

DEPARTMENT OF WORKFORCE SERVICES (0810)
FISCAL YEAR 2014 and 2015 - 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 BUDGET

The total budget is \$1,134,953,203 for FY2014 and \$1,134,772,715 for FY2015.

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.

II) SIGNIFICANT CHANGES

OPERATIONS (APPROPRIATION 2SD)

This appropriation provides operational support for the various programs of the Department. This is funded by revenues authorized by the federal government. The appropriation is \$80,722,814 for FY2014 and \$80,742,326 for FY2015 which is a total increase of \$23,115,947 each year, and includes the following changes:

Regular Salaries and Matching - Increase of \$630,752 each year to restore 14 positions, add 3 positions for the TANF program originally approved as growth pool positions, continue 1 Miscellaneous Federal Grant Position, and reclassify 8 positions for a net increase of 18 positions over base level.

Overtime - Increase of \$26,000 each year to restore FY2013 appropriated level.

Operating Expenses - Increase of \$18,411,243 each year to restore FY2013 appropriated level.

Conference Fees and Travel - Increase of \$664,588 each year to restore FY2013 appropriated level.

Professional Fees and Service - Increase of \$964,363 each year to restore FY2013 appropriated level.

Capital Outlay - Increase of \$2,419,001 each year to restore FY2013 appropriated level.

WORKFORCE INVESTMENT ACT (APPROPRIATION 2SE)

This appropriation funded by federal funds provides for payments to Local Workforce Investment Areas (LWIAs) which provide employment services and preparation to adults, youth and dislocated workers. The total appropriation is \$60,200,000 for FY2014 and \$60,000,000 for FY2015 which is an increase of \$48,515,322 each year for grants and aid in anticipation of newly added Department of Labor discretionary grants (H-1B Partnership Nursing, Workforce Data Quality Initiative, Veteran Workforce Investment Program) and increase of \$200,000 in unfunded appropriation for the Recovery Act (ARRA) line item in anticipation of end of the quarter reporting to the U.S. Department of Labor for FY2014.

UI TRUST FUND LOAN INTEREST (APPROPRIATION 2SF)

This appropriation provides for payment of interest on advances received from the federal UI Trust Fund, and to transfer amounts above \$5 million in the Advance Interest Trust Fund to the Unemployment Insurance Fund. This appropriation is funded by a .2% Advance Interest Tax on the taxable wage base. The total appropriation is \$24 million each year which is an increase of \$4 million for loan interest to insure sufficient appropriation is available in the event the economy does not improve.

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

This appropriation provides for the expenses of the Transitional Employment Assistance (TEA) Program, which includes monthly cash assistance payments, employment services, assistance with basic and vocational education, and supportive services, and is funded by the federal TANF Block Grant. The appropriation is \$40 million each year which is an increase of \$16,280,019 to insure there is adequate appropriation available in the event the economy does not improve.

UNEMPLOYMENT BENEFITS & EXPENSES-CASH (APPROPRIATION C27)

This appropriation provides for the operational costs of the Department as well as the Unemployment Insurance (UI) Programs, and is funded by federal dollars deposited into a cash account. The appropriation is \$62 million each year which is a net increase of \$4,550,000 each year with the following changes:

Grants and Aid - Increase of \$4.95 million each year to restore FY2013 appropriated levels.

Training Allowances - Increase of \$1.1 million each year to provide adequate appropriation for payments to economically disadvantaged, unemployed, and underemployed individuals so they can attend training.

Payments to Participant Contractors - Reduces the appropriation by \$1.5 million each year to \$5 million.

FEDERAL EMPLOYEES BENEFIT - CASH (APPROPRIATION C28)

This appropriation provides for payment of UI benefits to unemployed federal civilian employees, ex-servicemen, public service employees, and the federal share of extended benefits and the Emergency UI Compensation Program, and is federally funded. The total appropriation is \$175 million each year which is an increase of \$85 million to insure adequate appropriation in the event the economy does not improve.

UI BENEFITS REIMBURSABLE EMPLOYERS - CASH (APPROPRIATION C30)

This appropriation allows for payments for UI benefits to unemployed individuals who worked for employers that elect to reimburse the Unemployment Compensation Fund rather than pay contributions, such as non-profit corporations and government. This appropriation is \$30 million each year which is an increase of \$5 million to insure adequate appropriation in the event the economy does not improve.

The following appropriations, are recommended to continue at the FY2013 authorized appropriation level each year of the 2013-15 biennium.

<u>Appropriation</u>	<u>Fund Source</u>	<u>Amount Each Yr.</u>
Annual Assessments	Employr Penalties/Int.	\$26,000
Excess UI Benefits/Expenses	Employr Penalties/Int.	\$11.3 million
DWS Training Trust Fund	Portion of Stab. Tax	\$5 million
DWS UI Insurance Fund	Portion of Stab. Tax	\$5 million
TANF - Individ. Development Acct	Federal	\$1.7 million
UI Benefits - Taxable Employers	Cash	\$600 million
Building Improvement/Land-Reed Act	Fed. In Cash Acct	\$38.5 million
Loans to WIBs	Fed. In Cash Acct	\$1.5 million

The following appropriations are **not** to be continued:

Federal Employee Benefits - ARRA authorized at \$300 million for FY2013

UI Modernization - ARRA authorized at \$9.595 million for FY2013

III) ADDITIONAL POSITIONS

Total Positions FY2015: 978

Total Positions FY2014: 978

Total Budgeted Positions FY2013: 960

Increase / (Decrease): 18

Restores 14 positions, adds 3 positions for the TANF program originally approved as growth pool positions, continues 1 Miscellaneous Federal Grant Position, and reclassifies 8 positions for a net increase of 18 positions over the FY2013 budget.

IV) SPECIAL LANGUAGE

RESTRICTIONS ON FUNDS APPROPRIATED TO THE COMMUNITY INVESTMENT INITIATIVE:

Contingent upon available funding, language 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.

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.

REVISED THE FOLLOWING SECTION OF LANGUAGE:

EXTRA HELP: Authorizes 400 extra help positions and exempts any of these positions funded by federal funds from statutory or regulatory hour limitations, and **adds** language that allows the Chairman of the Board of Review to use part-time or temporary employees from the pool of positions provided to the Department of Workforce Services in any occurrence where the number of appeals to the Board of Review or Appeal Tribunal increases above a level that can be resolved by the permanent staff in a timely manner. The Department will determine the appropriation funding source within the Department for said positions.

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:

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. Provides for reductions to these transfers if state match is reduced, the TANF grant is reduced or new TANF program cost requirements are imposed.

REQUESTS THE DELETION OF THE FOLLOWING 2 SECTIONS OF LANGUAGE:

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. This language was changed to expand the purpose for the FY2013 appropriation to include payment of unemployment insurance benefits. The purpose for the FY2012 appropriation was limited to salaries, related benefits, and maintenance and general operations.

TANF STUDY: Requires the Department to complete a study, no later than Dec. 31, 2011, of ways to address the financial needs of grandparents raising grandchildren through the Temporary Assistance To Needy Families (TANF) Block Grant. If the Department fails to meet the Dec. 31, 2011 deadline, they are required to begin making \$100 monthly cash assistance payments to grandparents whose income is below 100% of the federal poverty level and who are guardians of their grandchildren. Also amends the emergency clause of Act 937 of 2011 to make this provision effective upon passage and approval.

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