

# Department of Labor and Training

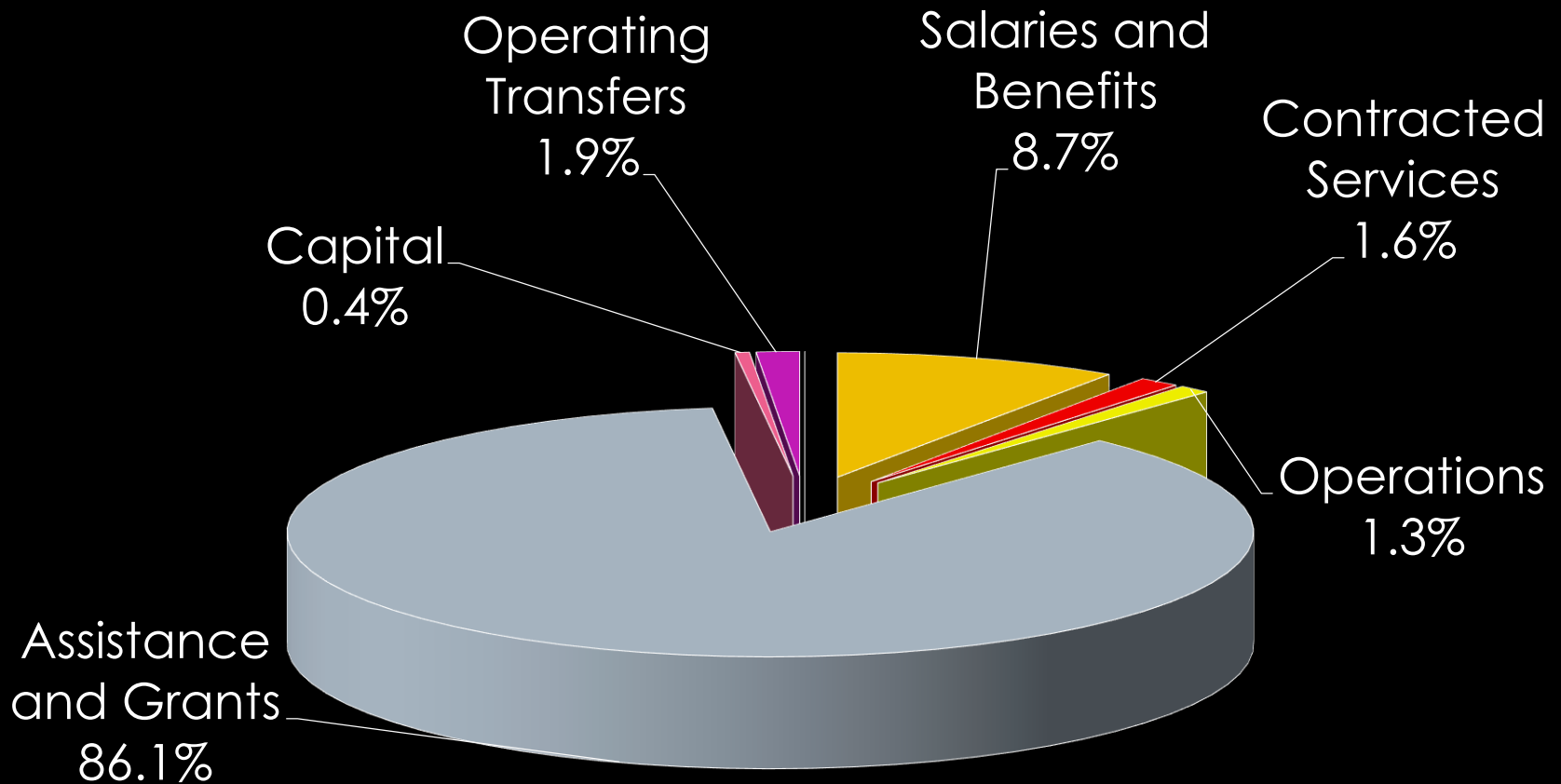
FY 2016 Revised, FY 2017 & Capital Budgets  
Staff Presentation  
March 22, 2016

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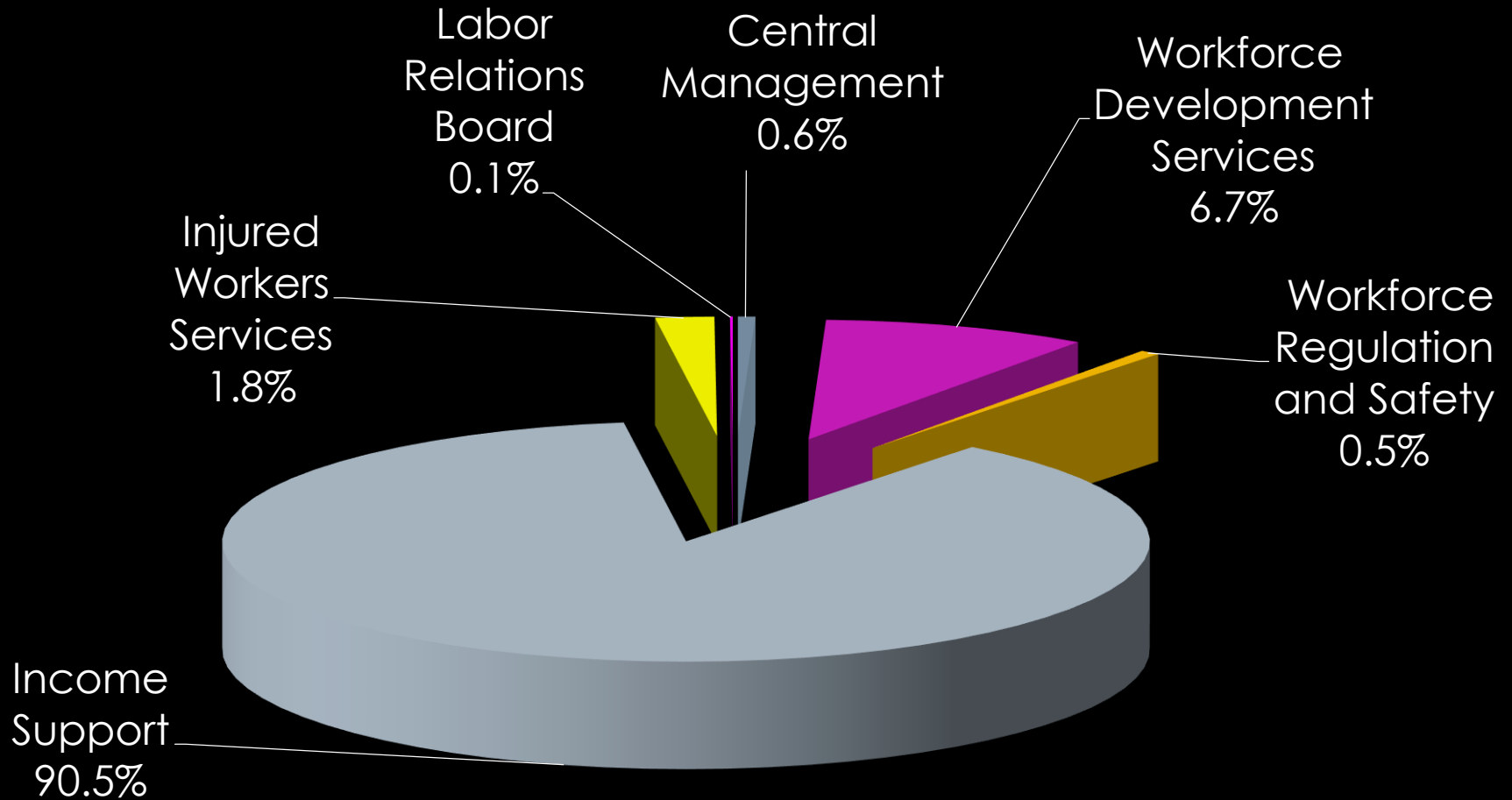
# Summary of Governor's Recommendations

