



House Finance and Appropriations Human Services Subcommittee
Testimony of Sherry Keys-Hebron, Assistant Director,
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Chairwoman Brown, Ranking Member Burke and members of the subcommittee, my name is Sherry Keys-Hebron. I am assistant director for Workforce Solutions, Ohio Department of Job and Family Services (ODJFS). It is a pleasure to be with you today.

The Workforce Solutions Division of ODJFS is comprised of three offices: the Office of Workforce Development, the Office of Unemployment Compensation, and the Office of Local Operations. Together, these three offices provide a variety of complementary and closely coordinated services designed to assist Ohio workers and businesses realize their greatest degree of economic well-being.

In recent years, less than one percent of the cost of services provided by these offices has been funded by General Revenue, with the vast majority supplied by federal grants from the U.S. Department of Labor or dedicated employer taxes.

In difficult economic times, the role of Workforce Solutions programs becomes increasingly critical. As I share with you our challenges, opportunities and accomplishments, I hope to demonstrate our steadfast commitment to delivering services that help people find their next or better job.

The Programs

Unemployment Insurance

The Office of Unemployment Compensation (OUC) administers Ohio's unemployment insurance program. Unemployment insurance is a state-federal partnership that was established under the Social Security Act of 1935. It provides temporary income assistance to workers who lose their jobs through no fault of their own, and is intended to carry workers through to successful reemployment.

Unemployment benefits are financed through state taxes, and the program administration is financed through federal taxes.

Unemployment insurance is designed to serve as a counter-cyclical economic stabilizer. In other words, in bad economic times, when the economy slows, unemployment insurance payments pump billions of dollars into Ohio's economy to help keep Ohio businesses afloat. Unemployment insurance functions as the first line of defense against involuntary unemployment. It provides a critical safety net that reduces the need for longer-lasting and more comprehensive forms of support, such as cash assistance, supplemental nutrition assistance (food stamps) and Medicaid.

Ohio law establishes that claimants may receive up to 26 weeks of state-funded unemployment benefits. As I'm sure you are aware, Congress passed two rounds of federally funded emergency unemployment compensation (EUC) benefits last year. The first phase of EUC benefits gave workers access to an additional 13 weeks of benefits; the second phase added 7 more weeks for all states, plus an additional 13 weeks for states like Ohio, with total unemployment rates (TUR) higher than 6 percent for three consecutive months. In sum, Ohio claimants are now eligible for up to 59 weeks of unemployment benefits.

Total unemployment claims filed in Ohio have doubled over the last year. There were 298,742 claims processed during the last week of February 2009, a 104 percent increase over the same week in 2008.

The Office of Unemployment Compensation also administers the Reemployment and Trade Act programs. These programs are aimed at returning unemployed workers back to work as soon as possible, retraining workers if necessary for current jobs, and reducing the duration of time people collect unemployment compensation.

Workforce Development

In March 2008, Governor Strickland signed Executive Order 2008-05S, "Making Ohio More Competitive in the Global Economy by Consolidating and Transitioning Ohio's Workforce Development Programs." As a result of the order, some programs within ODJFS, the Ohio Department of Development and the Ohio Board of Regents were realigned, to allow each agency to focus on its core business and on serving its primary customers. For ODJFS, those customers are job seekers. This coordinated approach allows the Workforce Development program area to better align employers' needs and workers' skills through

investments in training and education that are focused on the long-term economic benefit of the state.

The majority of the services coordinated through the Office of Workforce Development are delivered locally through the state's 90 One-Stop Career Centers, which provide universal access to an integrated array of services so that workers, job seekers and businesses can find the services they need in one stop, and frequently under one roof, in easy-to-find locations.

The Executive Budget will allow services to be delivered to more than 90,000 adult, youth and dislocated workers per year. It will allow more than 17,000 Ohioans to participate in registered apprenticeship training programs. It will allow the delivery of labor exchange services and the referral of more than 579,000 individuals to job openings. It also will support Web-based employment research and the local One-Stop service delivery centers.

The Executive Budget also creates appropriation authority for a \$327 million allocation that ODJFS receives through the federal Workforce Investment Act, or WIA. This includes American Recovery and Reinvestment Act (ARRA) stimulus funds. Local Workforce Investment Areas use the majority of WIA dollars to provide direct services to adult, youth and dislocated worker populations. These services include job search and resume-writing assistance, connecting workers to training opportunities, job creation activities for young people in low-income communities, and many other types of employment and training services.

