

DEPARTMENT OF WORKFORCE SERVICES (0810)
2011-13 BIENNIUM - EXECUTIVE RECOMMENDATION

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The primary responsibilities of the Department of Workforce Services (DWS) are to promote employment security by increasing opportunities for placement through the maintenance of a system of public employment offices and to provide through the accumulation of funds from employer contribution taxes for the payment of benefits to individuals who are involuntarily unemployed. In addition to these responsibilities, the Department serves as the Governor's Administrative Entity for the Arkansas programs funded by Title I of the Workforce Investment Act, the lead agency for the Governor's Task Force on Dislocated Workers, and provides overall administration and case management services for the Temporary Assistance for Needy Families Program.

TOTAL APPROPRIATION

The total recommended appropriation for the Department is \$1.494 billion for FY2012 and \$1.393 billion for FY2013.

FUNDING SOURCES

The appropriations for DWS are funded primarily with federal funds with less than .5% of their funding coming from general revenue. The general revenues are used for the state match for the TANF Block Grant Paying appropriation and to provide the state portion of the New Hire Registry Program. The total recommended general revenue is \$3,775,642 each year.

II) SIGNIFICANT CHANGES

EXCESS UNEMPLOYMENT BENEFITS/EXPENSES (APPROPRIATION 2SC)

This appropriation is used by the Department primarily for the payment of administrative expenses that exceed the administrative funding from other funding sources. The fund source is the DWS Special Fund which is funded by penalties and interest charged to employers and penalties and interest received for overpayments. Recommended appropriation is \$11,304,389 each year which includes reallocating a total of \$426,354 in appropriation each year to this appropriation. The appropriations recommended to be added to this appropriation are also payable from the DWS Special Fund and are as follows:

Administration Building and Upkeep (App 2RD)	- \$277,500 each year
Building and Land Acquisition (App 2RE)	- \$150,000 each year
Rent of Buildings (App 2SA)	- \$ 48,354 each year
Special Improvement District Taxes (App 2SB)	- \$ 500 each year

OPERATIONS (APPROPRIATION 2SD)

This appropriation provides for the operational support of the various programs of the Department. This appropriation is funded by federal funding. Recommended appropriation is \$84,244,986 each year and includes the following changes:

Regular Salaries and Matching - Provides an increase of \$5,828,674 each year to support 156 positions described below:

- Restore 83 authorized but unbudgeted positions
- Continue 56 positions authorized through the Miscellaneous Federal Grant (MFG) process.

- Continue 17 positions authorized through DWS special language currently authorized in Section 25 of Act 212 of 2010.

Operating Expenses - Provides an increase of \$13,943,353 each year to restore \$13.3 million previously authorized but unbudgeted appropriation, reallocate \$400,967 of previously authorized but unbudgeted data processing (DP) appropriation to operating expenses due to the DP line item no longer being used and reallocate \$222,394 in appropriation from the Workforce Investment Board (WIB) Operations appropriation (App 56Z - Fund FCG) which is recommended to be discontinued and consolidated with the DWS Operations appropriation.

Conference and Travel - Provides an increase of \$656,025 each year which includes restoration of \$631,933 in previously authorized but unbudgeted appropriation, and the reallocation of \$24,092 from the WIB Operations appropriation.

Professional Fees - Provides a net increase of \$30,000 each year for the reallocation of \$30,000 from the WIB Operations appropriation. Also provides for a reallocation of \$129,549 from the DP line item to professional fees.

Capital Outlay - Provides an increase of \$2,419,001 each year to restore the previously authorized appropriation level.

ARRA 2009 - Provides \$3,426,763 to provide for the restoration of 9 MFG positions and \$3 million in grants and aid appropriation.

WORKFORCE INVESTMENT ACT (APPROPRIATION 2SE)

This appropriation provides for payments to Local Workforce Investment Areas (LWIAs) which provide employment services and preparation to adults, youth and dislocated workers. Recommended appropriation is \$63.5 million in FY2012 and \$62.5 million in FY2013 which is an increase of \$35.6 million for FY2012 and \$34.6 million for FY2013 to provide \$32.1 million each year for grants and \$3.5 million for FY2012 and \$2.5 million for FY2013 for ARRA 2009 grants.

