

Department of Labor and Training

House Fiscal Staff Presentation

FY 2019 Revised and FY 2020 Recommended

FY 2020 - FY 2024 Capital Recommendation

April 10, 2019

Department Overview

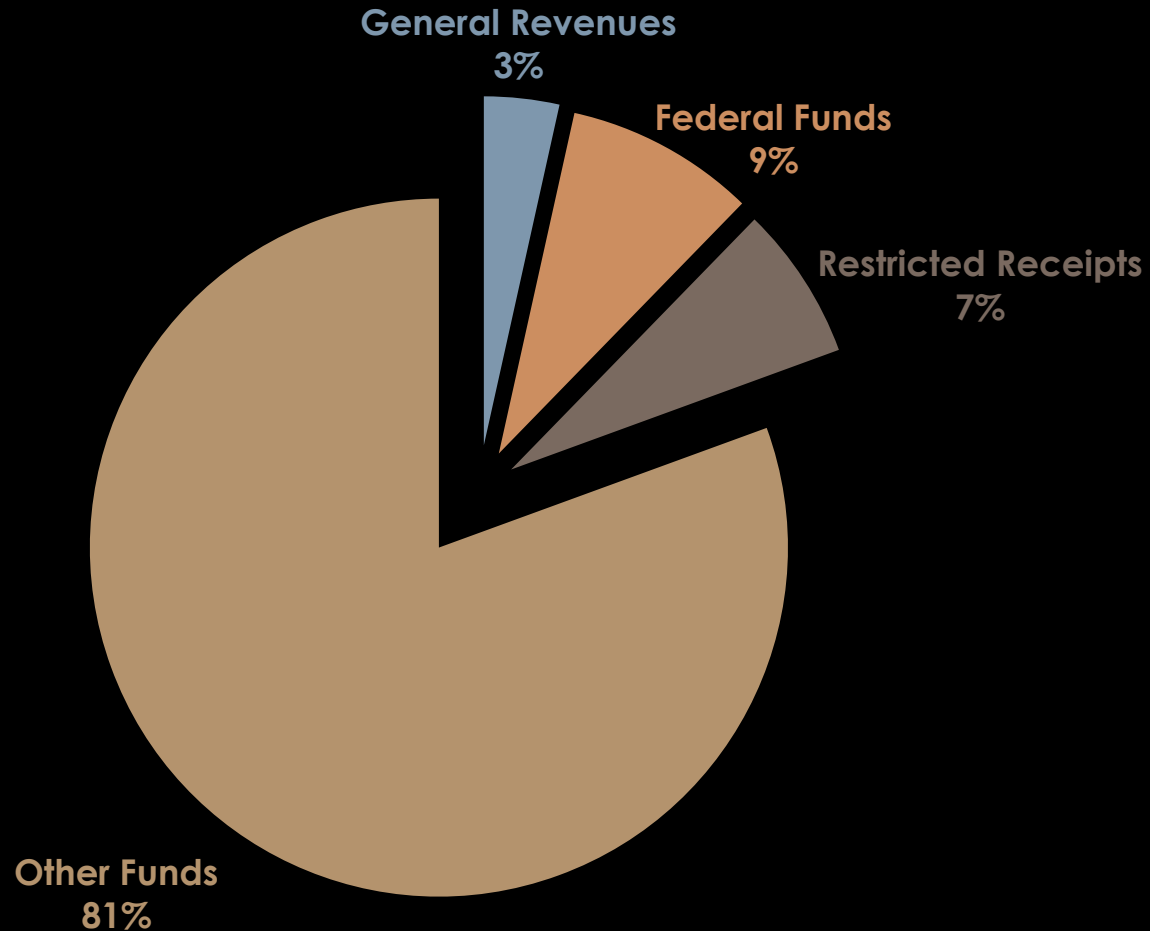
- Agency Responsibilities:
 - Provides workforce development
 - Provides employment services and educational services
 - Enforces labor laws, prevailing wage rates, and workplace health and safety standards
 - Provides income support for unemployed and temporarily disabled workers

