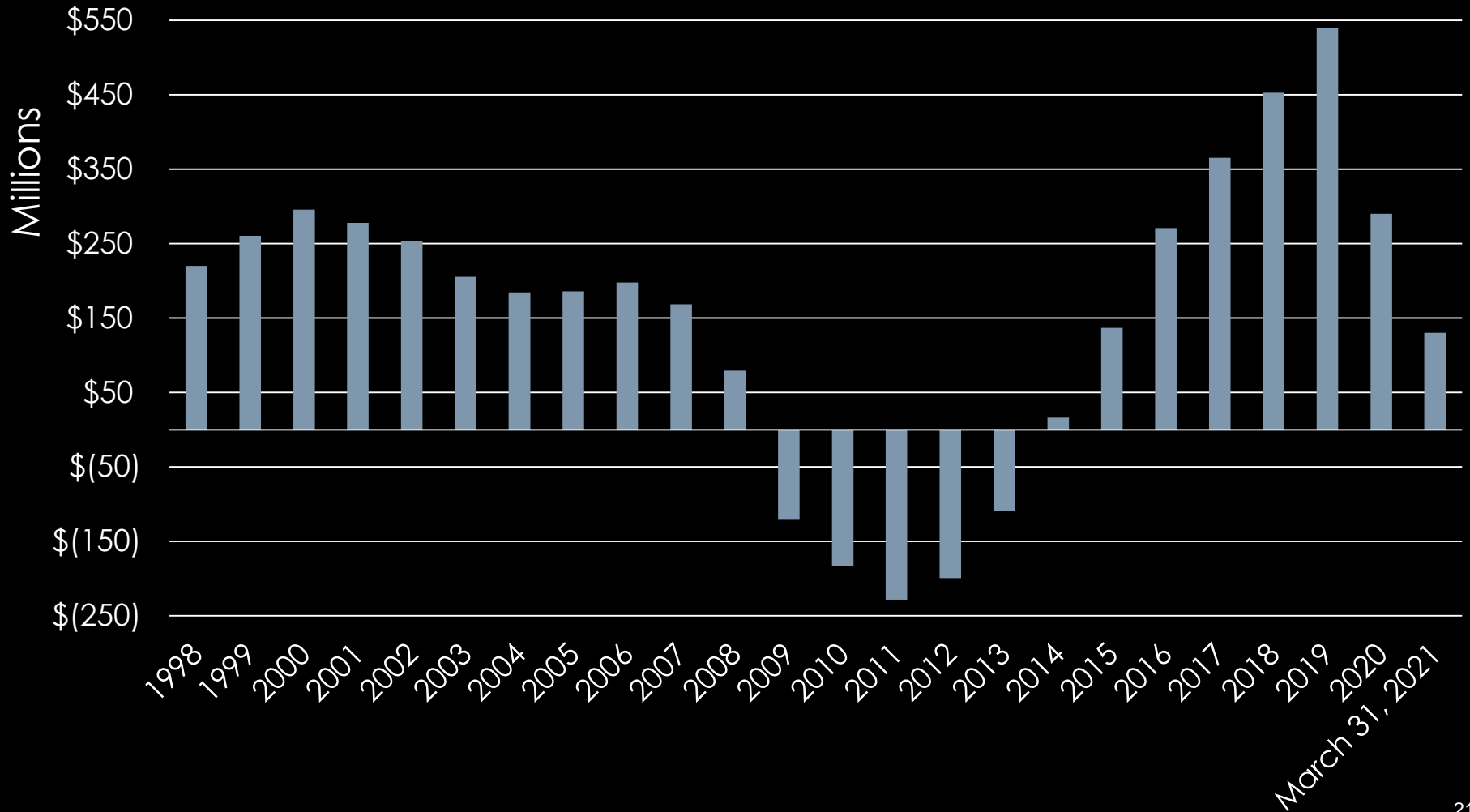


Unemployment Benefit Payments



COVID-19 Unemployment

Unemployment Trust Fund Balance by Year



Unemployment Insurance

Federally Funded Programs

Benefit Program	Description	Expiration
Pandemic Emergency Unemployment Compensation (PEUC)	53 weeks after 26 weeks of regular benefits for covered employment	9/6/2021
Pandemic Unemployment Assistance (PUA)	Up to 79 weeks for non-covered employment	9/6/2021
Emergency Increase in Benefits	\$600 added to weekly payment	7/31/2020
	\$300 added weekly benefit	9/6/2021

