

Department of Labor and Training

House Fiscal Staff Presentation

FY 2018 Revised and FY 2019 Recommended

FY 2019 - FY 2023 Capital Recommendation

April 4, 2018

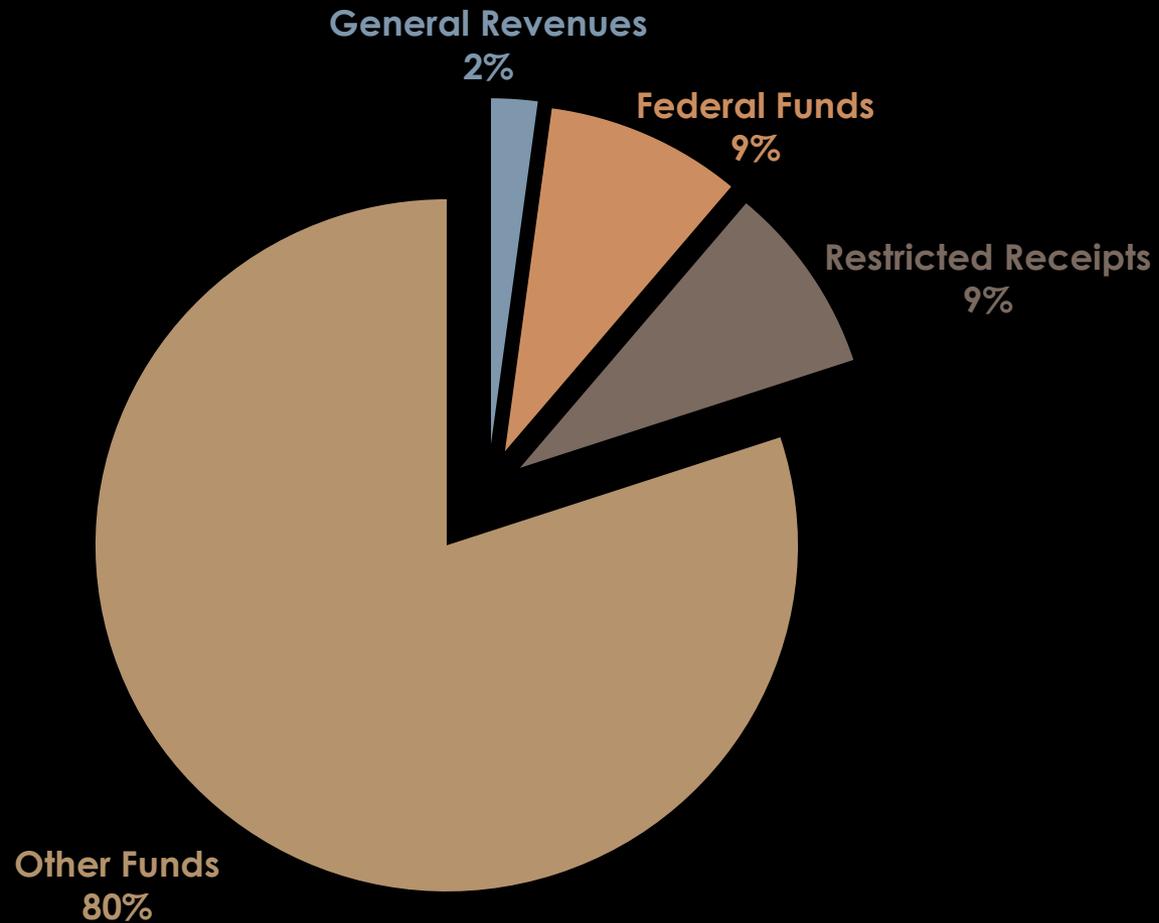
Department Overview

- 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

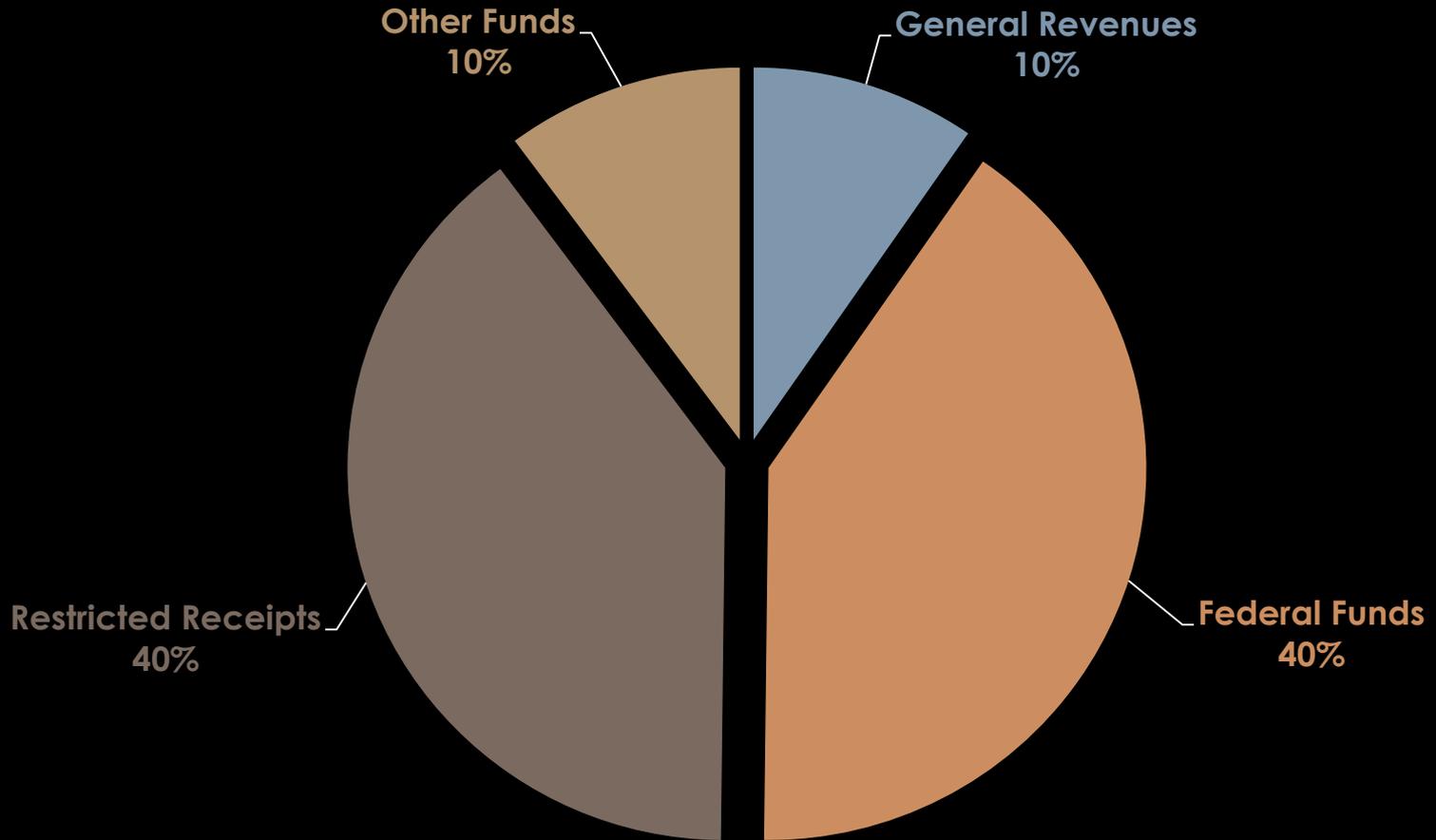
Summary by Source

| | FY 2018 Enacted | FY 2018 Revised | FY 2019 Governor | Change to Enacted |
|---------------------|----------------------------|----------------------------|-----------------------------|------------------------------|
