



Employment Security Department
 2021-23 First Supplemental Budget Session
 Maintenance Level - 9F - Federal Funding Adjustment

Agency Recommendation Summary

The Employment Security Department's (ESD) appropriation authority in General Fund- Federal and the Unemployment Insurance Administrative Account Appropriation do not reflect the current estimates of federal revenue. ESD requests an adjustment to its appropriation authority to reflect anticipated revenues and expenditures. ESD additionally requests \$41.5 million of Coronavirus State Fiscal Recovery Fund for COVID related projects identified in the underlying budget to replace American Rescue Plan Act (ARPA) funding that was not released to states.

Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2022	2023	2021-23	2024	2025	2023-25
Operating Expenditures						
Fund 001 - 2	\$7,966	(\$30,266)	(\$22,300)	\$0	\$0	\$0
Fund 001 - 8	(\$19,386)	(\$22,070)	(\$41,456)	\$0	\$0	\$0
Fund 119 - 2	(\$18,768)	(\$1,515)	(\$20,283)	\$0	\$0	\$0
Fund 706 - 2	\$31,722	\$3,510	\$35,232	\$0	\$0	\$0
Total Expenditures	\$1,534	(\$50,341)	(\$48,807)	\$0	\$0	\$0
Revenue						
001 - 0317	(\$11,420)	(\$52,336)	(\$63,756)	\$0	\$0	\$0
119 - 0317	(\$18,768)	(\$1,515)	(\$20,283)	\$0	\$0	\$0
706 - 0317	\$31,722	\$3,510	\$35,232	\$0	\$0	\$0
Total Revenue	\$1,534	(\$50,341)	(\$48,807)	\$0	\$0	\$0

Decision Package Description

ESD continues to navigate through unprecedented fluctuations in unemployment claims due to the ongoing impact of COVID in Washington State. The lasting effects of the pandemic have disrupted nearly every aspect of the workforce. ESD has to adapt and respond to customer needs and fulfill the requirements of targeted federal funding. During the 2021 legislative session, the underlying budget appropriated \$41,456,000 of federal ARPA by proviso to ESD. The USDOL has not distributed the funding, requiring backfill by the state. This request also includes a technical adjustment of federal appropriation authority to align with revenue and a request for state ESD funding authority to cover base expenditures.

Replace unreceived ARPA funding: In March of 2021, the US Congress passed ARPA, which provided billions of dollars of federal funding to states related to the impacts of the COVID-19 pandemic. Two billion dollars of ARPA was identified to fund fraud prevention and detection programs, promote equity, and ensure timely benefit payments. The underlying state budget ESSB 5092 assumed roughly 2% or \$41,456,000 of Federal ARPA funds for ESD to address the impacts of COVID-19 on the state unemployment system. Specifically, ESD was directed to:

1. *address an anticipated increase in the unemployment insurance appeals caseload.*
2. *ensure adequate security measures are in place to prevent unemployment insurance fraud.*
3. *migrate and upgrade the unemployment insurance customer call center phone system to a cloud-based system.*
4. *translation of documents and letters and other improvements to ensure customer ease-of-access.*
5. *process the unemployment insurance claimant backlog and to make program changes that enhance user experience in order to reduce claimant errors.*
6. *contract with the national guard to assist the department with its unemployment insurance claims backlog.*
7. *contract with a vendor to provide fact-finding services related to unemployment insurance claims.*
8. *translate notices sent to claimants as part of their unemployment insurance claims into any of the languages most frequently spoken in the state.*

The USDOL has indicated the \$2 billion in federal funds would not be distributed at the state level in a traditional disbursement. This leaves a funding gap of \$41,456,000 to comply with the proviso directives. On August 11, 2021, USDOL released guidance regarding the \$2 billion in ARPA funds. The money will be utilized at the USDOL level except for \$700 million for state grants to promote equity and fight fraud. ESD applied for and received \$6.2 million for fraud activities and the request for replacement of ARPA funds have been reduced by this amount. ESD will apply for \$6.8 million in funds targeted at reaching vulnerable populations and improving data related to equity in service delivery. ESD has not included a reduction in the ARPA backfill request for these funds as the requirements are different than specified in the proviso.

Federal Appropriation Adjustment: The methodology used to calculate the anticipated federal dollars includes examining all of the funding sources that ESD receives, eliminating one-time grants, adjusting for grants that will have expected funding available for the ensuing biennium, and using a historical five-year average to project revenues as well as any information available at the national level. An adjustment is made to remove grant funds that were previously included in the funding model for the Trade Benefits and Alternative Trade Adjustment Assistance Act as these are paid out of the unappropriated Unemployment Insurance fund. In addition, ESD made an adjustment of 6.0% to the federal unemployment account expected revenues which is consistent with previous requests submitted by the agency. The 6% contingency to cover new grants is also applied to other grants.

ESD estimates that a reduction in federal authority be made to reflect the projected revenues for General fund – Federal and Unemployment Compensation Administrative Account.

Assumptions and Calculations

Expansion, Reduction, Elimination or Alteration of a current program or service:

N/A

Detailed Assumptions and Calculations:

ESD would have had to terminate provisoed activities and stop all steps to reduce unemployment insurance backlog and fraud prevention.

Workforce Assumptions:

A detailed analysis by fund source is included in this decision package.

How is your proposal impacting equity in the state?

This decision package supports equitable service delivery by providing the necessary resources to reduce Unemployment Insurance backlogs, improve document translation and offer tools that allow individuals to more easily access services.

Strategic and Performance Outcomes

Strategic Framework:

This proposal is aligned with ESD's value of diversity, equity, and inclusion in reflecting the communities we serve and in using collaboration to value its partnerships.

This proposal supports Results Washington goal for a prosperous economy. The strategy is to return unemployed, underemployed, or injured workers to work. The expected result is to provide employers with screened, qualified workers for their job openings and provide job seekers the means and opportunity for gainful employment.

Performance Outcomes:

Return unemployed, underemployed, or injured workers to work.

Provide benefits to claimant in a timely and accurate manner. Prevent fraudulent benefit payments.

Other Collateral Connections

Puget Sound Recovery:

N/A

State Workforce Impacts:

None

Intergovernmental:

None

Legal or Administrative Mandates:

None

Stakeholder Response:

None

Changes from Current Law:

None

State Facilities Impacts:

None

IT Addendum

Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?

No

Objects of Expenditure

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2022	2023	2021-23	2024	2025	2023-25
Obj. N	\$1,534	(\$50,341)	(\$48,807)	\$0	\$0	\$0

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