Summary by Source

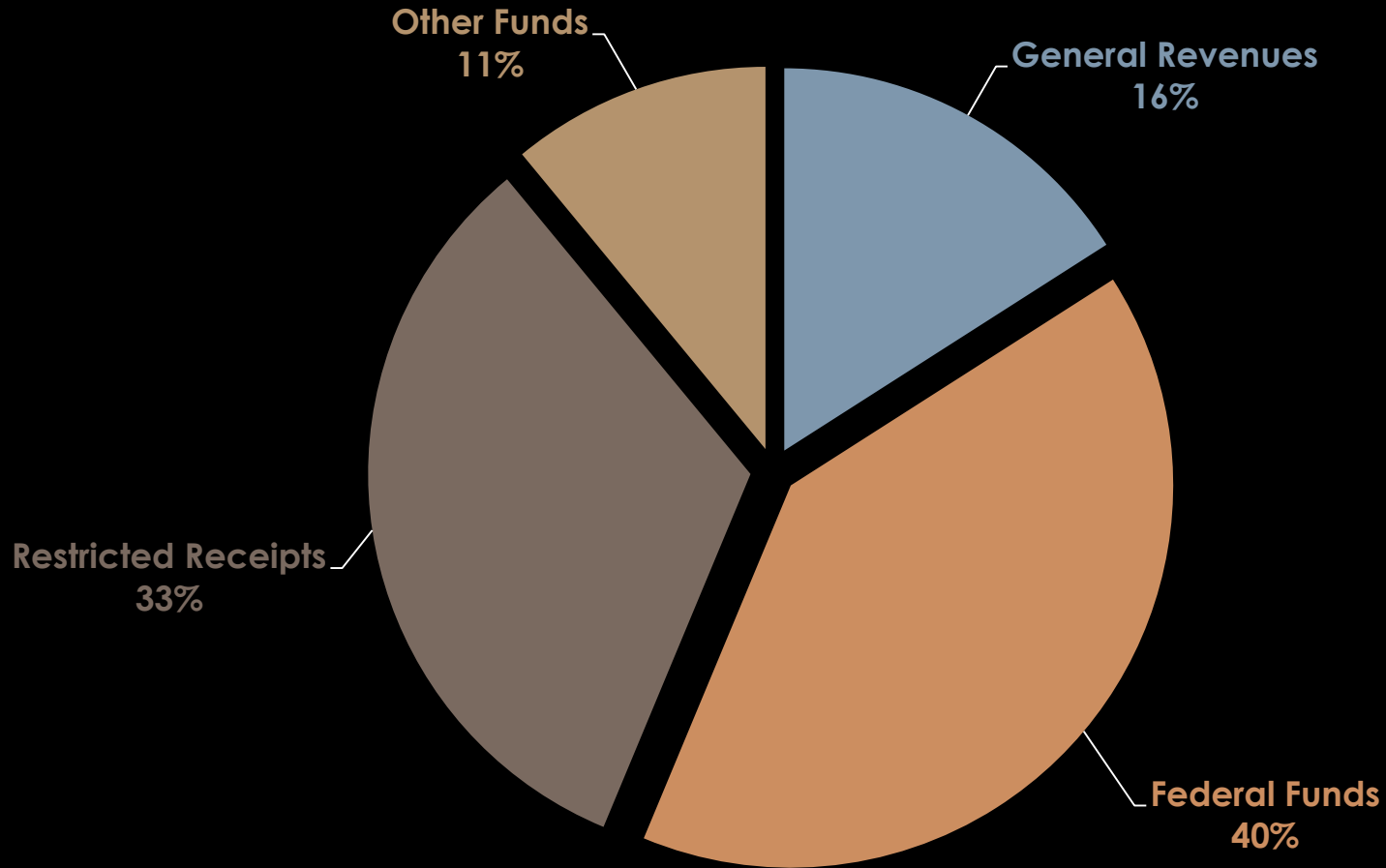
	FY 2019 Enacted	FY 2019 Revised	FY 2020 Governor	Change to Enacted
General Revenues	\$14.5	\$15.8	\$15.8	\$1.3
Federal Funds	40.8	45.4	40.0	(0.8)
Restricted Receipts	39.0	30.3	32.5	(6.5)
Other Funds	364.0	354.7	366.0	2.0
Total	\$458.2	\$446.3	\$454.3	\$(3.9)