| General Revenues | \$8,094,063 | \$8,975,670 | \$9,690,749 | \$1,596,686 |
| Federal Funds | 36,930,858 | 51,355,725 | 40,908,051 | 3,977,193 |
| Restricted Receipts | 24,323,914 | 30,614,296 | 39,985,082 | 15,661,168 |
| Other Funds | 360,558,541 | 357,525,722 | 363,520,368 | 2,961,827 |
| Total | \$429,907,376 | \$448,471,413 | \$454,104,250 | \$24,196,874 |

Summary by Source



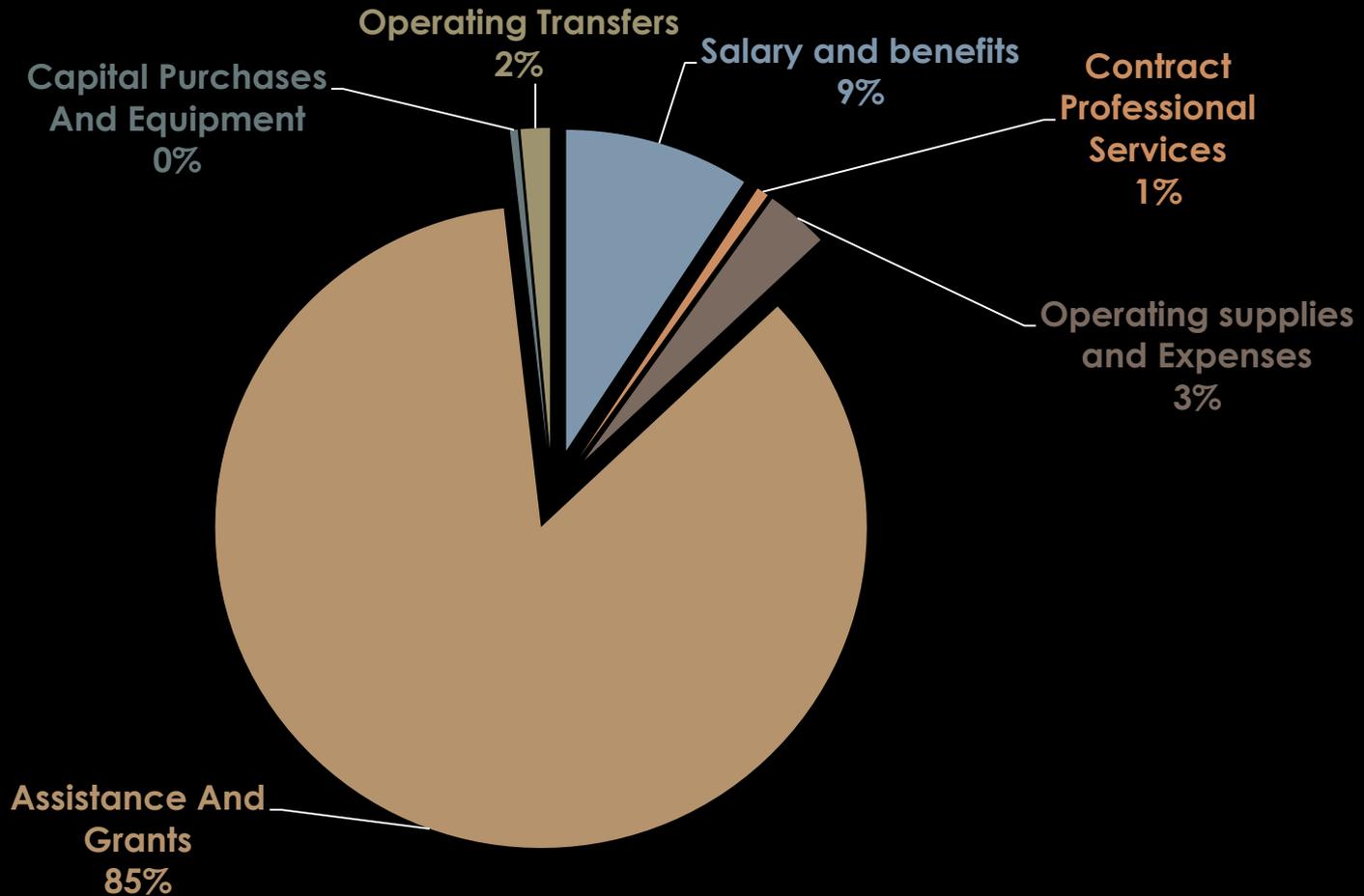
Summary by Source Excluding Benefit Payments



