NATIONAL EMPLOYMENT LAW PROJECT

TESTIMONY

Testimony of Judith M. Conti

National Employment Law Project

Unemployment Insurance: An Overview of the Challenges and Strengths of Today's System

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Good morning Chairman Buchanan, Ranking Member Doggett, and members of the Subcommittee on Human Resources. My name is Judith M. Conti, and I am the Federal Advocacy Coordinator for the National Employment Law Project (NELP). NELP is grateful for the opportunity to address the Subcommittee today and share our views about how vitally important the Unemployment Insurance (UI) system is to our national economy, and the ways in which we can strengthen it to better serve the needs of not just unemployed workers, but employers as well.

NELP is a non-profit organization that for over 40 years has fought for the rights and needs of low-income and unemployed workers. We seek to ensure that work is an anchor of economic security and a ladder of economic opportunity for all working families. In partnership with state, local, and national allies, we promote policies and programs that create good jobs, strengthen upward mobility, enforce hard-won worker rights, and help unemployed workers regain their economic footing.

Since it was established over 80 years ago, the UI system has been one of the mainstays of our nation's social insurance system. By partially replacing lost wages, UI helps people who are involuntarily unemployed, and their families, maintain basic living standards while they look for another job. UI is particularly important during periods of economic recession because it helps stabilize our economy by boosting demand and reducing the drop in overall consumption. UI targets benefits to cash-strapped individuals and families who, rather than saving their weekly benefits, likely spend them on necessary everyday expenses, like groceries and gas. This continued spending helps to keep local businesses afloat and prevents even more unemployment during periods in which our economy can ill-afford it.

There is no better example of the importance of the UI system than the role it played in the Great Recession. In 2009 alone, when recessionary layoffs peaked, and the federal government first made available up to 73 additional weeks of benefits to long-term unemployed claimants in the hardest hit states, unemployment insurance kept an estimated five million people—including jobless workers and their families—out of poverty, [1] and saved more than two million jobs.[2] From 2008 to 2012, UI benefits prevented an estimated 1.4 million home foreclosures.[3] And according to economist and long-time UI expert Wayne Vroman, the provision of UI benefits during the Great Recession—both regular state-funded benefits and emergency federal benefits for the long-term unemployed—closed the associated gap in real gross domestic product by nearly one-fifth (18.3 percent).[4]

As important as UI was in helping millions survive the recession without falling into poverty or losing their homes, the fact is that many states were ill-prepared to handle the level of claims that were filed. By the end of the Recession, 36 states had to take federal loans to keep their UI trust funds afloat and pay out state claims.[5] And unfortunately, as states then had to repay those loans, too many did so by slashing benefits for unemployed workers, and imposing new barriers, both legal and administrative, to receiving UI. The impact on jobless workers is stark: in 2007, UI recipiency was at a rate of 36%, and as of calendar years 2014 and 2015, it stood at a paltry 27%, an historic low.[6] It's rebounded slightly as of the 12 months ending in June of this year to 28%, with some states showing recipiency levels of an anemic 10%. These levels are simply too low if we want UI to be an effective economic stabilizer. (For more details on UI recipiency on a state-by-state basis, please see Table 2 at the end of this testimony.)

This is a short-sighted approach both for workers and their families as well as businesses that depend on continued demand for their goods and services to succeed. And as a result of these choices, our UI system is severely under-prepared for the next recession, which though its timing is impossible to predict, its occurrence is inevitable. Policy decisions by some state legislatures to starve UI programs of revenue and to restrict benefit payments, by narrowing eligibility and reducing benefit amounts, have severely weakened the program's ability to meet its core objectives of supporting individuals and families through periods without work and stabilizing our economy during crises.

NELP is pleased that you are holding this hearing today, because now is the time for us to get serious about the policies we need to enact in order to restore vitality to the UI program. That is why, together with the Center for American Progress and the Georgetown Center on Poverty and Inequality, we recently released a comprehensive report entitled **"Strengthening Unemployment Protections in America: Modernizing Unemployment Insurance and Establishing a Jobseeker's Allowance."**[7] The recommendations are numerous and I won't go into all of them today.