Source (in millions)	FY 2016 Enacted	FY 2016 Gov. Rev.	FY 2017 Gov.	FY 2017 Chg. to Enacted
General Revenues	\$8.3	\$8.5	\$10.3	\$2.0
Federal Funds	38.2	56.7	38.5	0.4
Restricted Receipts	21.5	39.3	23.9	2.4
Other Funds	375.7	345.0	349.4	(26.4)
Total	\$443.7	\$449.4	\$422.1	(\$21.7)

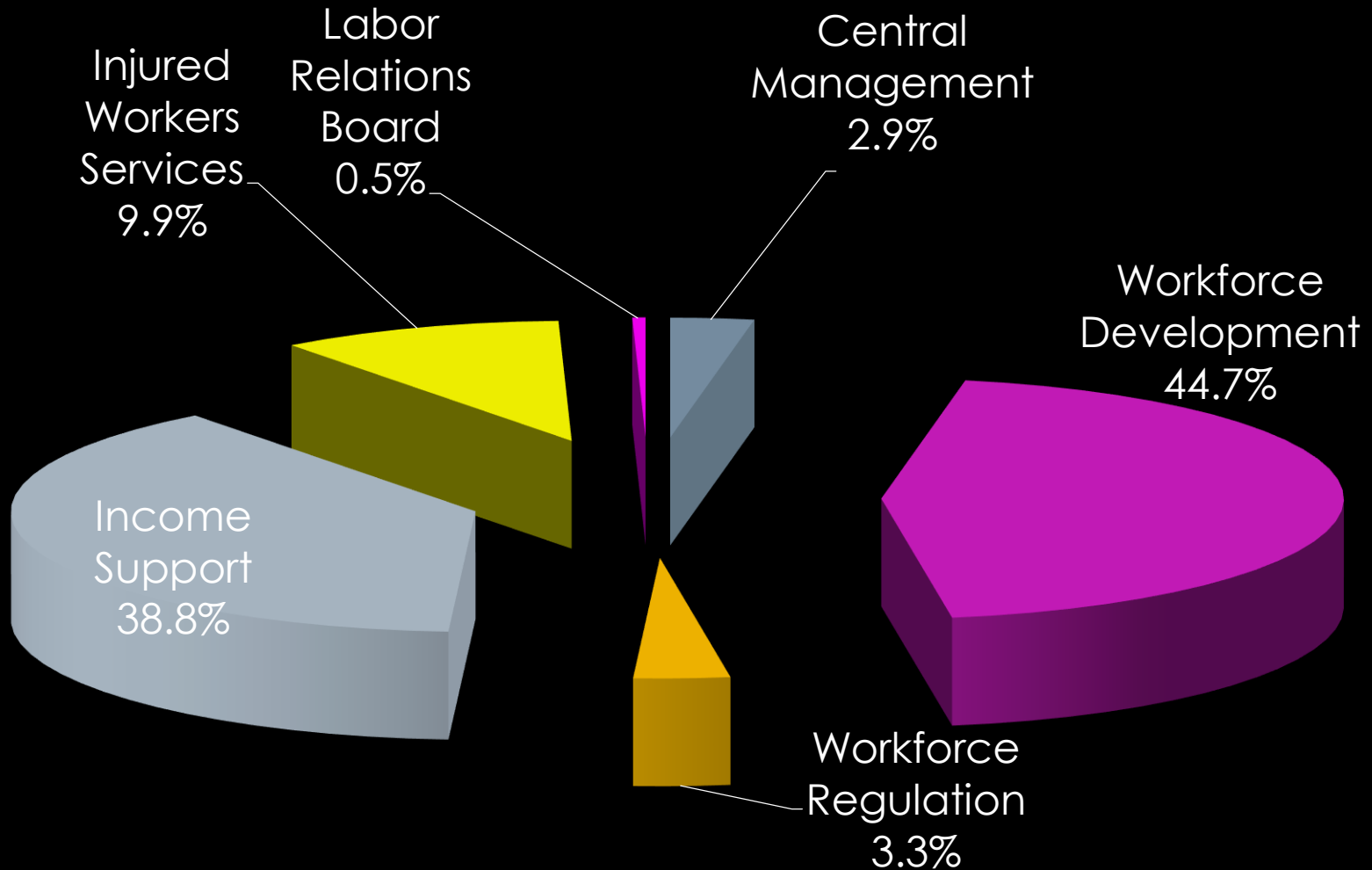
# FY 2017 Summary by Category



# FY 2017 Summary by Program



# FY 2017 (No UI or TDI Benefits)



# Governor's Major Changes to the Enacted Budget

(All fund sources, in millions)	FY 2016 Gov. Rev.	FY 2017 Gov. Rec.
Real Jobs RI	\$8.1	\$4.6
TechHire Initiative	-	\$2.0
Misclassification Task Force (3.0 FTE)	\$0.2	\$0.2
State Workforce & Education Alignment Project (1.0 FTE)	\$0.1	\$0.1
Grant Monitoring & Evaluation (3.0 FTE)	\$0.2	\$0.3
Unemployment Benefits	(\$21.3)	(\$19.2)
Trust Fund Solvency	\$9.2	-
UI Consortium – New IT system	\$3.6	(\$0.6)
Temporary Disability Benefits	(\$10.0)	(\$7.0)