\$ in millions

Summary by Source



Summary by Source Excluding TDI/TCI/UI Payments

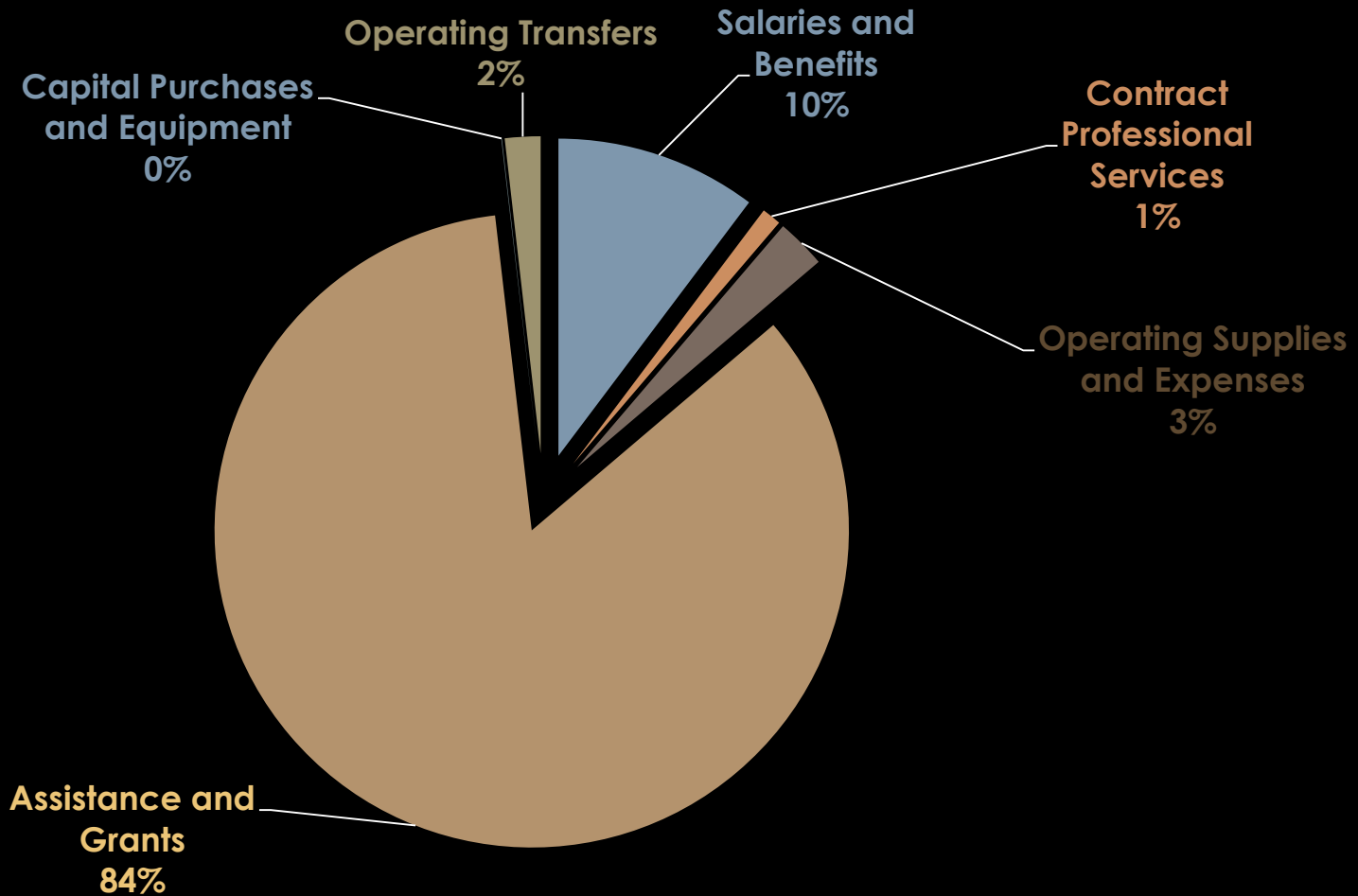


Summary by Category

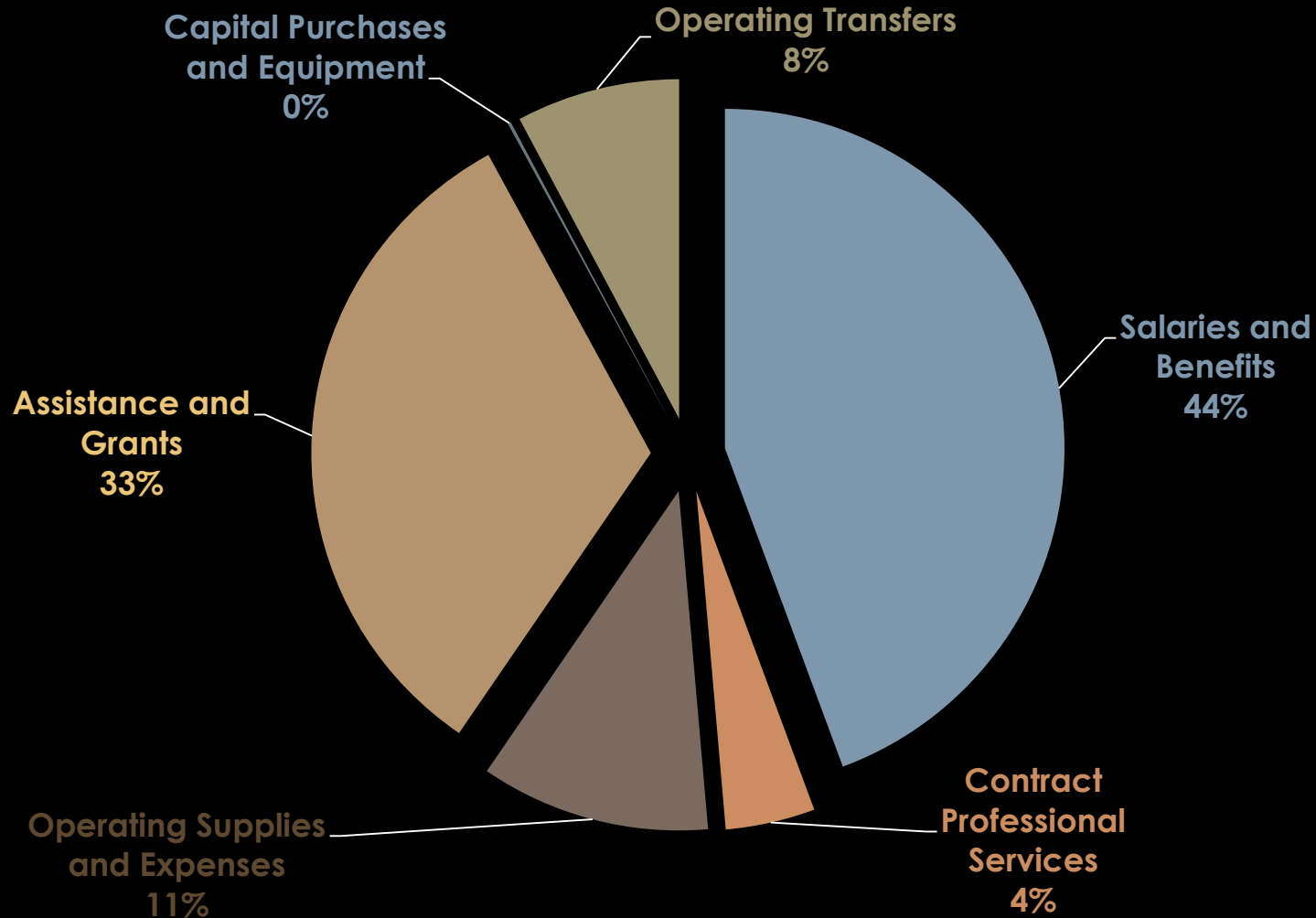
	FY 2019 Enacted	FY 2019 Revised	FY 2020 Governor	Change to Enacted
Salaries & Benefits	\$42.4	\$41.3	\$46.6	\$4.3
Contract Services	4.9	4.9	4.5	(0.4)
Operating Expenses	12.8	13.6	11.5	(1.3)
Assistance and Grants	390.1	378.4	383.3	(6.8)
Capital	1.4	0.2	0.2	(1.2)
Transfers	6.6	7.9	8.2	1.6
Total	\$458.2	\$446.3	\$454.3	\$(3.9)

\$ in millions

Summary by Category



Summary by Category Excluding TDI/TCI/UI



Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & human resources
- Costs previously budgeted in DOA
 - 2018 Assembly included costs in user agency budgets
 - Final FY 2018 & FY 2019 budget

Centralized Services

All Funds	FY 2019 Enacted	FY 2019 Revised	Chg. to Enacted	FY 2020	Chg. to Enacted
IT	\$3,276,287	\$2,711,189	(\$565,098)	\$2,539,807	(\$736,480)
HR	614,567	619,147	4,580	749,581	135,014
Facilities	2,548,848	2,286,053	(262,795)	2,439,962	(\$108,886)
Total	\$6,439,702	\$5,616,389	(\$823,313)	\$5,729,350	(\$710,352)
GR	\$866,413	\$1,074,580	\$208,167	\$1,239,625	\$373,212

- There appears to be some disconnect with amounts showing as spent and budget expectation
 - Charges only to federal funds according to ISF Q2 report