Instead, I would like to focus on three key areas, which, if addressed, will greatly improve not just the UI system, but its ability to return workers to jobs more quickly, to better serve employers and their needs, and to weather the inevitable recessions our economy will experience from time to time. Moreover, these are areas around which there already is or can be significant agreement, and I hope this hearing can be the first of many working sessions where we put our collective heads together to improve this vital social insurance program.

My testimony will first discuss the best way for states to "forward-finance" their UI trust funds so that they are ready to handle the next recession without having to borrow money from the federal government to pay for their state UI benefits or raise taxes on employers to repay those loans. The second issue I will discuss is the need for adequately funded and more balanced approaches to program integrity. Finally, I will end with recommendations about the need for more high-quality reemployment services in order to better and more quickly return unemployed workers to jobs.

1. Responsible Financing of State UI Trust Funds

State UI programs are funded by state and federal (FUTA) taxes on businesses, and three states supplement these contributions with small taxes on worker earnings.[8] In general, the amount businesses contribute in state taxes depends on the portion of each employee's annual earnings subject to UI taxes—known as the taxable wage base—and a business's history of lay-offs. The federal tax employers pay, FUTA, is a flat amount—$42 per year per full-time worker—and that money mostly goes to the states to finance the administration of their UI programs, as well as to fund federal benefits for the long-term unemployed and loans to states when they deplete their trust fund reserves.

The intent of UI's design is to accumulate trust fund reserves during economic good times in order to pay benefits during recessions, otherwise known as "forward-funding." In this way, states can likely pay recession-level claims without raising UI payroll taxes on employers or paying interest on loans. Over the past three decades, however, many states have been indifferent (at best) to trust fund solvency. A majority of states have managed their UI programs to keep payroll taxes low, rather than to build reserves. In fact, some states have even designed their programs to automatically cut taxes, using what we call a "pay as you go" approach. A majority of states have had tax cuts and some even conducted UI tax holidays.[9]

The political pressure to cut taxes is obvious, of course, but as a result of these choices, average UI taxes have fallen lower as a percent of total wages in each succeeding decade as documented in NELP's 2012 report, "Lessons Left Unlearned: Unemployment Insurance Financing After the Great Recession."[10] And as a result, the average state UI contribution rate covering the ten-year period from 2000 to 2009 dropped to just 0.65 percent of total wages, the lowest in the UI program's history.[11]

States have also been reluctant to raise their taxable wage bases, in large part because federal law only requires they impose UI taxes on the first $7,000 of a worker's annual earnings. This base has not risen since 1983. By comparison, the Social Security wage base is almost 17 times the UI wage base ($118,500 as of 2016). As total wages and benefits paid have risen, this key funding mechanism has stayed flat.[12]

Though some smaller states have taken responsible steps in this area, today 30 states (including Puerto Rico) impose UI taxes on less than $15,000 of a worker's annual earnings.[13] Of the 13 largest states in terms of UI-covered employment, only North Carolina has a tax base greater than $15,000, whereas California and Florida impose taxes on the federally required minimum of $7,000. At $44,000, Washington State has the highest base of all states. Not surprisingly, although it is the 15th largest state in terms of UI-covered employment, it was the largest state not to borrow during the Great Recession.

As a result of these choices, heading into the Great Recession, state UI trust funds were unprepared even for a modest downturn, let alone a crisis of the magnitude the U.S. economy experienced between 2008 and 2010. In total, 36 states depleted their trust fund reserves and were forced to take out loans from the federal government to continue paying state benefits. Between 2008 and 2015, state UI programs borrowed more than $141 billion in total, with outstanding advances peaking at $51 billion in 2011.[14]

Then, all the states that had to borrow had to repay with interest and federal UI tax penalties—penalties that were borne by all of a state's employers, including those with low layoff histories. These mandatory repayments began long before businesses had recovered from the recession. Thus, instead of states paying modestly higher taxes during the good times, when they could well afford it, they were hit with mandatory tax increases, which escalated each year until repayment was completed, just as they were coming out of the recession, the worst possible time for a tax increase.