# Target Budget

- Budget Office provided a general revenue target of \$8.1 million
  - Current service adjustments of \$37,962
  - 7.5% reduction of \$312,623
- Request includes a reduction of \$0.3 million from job development grant expenses
  - Governor did not recommend reduction

# Real Jobs RI

- Workforce & economic development initiative
  - Collaborative, flexible and business-led
  - Address business workforce demands
- Designed to ensure that RI employers have the talent they need to compete and grow
- Provide targeted education & skills training



# Real Jobs RI

- FY 2016: \$5 million in implementation grants awarded
- Funding to create 26 strategic industry partnerships
  - Develop training, education, and HR solutions to address business & talent needs
  - From more than 10 sectors include 186 employers across various sectors including aquaculture, bioscience, design and health care

# Real Jobs RI

Real Jobs RI Funding (in millions)		
	FY 2016 Rev.	FY 2017
Federal	\$6.8	\$1.4
Job Development Fund	1.3	3.2
<b>Total</b>	<b>\$8.1</b>	<b>\$4.6</b>

# TechHire Initiative

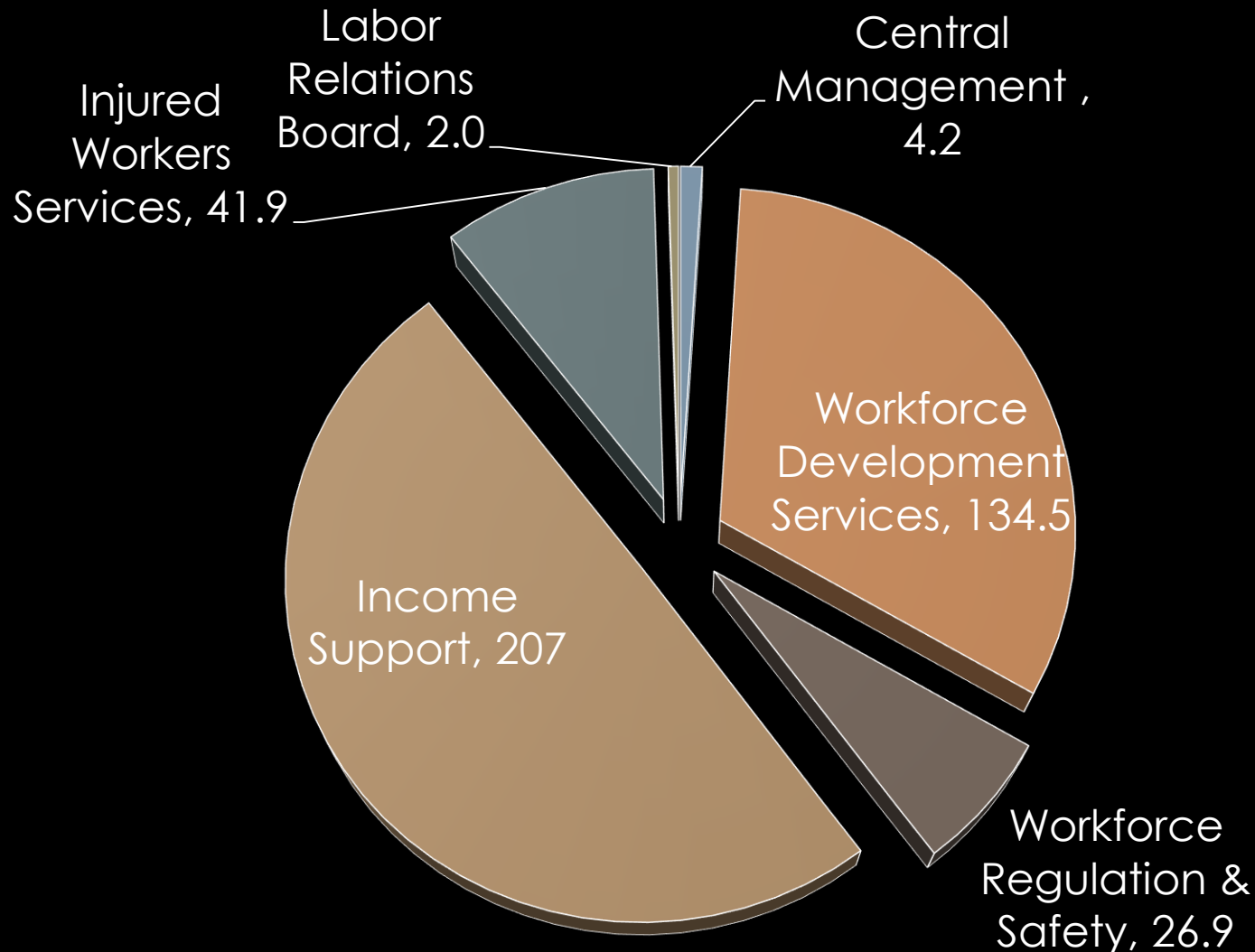
- Train workers for high-paying jobs in a short amount of time
- Non-traditional approaches like “coding boot camps” and online courses
- Goal to train and place 2,000 workers in the next 5 years
- \$2.0 million from general revenues for FY 2017 – 1<sup>st</sup> year

# Full-Time Equivalent Positions

Full-Time Positions	FTEs	Chg to Enacted
Enacted Authorization	410.0	-
FY 2016 Rev. Req./ Gov.	416.5	6.5
FY 2017 Req. / Gov. Rec.	416.5	6.5*
FY 2015 average filled	385.2	(24.8)
FY 2016 YTD average filled	399.0	(11.0)
Filled as of March 5, 2016	409.7	(0.3)

\*7.0 new positions are partially offset by elimination of 0.5 legal position no longer needed

# Positions by Program – Gov. 2017



# Misclassification Task Force

- 3.0 New FTEs: Labor Standards Examiners
  - Assist in enforcing labor standards law
  - Conduct investigations and audits
  - Develop cases for litigation
  - Reporting and public relations
    - \$177,389 for 9 months of FY 2016
      - All filled in first quarter of FY 2016
    - \$220,286 for FY 2017
    - Funded from general revenues and workers' compensation restricted receipts

# State Workforce & Education Alignment Project

- 1.0 New FTE: Principal Research Technician
  - FY 2016 is 1<sup>st</sup> year of 2-year project
  - \$180,000 awarded over two years from National Skills Coalition
  - Create system-wide use of workforce education and training program information
  - Better align programs with each other and employers' skills needs