Statewide Savings Initiatives

- Governor distributes statewide general revenue savings enacted for FY 2019 in the Department of Administration
 - Prompt Payment - \$0.4 million
 - Vendors voluntarily offer a discount if payments are received within an agreed upon date
 - Contracts - \$3.0 million
 - Effort to reduce costs of certain commodities
 - Food, maintenance, office equipment, telecommunications
 - Insurance - \$0.5 million
 - Reductions in policies for property & crime

Statewide Savings Initiatives

Initiative	FY 2019 Revised	FY 2020
Prompt Payment	(\$179)	(\$179)
Contract	(19,235)	(19,864)
Insurance	(445)	(435)
Total	(\$19,856)	(\$20,478)

- Non general revenue savings are not reflected

Target Budget

- Budget Office provided general revenue target of \$14.1 million
 - Current service adjustments of \$0.1 million
 - 5.0% reduction of \$0.5 million
- No constrained requests submitted
- Recommendation is \$1.2 million above current service

FY 2018 Experience

	General Revenues
FY 2018 Enacted	\$8.1
FY 2018 Q1 – DLT	\$8.1
FY 2018 Gov.	\$9.0
FY 2018 Q3 – DLT	\$9.1
FY 2018 Assembly Final	\$9.0
FY 2018 Actual	\$12.9
Overspend	\$3.9

\$ in millions

Budget Issues

- Staffing - Overview
 - Unemployment Administration
 - Workforce Regulation and Safety
 - Employer Tax Transfer
 - Medicaid Assessment Positions
 - Grant Unit and Audit Unit
- Governor's Workforce Board
- Real Jobs RI
- Workforce Development Services Grants
- Benefits
- Capital Projects

Staffing

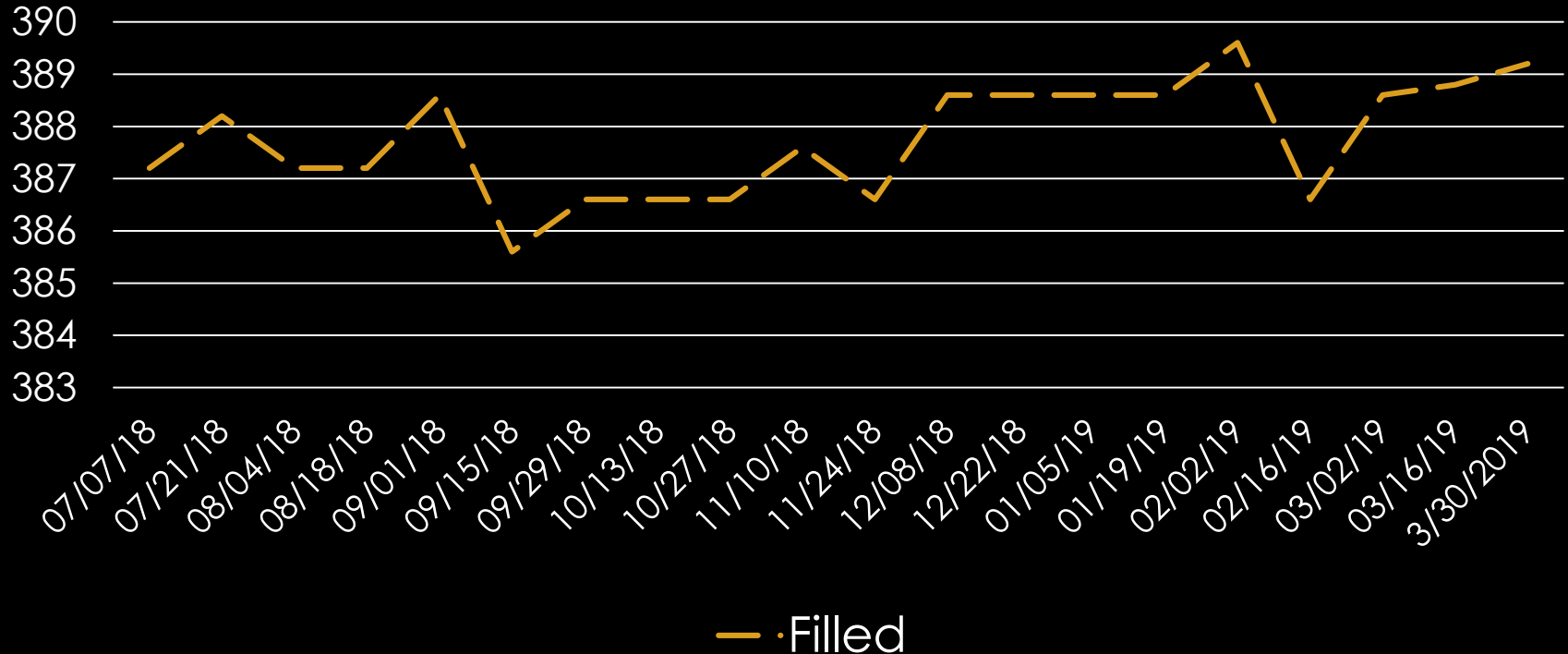
Full-Time Equivalent Positions

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	409.7	-
FY 2019 Gov. Rev.	409.7	-
FY 2020 Request	409.7	-
FY 2020 Governor	451.7	42.0
FY 2020 Funded FTE	422.4	12.7
Filled as of March 30	389.2	(20.5)
FY 2018 Average Filled	401.5	(8.2)

Staffing

FY 2020 Governor Recommendation		
	DLT	Statewide
Gross Salaries (in millions)	\$29.7	\$1,249.1
Turnover (in millions)	(2.1)	(42.9)
Turnover %	6.5%	3.4%
Turnover FTE	29.3	529.0
FY 2020 FTE recommended	451.7	15,413.1
Funded FTE	422.4	14,884.1
Excluding Transfer/New	380.4	14,879.1
Filled as of March 30	389.2	14,131.4
Funded but not filled	(8.8)	752.7