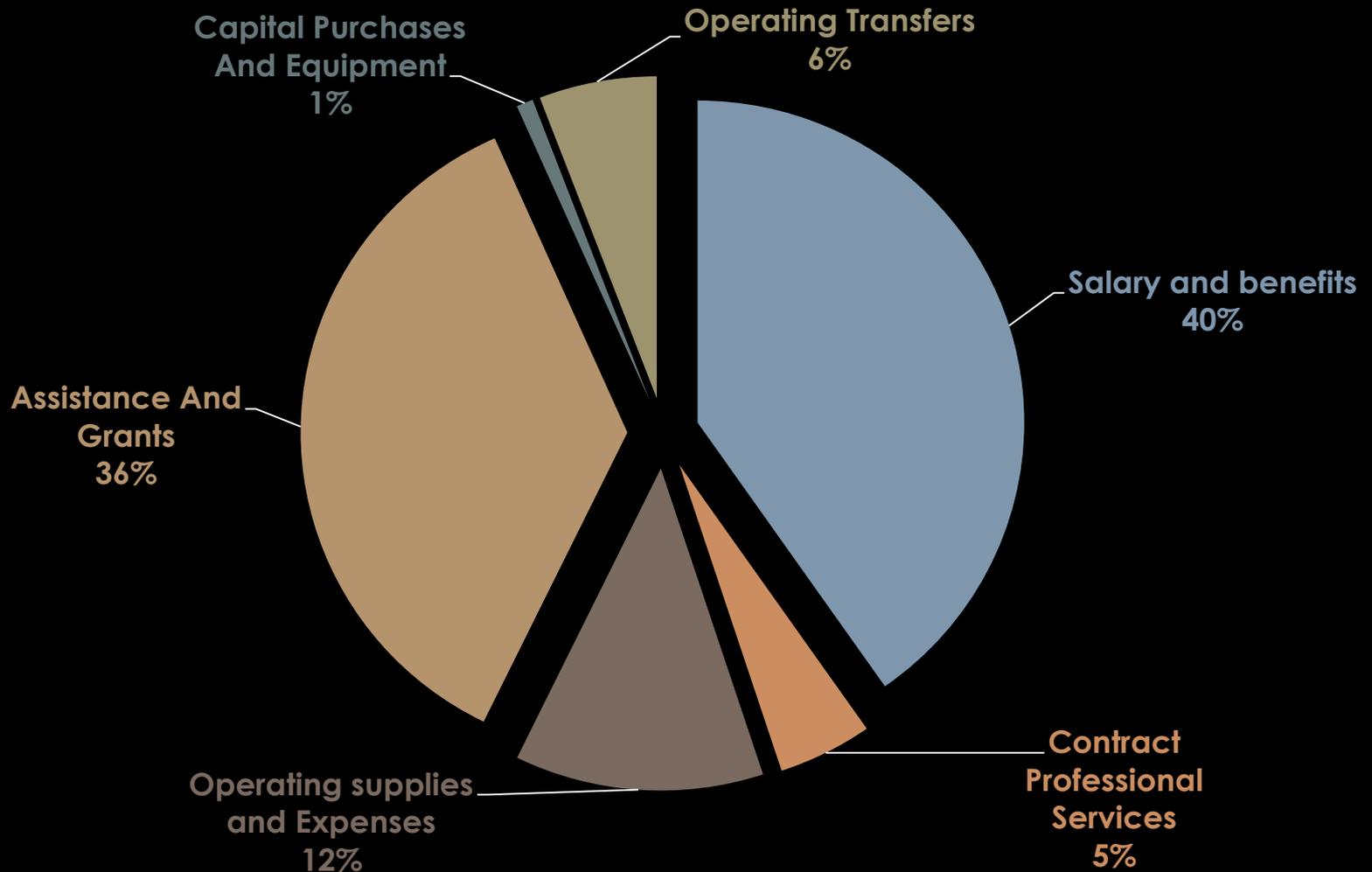
Summary by Category

| | FY 2018 Enacted | FY 2018 Revised | FY 2019 Governor | Change to Enacted |
|-----------------------|----------------------------|----------------------------|-----------------------------|------------------------------|
| Salaries & Benefits | \$40,797,736 | \$41,277,578 | \$43,311,529 | \$2,513,793 |
| Contract Services | 4,887,318 | 2,667,418 | 4,920,844 | 33,526 |
| Ops | 4,289,568 | 14,053,254 | 12,963,422 | 8,673,854 |
| Assistance and Grants | 368,956,430 | 382,289,052 | 385,422,882 | 16,466,452 |
| Capital | 1,691,286 | 1,717,111 | 876,312 | (814,974) |
| Transfers | 9,285,038 | 6,467,000 | 6,609,261 | (2,675,777) |
| Total | \$429,907,376 | \$448,471,413 | \$454,104,250 | \$24,196,874 |

Summary by Category



Summary by Category Excluding Benefit Payments



Undistributed Savings

- FY 2018 enacted budget includes \$25.0 million of statewide savings
 - Undistributed in DOA's budget
- Governor's revised budget has proposals that total \$25.0 million
 - Not all repeat in FY 2019
- Department of Labor and Training
 - None attributed to agency

Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & HR
- Costs previously budgeted in DOA
 - Methodology on distribution needs review
 - Long term impacts and transparency concerns

Centralized Services

- Governor's budget allocates costs to user agencies

| Labor and Training | FY 2018 | FY 2019 |
|------------------------|--------------------|--------------------|
| Information Technology | \$3,244,119 | \$3,276,287 |
| Human Resources | 606,500 | 614,567 |
| Facilities Management | 2,632,072 | 2,703,076 |
| Total | \$6,482,691 | \$6,593,930 |



| General Revenues | FY 2018 | FY 2019 |
|------------------------|------------------|------------------|
| Information Technology | \$433,606 | \$436,946 |
| Human Resources | 122,000 | 123,623 |
| Facilities Management | 295,055 | 305,844 |
| Total | \$850,661 | \$866,413 |

Summary by Source Excluding Internal Service Funds

| | FY 2018 Enacted | FY 2018 Revised | FY 2019 Governor | Change to Enacted |
|---------------------|----------------------------|----------------------------|-----------------------------|------------------------------|
| General Revenues | \$8,094,063 | \$8,125,009 | \$8,824,336 | \$730,273 |
| Federal Funds | 36,930,858 | 45,723,695 | 35,180,534 | (1,750,324) |
| Restricted Receipts | 24,323,914 | 30,614,296 | 39,985,082 | 15,661,168 |
| Other Funds | 360,558,541 | 357,525,722 | 363,520,368 | 2,961,827 |
| Total | \$429,907,376 | \$441,988,722 | \$447,510,320 | \$17,602,944 |

Target Budget

- Budget Office provided general revenue target of \$7.7 million
 - Current service adjustments of \$32,942
 - 10.0 % reduction of \$0.4 million
- No constrained requests submitted
- Recommendation is \$1.1 million above target, excluding centralized services

Budget Issues

- Staffing
- Misclassification Task Force
- Supportive Employment
- Governor's Workforce Board
- Article 11
- Real Jobs RI
- Workforce Development Services Grants
- Unemployment IT System
- Benefits
- Capital Projects

Staffing

Full-Time Equivalent Positions

| Full-Time Positions | FTEs | Chg. To Enacted |
|------------------------|-------|-----------------|
| Enacted Authorized | 428.7 | - |
| FY 2018 Gov. Rev. | 428.7 | - |
| FY 2019 Request | 428.7 | - |
| FY 2019 Governor | 428.7 | - |
| FY 2019 Funded FTE | 422.2 | (6.5) |
| Filled as of March 17 | 404.2 | (24.5) |
| FY 2017 Average Filled | 403.1 | (25.6) |

Staffing

| FY 2019 Governor Recommendation | | |
|---------------------------------|--------|-----------|
| | DLT | Statewide |
| Gross Salaries (in millions) | \$26.5 | \$1,117.1 |
| Turnover (in millions) | (0.4) | (42.9) |
| Turnover % | 1.5% | 3.8% |
| Turnover FTE | 6.5 | 592.0 |
| FY 2019 FTE recommended | 428.7 | 15,426.5 |
| Funded FTE | 422.2 | 14,834.5 |
| Filled as of March 17 | 404.2 | 13,875.0 |
| Funded but not filled | 18.0 | 945.3 |