# Grant Monitoring & Evaluation

- 3.0 New FTEs: 1.0 Principal Auditor & 2.0 Senior Employment & Training Monitoring & Evaluations Specialists
  - Audit, monitor and evaluate job services and workforce development federal grants
    - Financial, programmatic aspects and outcomes of grant awards
  - \$0.2 million for FY 2016
  - \$0.3 million for FY 2017
  - Funded from job development funds and federal funds

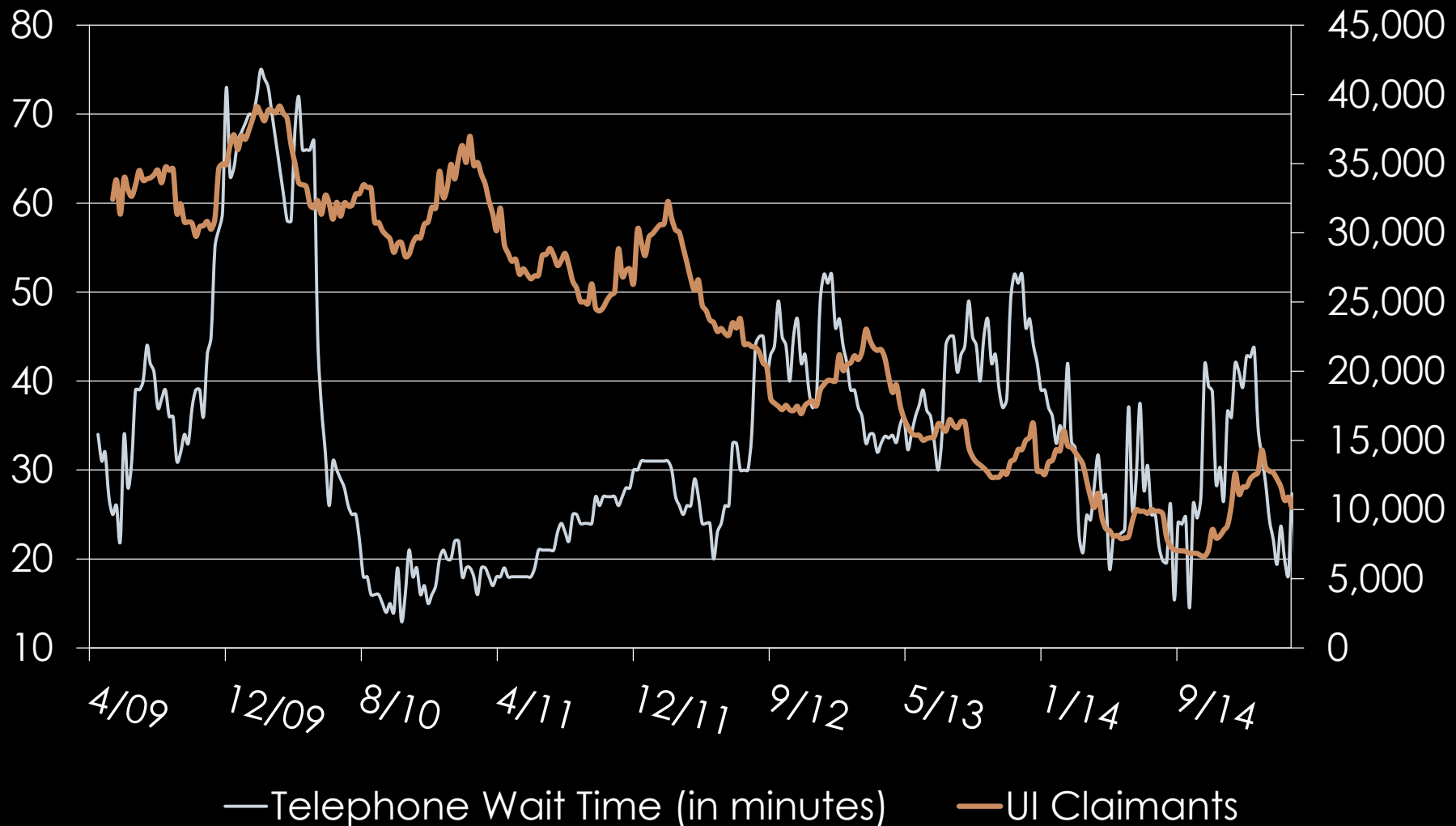


# UI Call Center & Unemployment Rate

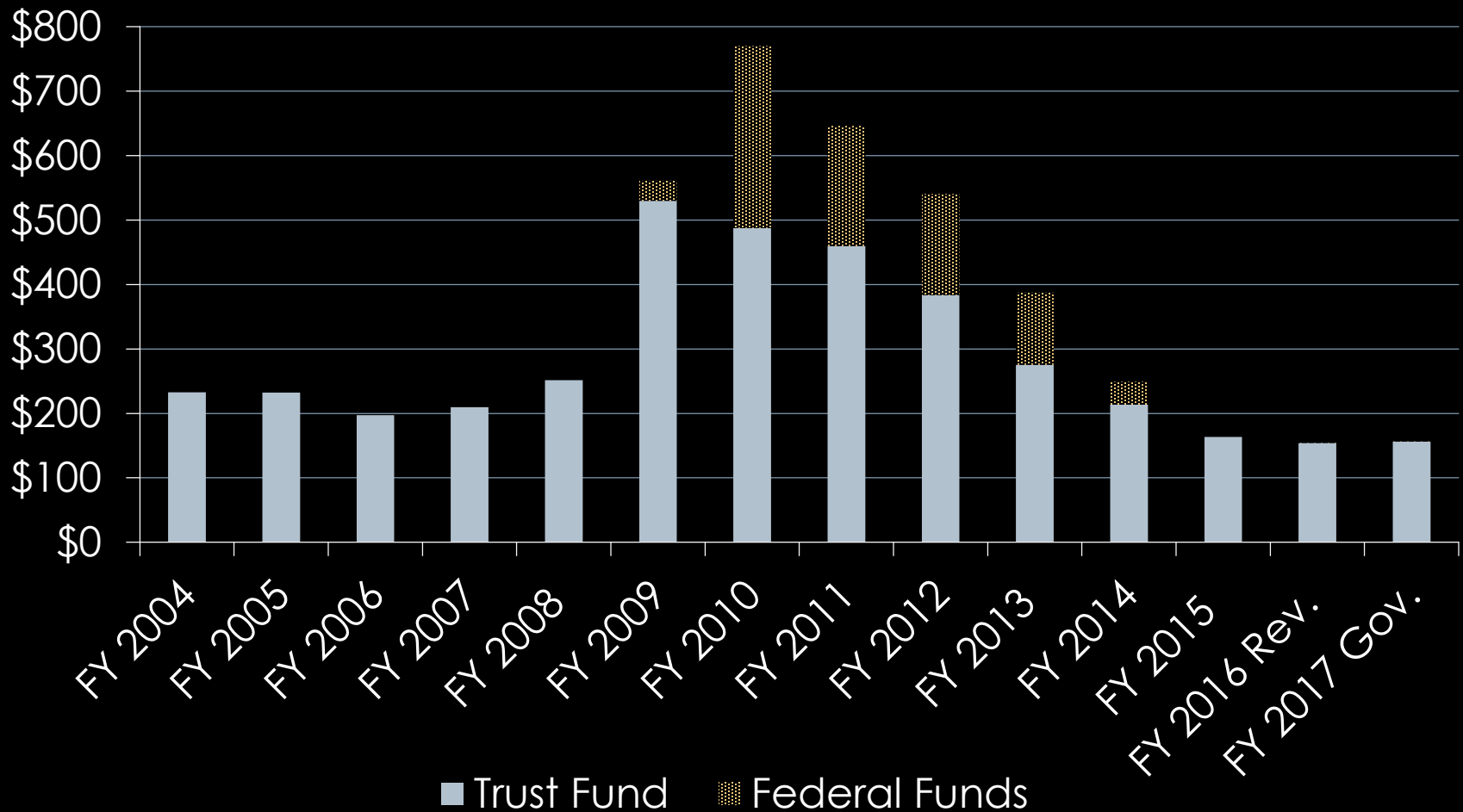
- Phone wait time averaged 27 minutes in FY 2015
  - Averaged 37 minutes in FY 2014
  - Averaging 27.6 minutes so far in FY 2016
  - 19 minutes in most recent weekly report
- 5.3% = 29,388 people