UI TRUST FUND LOAN INTEREST (APPROPRIATION 2SF)

This appropriation provides for the payment of interest on Title XII advances, and is funded by the advance interest tax paid by employers when the state has outstanding interest bearing advances. In the absence of any federal action, Arkansas' advance interest tax will be triggered April 1, 2011. Recommended appropriation increase for loan interest payments is \$24,999,999 each year.

UI TRAINING TRUST FUND (35Q) AND DWS UNEMPLOYMENT INSURANCE FUND (35R)

Arkansas Code sections 11-10-706 (f)(1)(A) and (f)(2)(A) provides these appropriations funding of .0025% of taxable wages from the Stabilization Tax, and this funding arrangement is set to sunset June 30, 2011. The Department will be requesting an amendment of the Arkansas Code to continue this funding.

TANF BLOCK GRANT PAYING/NEW HIRE REGISTRY (APPROPRIATION 4KQ)

This appropriation provides for Transitional Employment Assistance (TEA) Program expenses, such as cash assistance, regular and extended support services, and assistance with basic and vocational education. Recommends \$64,501,053 each year which is an increase of \$25 million each year.

UNEMPLOYMENT BENEFITS AND EXPENSES - CASH (APPROPRIATION C27)

This appropriation provides for the operational costs of the Department as well as Unemployment Insurance Programs. This appropriation is funded by federal dollars deposited into a cash account. Recommended appropriation is \$131.25 million each year which is an increase of \$111.25 each year and includes \$7.5 million for Training allowances and \$3.75 million for payments to participant contractors. The Recovery Act of 2009 expanded eligibility for these services and provided additional funding through the existing federal funding stream not ARRA funds. The \$100 million increase is required in the event the Department needs to begin the repayment of Title XII advances from the UI Federal Unemployment Trust Fund.

BUILDING IMPROVEMENT/LAND-REED ACT (APPROPRIATION C31)

Recommends continuation of \$38.5 million authorized appropriation as contingency. Reed Act funds are excess Federal Unemployment Tax Act (FUTA) funds.

FEDERAL EMPLOYEE BENEFITS-ARRA - (APPROPRIATION C48)

This appropriation provides unemployment benefits to unemployed federal civilian employees, ex-servicemen, and public service employees. Funding is provided by the American Recovery and Reinvestment Act (ARRA) of 2009. Recommends \$200 million in FY2012 and \$100 million for FY2013 in the event additional ARRA funding is made available.

UI MODERNIZATION(REED ACT) - ARRA (APPROPRIATION C49)

This original appropriation of \$59.9 million was provided to provide unemployment benefits (\$50.4 million expended), and the balance \$9.6 million was for payment of salaries, matching and maintenance and operations related to UI Modernization. Recommends \$9,595,093 each year and the name correction of the appropriation to UI Modernization - ARRA instead of Reed Act Funds - ARRA.

LOANS TO LOCAL WIBS (APPROPRIATION C56)

The normal funding process for Local Workforce Investment Boards (WIBs) takes 3 days due to Federal Cash Management Act provisions. Same day or wire transfers are not permitted out of the state treasury fund. This Cash appropriation allows for wire transfer to local WIBs in the event of delays such as when inclement weather delays the distribution of funds. Recommends \$1.5 million each year. This appropriation was authorized for FY2010 and FY2011 by the Arkansas Legislative Council (ALC) through a cash fund holding account appropriation request submitted to the ALC PEER Subcommittee.