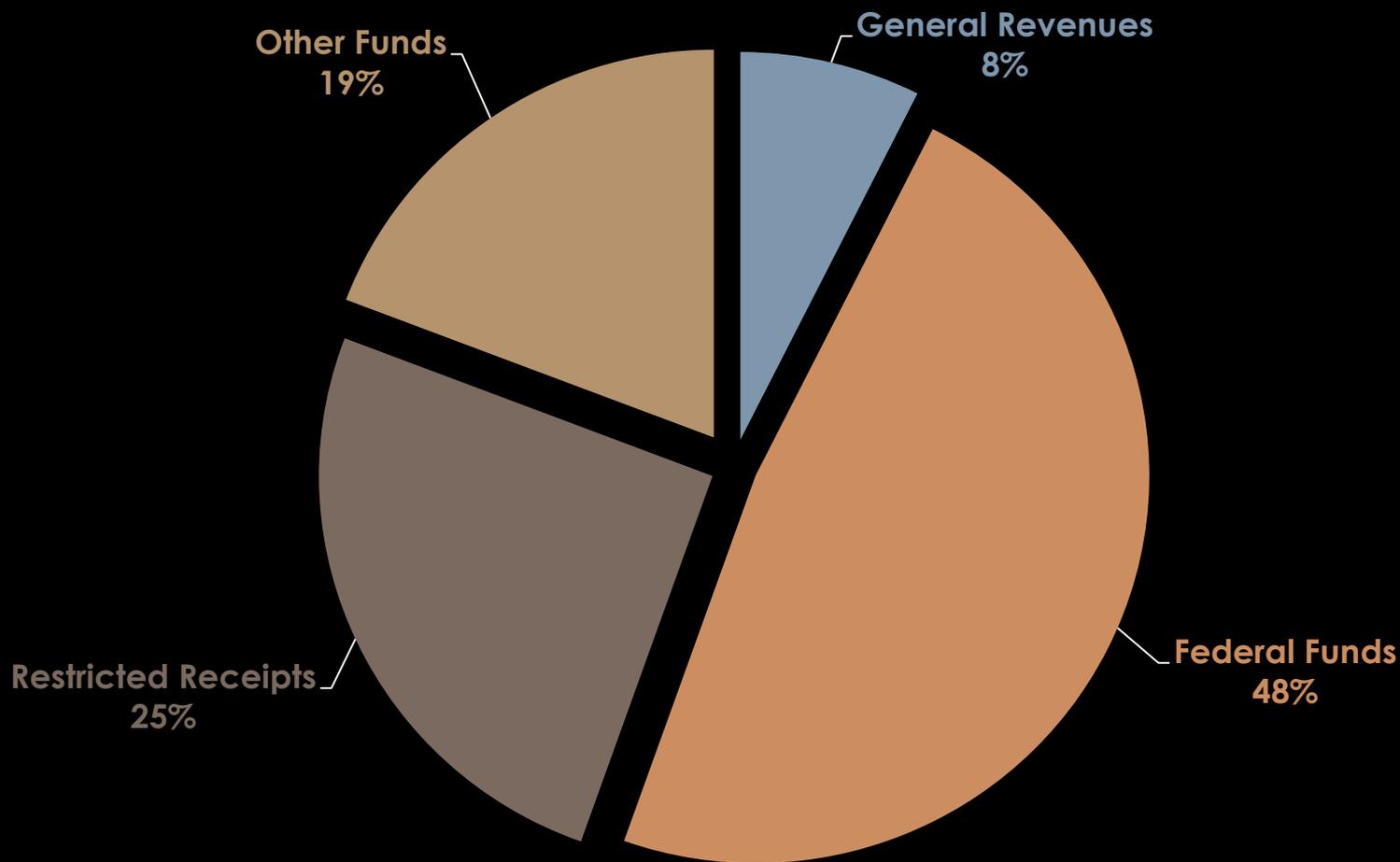
Staffing

- FY 2019 - \$43.3 million, 428.7 FTE
 - \$2.5 million more than enacted
 - 9.0 new FTE positions related to Article 11
 - Positions within enacted authorization
 - Includes current service adjustments and restoration of turnover in the enacted budget
- FY 2018 Revised
 - \$0.5 million more than enacted
 - Funds approx. 5.0 positions

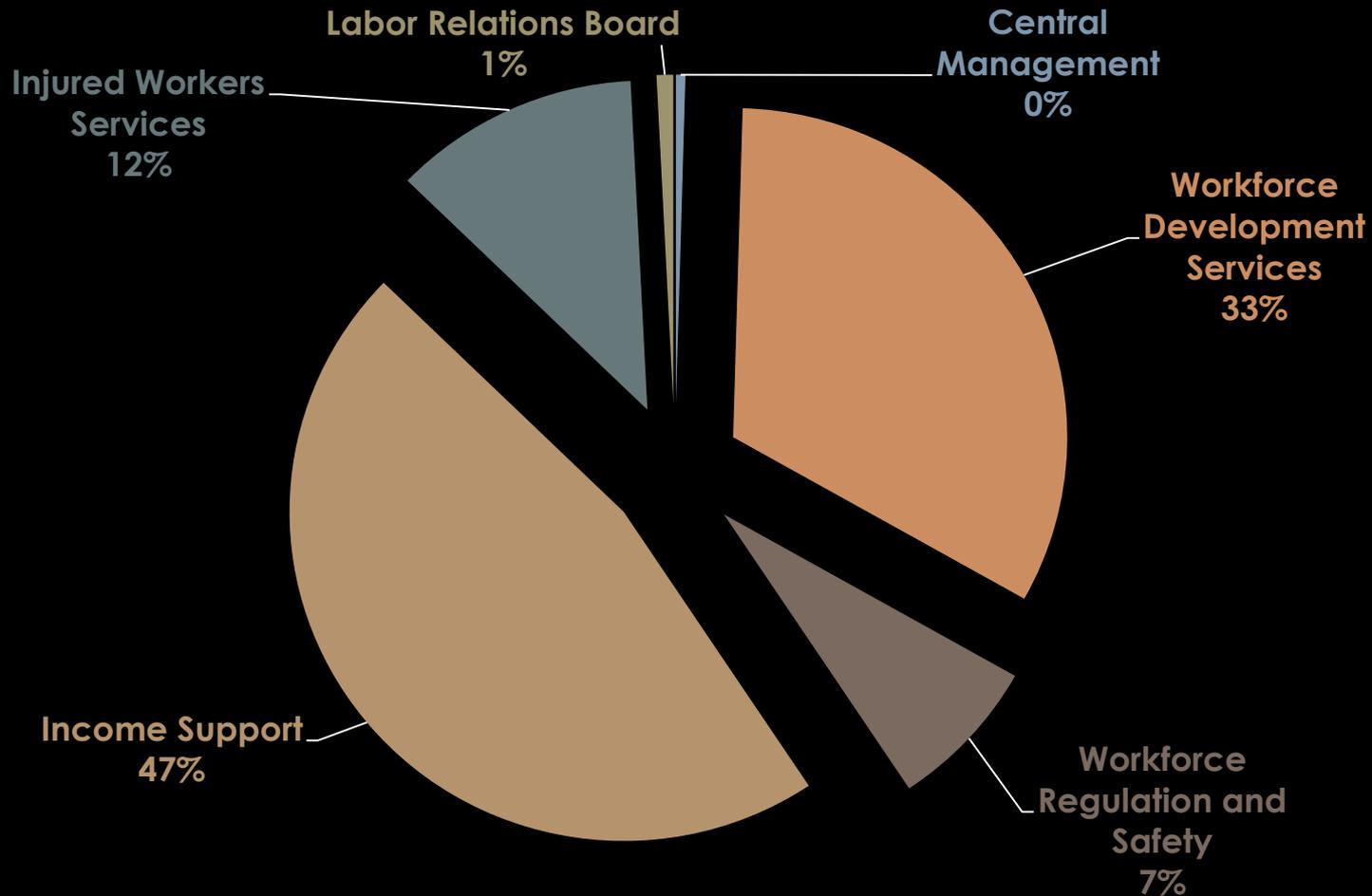
Staffing by Source

| | FY 2018 Enacted | FY 2018 Revised | FY 2019 Governor | Change to Enacted |
|---------------------|----------------------------|----------------------------|-----------------------------|------------------------------|
| General Revenues | \$3,112,880 | \$3,266,779 | \$3,217,994 | \$105,114 |
| Federal Funds | 20,317,333 | 20,211,635 | 20,788,972 | 471,639 |
| Restricted Receipts | 10,158,627 | 9,584,260 | 10,980,412 | 821,785 |
| Other Funds | 7,208,896 | 8,214,904 | 8,324,151 | 1,115,255 |
| Total | \$40,797,736 | \$41,277,578 | \$43,311,529 | \$2,513,793 |