Unemployment Rate	January 2016	Peak
Rhode Island	5.3 %	11.3%
New England	4.6 %	8.5%
United States	4.9 %	10.0%

# Avg Telephone Wait Time & UI Claimants



# Unemployment Insurance Benefits Payments (in millions)



# Employment Security Fund

- RI began federal borrowing to pay UI benefits in March 2009
  - Borrowed interest free through FY 2010
- 2010 Assembly converted employers' 0.3% insolvency surtax into assessment on job development fund
  - Assessment can be used for loan & interest
  - Interest cannot come from benefit account

# Employment Security Fund

- 2013 Assembly:
  - Sunset 0.3% assessment once loans repaid
  - Mandated any balance be deposited into Trust Fund for benefit payments
- \$9.2 million for FY 2016 to finalize loan repayment and restore solvency
  - Loans paid off in November 2015
  - Trust Fund balance of \$116.5 million as of September 30, 2015

# Article 16 – Unemployment Insurance

- Article 16 makes 2 changes affecting unemployment insurance taxes
  - Reduces reserve ratios
  - Expands tax rates in each schedule
  - Expected to save employers ~ \$30 million in 2017

# Article 16 – Unemployment Insurance

- Unemployment insurance taxes 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

# Article 16 – Unemployment Insurance

- 2011 Changes effective Jan. 1, 2012
  - Increased taxable wage base
  - Changed method of determining taxable wage base
    - Increased from \$19,000 to 46.5% of 2010 wages and all future wages
      - Estimated to be \$19,600 in CY 2012
    - Increased base by \$1,500 for employers with highest negative reserve account balances



# Article 16 – Unemployment Insurance

- 2011 Changes effective July 1, 2012
- Modified benefit rates & eligibility
  - Reductions to
    - % of wages used to determine benefits
    - % of wages replaced
    - Maximum weekly benefit
  - Increased earnings needed to overcome disqualifications
  - Delayed benefits by any amount received from severance pay

# Article 16 – Unemployment Insurance

- State has 9 tax schedules: A - I
  - Each schedule has 25 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 each employers' level of reserves

# Article 16 – Unemployment Insurance

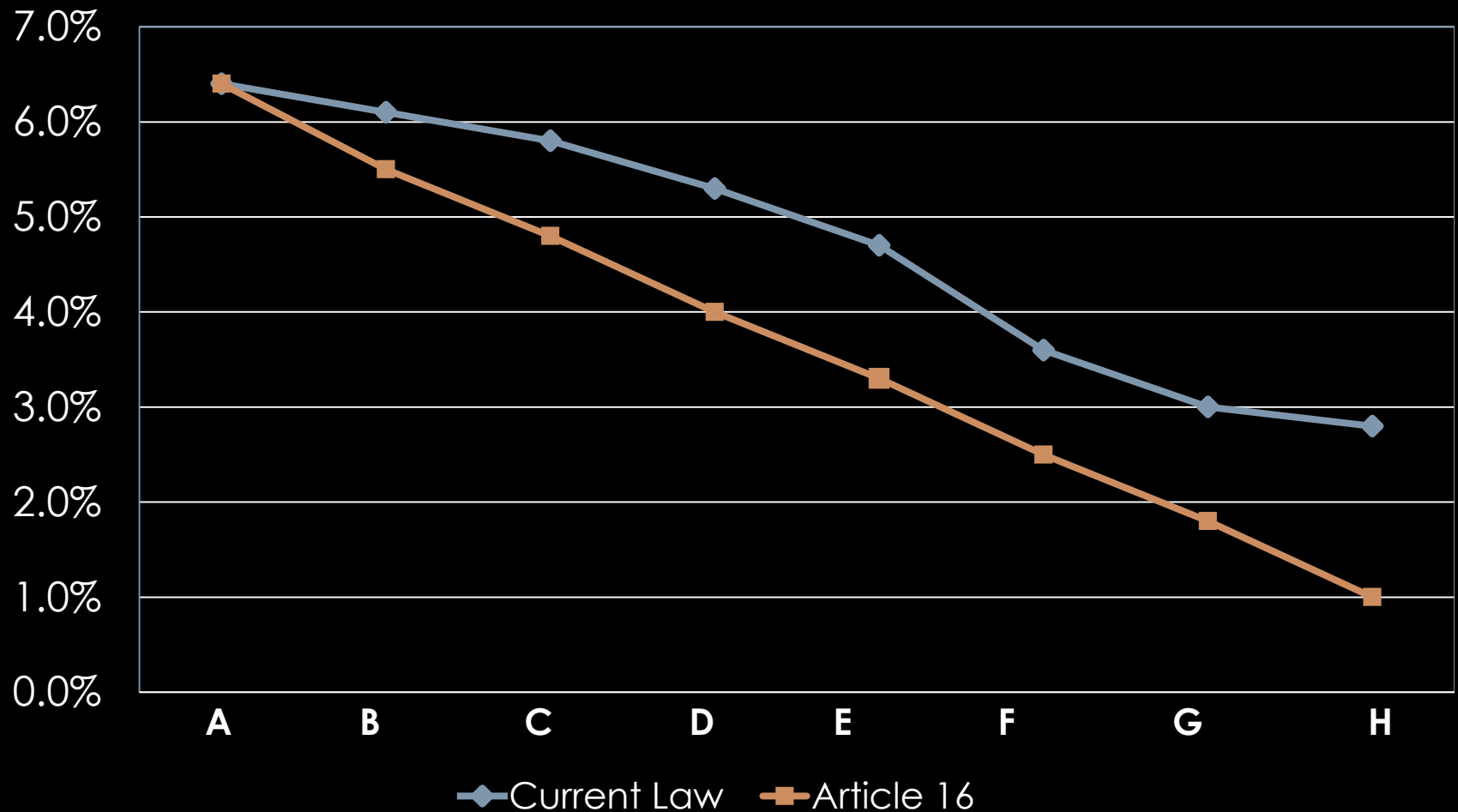
- Using Schedule I since 1992
  - Schedule I has the highest tax rates
  - Expected to stay on Schedule I until 2021
- Article 16 lowers reserve ratios
  - Allows move to Schedule H in FY 2017
    - Lower tax schedules and lower tax rates