Today, though virtually all states have paid back their loans—and despite the fact that, in the aggregate, states currently have approximately $46 billion in reserves, including loans, in their UI trust funds[15]—the programs as a group remain unprepared for the next recession.

A key measure of state UI trust fund preparedness is called the average high cost multiple (AHCM). An AHCM of 1.0 means that a state has enough UI reserves to pay benefits to workers for a year of a recession that is roughly similar in magnitude to earlier recessions. An AHCM of 0.5 converts to six months. As of the end of CY 2015, just 18 states met this standard. Notably, **none** of the 13 largest states in terms of UI-covered employment—like California, Illinois, Florida and New York—are included in this measure of preparedness. Indeed, the amount that states have in reserves right now is an amount that barely covers one year's worth of state benefits in a typical **non-recession** year.[16] In addition, there are a number of states who only recently moved their trust fund balances into positive territory, as well as three remaining jurisdictions (California, Ohio, and the Virgin Islands) with outstanding federal trust fund loans. And of the eight states that issued municipal bonds in the private market after the Great Recession, six (Colorado, Illinois, Michigan, Nevada, Pennsylvania, and Texas) had remaining private-market bond obligations totaling $8.3 billion as of January, meaning that the financial obligation still exists, but the source and timing of repayment have shifted.

The Division of Fiscal and Actuarial Services of the Office of Unemployment Insurance publishes an annual "minimum adequate financing rate" for each state.[17] This figure calculates the level of taxation required for a state to reach an AHCM of 1.0 within five years. The Division's most recent report found that 46 of the 53 UI jurisdictions had tax rates that fell below its calculated minimum adequate financing rate in 2015.

States should also index their taxable wage bases so they go up gradually, each year, keeping track with either inflation or wage growth. During the recession, of the 17 states with indexed taxable wage bases, only 7 required federal loans, compared to 29 of the 36 states without this feature.[18] By 2015, the number of states with indexed bases increased to 20.[19] Of the 30 states with tax bases below $15,000, just one state, Colorado, indexes.

Below is a table of the states which currently have indexed taxable wage bases along with their AHCM as of January 2016, the majority of which are safely above 1.0.

Table 1: 20 States with Indexed Taxable Wage Bases, Taxable Wage Base Amounts, and AHCMs, 2016

State	Taxable Wage Base	AHCM
Alaska	$39,700	1.50
Colorado	$12,200	0
Hawaii	$42,200	1.20
Idaho	$37,200	1.27
Iowa	$28,300	1.25
Minnesota	$32,000	1.05
Montana	$30,500	1.48
Nevada	$28,200	0
New Jersey	$32,600	0.33
New Mexico	$24,100	0.69
North Carolina	$22,300	0.62
North Dakota	$37,200	0.75
Oklahoma	$17,500	1.99
Oregon	$36,900	1.78
Rhode Island	$22,000	0.25
Utah	$32,200	1.77
Vermont*	$16,800	1.28
Virgin Islands	$23,000	0
Washington	$44,000	1.31
Wyoming	$25,500	2.35
Average of Indexed States	$29,220.00	--

Sources: U.S. Department of Labor, UI Quarterly Data Summary, as of 1st Quarter 2016, available at http://ows.doleta.gov/unemploy/content/data_stats/datasum16/DataSum_2016_1.pdf (last accessed September 2016) for AHCM information. U.S. Department of Labor, "Significant Provisions of State Unemployment Insurance Laws," available at http://www.unemploymentinsurance.doleta.gov/unemploy/content/sigpros/2010-2019/January2016.pdf (last accessed September 2016).