Staffing by Source



Staffing by Program



Misclassification Task Force

- Article 11 establishes “misclassification task force and workplace fraud unit” restricted receipt account
 - Hearing March 6, 2018
 - Receipts from penalties and fees assessed
 - Recent collections:
 - \$0.1 million in 2016 and \$1.8 million in 2017
 - Fine amounts increased during 2017
 - Would fund expenses related to this unit
 - Any surplus beyond the costs of the unit would be deposited to the General Fund

Misclassification Task Force

- Current Unit
 - 12.0 FTE costing \$1.3 million
 - Funded from general revenues and workers' compensation restricted receipts
 - Responsibilities:
 - Enforce prevailing wage requirements
 - Enforce wage and hour issues
 - Identify misclassification of employees as contractors
 - Conduct administrative hearings

Misclassification Task Force

- Governor's budget includes 9.0 new positions for the unit
 - \$0.6 million from the new account
 - \$0.3 million from workers' compensation
 - Would bring total unit to 21.0 FTE
 - DLT estimates an additional \$2.7 million from the proposed staff enhancements
 - Not assumed in the budget
- Unconventional restricted account proposal

Supportive Employment

- FY 2019 - \$0.4 million from general revenues
 - New program proposed to help address opioid crisis by providing those in recovery:
 - Job training through programs such as a pre-apprenticeship model
 - Services such as substance use disorder counseling
 - Would be under the purview of the Governor's Workforce Board

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 2019 - \$24.6 million restricted receipts
 - \$14.6 million more than enacted
 - Receipts from Job Development Fund
 - Large increase related to Article 11
- FY 2018 Revised
 - \$7.9 million more than enacted
 - Reflects carry forward from FY 2017

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 2016 | FY 2017 | FY 2018 |
|--------------------------------|---------------------|---------------------|---------------------|
| Carry-In | \$5,407,409 | \$5,590,858 | \$7,029,106 |
| Collections | 14,019,392 | 14,739,215 | 15,725,500 |
| General Revenue | 869,462 | 630,862 | 748,334 |
| Interest Earnings | 24,348 | 49,282 | 50,000 |
| DOR Employer Tax Unit | (752,193) | (793,615) | (800,000) |
| Total Available | \$19,568,418 | \$20,216,602 | \$22,752,940 |
| Internal Expenses | 1,017,581 | 1,037,753 | 1,419,585 |
| Available for Contracts | \$18,550,837 | \$20,048,311 | \$21,333,355 |
| Obligated | 12,959,979 | 12,149,743 | 18,342,724 |
| Carry Forward | \$5,590,858 | \$7,029,106 | \$2,990,631 |

FY 2018 estimated based on current obligations

Article 11

- Current Law:

| Actual Year | Taxable Wage Base | 0.02 % | 0.19 % | Total |
|-------------|-------------------|-------------|--------------|--------------|
| 2014 | \$6,856,911,303 | \$1,371,382 | \$13,028,131 | \$14,399,514 |
| 2015 | \$7,237,220,432 | \$1,447,444 | \$13,750,719 | \$15,198,163 |
| 2016 | \$7,547,919,037 | \$1,509,584 | \$14,341,046 | \$15,850,630 |
| 2017 | \$7,960,942,475 | \$1,592,188 | \$15,125,791 | \$16,717,979 |

2017 wage base is estimated

Article 11

- Creates an add-on to the JDF tax
- Employers would pay same total rate
 - 0.21% JDF tax would be increased by a calculation done each September 30
 - Effective the following year
 - UI tax rate would be revised down the same amount to offset the add-on
- Dedicates the funds to core services

Article 11

- Examples of additional funding generated:

| Actual Year | Current Law Deposit 0.21% | Calculated Add-on | Additional JDF Funding |
|-------------|------------------------------|-------------------|------------------------|
| 2016 | \$15,850,630 | 0.00% | none |
| 2017 | \$16,717,979 | 0.02% | \$1,592,188 |
| 2018 | \$17,553,878 | 0.05% | \$4,179,495 |
| 2019 | \$18,389,777 | 0.07% | \$6,129,926 |

Article 11

- Estimated effects
 - Fund Balance Projection for 2019:
 - Without Proposal - \$479.8 million
 - With Proposal - \$473.2 million
 - \$6.6 million or 1.4% difference
 - Less funding for benefits with proposal

Article 11

- DLT projections for tax schedules:

| Actual Year | Current Law | | Proposal | |
|-------------|--------------|---------------|--------------|---------------|
| | Tax Schedule | Reserve Ratio | Tax Schedule | Reserve Ratio |
| 2017 | H | 1.92% | H | 1.92% |
| 2018 | G | 2.32% | G | 2.32% |
| 2019 | G | 2.52% | G | 2.49% |
| 2020 | F | 2.56% | G | 2.62% |
| 2021 | F | 2.49% | F | 2.55% |
| 2022 | G | 2.45% | F | 2.41% |
| 2023 | G | 2.42% | G | 2.37% |

- Proposal delays schedule change by one year

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 2019
 - \$0.2 million from federal funds
 - Reflects end of grants
 - \$0.5 million from general revenues
 - Related to Article 11
 - GWB recently committed \$4.0 million
- FY 2018 Revised
 - \$4.7 million more than enacted from federal funds
 - Carry forward of unspent from FY 2017