# Article 16 – Unemployment Insurance

Tax Rate Schedules		
	Current Law	Article 16
2017	I	<b>H</b>
2018	I	H
2019	I	<b>G</b>
2020	I	G
2021	<b>H</b>	G
2022	H	G
2023	H	G
2024	H	<b>F</b>

# Article 16 – Unemployment Insurance

## Tax Schedule by Reserve Ratio



# Article 16 – Unemployment Insurance

- Based on RI's experience, U.S. Dept. of Labor recommends minimum reserve ratio of 3% prior next recession
  - Equates to 1 year's benefits at average payout over highest 3 years of last 20
- Article 16 would reach 2.6% in 2023
  - Currently 0.25%
  - Mass 0.27%; CT 0.02%
- As of January 1, 2016, 32 states below federal target

# Article 16 – Unemployment Insurance

- Article 16 expands tax rates
  - Adds 3 new rates within each schedule
  - Lowest rate falls below 1%
  - Adjusts other rates up to maintain overall contributions at current level
    - Employers with few layoffs will move to lower minimum rates
    - Those with frequent layoffs will move to higher rates; still benefit from schedule change
  - No change to 0.21% Job Dev. Assessment

# Article 16 – Unemployment Insurance

Employer Tax Per Employee			
Employer Reserves	Current Law	Article 16	Difference
20%	\$403	\$276	\$(127)
10%	\$700	\$615	\$(85)
5%	\$827	\$763	\$(64)
-5%	\$1,272	\$1,230	\$(42)



# Article 16 – Unemployment Insurance

State Unemployment Tax Rates, 2015

State	Wage Base	Minimum Rate	Maximum Rate
Connecticut	\$15,000	1.9%	6.8%
Maine	\$12,000	0.74%	6.86%
Massachusetts	\$15,000	0.73%	11.13%
New Hampshire	\$14,000	0.05%	6.0%
Rhode Island	\$21,200 or \$22,700	1.69%	9.79%
Vermont	\$16,400	1.3%	8.4%

# UI Tax and Benefit System Funding

- RI in 3-state consortium with Mississippi & Maine
- Consortium awarded \$90 million for new system
  - \$60 million for the centralized system
  - \$10 million each state's specific program needs
- RI awarded 2 additional grants
  - \$1.5 million each for FY 2014 and FY 2015

# UI Tax and Benefit System Funding

Category	FY 2015	FY 2016	FY 2017	3-Yr Total
Sal/Ben	\$1.4	\$1.5	\$1.4	\$4.3
Contracted	0.8	6.7	2.8	10.3
Capital	0.2	0.1	0.0	0.3
Operating	0.5	0.3	0.2	0.9
<b>Total</b>	<b>\$3.0</b>	<b>\$8.5</b>	<b>\$4.3</b>	<b>\$15.8</b>

- FY 2017 funding for staffing, staff training, work on tax portion of system, new interactive voice response system and adding Spanish correspondence capabilities