In the aftermath of all this borrowing, the predominant policy response by states to their excessive UI debt has been to permanently reduce UI benefit amounts or restrict eligibility to jobless workers in some way, instead of correcting their long-standing financing issues. For example, before the Great Recession, all state unemployment insurance programs offered a maximum of at least 26 weeks of benefits to eligible claimants. Today nine states pay fewer than this amount, including four which offer a maximum of just 20 weeks, and five which tie the maximum to the state's unemployment rate. In three of these states, the maximum drops to 16 or fewer weeks. Most recently, Idaho's UI program transitioned to a sliding scale, ranging from 20 to 26 weeks. Other benefit restrictions include seasonal worker exclusions and complex documentation requirements that further inhibit access, especially among less advantaged claimants.[20]

The result is that UI receipt among unemployed workers has dropped to record lows—in 2014 and 2015, just 27 percent of jobless workers in the United States received unemployed insurance benefits; as of the 12 months ending June 30th, that rate had increased by just one percentage point to 28 percent. Today, thirteen states pay benefits to fewer than 1 in 5 unemployed workers (See Table 2).

So we are in a situation where states are not, by and large, adequately preparing their trust funds for the next recession AND too many have crippled their UI programs' ability to adequately support the unemployed and their state economies during the next recession. It's a lose-lose proposition.

The financing and benefits choices that states make, and the consequences of those decisions, are demonstrated in stark contrast by Utah and Florida, both of which are represented in this hearing today. Utah, for example, has long paid reasonable UI benefits along with maintaining a strong record of retaining adequate trust fund balances. In 2015, for example, Utah had a high cost multiple of 1.77, ranking fifth of the 53 UI jurisdictions on this solvency measure,[21] while paying an average weekly benefit of $369. Utah also offers up to 26 weeks of UI benefits to jobless workers and has a 2016 maximum weekly benefit of $509. Utah also has a taxable wage base of $32,200. (See Table 1, above.)

Florida, on the other hand, has a taxable wage base of $7,000, the federal floor, a maximum weekly benefit of $275—$55 a week below the U.S. average benefit of approximately $330—offers only 12 weeks of benefits, and has the lowest recipiency rate in the country, coming in at a mere 10%. In spite of this, Florida has a high cost multiple of only 0.88, nearly half of what Utah has.[22]

While states currently have the authority in our system to make their own choices about taxation and benefit levels, running a restrictive, but solvent, program, or keeping UI taxes low, while ignoring the reality that recessions will happen, are choices that undercut the overall UI goals of supporting jobless workers and their families with adequate wage replacement and boosting our economy during recessions.

Because UI trust funds are held by the federal government, and are guaranteed by the federal government as well, NELP believes it is important for Congress to set forth better policies to ensure that these trust funds are ready for future recessions. As discussed in more detail in the "Strengthening Unemployment Protections in America" paper, we recommend that Congress gradually raise the UI taxable wage base over the next six years to $59,000, which equals half of the Social Security taxable wage base. Thereafter, the wage base should be tied to the Social Security tax base so that it will increase automatically in future years. As the wage base is raised, the FUTA tax rate should be lowered to a degree that ensures sufficient revenue to support an expanded public Employment Service (see below) and prepare to finance the federal agenda for automatic economic stabilization needed during the next recession.[23]

And when considering UI taxes, it's important to keep them in perspective, for they are not at all significant in terms of overall labor costs or tax burdens on employers—and I say that as someone who was an employer for seven years, running a small business. In 2015, for example, state UI taxes averaged 0.72 percent of total wages. The highest state in terms of UI taxes was Vermont, where UI contributions were 1.51 percent of total wages. South Dakota was the lowest, where UI payroll taxes were 0.30 percent of total wages.[24]

When compared to other costs of labor, UI taxes are insignificant, especially when you consider the returns employers can reap when they stabilize our economy during recessionary periods. The U.S. Department of Labor conducts an annual "Employer Costs for Employee Compensation" survey of employers in all sectors of the civilian economy. In March 2016, this year's report showed that average employer labor costs for all civilian workers was $33.94 an hour. Of this total, 3 cents were paid for the FUTA tax and 18 cents were paid for state UI payroll taxes, for a total of 21 cents an hour. As a combined percentage of total hourly costs, UI taxes amount to 0.6 percent of overall hourly employee compensation costs.