Additionally, WIA supports the Rapid Response program, which provides a quick coordination and immediate delivery of services and aid to employees affected by mass layoffs or facility closings. Rapid Response teams work with employers, employees and employee representatives to maximize public and private resources and minimize disruptions to affected employees and communities.

In challenging economic times, it is more important than ever to leverage robust employment assistance programs to help workers upgrade their skills and find their next or better job. While ODJFS and its local partners continue to directly deliver quality employment services, we also have undertaken efforts to provide tools that individuals can use independently. One example of this is Ohio Means Jobs, a self-service Web site that connects job seekers to employment opportunities from major commercial job boards, niche industries, national and Ohio Fortune 100 companies, and the state of Ohio.

The Office of Workforce Development also provides services to more than 25,000 unemployed, disabled, combat or other veterans seeking employment. It operates a hotline and provides technical assistance and training to local offices serving the agricultural community and migrant and seasonal farm workers. It also certifies federal Work Opportunity Tax Credits for employers who hire from specified

categories of difficult-to-employ workers, including public assistance recipients and ex-offenders.

Local Operations

The Office of Local Operations is responsible for the direct delivery of unemployment and workforce development services at the local level. The Office of Local Operations operates by the philosophy that transactional processes — such as processing an unemployment claim — are best handled in a centralized, streamlined manner using automation wherever possible, while relational processes — such as working with a laid-off worker to define job search strategies — are best handled in-person.

Local Operations maintains a total of 22 field offices (6 call centers and 16 processing centers) with roughly 670 full and part-time employees. The call centers and processing centers provide a means for applying for unemployment compensation benefits via telephone and the Internet. Calls from customers are directed to the first available service representative in the state, creating a single virtual call center. Local Operations' staff also maintain a presence in 90 One Stops throughout the State, providing assistance with matters involving re-employment, re-training, veteran's services and migrant seasonal farm workers.

You may have also heard about the high call volume our unemployment claims phone line has been experiencing. I'd like to take this opportunity to explain why this occurred and the steps that ODJFS has taken to address the problem.

Currently, Local Operations' call centers are receiving an average of 150,000 calls a week – five times as many calls as we received at the same point in time last year. Calls peaked in January with 103,000 calls in one day. As a result, callers have experienced delays in getting through on the phone, but are able to file their claims online 24 hours a day seven days a week.

We have experienced minor, intermittent problems with the online application and are not yet operating at maximum capacity. Other states – including North Carolina, Missouri, California, Pennsylvania and New York – have experienced similar problems with their systems. Despite these challenges, ODJFS is working hard to ensure that those eligible can receive their benefits as soon as possible.

We have hired a total of 82 additional staff to help handle call volume and claims processing. We have been encouraging people to file online whenever possible. We have provided outreach and training for those agencies or offices willing to assist claimants with online filings, such as union halls, local libraries and One-

Stop Centers. We also have established a separate phone line for claimants who need help with special issues, such as resetting their PIN numbers or passwords.

Our processing centers have been backdating claims to ensure that claimants' difficulty in accessing the system does not negatively impact their ability to collect benefits for that week. With all of these efforts, I am pleased to say that, despite the challenges of high call volume, 98 percent of all first payments are being made on time, and satisfy the federal requirement that payments be made within 21 days of filing.

Trust Fund

As you are no doubt aware, Ohio's Unemployment Compensation Trust Fund, which is funded by employer contributions (taxes) to pay unemployment benefits, is depleted. Despite this insolvency, unemployment claimants continue to receive benefits, as required by federal law. Ohio began borrowing from the federal Unemployment Trust Fund on January 12.

There are three main reasons for the depletion of funds:

- 1) Ohio did not fully recover from the 2001 recession;
- 2) Ohio has very high unemployment claims loads; we surpassed five million continued claims in calendar year 2001 and have remained at or above that level ever since.
- 3) Ohio's unemployment laws were last overhauled in the early 1990s. At that time, the law indexed benefits to increase by a small percentage at the beginning of each calendar year. Employer contributions, however, have remained at the same level. As a result, benefits were destined to eventually outstrip revenue – and this is the situation we are faced with today.

