Presentation

Before the

Kansas Unemployment Compensation Modernization and Improvement Council

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1

Federal/State UI System Fundamentals

- **Established as an Insurance System**
  - Employer Financed State Administered under General Federal Requirements
    - FUTA tax to pay for administration
    - States determine employer contribution rates and benefit amounts
    - Federal conditions of FUTA offset credit and Administrative Grants
      - 26 USC 3304 (state law requirements)
      - 26 USC 3303 (experience rate requirements)
      - Section 303 of the Social Security Act (admin grant)
      - Appropriations for state UI administration determined at the federal level

2

Federal/State UI System Fundamentals

Expanded Coverage
* State and Local Government Employees
* Non-Profit Employees
* Indian Tribes
* Public School Districts

Expanded Eligibility
* Federal/State Extended Unemployment Compensation Act of 1970
* Various Emergency Unemployment Compensation Programs
* State administration of temporary federal programs by agreement
* Permanent state administration of federal programs (e.g. TAA, UCFE, UCX, DUA)
* Workshare

Issues that Impact Integrity

Interpretation of Section 303(a) of the Social Security Act "due process"

The Java Case in the US Supreme Court

US DOL regulations defining due process

US DOL Performance Measures – First Payment Timelapse

Misuse of Benefit Accuracy Measures (BAM) to determine "improper" payment rates

Issues that Impact Integrity

Systematic Underfunding of UI Administration for Decades

Federal administrative funding formula assumes a national appropriation number loosely based on the number of insured unemployment claims

No dedicated source of regular funding for fixed costs associated with systems development and upgrades

The allocation of funds through the Resource Justification Model distributes shares of a pot that is too small

No part of overpayment recoveries may be used to pay the costs of collection.

Issues that Impact Integrity

The UI system is *not* a means tested public assistance entitlement program.

Employer Financed
Federal/State System
Insurance against risk of unemployment
Partial Wage Replacement
Temporary
Paid on a weekly basis only to claimants who are
    unemployed
      able to work, available to work and actively seeking work
      (Section 303(a)(12) of the Social Security Act)

Keys to Improved Integrity

Verify identity BEFORE establishing eligibility

Require at least two government issued IDs with photo as a condition of filing an application (e.g. driver's license plus Social Security card)
    Image of scan lines on DLs can be sent with app.
Require verification of citizen or work permit (SAVE system)

If no on-line access require phone or in person alternative

Keys to Improved Integrity

Include alternatives for individuals with language barriers and/or lack of access.

Apply best practice filters to avoid fraudsters
- same IP address for multiple apps
- foreign IP addresses
- bank filters if direct deposit
- multiple apps on same day

Run regular cross matches
  - Quarterly wage reports
  - New Hire data base

Keys to Improved Integrity

Staff up integrity staff to work cross-match hits

Define "fraud" to enable effective prosecution

Increase civil penalties and repayment requirements

Work with prosecutors to effectively bring cases

Publicize cases to send a message to potential fraudsters.

9

Systems Evaluation

- **Review all UI related systems and linkages before requesting funds**
    - UI Tax
    - UI Benefits
    - UI Chargeback
    - Linkages to employment services and RESEA
    - UCFE
    - UCX
    - TAA
    - DUA
    - EB
    - Workers' Compensation
    - State taxation
    - Cross matches (SNAP, HUD, New Hire, Wage Record, Child Support, IEVS)
    - WIOA
    - Other

10

Systems Evaluation

- **Carefully develop RFPs**
    - Budget sufficient funds
    - Address capacity and scalability of systems
    - Keep technical specs language as specific as possible
    - Include reasonable deliverable deadlines in coordination with legislation, staff training and roll out
    - Process for change orders
    - Own the code

Systems Implementation

- **Carefully Manage Implementation**
    - Hire IT professionals to manage the implementation
    - Assure close coordination of multiple efforts (particularly if multiple contractors involved)
    - Assure that UI related systems implementation is coordinated with other state systems with which there are interfaces
    - Carefully manage the transition from old systems to new systems to be as seamless as possible.

Customer Service and Post Implementation

- **Include Customer Evaluation as part of the development of systems and performance measurement**

- **Customers include**
  - **Claimants**
  - **Employers and their representatives**
  - **Payroll companies**
  - **TPAs**
  - **Federal, State and County agencies**
  - **State Legislature**
  - **The Press**
  - **Agency employees**

13

Performance Measurement

- Clearly explain plans for systems implementation to USDOL before beginning changes.

- Failure to meet normal performance measures may require corrective action or at least explanations.

- Include documentation in the plans and implementation that will be needed for state and federal audits, potential litigation, US DOL review and legislative analysis.

- Set performance metrics to continuously improve services and meet US DOL performance measures as well as customer expectations.

14

Celebrate and Begin Again

- Effective use of funds within budget to meet the goal of systems that minimize fraud and identity theft and deliver on time with customer satisfaction should be celebrated.

- By the time implementation is complete it will be time to start again, learning from the implementation and making any adjustment required along the way.

Good Luck!

15