2. Program Integrity Efforts Must be Balanced and Adequately Funded

Not only must state trust funds be properly funded, they must also be zealously protected so that the resources go to those who need and deserve them. Program integrity is of the utmost importance in ensuring the well-being of the trust funds, and NELP strongly supports all legitimate efforts in furtherance of program integrity.

Unfortunately, our discussions around program integrity tend to focus almost exclusively on claimant fraud, and that paints a very inaccurate picture of how UI overpayments happen on the whole. Make no mistake—no one should be working and collecting UI if they are not authorized to do so. Unless a worker is on temporary layoff, no one should be collecting UI if they aren't diligently looking for suitable work, or if they turn down suitable work. But the majority of overpayments are not due to claimant fraud, and we need to look to all the stakeholders in the UI system and their responsibilities when assessing program integrity. In point of fact, in the vast majority of overpayment cases, the culpable party is not the worker; or they are "non-fraud," meaning that the worker was not intentionally trying to defraud the system. While fraud should of course be curbed to the best extent possible, its prevalence should be kept in context.

For the one-year period ending June 2015, 10.3% of UI payments were overpaid (this represents a decrease from the 12.4% overpayment rate for a comparable period ending 2014).[25] Just 2.9% of total payments represented fraud (down from 3.2% in 2014).[26] ***Fewer than one out of three (28.2%) overpayments were found to be fraudulent.*** Equally notable, 2.7% of total payments were found to be overpaid due to agency error (which is up from 1.6% in 2014). I point this out not to cast aspersions on the agencies administering UI programs, but rather to note the fact that nearly as many overpayments are because of agency error as from claimant fraud.

So why this magnitude of agency error? Of course some is inevitable as no one is immune from making mistakes. But the fact is that UI agencies are seriously under-resourced, and that lack of adequate funding for their work is a significant driver of agency error.

The UI Integrity Center of Excellence, which is a national collaboration of the U.S. Department of Labor, state workforce agencies, the National Association of State Workforce Agencies (NASWA), and the New York State Department of Labor, issued a UI Integrity Report in October of 2015.[27] For this report, the Center surveyed all state UI agencies and asked about their top UI integrity concerns. Number one was identity theft (i.e., people applying for UI with someone else's identity); but number two was funding and resources.[28] And though UI administration is, in theory, supposed to be fully funded by the modest federal UI tax paid on each worker (a maximum of $42 per worker per year), the fact is that states have to supplement this funding in order to allow the UI agencies to function.[29] As NASWA has previously noted:

> States argue that even in good economic times they do not receive enough administrative funds to administer their programs as they would like. Since 1995, the federal government has not adjusted grants to the states for administration of their UI programs for inflation (except for the one percent increase in fiscal year 2010). When adjusted for inflation and normalized at a base two million average weekly insured unemployment level, base funding for State UI Administration is at its lowest since 1986.[30]

We cannot ignore employer error either. Employers are as much a stakeholder in the system as workers, and, as such, need to uphold their obligations, including timely and accurate reporting of earnings and responses to claims and requests for information. In 2015, employer actions (or lack thereof) contributed to 16.2% of overpayments, 19.9% of fraudulent overpayments, and roughly 20% of the overpayments also included in the agency error rates.[31]

There's another critically important issue that Congress cannot ignore, which is the failure of employers to pay their fair share of UI taxes. In 2015 alone, the federal Department of Labor reports that employers failed to pay $525 million that they owed in UI contributions. In total, the states are owed over $40.7 billion that employers have failed to pay in UI taxes, which is often the result of employer misclassification of workers as independent contractors and other forms of employer fraud and misrepresentation.[32]