Because Ohio's unemployment tax and benefit structure is set in statute, any attempt to repair the Trust Fund can come only from legislative change. The Unemployment Compensation Advisory Council (UCAC) is statutorily charged with making recommendations to the legislature for changes in unemployment law. In November 2007, ODJFS contracted with the Urban Institute's Dr. Wayne Vroman, a nationally recognized economist specializing in unemployment. Dr. Vroman produced a series of reports on Ohio's Unemployment Trust Fund, issuing his final report and recommendations last summer. The UCAC considered these recommendations over the course of last summer and fall, but ultimately did not propose legislative changes at that time. This year, we look forward to the UCAC reconsidering this issue so we can begin to rebuild the Trust Fund.

Federal stimulus package

The American Recovery and Reinvestment Act contained a number of provisions for enhancing unemployment and workforce development programs, services and benefits. Several of these provisions would benefit the state, but even more would directly benefit individuals.

Benefits to the state include:

- A variety of competitive grants that Ohio could apply for, including National Emergency Grants to respond to mass dislocations. In addition, colleges, schools, community action agencies, nonprofits and others could apply for grants for the YouthBuild program (which teaches disadvantaged youth trade and building skills on-site and in the classroom) and for high-growth and emerging industries, especially in the area of green jobs.
- The Unemployment Insurance (UI) Modernization provision of the federal stimulus bill provides states with an incentive to upgrade their unemployment laws by offering a special distribution of funds from the federal unemployment trust fund accounts. This special distribution is known as a “Reed Act distribution,” and it could be used to pay for both unemployment benefits and unemployment administration. Ohio could receive up to \$264.5 million as a result of this provision.

In order to qualify for the Reed Act distribution, however, states must apply to the U.S. Department of Labor and meet the following criteria:

- To receive a 1/3 distribution (for Ohio, this would be approximately \$88 million), states must have an alternate base period. An alternate base period enables unemployed individuals who do not meet the minimum-weeks-and-wages requirement to be considered potentially eligible under a slightly different snapshot of time.

Ohio already has an alternate base period in law, and appears to meet this criterion.

- To receive the remaining 2/3 distribution (for Ohio, this would be approximately \$176.3 million), states must satisfy two of the following four provisions:
 - Allow eligibility for unemployment claimants who are seeking only part-time work.
 - Allow eligibility for individuals who voluntarily quit their jobs for a “compelling family reason.” Compelling family reasons must explicitly include either the need to care for an ill member of the

immediate family, a spouse's job-related relocation or domestic violence.

- Allow extended benefits beyond the regular time limit for claimants who are enrolled in state-approved or WIA-approved job training.
- Provide benefits for claimants' dependents, in the amount of at least \$15 per dependent per week. States may cap dependents' benefits at \$50/week or 50 percent of claimant's weekly benefit amount, whichever is less.

At this time, we are examining which provisions Ohio would satisfy in order to meet the terms of UI Modernization. As part of this, we are evaluating the ongoing cost of maintaining these provisions once the Reed Act distribution is expended. These conversations are ongoing, and no final recommendation has yet been crafted.

- Another benefit of the federal stimulus package is that it waives interest on Trust Fund borrowings from the date of enactment through December 31, 2010. This provision automatically applies to all states in borrowing status. Since interest on borrowings must be paid back through a state revenue source, this provision will save Ohio a projected \$136 million. According to very recent guidance from the U.S. Department of Labor, even the interest that Ohio incurred prior to the passage of the stimulus bill is regarded as paid in full. This means that interest on Trust Fund borrowings will not begin to accrue until January 1, 2011. The first interest payment will not be due until September 30, 2011.
- Ordinarily, state-extended benefits are funded 50 percent by the state, 50 percent by the federal government. However, the federal stimulus package offers 100 percent federal funding of state-extended benefits through December 31, 2009. These state-extended benefits are separate from the 33 weeks of federal extended benefits passed by Congress last year. Under current Ohio law, when the Insured Unemployment Rate (IUR) reaches 5 percent, the state automatically offers an additional 13 weeks of unemployment benefits to claimants. We project Ohio to reach 5 percent IUR by May. Estimated Trust Fund savings from full federal funding of 13 weeks of state extended benefits is \$196.3 million.

Benefits to individuals

The federal stimulus package offers many benefits to individuals, as well. For example, it offers:

- \$138 million in Workforce Investment Act (WIA) programs and services. These dollars will enable Ohio to serve an additional 20,000 adults, youth

and dislocated workers with such services as training, job search assistance, youth employment programs and more.