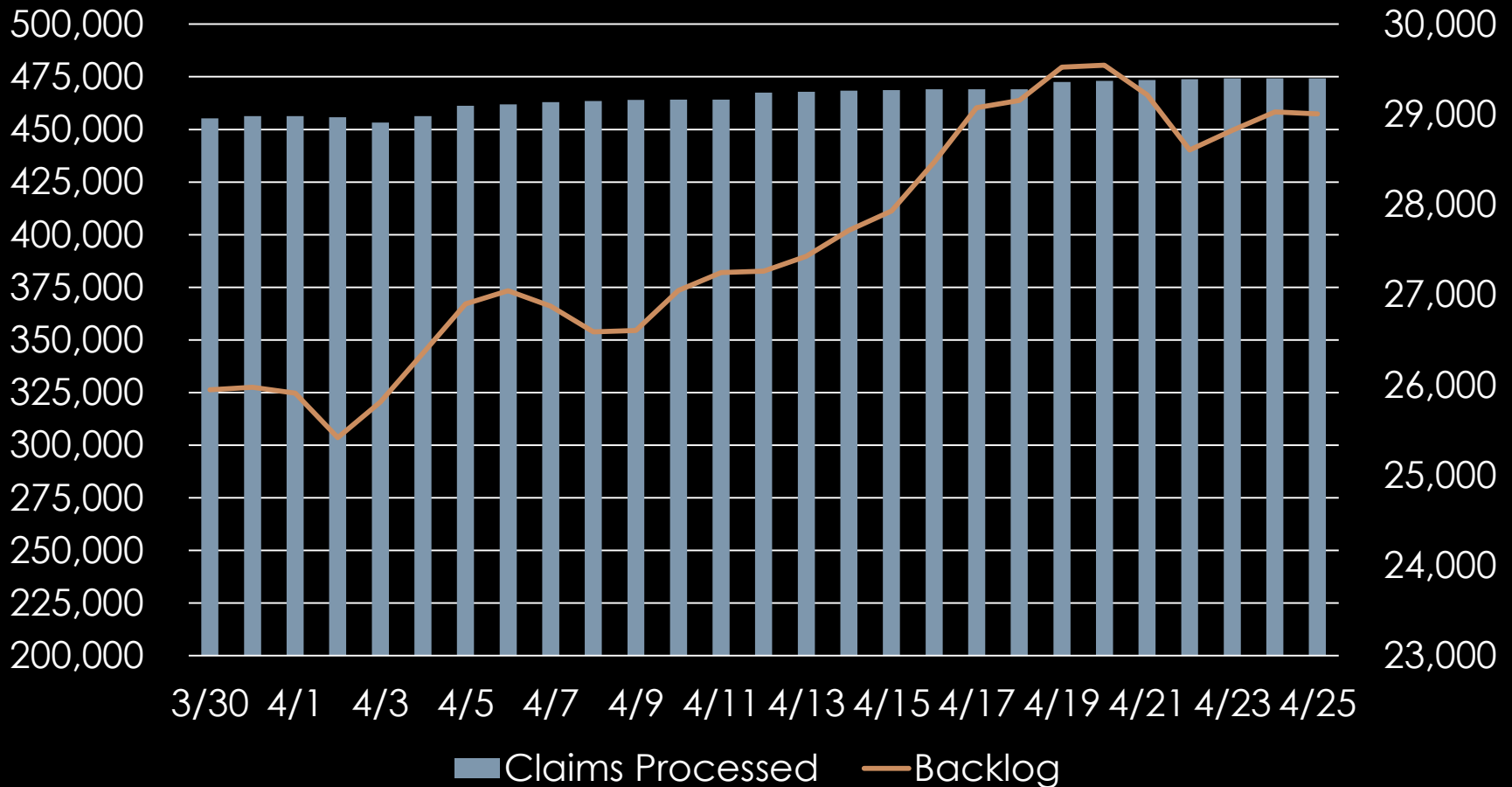
Unemployment Insurance

Benefit	Length		
	CARES	CRRSAA	ARPA
Covered Employment			
Regular Benefits	26 weeks	26 weeks	26 weeks
PEUC	13 weeks	24 weeks	53 weeks
Extended*	13 weeks	20 weeks	20 weeks
High Extended*	7 weeks	20 weeks	20 weeks
\$600/\$300 Add-on	Until 7/31/20	Until 3/14/21	Until 9/6/21
Non-Covered Employment			
PUA	39 weeks	50 weeks	79 weeks
\$600/\$300 Add-on	Until 7/31/20	Until 3/14/21	Until 9/6/21

* Triggered by high unemployment over three months

COVID-19 Unemployment

Total Claims Processed and Backlogged Claims



Unemployment Trust Fund

- Addressing Solvency
 - Coronavirus Relief Fund
 - Treasury guidance states fund payments to replenish trust fund balance are allowable
 - Increasing the balance helps with tax rate
 - At least 17 other states have directly allocated amounts to their trust funds
 - New England states include Maine and New Hampshire

Unemployment Trust Fund

- Addressing Solvency
 - Borrowing from the federal government
 - Loans must be repaid within two years
 - If not there is a credit reduction on the federal tax which directly impacts employers
 - As of April 28, 19 other states have borrowed from the feds for their trust funds
 - New England states include Connecticut and Massachusetts

Unemployment Trust Fund

- Addressing Solvency
 - Current estimates from DLT suggest the trust fund will remain at or above \$100 million by the end of September when employer rates are set
 - Other variables affecting estimate
 - Shift of employees off federal benefits on to trust fund
 - \$300 extra payment ending
 - Policy requirements regarding looking for work

Temporary Disability Benefit Payments

- Payments for weeks of unemployment caused by a temporary disability or injury
 - RI, NY, NJ, CA, HI only states with program
 - Funded entirely by RI worker contributions
- FY 2022 - \$178.0 million
- FY 2021 Enacted/Revised - \$170.0 million