Finally, program integrity cannot be only about recovering and limiting overpayments, but also must ensure that all benefits to which claimants are entitled are promptly and properly paid. Indeed, an earlier NELP analysis demonstrates workers may be more likely to be **underpaid** benefits to which they are entitled rather than to be overpaid as a result of fraud. In 2010, a peak recession year, workers were underpaid an estimated $2.2 billion in benefits. In contrast, overpayments resulting from fraud were less than half that amount ($912 million), and overpayments from agency error were close to $502 million.[33]

The inescapable conclusion is that UI agencies clearly need more funding to better tackle all aspects of program integrity in a balanced and sufficient manner. Increasing and indexing the taxable wage base will not just provide better investments in the state trust funds, but also in the FUTA contributions that fund the administration of state UI programs.

I end this section with a cautionary tale about program integrity measures and how they must be designed and implemented properly in order to increase public confidence and support for UI programs. Out of Michigan, we have a very recent example of a badly misguided effort at program integrity that not only harmed innocent claimants, but also damaged trust in government. Michigan's new system, ironically named MiDAS, was fully implemented on October 1, 2013 when a new benefit control software package took effect.[34] Federal data discloses that under this new system, Michigan's findings of fraud increased in the next few quarters by roughly five times the state's historic fraud determination rate. Under MiDAS, one-third of overpayment determinations included a fraud allegation, as compared with ten percent over the history of the Michigan UI program.

In an April 2016 report, Michigan's Auditor General found that MiDAS had made fraud determinations regarding 47,350 claims between the start of the program and March 31, 2015. The Auditor General found that notices under MiDAS did not include "the reasons for, or the facts that led to" the determination of fraud, as required by federal guidelines and state law. The state agency advised the Auditor General that the U.S. Postal Service had returned approximately 450,000 mailed items in 2014 alone, and the audit report made a finding that the state agency "did not effectively and efficiently process claimant and employer mail that was returned undeliverable and without a forwarding address."[35]

From advocates who have interviewed or represented some of the thousands accused of fraud, we do know that the basic approach in MiDAS was making wholesale accusations of claimant fraud solely using computer software and leaving it to claimants to appeal and defend these accusations. Many did not appeal because MiDAS had gone back up to six years to look for potential instances of fraud, and they had moved or no longer kept in touch with their electronic mailboxes set up in conjunction with those old UI claims. MiDAS notices included multiple determinations and were difficult to understand even for lawyers. High penalties of up to four times the overpayments were automatically assessed by MiDAS.

By the summer of 2014, some public attention was focusing on the program that accused tens of thousands of fraud and intercepted tax refunds or garnished wages from individuals who had no prior notice of fraud allegations. In February 2015, Michigan's Auditor General issued a report that found that many allegations of fraud were overturned or abandoned upon appeal to an impartial administrative law judge and state legislative oversight stepped up.[36] In addition, the U.S. Department of Labor issued program guidance in October 2015 that required improved notices and barred using software to make fraud accusations without any human staff involvement in fraud determinations.

The full story of MiDAS is still not known. There are at least two pending lawsuits, one federal and one in state court. And a U.S. Department of Labor investigation took place in the summer of 2014, but the Department has kept its findings and the state's resulting corrective actions out of the public eye. State legislative hearings have also led to some modifications of MiDAS. But corrective efforts to date have not cleaned up the mess MiDAS created. At this point, there are tens of thousands of Michigan claimants who did not timely appeal fraud determinations (some of which they never received) and who the Michigan agency is pursuing from overpayments, penalties, and interest.

In short, MiDAS is not a valid program integrity effort, but a program that treats Michigan's claimants as an opportunity to make money. As a result of their experiences under MiDAS, or reports of its excesses, some Michigan claimants have chosen to not file UI claims, and trust in the state agency is justifiably eroded—the exact opposite of program integrity. MiDAS serves as a cautionary tale that program integrity does not justify abandoning impartial administration of state UI programs or basic fairness when implementing overpayment and fraud detection software.