- The stimulus package offers \$15 million for reemployment services, job matching assistance, and services provided through Ohio's One-Stop Centers. Like the WIA funding, these dollars will enable us to serve more people, and reduce their dependence on temporary economic assistance.
- It also offers a \$25 weekly increase in unemployment benefits. This will put more money into the hands of the unemployed on a weekly basis, creating a direct benefit to individuals as well as to local economies. This increase is 100 percent federally funded, and lasts through December 31, 2009. Ohio has already established an agreement with the U.S. Department of Labor to access these "bonus" benefits. ODJFS information technology staff members are at work programming the system to administer these benefits.
- The stimulus package offers a federal income tax credit on the first \$2,400 of unemployment benefits received in 2009.
- It also extends the deadlines on the federal emergency unemployment compensation (EUC) extended benefits program. This provision does not add additional weeks of eligibility for EUC benefits; eligible claimants still qualify for up to 33 weeks of EUC benefits. Instead, this provision continues EUC benefits through May 2010, ultimately making the benefits available to more people.
- The stimulus package expands the Trade Adjustment Assistance (TAA) Program. TAA is a federally regulated, state-administered program that offers special programs and benefits for workers who lose their jobs due to foreign trade or operations moving to a foreign country. The federal stimulus legislation enhances TAA benefits and expands the program to serve more workers. Under the current TAA program, only manufacturing workers are eligible for this assistance; however, the stimulus legislation expands the program to service-sector workers, public sector employees, workers who lose their jobs due to unfair trade practices as determined by the Federal Trade Commission, companies in the supply chain to other companies impacted by trade, and firms.

The stimulus legislation also:

- increases training funding,
- creates more flexible training options and expanded opportunities for long-term, part-time and pre-layoff training, and

- improves the affordability and availability of health coverage by increasing the premium subsidy level from 65 percent to 80 percent for the Health Coverage Tax Credit (HCTC) program.

Accomplishments

With every challenge, there is opportunity. While we continually strive to improve the quality of our services and our efficiency, I am very proud of the accomplishments we have achieved in the last year.

- ✓ For example, in the program year that ended on June 30, 2008, Ohio exceeded all nine of our performance goals for the Workforce Investment Act program. According to the U.S. Department of Labor, we were the only state in the region to achieve this result. This means that more people were served, they got jobs faster, they earned more money, and it cost the taxpayers less to do it.
- ✓ Working with our partners in the Ohio Department of Development and the Ohio Board of Regents, we launched **ohiomeansjobs.com**. Ohio Means Jobs is a Web site that links Ohio's job seekers with tens of thousands of job openings, right here in the Buckeye State. These job openings include every skill level, occupation and salary. What's more, Ohio Means Jobs provides Ohio's employers with cost-free access to the resumes of Ohioans who have registered with Monster.com. This unique public - private partnership between ODJFS, Monster.com and Indeed.com is helping Ohio's job seekers and employers find each other faster than ever before, resulting in stronger families and businesses.
- ✓ The Department of Labor awarded ODJFS's Office of Unemployment Compensation with a Service Excellence Award for timeliness and accuracy in benefit payments in November 2008. Ohio was the only large state to receive this award, for exceeding performance measures for four consecutive quarters.
- ✓ As Director Lumpkin mentioned in his testimony before the full House Finance Committee, ODJFS has undertaken several "Kaizen" events, to improve the quality of our service delivery and to promote greater efficiency. I am very proud to say that the Workforce Solutions Division has been a trailblazer in our participation in these events. Three of the six Kaizen events that ODJFS has held involved our programs. The Work Opportunity Tax Credit (WOTC) program, housed within the Office of Workforce Development, reduced the number of steps in that process from 56 to 16, a 71 percent reduction. The Trade program, housed within the Office of Unemployment Compensation, drastically reduced printing and mailing costs associated with holding Benefits Rights Information sessions

for dislocated workers impacted by foreign trade. We are in a new era, with new demands and fewer dollars, so it is very important that we continue to critically examine and improve our processes.

Chairwoman Brown, Ranking Member Burke, members of the subcommittee, thank you for giving me the opportunity to speak to you today. I would be pleased to answer any questions you may have at this time.