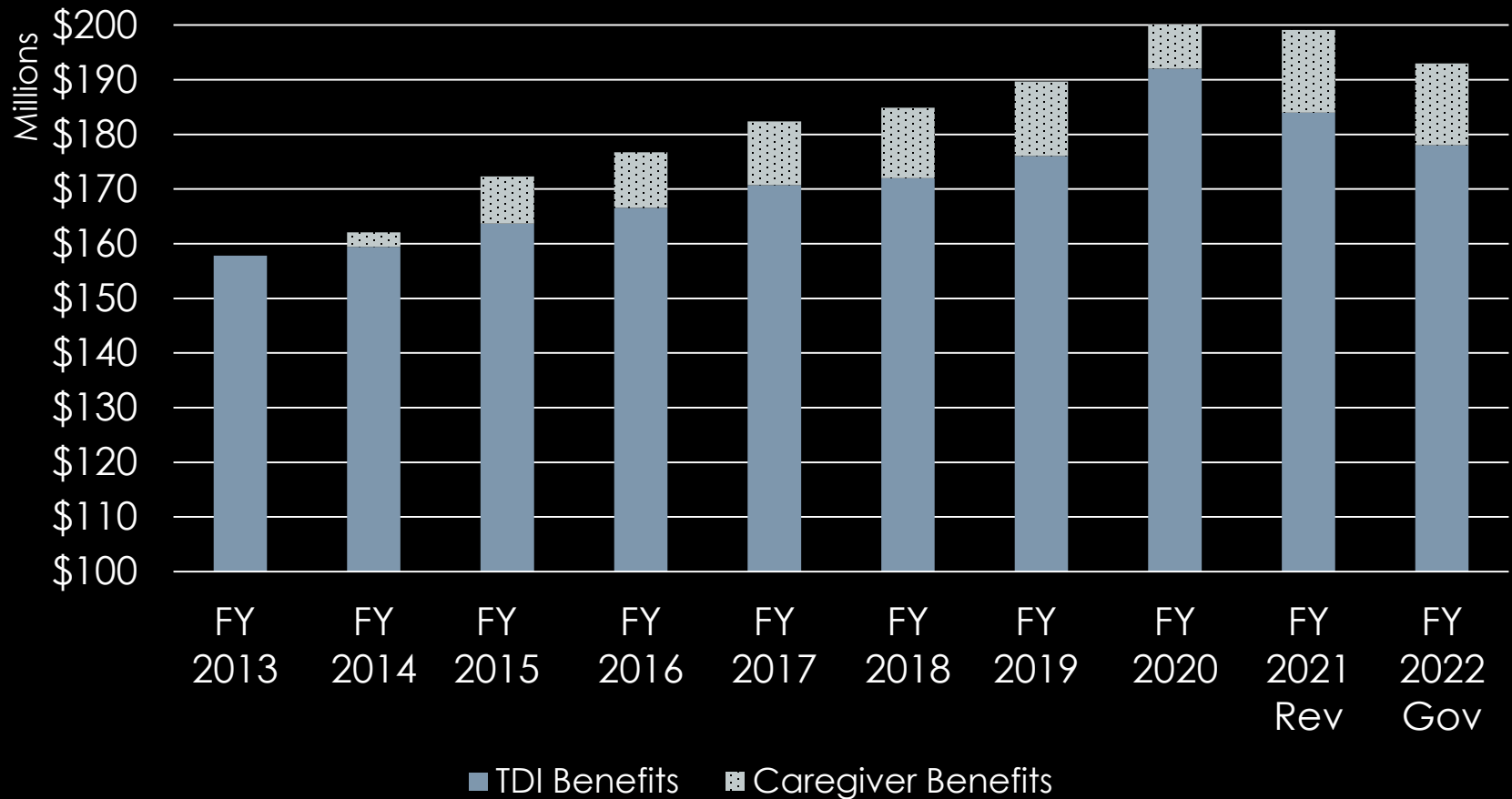
Temporary Caregiver Benefit Payments

- Temporary Caregiver
 - To care for a seriously ill child, parent, spouse, domestic partner, parent-in-law, or grandparent or to bond with a newborn child, adopted child or foster-care child
- FY 2022 - \$15.0 million
 - Based on projected use of the program
- FY 2021 Enacted/Revised - \$14.0 million

TDI & TCI Weekly Claims

- Week ending Jan 30
 - 7,876 total weekly claims
 - 7,367 TDI & 509 TCI
 - For TDI, average payment is 7.3 weeks
- Funded from employee tax
 - 1.3% on first \$74,000 of earnings for 2021
 - 1.3% on first \$72,300 in 2020
 - Maximum tax is \$962
 - Was ~\$940 for 2020
 - 14 & 15 year olds do not pay

Temporary Disability Benefit Payments



Workforce Regulation & Safety

- \$3.1 million from general revenues
 - Workplace Fraud Unit
 - Responsibilities
 - Enforce prevailing wage requirements
 - Enforce wage & hour issues
 - Identify misclassification of employees as contractors
 - Conduct administrative hearings
 - Labor Standards
 - Occupational Safety
 - Professional Regulation

Workplace Fraud Unit

- Enacted budget includes 10.0 FTE
 - 8.0 investigators & 2.0 adjudicators
- Governor adds 2 new positions for unit
 - \$0.2 million from general revenues
 - Would bring total unit to 12.0 FTE
 - Budget assumes \$0.5 million in additional revenue from staff enhancement
 - \$0.4 million net of new staff
 - Revenue dependent upon increased staffing

Article 3, Sec. 1 – Employer Tax Unit Transfer

- Employer Tax Unit
 - Budget transfers 35.0 FTE associated with these collections to DLT from DOR
 - Averaged 34.9 filled FTE for FY 2020
 - Recommendation transfers related funding for the full fiscal year
 - Intent is to align unit with source of funds
 - TDI/UI/JDF
 - 1996 change was intended to consolidate tax collection functions

Governor's Workforce Board

- Governor's Workforce Board
 - Policy-making body on workforce development
 - 23 members on Board, appointed by Governor
 - 18 members must be from the public
 - Invests in wide range of programs & services
 - Real Jobs RI, internships, incumbent worker training, continuing adult education
 - FY 2022 - \$12.1 million from Job Development Fund restricted receipts
 - \$1.4 million more based on available resources
 - No funds assumed for Real Jobs RI