Staffing – Current Year



July 1, 2018	March 30, 2019	Average
387.2	389.2	387.8

Staffing - Overview

- FY 2020 - \$45.6 million, 451.7 FTE
 - \$3.3 million more than enacted
 - Funds approx. 422.4 positions
 - Includes current service adjustments
 - Also \$50,740 for statewide benefit savings
- FY 2019 Revised - \$40.3 million, 409.7 FTE
 - \$2.0 million less than enacted
 - Funds approx. 394.8 positions
 - Includes \$76,047 for statewide benefit savings

Staffing by Source

	FY 2019 Enacted	FY 2019 Revised	FY 2020 Governor	Change to Enacted
General Revenues	\$3,292,200	\$4,479,211	\$3,828,298	\$536,098
Federal Funds	20,788,972	18,774,414	21,103,023	314,051
Restricted Receipts	9,970,421	11,154,324	14,391,492	4,421,071
Other Funds	8,324,151	6,890,797	7,314,609	(1,009,542)
Total	\$42,375,744	\$41,298,746	\$46,637,422	\$4,261,678

Unemployment Administration Staffing

- DLT - \$3.9 million overspent in FY 2018
 - Spending commitment for unemployment admin against unavailable federal funds including FY 2017 expenses
 - FY 2017 plan to use \$2.0 million from special funds in UI trust fund to pay admin costs denied by USDOL; appeal denied in May 2017
 - Typically offsets costs from JDF/Tardy & Interest
 - Funds budgeted for other purposes in FY 2017
 - Receivable booked despite denial

Unemployment Administration Staffing

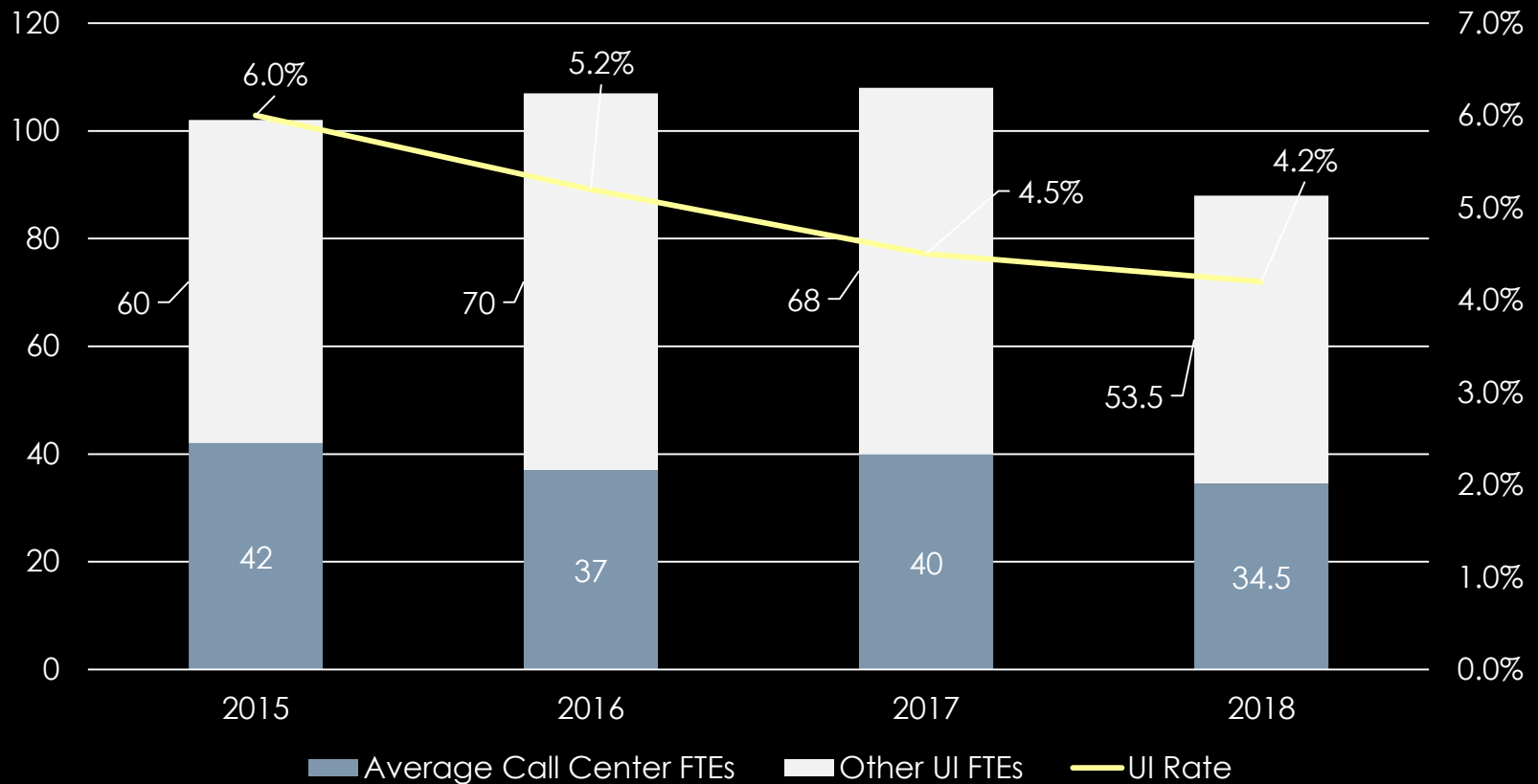
- Resource shortfall persisted in FY 2018
 - DLT revised budget proposed shifting \$1.0 million in costs to TDI & TCI through job sharing
 - Budget adopted the plan but it never happened and charges were made against federal award
 - State Controller sees that federal award is overcommitted
 - No funding is available to cover FY 2017 receivable
 - Charges 2-year deficit to general revenues, \$3.9 million overspend