Real Jobs RI

- Article 11 codifies Real Jobs RI into law within the Governor's Workforce Board
- Primary program by which the state:
 - Creates, coordinates, supports and holds accountable industry-led partnerships
 - Places new employees into immediate job openings, up-skills existing employees, and creates pipelines for future workforce needs

Real Jobs RI

- Article 11 establishes definitions for the program
 - DLT may promulgate guidelines or regulations
 - Implementation, participation terms and conditions
- GWB responsible for education and outreach
 - May also revoke grant funding from a partnership for cause

Real Jobs RI

- Program will:
 - Provide grants on a competitive basis for sector partnerships, workforce training programs, and other qualified programs
 - Develop and review performance goals and metrics for each approved partnership and continually iterate to build more effective programs based on the needs of employers, the workforce, or program participants

Real Jobs RI

- Article 11 also repeals Job Training Tax Credit from 1996
 - Provides qualifying employers with credits for employee training expenses
 - Used by less than 6 companies annually
 - \$450,000 revenue add in FY 2019
 - Governor recommends funneling into Real Jobs
 - Employers would be encouraged to address training needs through Real Jobs
- Funding generated by Article 11 JDF changes could also be used for program

Employ Rhode Island

- Free online recruiting resource for businesses and organizations
 - Funding for shift to a paperless application process
- Enacted budget contained \$38,945 from Social Security Administration
- FY 2019 - \$100,000
 - \$61,055 more than enacted
- FY 2018 Revised - \$275,000
 - Unspent funding from FY 2017

Workforce Development Services Grants

- Funds a number of DLT's programs
 - Trade Readjustment Act, Dislocated Workers, Youth Programs, etc.
- FY 2019 - \$10.8 million
 - \$0.4 million more than enacted
 - Projected available funding
- FY 2018 Revised - \$13.0 million
 - \$2.5 million more
 - Reflects carry forward from FY 2017

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

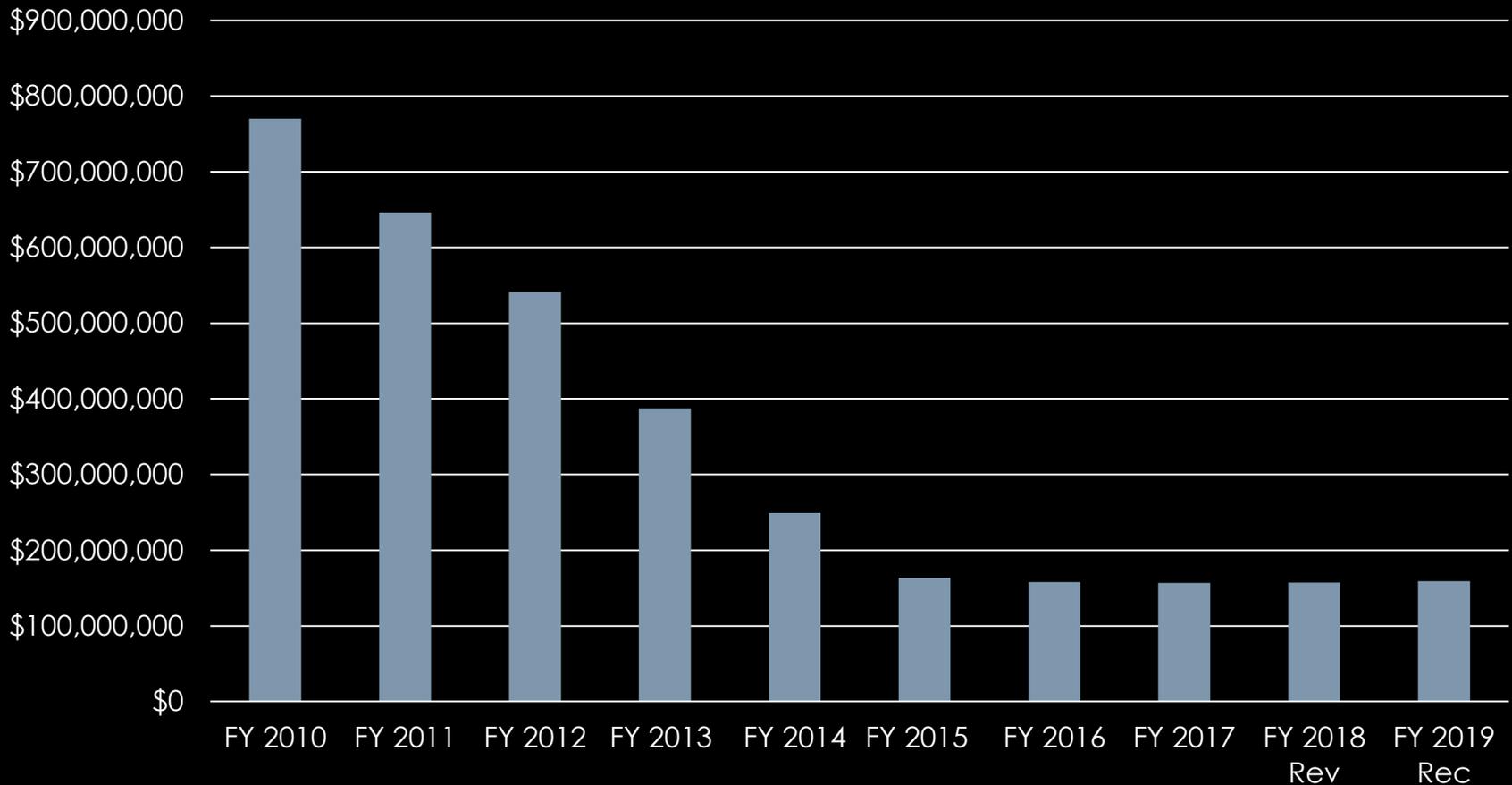
UI Information Technology System

- Benefit system scheduled to go live March 2019
 - Tax system scheduled to go live following the UI benefit system
- FY 2019 – \$1.7 million
 - \$0.4 million less than enacted
- FY 2018 Revised - \$6.6 million
 - \$2.2 million more than enacted