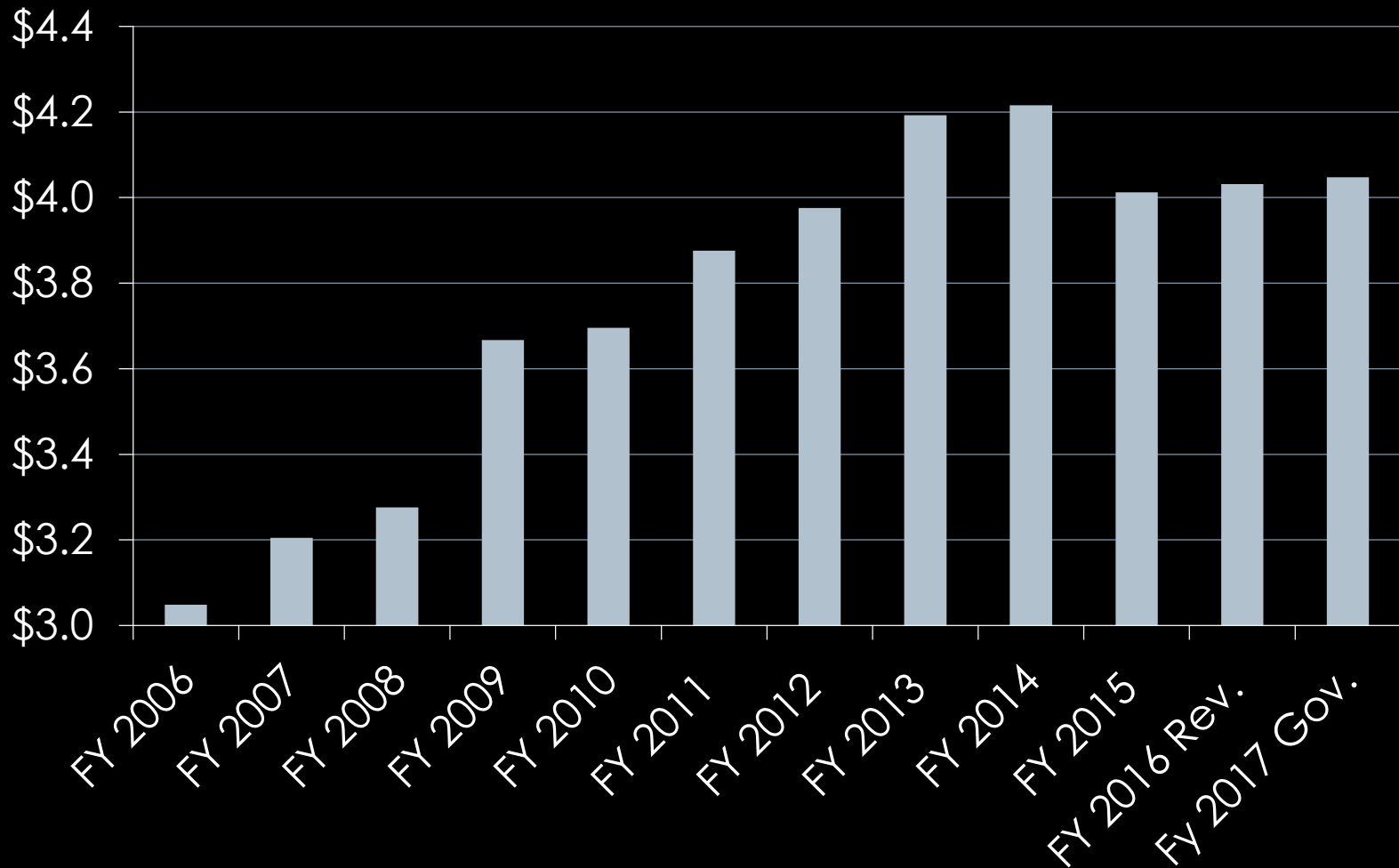
# UI Administration

(in millions)	Enacted	FY 2016 Gov. Rev.	Change	FY 2017 Gov. Rec.	Chg to Enacted
Sal & Ben	\$12.8	\$13.3	\$0.5	\$11.8	(1.0)
Contracted	0.7	0.5	(0.2)	0.4	(0.2)
Operations	1.3	1.3	-	1.2	(0.1)
<b>Total</b>	<b>\$14.9</b>	<b>\$15.1</b>	<b>\$0.2</b>	<b>\$13.5</b>	<b>(\$1.4)</b>
Federal	\$11.2	\$9.1	(\$2.1)	\$9.5	(\$1.4)
Restricted	3.7	6.0	2.3	4.0	0.3
<b>Total</b>	<b>\$14.9</b>	<b>\$15.1</b>	<b>\$0.2</b>	<b>\$13.5</b>	<b>(\$1.4)</b>

# Police and Fire Relief Fund

- Governor: \$4.0 million in both years
  - Same as requests, \$0.1 million less than enacted
- \$3.4 million for annuities/pensions
- \$0.6 million for tuition
- Annuity:
  - \$3,600 per year for surviving spouse
  - \$1,200 per year for dependent child
- Undergraduate tuition to URI, RIC, or CCRI

# Police and Fire Relief Benefit Payments History (in millions)

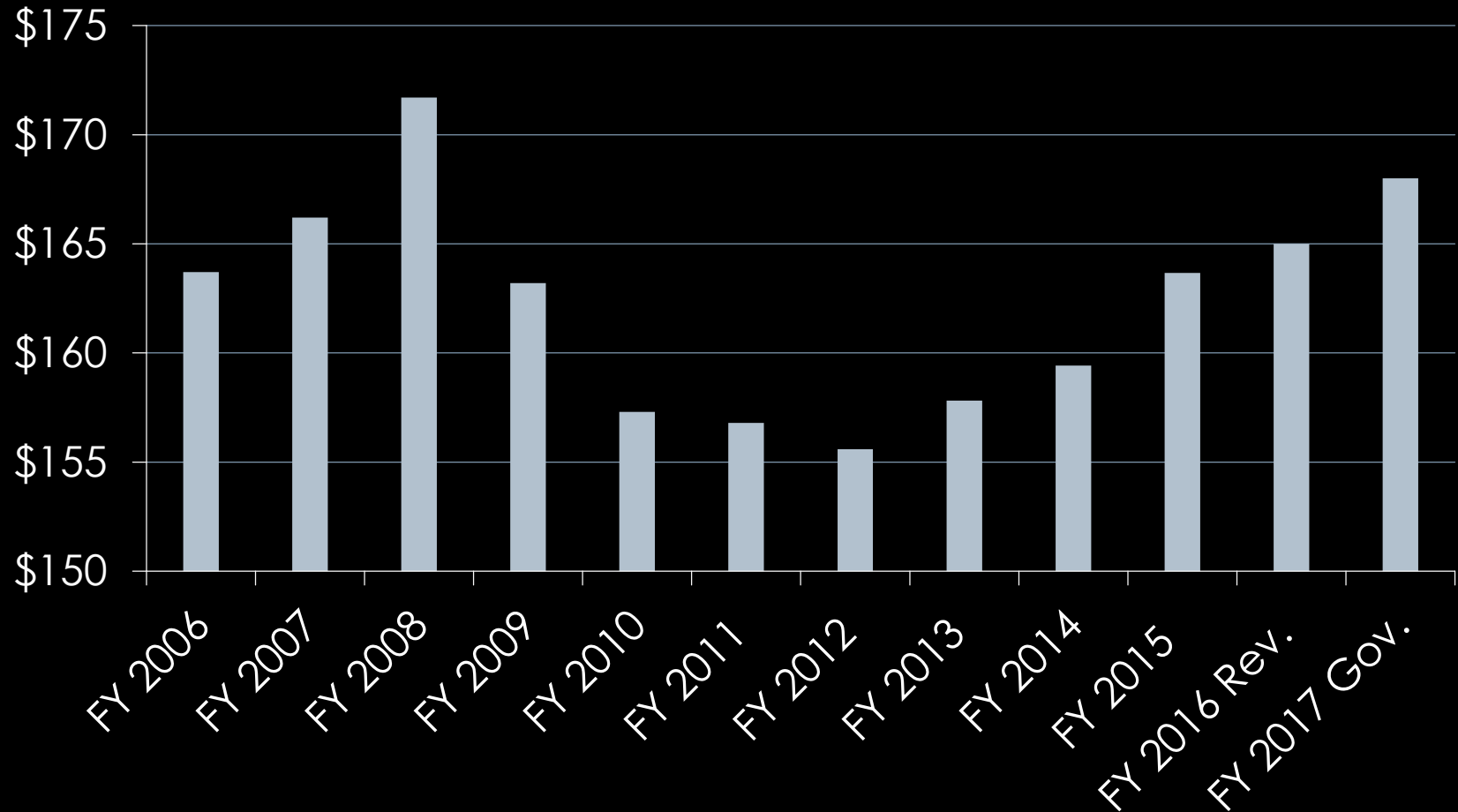


# Temporary Disability Insurance

- Funded entirely by RI worker contributions
- Only 4 other states have TDI
  - New York, New Jersey, California and Hawaii
- Effective January 1, 2016, 1.2% is deducted from the first \$66,300 earned
- Governor includes benefit payments of \$165.0 million in FY 2016, \$168.0 million in FY 2017