Unemployment Administration Staffing

- FY 2020 - \$12.4 million
- FY 2019 Revised - \$11.8 million
 - DLT requested \$13.6 million and \$13.0 million
 - Requests included \$1.2 million from general revenues
 - To cover gap between commitments and resources
 - Governor did not recommend the GR
 - Also reduces FF to reflect availability
- Staffing need exceeds recommendation
 - Program spent \$13.5 million on staff in FY 2018
 - No publicly identified strategy to resolve

Unemployment Administration Staffing

Average UI FTEs vs Average Unemployment Rate
2015 - 2018



Workforce Regulation and Safety Staffing

- FY 2020 - \$2.8 million
- FY 2019 Revised - \$4.0 million
 - All funding from general revenues
 - Program previously used tardy and interest funds to offset costs, those are budgeted for UI
 - FY 2019 revised maintains the FY 2018 staffing level
 - FY 2020 removes additional funding
 - Appears to assume 10 positions become vacant by the start of FY 2020

Workforce Regulation and Safety Staffing

- Amendment submitted April 5
 - Governor requests to add \$1.2 million for FY 2020
 - Includes \$0.6 million from both general revenues and workers' compensation restricted receipts
 - Appears to be solution to underfunded staffing
 - FY 2020 appropriation would effectively match revised
 - Reallocates employees to allow funding from RR
 - Also includes 3.0 new FTEs to work with workplace fraud unit
 - 2018 Assembly did not approve last year's proposal to expand unit

Workplace Fraud Unit

- Responsibilities:
 - Enforce prevailing wage requirements
 - Enforce wage and hour issues
 - Identify misclassification of employees as contractors
 - Conduct administrative hearings
- Current Unit
 - 12.0 filled FTEs, \$1.4 million
 - Funded from general revenues and workers' compensation restricted receipts

Workplace Fraud Unit

- Amendment would increase unit to 19.0 FTE
 - Funds 4.0 positions within authorization and add 3.0 new FTEs
 - DLT estimates additional collections of \$0.6 million from proposal

Collections		Notes
FY 2016	\$0.1	\$ in millions
FY 2017	\$0.1	Fines amounts increased in FY 2017
FY 2018	\$0.7	
FY 2019	\$0.4	Actual through March 9
FY 2020	\$1.0	Department estimates based on actual collections through March

Employer Tax Transfer

- Article 4, Sections 1, 2, and 31
 - Transfer employer tax collection responsibilities from DOR to DLT
 - Temporary Disability/Caregiver's Insurance
 - Employment Security
 - Job Development Fund
 - Effective October 1, 2019
 - Gives broad authority for law revision office of the General Assembly to make changes to the statutes to effectuate the transfer

Employer Tax Transfer

- Budget transfers 37.0 FTE and \$3.5 million associated with these collections to DLT from DOR
 - Average of 35.0 filled FTE for FY 2019
 - Recommendation transfers related funding for the full fiscal year
 - Intent is to align unit with source of funds
 - TDI/UI/JDF
 - Misrepresents \$1.0 million of expenditures as restricted receipts instead of other funds

Medicaid Assessment Positions

- Article 16, Section 4
 - Would require an employer with 300 or more employees to pay a quarterly assessment for each employee on Medicaid that quarter
 - Governor recommends \$1.1 million from GR for administrative expenses and 5.0 new FTE in DLT
 - Consistent with proposal to transfer employer tax collection responsibilities
 - Budget assumes FY 2020 revenues of \$15.6 million
 - Out-years: \$19.5 million for FY 2021; \$20.3 million for FY 2022; \$21.0 million for FY 2023 & \$21.8 million for FY 2024

Grant Unit and Audit Unit

- FY 2020 - \$0.7 million
- FY 2019 Revised - \$0.4 million for half year
 - 6.0 new positions within enacted authorization
 - 3.0 for each unit, 2.0 principal auditors and 1.0 financial management assistant administrator
 - Federal funds and GWB restricted receipts
 - Concept still in development
 - Units ensure grant submissions are accurate and expenditures are allowable
 - Positions not hired as of April 10
 - Funded beginning January 2019

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 a wide range of programs and services
 - Real Jobs RI, internships, incumbent worker training, continuing adult education

Governor's Workforce Board

- FY 2020 - \$12.5 million restricted receipts from Job Development Fund
 - \$12.1 million less than enacted
 - Reflects expected available resources, enacted budget includes the Department's request which was overstated
- FY 2019 Revised
 - \$11.0 million less than enacted

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

GWB Cash Flow	FY 2017	FY 2018	FY 2019
Carry-In	\$5,590,858	\$7,029,106	\$3,578,141
Collections (JDF)	14,739,215	15,109,735	18,560,000
General Revenue	630,862	554,517	6,277,198*
Interest Earnings	49,282	80,529	60,000
DOR Employer Tax Unit	(793,615)	(845,479)	(930,000)
<i>Total Available</i>	<i>\$20,216,602</i>	<i>\$21,928,408</i>	<i>\$28,061,339</i>
Internal Expenses	(1,037,753)	(2,299,121)	(3,045,812)
<i>Available for Contracts</i>	<i>\$20,048,311</i>	<i>\$20,523,839</i>	<i>\$25,015,527</i>
Obligated	(12,149,743)	(16,945,698)	(25,015,527)
Carry Forward	\$7,029,106	\$3,578,141	\$-

*GR for FY 2019 includes \$5.5 million appropriated for Real Jobs RI

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, as well as low and no-skilled workers

Real Jobs RI

- FY 2020 - \$12.7 million
 - Enacted amount of \$5.5 million from general revenues
 - \$3.5 million from federal funds
 - \$3.7 million from tax adjustment included in the enacted budget for CY 2019
- FY 2019 Revised
 - \$5.9 million more than enacted from federal funds
 - Carry forward and newly awarded grants

Real Jobs RI

- Enacted budget authorized an add-on to the JDF tax
 - For calendar year 2019 only
 - Limited to 75% of value of interest earned
- Employers pay same total rate
 - 0.21% JDF tax increased to 0.29%
 - Effective until December 31, 2019
 - UI tax rate revised down the same amount
- Total made available - \$6.7 million split over FY 2019 and FY 2020