III) ADDITIONAL POSITIONS

Total Positions for 2011-13 Biennium: 1002

Total Base Level Positions: 846

Increase / (Decrease): 156

Restores 83 authorized but unbudgeted positions, continues 56 MFG positions, continues 17 positions authorized through DWS special language

IV) SPECIAL LANGUAGE

RESTRICTIONS ON FUNDS APPROPRIATED TO THE COMMUNITY INVESTMENT

INITIATIVE: Restricts funds appropriated for the Community Investment

Initiative from the Temporary Assistance to Needy Families (TANF) Block Grant for the following purposes and amounts:

1) At least \$1 million for improving outcomes for youth, 2) At least \$500,000 for parenting and family functioning, 3) At least \$500,000 for marriage and relationship skills, 4) At least \$500,000 for fatherhood programs, 5) At least \$500,000 for family and employment services for ex-offenders, and 6) At least \$500,000 for services to child-only TEA cases.

SUSPENSION OR REDUCTION OF FUNDS APPROPRIATED TO THE COMMUNITY

INVESTMENT INITIATIVE: Allows the suspension or proportionate reduction of spending to the funds designated by the TEA Board for the six statutory spending categories of the Community Investment Initiative if the Director of the Department and the Transitional Employment Assistance Board certifies to the Governor, the Chief Fiscal Officer of the State and reports to the House and Senate Public Health, Welfare and Labor Committees that Funding from the TANF Block Grant is needed for critical economic development initiatives, for TEA, Work Pays, High Wage Education and Training Programs; Adequate Reserves; and Spending for Economic Development is allowed by Federal Rules.

RECOMMENDS THE DELETION OF THE FOLLOWING SECTION OF LANGUAGE:

CARRY FORWARD - NEW HIRE REGISTRY: Authorizes the Department to carry forward unexpended balances funds made available for the New Hire Registry Program from the first to the second fiscal year. Requires prior statement of need, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally include all of the above information in the biennial budget manuals or a statement of non-compliance.

EXTRA HELP: Authorizes 400 extra help positions and exempts any of these positions funded by federal funds from statutory or regulatory hour limitations.

REED ACT FUNDS: Provides that funds received by the State may be used as specified in 903 of the Social Security Act and for the specific purposes of construction, and improvement of buildings, rent/lease costs, acquisition of land, payment of salaries and benefits of central and local office staff, maintenance and operations expenses of central and local offices, and payment of Unemployment Insurance benefits. It further restricts the use of these funds so that they cannot obligate more than they receive under Section 903 of the Social Security Act.

ADDITIONAL POSITIONS: Authorizes a maximum of 200 federally funded pool positions to carry out program objectives and meet program requirements, with prior Office of Personnel Management approval and prior Arkansas Legislative Council review. If Department wishes to continue the pool positions in the next biennium they must be requested as new positions in the agency's biennial budget request.

TRANSFER OF APPROPRIATION: Authorizes transfer of appropriation between all Department appropriations except the Department's "Reed Act Funds", Regular Salaries and Maintenance and General Operations Appropriations subject to Chief Fiscal Officer rules, regulations and

approval, and prior approval by the Arkansas Legislative Council. Also provides that the Legislative approval provision is non-severable, if the approval provision is found to be unconstitutional then the entire section is void.

INTERAGENCY TRANSFER OF STATE GENERAL REVENUE FOR THE TANF PROGRAMS:

Authorizes the transfer of \$3,640,650 in general revenue between the Department of Human Services and the Department of Workforce Services in support of the TANF or related State Programs upon request of the Directors of DHS and DWS and Chief Fiscal Officer approval. The Director of DWS must report all transfers to the ALC PEER Committee.

TRANSFER OF TANF BLOCK GRANT FUNDS TO THE CHILD CARE DEVELOPMENT FUND:

Requires the transfer of \$7.5 million each year of the biennium from the TANF block grant to the Arkansas Better Chance Program to provide quality childcare and preschool education to transitional employment assistance (TEA) qualifying families and other low income families for at-risk three and four year olds under the Arkansas Better Chance for School Success Programs. Provides for reductions to these transfers if state match is reduced, the TANF grant is reduced or new TANF program cost requirements are imposed.

ARRA APPROPRIATION RESTRICTIONS: Requires DWS to use the \$9.6 million appropriated in the UI Modernization - ARRA Appropriation for the administration of the UI Modernization provisions within the ARRA - Stimulus Act of 2009.

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