# TDI Benefit Payments History

(in millions)





# Article 16 – TDI

- Article 16 establishes task force on temporary disability insurance fraud & program integrity
  - Director of Labor and Training - chair
  - Secretary of Health and Human Services
  - Director of Health
  - Director of Office of Management & Budget
  - Attorney General

# Article 16 – TDI

- Coordinate joint efforts to combat fraud and abuse
- Foster appropriate use of the program by both claimants and healthcare providers
  - Educate about program's intent & benefits
- Perform joint investigations into fraudulent activities

# Article 16 – TDI

- Article 16 reduces length of time claimants have to apply for benefits
  - from 52 weeks to 90 days
  - Allows DLT director to extend claim filing period up to 26 weeks
    - If individual can show good medical reason for delay in filing

# Article 16 – TDI

State	Claim Reporting Deadline
California	49 days
Hawaii	90 days
New Jersey	30 days
New York	30 days
Rhode Island (current law)	52 weeks
Aflac (private)	52 weeks

# Temporary Caregiver Insurance

- Up to 4 weeks of benefits to care for:
  - A seriously ill child, spouse, domestic partner, parent, parent-in-law or grandparent, or
  - To bond with a newborn child, new adopted child or new foster care child
- Maximum of 4 weeks in a benefit year
- FY 2015 was the 1<sup>st</sup> full year of program that began January 1, 2014
- Governor includes \$9.0 million in FY 2016 and \$9.5 million in FY 2017

# Temporary Caregiver Insurance

FY 2015	Approved Claims	Payments Issued	Benefits Paid
Bond with a Child	3,803	13,698	\$7,298,009
Illness	1,138	4,099	\$1,945,762
<b>Total</b>	<b>4,941</b>	<b>17,797</b>	<b>\$9,243,771</b>

- Same benefit amount as TDI program
  - Replaces about 60% of gross weekly pay
  - Subject to state and federal income taxes; TDI is not
  - Must contribute to TDI to be eligible
- 2 of the 4 other TDI states have similar programs: California and New Jersey

# Workforce Investment Act Grants

- Enacted budget: \$20.3 million from federal funds
- \$31.8 million for FY 2016
  - Primarily carried forward funding
- \$21.2 million for FY 2017
- Awards for adults, youth, dislocated workers, long-term unemployed, veterans and individuals with disabilities

# HRIC/ Governor's Workforce Board

	(in millions)	Restricted Receipts - 0.21% JDF
FY 2012		\$3.3
FY 2013		4.2
FY 2014		6.4
FY 2015		6.7
FY 2016 Enacted		7.9
FY 2016 Gov. Rev.		13.5
Change to Enacted*		\$5.6
FY 2017 Gov. Rec.		9.6
Change to Enacted		\$1.6

\*FY 2015 awards not expended



# Work Immersion Program

- Up to 200 hours training, up to 10 weeks
- Individuals are partnered w/ business for short-term work experience
  - Increase individual's employability & assist business by training individuals
- Employer pays the individual; reimbursed up to 50% of the costs
  - Up to 75% if person is hired after program
- Enacted level of \$0.6 million from general revenues

# Work Immersion Program

	FY 2014	FY 2015	FY 2016 through 2/24/16
Expenditures Accrued	\$79,812	\$588,048	\$869,991
Employer Partners	114	216	186
Unemployed Participants	77	308	113
College Participants	218	418	165
CTE	-	-	80
Number Hired	66	160	38

# Non-trade Apprenticeship

- Works w/ industry partners to establish, develop & prepare curriculum for apprenticeship-style programs
  - Non-licensed professions: IT, hospitality, tourism, financial services, health care
- Employer pays individual, not reimbursed
- HRIC annually awards funding on competitive basis
- Enacted level of \$150,000 from general revenues

# Workers' Compensation

Expenses (restricted receipts)	FY 2016 Enacted	FY 2016 Gov. Rev.	FY 2017 Gov.	FY 2017 to Enacted
Salaries & Benefits	\$4.3	\$4.5	\$4.5	\$0.2
Second Injury Fund	1.6	1.6	1.6	0.0
Donley Center	1.8	1.8	1.8	0.0
Claims Monitoring & Data Processing	0.5	0.6	0.5	0.0
Education Unit	0.3	0.3	0.3	0.0
Self-Insurance	0.0	0.0	0.0	0.0
Total (in millions)	\$8.5	\$8.7	\$8.7	\$0.2

# Workforce Regulation & Safety

General Revenues	Enacted	FY 2016 Gov. Rev.	FY 2017 Gov. Rec.	FY 2017 to Enacted
Salaries & Benefits	\$2,792,046	\$2,687,051	\$2,659,212	(\$132,834)
Contracted	17,470	16,615	16,783	(687)
Other Operations	116,117	238,809	259,559	143,442
<b>Total</b>	<b>\$2,925,633</b>	<b>\$2,942,475</b>	<b>\$2,935,554</b>	<b>\$9,921</b>

# Labor Relations Board

- \$0.4 million in both years
- Approx. \$360,000 for 2.0 full-time staff and \$42,000 for operations & legal services
- 7-member Board including chairperson
- As of March 21, 2016, all seats filled
  - Board members receive ~ \$14,000 stipends
  - One member currently declines the stipend

# Capital Projects (in millions)

Project	Source	5-Year Total	Project Total	End Date
Center General Roof	Federal, Restricted Receipts, TDI Funds	\$-	\$2.0	FY 2016
Asset Protection	RICAP	\$4.0	\$6.1	FY 2020
Total		\$4.0	\$8.1	

# Statutory Reporting Requirements

- DLT has 5 required reports
  - 4 from Governor's Workforce Board
    - 2 annual reports, 2 biennial report
    - Employment Training & Work Plan
    - Unified Workforce Development Expenditure & Program
  - Department's annual report, in January
- Currently submitting all reports



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