Real Jobs RI

- Article 5, Section 5 expands JDF to non-profits with 1,000 or more employees
 - Effective January 2020
 - Estimated to impact 11 employers
 - Approximately \$50 tax per employee
 - Estimated new revenue - \$1.2 million
 - Would partially cover loss of revenue following end of the one-time adjustment
- Budget does not include funding to reflect expansion
 - Impact would be \$0.3 million in FY 2020

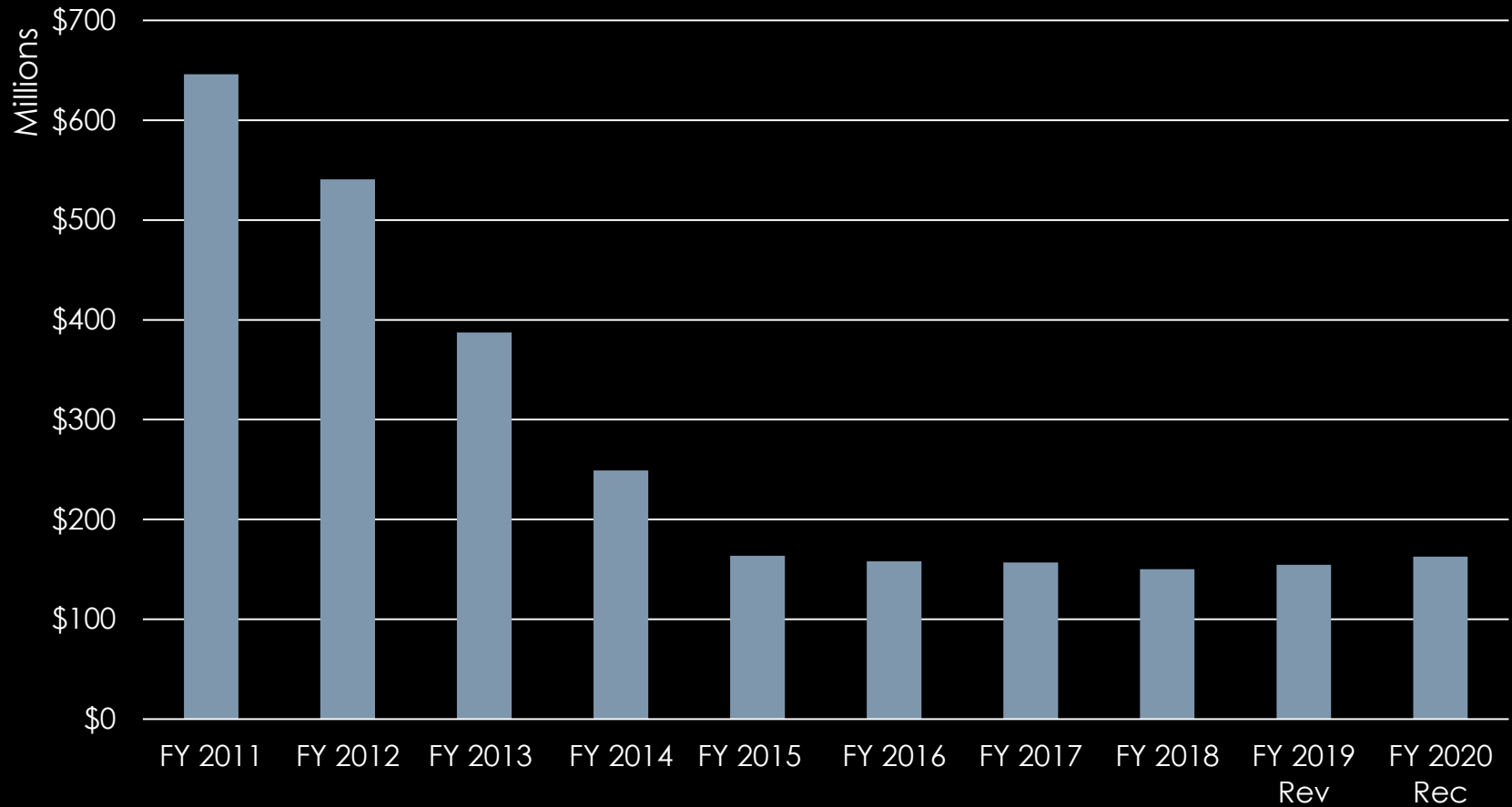
Workforce Development Services Grants

- Funds a number of DLT's programs
 - Trade Readjustment Act, Dislocated Workers, Youth Programs, etc.
- FY 2020 - \$10.2 million
 - \$0.1 million more than enacted
 - Projected available funding
- FY 2019 Revised - \$13.3 million
 - \$3.2 million more
 - Reflects carry forward from FY 2018

Unemployment Benefit Payments

- FY 2020 - \$1 62.7 million
 - \$3.5 million more than enacted
- FY 2019 Revised - \$1 54.5 million
 - \$4.7 million less than enacted
- Based on usage trends, small increase over last couple of years
 - Overall, fewer individuals collecting benefits
 - Budgeted high and revised accordingly

Unemployment Benefit Payments



UI Information Technology System

- RI joined into a consortium with Maine and Mississippi to develop a new unemployment and insurance tax and benefit system
 - Federal award of \$90.0 million
 - \$60.0 million for centralized program development
 - \$10.0 million to each state to develop the program to its specific needs

UI Information Technology System

- Benefit system previously scheduled to go live March 2019
 - On hold as of December, still on hiatus as of April
 - Source funding expired for state staff to work on project
- Remaining funding reflects necessary payments related to consortium
 - FY 2020 – \$0.5 million, \$1.2 million less
 - FY 2019 Revised - \$3.3 million, \$1.6 million more