Governor's Workforce Board

- Job Development Fund
 - Under current law, 0.02% of the JDF tax is dedicated to support core services
 - Unemployment insurance
 - Employment services programs
 - Remaining 0.19% is allocated at the discretion of the Governor's Workforce Board
 - Subject to appropriation

Governor's Workforce Board

Governor's Workforce Board – JDF Spending through FY 2022 Rec

Year	Operations	Grants	Total
FY 2016	\$0.9	\$8.5	\$9.4
FY 2017	3.2	7.9	11.0
FY 2018	4.0	13.6	17.6
FY 2019	3.8	18.5	22.3
FY 2020	2.2	13.8	16.0
FY 2021 Revised	4.7	7.9	12.6
FY 2022 Gov.	5.5	9.4	14.9
Total	\$24.3	\$79.6	\$104.1

\$ in millions

Real Jobs RI

- Established in FY 2016 as part of the Governor's jobs plan
 - Demand-driven workforce and economic development initiative
 - Goal develop partnerships
 - Bring together various entities to address business workforce demands
 - Targets incumbent workers, out-of-work Rhode Islanders, low and non-skilled workers

Real Jobs RI

Funding by Source	FY 2021 Revised	FY 2022 Governor
General Revenues	\$5,450,000	\$8,450,000
Federal Funds	5,522,549	650,794
Restricted Receipts	3,700,000	-
Total	\$14,672,549	\$9,100,794

Workforce Development Services Grants

- Funds a number of DLT's programs
 - Trade Readjustment Act, Dislocated Workers, Youth Programs, etc.
- FY 2022 - \$8.9 million from federal funds & restricted receipts
 - \$1.2 million less than enacted
- FY 2021 Revised - \$10.0 million
 - \$0.1 million less than enacted
 - Primarily reflects revisions to 2 federal sources

New Workforce Development Program

- GBA requested April 19
 - \$0.2 million from general revenues for partnership with DOC
 - Apprenticeship pilot program for inmates
 - Working with vendors and inmates to access to employment when leaving ACI
 - Funding supports 1.5 FTE
 - 1.0 Chief of Employment & Training Programs & 0.5 Principal Employment & Training Interview
 - Repurposes vacant positions at DLT
 - Similar to Gov. Raimondo FY 2021 proposal

Police and Fire Relief Funds

- Annuity benefits to surviving spouses of deceased police and firefighters
 - Education benefits for spouses and children
 - Paid from general revenues
 - FY 2022 and FY 2021 revised - \$3.7 million
 - \$3.2 million for pensions, \$0.5 million for education
 - 5 year and 10 year average - \$3.8 million
 - \$0.1 million more than FY 2020 spending

Audits and Reports

- FY 2020 Audit Finding
 - UI claims processing system ineffective at adequately prevent fraud claims
 - Uses outdated technology & internal controls not effective enough to prevent fraud
 - Suspending first week waiting period impacted controls
 - Increased claims stressed the system
 - CARES Act did not provide enough time to institute new procedures before benefits started
 - DLT implemented security updates & contracting with cyber security firm to identify suspicious claims

Audits and Reports

- FY 2020 Audit Finding
 - State does not have a process to quantify approved but unpaid UI benefits by end of fiscal year
 - Payments should be accrued by June 30
 - Impacts reported closing expenditures
 - DLT to develop programming to identify payments made with 60 days of new fiscal year that occurred in prior year

Other Proposed Legislation

Bill	Program	Proposal
5789	TDI & TCI	Impacts employer contributions to TDI & TCI funds, individual benefits, and fines & penalties adds state tax credit
6090		Increases maximum number of TCI weeks
6218	UI	Creates new Back to Work program for UI participants
6249		Increases partial unemployment claim
6250		Training programs in lieu of work search requirements
6207	Employer Taxes	Excludes up to \$10,200 of UI benefits from taxation for certain taxpayers

Department of Labor and Training

House Fiscal Staff Presentation

Governor's FY 2021 Revised and FY 2022

May 4, 2021