3. It is Time to Invest in Robust and Effective Reemployment Services

Though much of the focus on UI is on income replacement, equally important, UI can and does connect claimants to job-search assistance through local career centers, also known as American Job Centers (AJCs). Indeed, a core objective of the UI program is to provide jobless workers with the necessary tools and time to search for a job that is similar in wages and working conditions to their prior employment.[37] There are two programs at the AJCs, the Employment Service (ES) and the Workforce Investment and Opportunity Act (WIOA). This testimony will focus more on the ES, through which the workforce development professionals at the AJCs provide a range of services, from connecting qualified workers with local employers who have job openings; conducting screenings to assess skills and training needs; providing work search assistance, from help preparing resumes to honing interviewing skills; and links to training and educational opportunities where appropriate and/or necessary, often funded through WIOA.

There is ample evidence that these reemployment services provided by the ES are of great value to both workers and employers alike. Trained professionals can help workers develop reemployment strategies that are likely to be successful, such as looking to develop skills and find work in growth sectors. They can also help them market their current skills in ways that appeal to employers. Equally important, a vibrant ES can also work with employers to ensure that they have realistic expectations in the job market and design job announcements that will attract ample qualified workers. Further, the ES can help employers identify workers who are registered for services who may have the necessary qualifications or attributes to succeed in open jobs.

Unfortunately, as important as these services are, they've been allowed to founder for the past three decades; and as ES funding has remained flat for 30 years, local offices have been forced to close across the country. Though the U.S. workforce grew by 36% between 1985 and 2015, funding for the ES shrunk by 61%.[38] This is in spite of the fact that there is ample well-regarded evidence that effective reemployment services can reduce spells of unemployment, facilitate better job matching between workers and employers, lower the cost of hiring for employers, and save money for UI trust funds. For example, a recent DOL study of Nevada's reemployment program demonstrated that it reduced the duration of unemployment for participants by 3.5 weeks as compared with non-participants, thereby reducing the average UI payment to participants by $877. [39]

Moreover, though there are Congressionally sanctioned tools such as the Worker Profiling and Reemployment Services program, and the Reemployment and Eligibility Assessments, states have scant resources to implement these programs, and, therefore, they aren't widely used or offered. If used, these tools help identify those who are likely to exhaust their UI benefits without finding a job (in 2015, 37.6% of all UI claimants exhausted without finding a job), thereby allowing counselors to provide them with more intensive services to either get them the training they need to have marketable skills, or to better tailor their job search to focus on open positions that match the skills they do have.

In our joint report, "Strengthening Unemployment Protections in America," we have recommended that Congress should appropriate approximately $1.54 billion in additional annual funding, relative to 2016 appropriations levels, for Reemployment Services and Eligibility Assessments through the UI system, and for more services through the ES. We've also suggested that Congress make a one-time appropriation of $50 million for states to update their UI technology, which will help with both reemployment services and program integrity. We encourage those who are interested to read the report and its recommendations in full.

Alternatively, Congress could consider funding two years of enhanced reemployment services through the Federal Unemployment Account (FUA), the same account that provided the trust fund loans during the recession and recovery, and require that states essentially put the funds they save in UI payments into a type of escrow account that can then be re-invested into quality reemployment services once this initial two-year funding ends. If states are required to keep segregating the portion of UI trust funds that they save by virtue of reemployment services, it could provide a steady and reliable stream of money to continue enhanced services.

Conclusion

The UI system has long been one of the centerpieces of the social insurance program in this country and it has tremendous capacity to help buffer workers and families as they deal with transitions between jobs, and to support our national economy in times of recession. Now is the time for us to be thinking through ways to strengthen this important program and to be sure that we're ready when the next recession hits.

NELP thanks you for the opportunity to share these reflections and recommendations, and we stand ready to be a partner in working to strengthen our UI system and use it to more quickly return workers to suitable work.