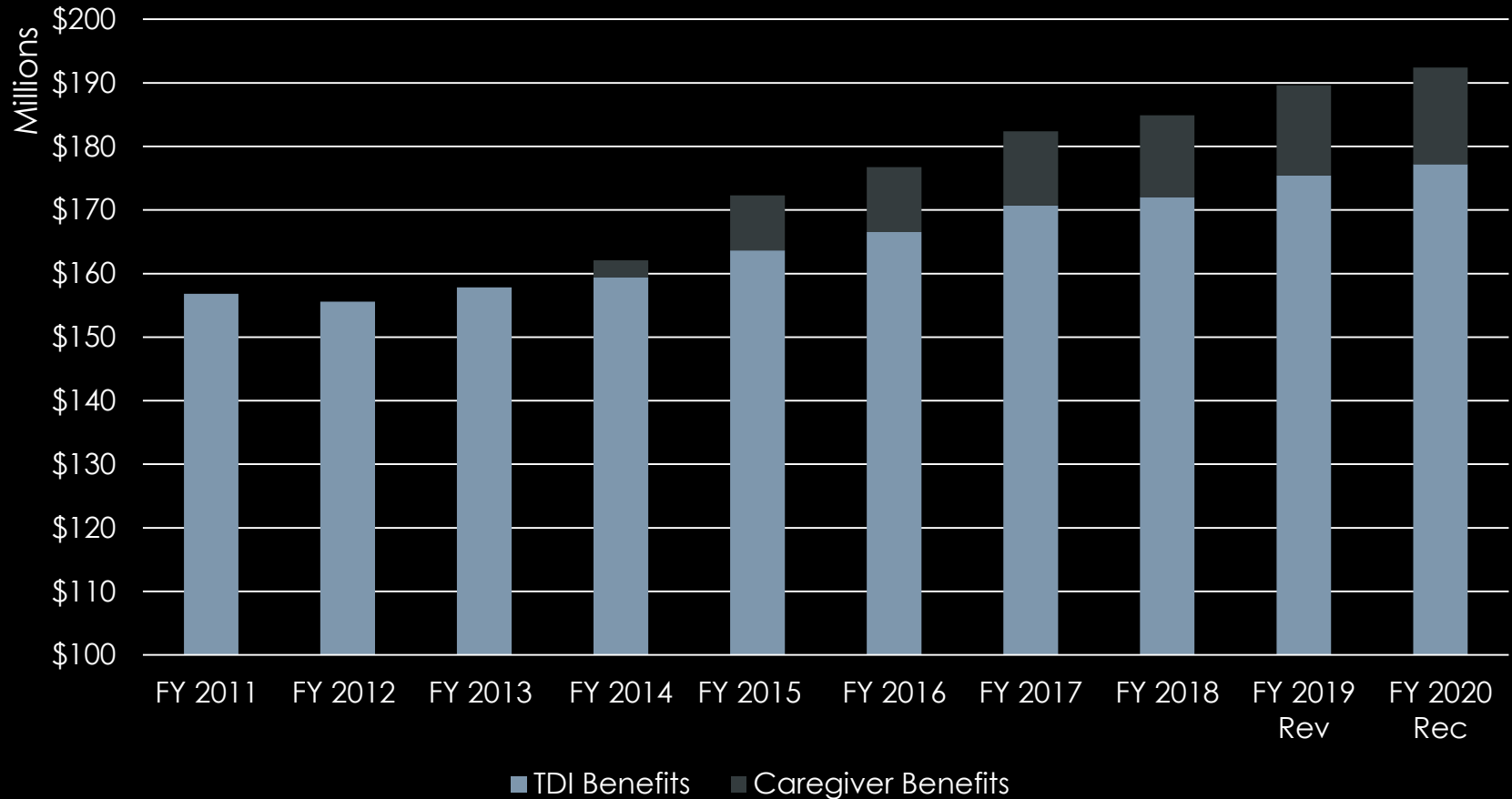
Temporary Disability Benefit Payments

- 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
 - Overall benefit levels have been increasing each year since the recession
- FY 2020 - \$177.2 million
 - \$0.8 million less than enacted
- FY 2019 Revised - \$175.4 million
 - \$2.6 million less than enacted

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 2020 - \$15.2 million
 - \$1.2 million more than enacted
- FY 2019 Revised - \$14.2 million
 - \$0.2 million more than enacted
- Based on projected use of the program

Temporary Disability Benefit Payments



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 2020 and FY 2019 revised - \$3.8 million, essentially consistent with the enacted budget
 - \$3.2 million for pensions, \$0.6 million for education
 - 5 year and 10 year average - \$3.9 million

Capital Projects

- Center General Asset Protection
 - Total project costs of \$12.4 million requested from RICAP through FY 2023
 - Governor recommends project be shifted to DOA, includes \$10.7 million from FY 2019 through FY 2024
- Real Jobs RI Data Management System
 - DLT uses paper based system, requested as part of capital request
 - \$0.2 million funded from IT Investment Fund in FY 2019

Reporting Requirements

- Required to submit 5 reports, in compliance

Title	Author	Schedule
Biennial Employment & Training Plan	Governor's Workforce Board	Biennial
Unified Workforce Development Expenditure & Program Report	Governor's Workforce Board	Annual
Governor's Workforce Board Annual Report	Governor's Workforce Board	Annual
Department of Labor and Training Annual Report	DLT Director	Annual
Misclassification Task Force Annual Report	Misclassification Task Force	Annual

Audits and Reports

- Performance Report
 - Last published August 2013
 - Nearly all goals met
 - UI Claims processing and call wait times below target
- Workers' Compensation Audit
 - Published August 2017
 - Made a number of recommendations
 - Establish objectives, enforce penalties, evaluate use of staff time

Audits and Reports

- Single Audit Report – FY 2018
 - Repeated finding
 - DLT did not make necessary system changes
 - To allow penalties on overpayments due to fraud
 - To prohibit relief from penalties to employers when overpayment results from employer's late or inadequate response to a request for information
 - Of 25 sampled overpayments, 16 classified as fraud, none assessed 15% penalty
 - Required by state and federal law
 - Implementation date – March 31, 2020

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