Unemployment Benefit Payments

- FY 2019 - \$159.2 million
 - \$2.0 million more than enacted
- FY 2018 Revised - \$157.1 million
 - \$4.1 million less than enacted
 - Fewer individuals collecting benefits overall
 - Lower total benefit payments as individuals find employment before 26 weeks of benefits

Unemployment Benefit Payments



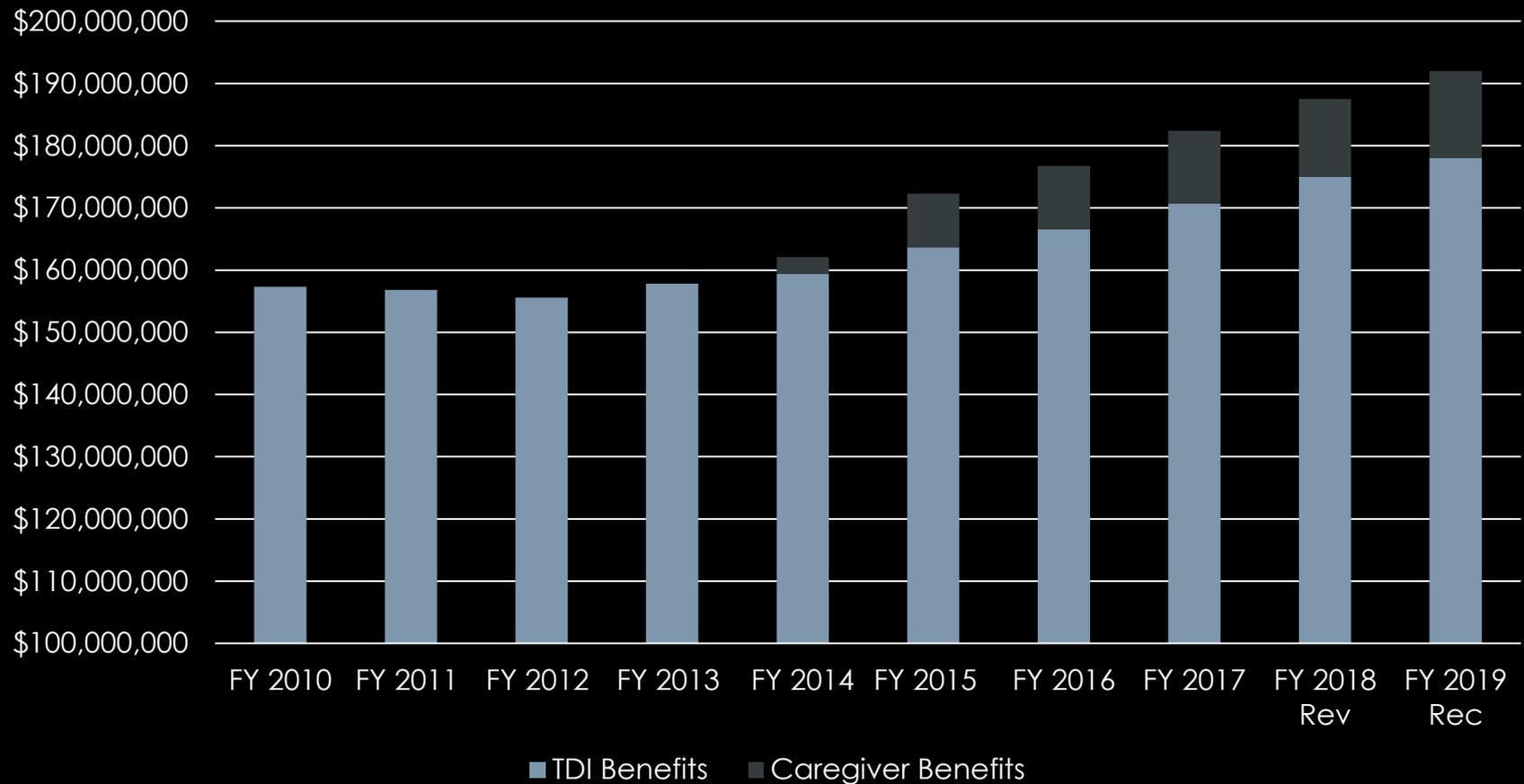
Temporary Disability Benefit Payments

- 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 2019 - \$178.0 million
 - \$5.0 million more than enacted
- FY 2018 Revised - \$175.0 million
 - \$2.0 million more than enacted

Temporary Disability Caregiver Benefit Payments

- Temporary Disability 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 2019 - \$14.0 million
 - \$0.5 million less than enacted
- FY 2018 Revised - \$12.5 million
 - \$2.0 million less 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 2019 - \$3.8 million, \$112,843 less than enacted
 - \$74,983 less for pensions, \$37,322 less for education
 - FY 2018 - \$3.9 million, \$61,457 less
 - 5 year and 10 year average - \$3.9 million

Capital Projects

- Center General Asset Protection
 - Total project costs of \$7.8 million from RICAP
 - \$4.5 million to be spent in five-year period
 - 15 different asset protection projects at Center General Complex & Arrigan Rehabilitation Center
- Real Jobs RI Data Management System
 - Currently DLT uses paper based system
 - Requested as part of capital request
 - \$0.2 million funded from IT Investment Fund

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 |

Department of Labor and Training

House Fiscal Staff Presentation

FY 2018 Revised and FY 2019 Recommended

FY 2019 - FY 2023 Capital Recommendation

April 4, 2018