Table 2: Percentage of Unemployed Workers Receiving UI, 12 months ending June 30, 2016

State	Recipiency Rate
Alaska	47%
Alabama	16%
Arkansas	32%
Arizona	15%
California	35%
Colorado	31%
Connecticut	39%
District of Columbia	33%
Delaware	31%
Florida	10%
Georgia	13%
Hawaii	33%
Iowa	39%
Idaho	25%
Illinois	30%
Indiana	18%
Kansas	26%
Kentucky	22%
Louisiana	14%
Massachusetts	45%
Maryland	24%
Maine	30%
Michigan	28%
Minnesota	43%
Missouri	21%
Mississippi	15%
Montana	38%
North Carolina	11%
North Dakota	74%
Nebraska	21%
New Hampshire	20%
New Jersey	49%
New Mexico	22%
Nevada	26%
New York	36%
Ohio	23%
Oklahoma	29%

Oregon	30%
Pennsylvania	44%
Rhode Island	32%
South Carolina	13%
South Dakota	15%
Tennessee	15%
Texas	30%
Utah	21%
Virginia	18%
Vermont	43%
Washington	26%
Wisconsin	32%
West Virginia	36%
Wyoming	42%
United States	28%

Source: NELP calculations of ETA 5159 "Claims and Payment Activities" data and Bureau of Labor Statistics data.

Endnotes

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[9] Michael Leachment, et al., "Rebuilding the Unemployment Insurance System: A Deficit Neutral Plan that Limits Tax Increases and Maintains Benefits," (February, 2011), available at: http://www.cbpp.org/sites/default/files/atoms/files/2-9-11sfp.pdf, at pp. 8-10.

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[11] Id. at 3.
[12] "Strengthening Unemployment Report," at p. 73.
[13] State Unemployment Insurance Taxable Wage Bases, 2013 – 2016,
http://www.americanpayroll.org/members/stateui/state-ui-2/?print=1AMS.
[14] See endnote 5.
[15] NELP calculations of ETA 2112 "UI Financial Transaction Summary," data, U.S. Department of Labor, Employment and Training Administration, Office of Unemployment Insurance, available at http://ows.doleta.gov/unemploy/DataDownloads.asp (last accessed September 2016).
[16] For example, between 2011 and 2015, state UI benefits paid ranged from approximately $32 billion to $49 billion, according to NELP calculations.
[17] "Significant Measures of State Unemployment Insurance Tax Systems," U.S. DOL Office of Unemployment Insurance, Division of Fiscal and Actuarial Services, August 2015,
http://workforcesecurity.doleta.gov/unemploy/pdf/sigmeasuitaxsys15.pdf.
[18] This count includes the U.S. Virgin Islands.
[19] Three additional states-- Colorado, Rhode Island, and Vermont--have begun indexing their taxable wages bases since the recession. All three had to rely on federal borrowing over that period. See also, Wayne Vroman, "The Big States and Unemployment Insurance Funding," (March 2016,) available at:
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[31] See endnote 28 at pp. 22-23.
[32] http://www.ows.doleta.gov/unemploy/pdf/UI_taxinfo/2015/PercentUnpaid-Contributory.pdf.
[33] See endnote 28 at page 10.
[34] See, e.g., http://www.freep.com/story/opinion/editorials/2016/04/27/michigan-unemployment-fraud/83545186/; https://www.theguardian.com/us-news/2016/feb/12/michigan-unemployment-

insurance-benefit-automated-system-fraud-penalties; http://fox17online.com/2016/02/05/state-audit-shows-unemployment-agencys-computer-failed/.

[35] See, e.g., http://www.audgen.michigan.gov/finalpdfs/15_16/r641031814.pdf; see also https://democrats-waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Factsheet%20-%20MiDAS.pdf.

[36] See, e.g., http://www.audgen.michigan.gov/finalpdfs/15_16/r641059315.pdf.

[37] "Strengthening Unemployment Report," at pp.12-26.

[38] Id. at page 19

[39] Id. at page 14.