



GEORGE N. COPADIS, COMMISSIONER

RICHARD J. LAVERS, DEPUTY COMMISSIONER

February 22, 2019

Honorable Brian Sullivan
State House
107 North Main Street
Concord, NH 03301

Re: Senate Bill 16- Proposed Amendment 2019-0413h "Allowing certain federal workers access to unemployment compensation"

Dear Chairman Sullivan:

Pursuant to your request and the request from members of the House Committee on Labor, Industrial and Rehabilitative Services (the "Committee") made during the Committee's executive session held February 21st, I am providing the following information on behalf of the NH Department of Employment Security (the "department"). This information is being provided in connection with the proposed amendment to SB 16 currently being considered by the Committee which would make federal employees required to provide services during a federal government shutdown despite not being paid, eligible for unemployment insurance benefits.

Please feel free to go ahead and distribute this letter to the members of the committee.

1) Estimates for Unreimbursed UI Benefit Costs:

Pursuant to the letter provided to the committee during the executive session, the US Department of Labor (USDOL) has instructed states that USDOL will not reimburse states for unemployment insurance benefits ("UI benefits") paid to furloughed essential federal employees that are required to provide services during a federal government shutdown. USDOL will also not allow any portion of federal grants provided to states to be used to process claims and payments to these workers.

In order to try to get an understanding of the potential benefit exposure this could mean for the New Hampshire unemployment compensation trust fund ("trust fund"), I have included a chart below showing weekly benefit costs at different levels of participation by federal workers in filing for benefits. The potential benefit costs assume that these workers would all qualify for the maximum weekly benefit amount in New Hampshire which is \$427/week. This assumption is based upon a review of actual wages paid and is a reasonable assumption based upon this review. As the department does not know the length of any future federal government shutdown, it is impossible to state with any certainty what the actual cost would be to the trust fund. However, it is reasonable to assume that the longer the shutdown lasts then the closer to 100% you will see participation for filing for benefits.

FEDERAL WORKERS WORKING BUT NOT BEING PAID = 1,663	ESTIMATED TOTAL UI BENEFITS PAID PER WEEK	ESTIMATED TOTAL UI BENEFITS PAID FOR 6 WEEKS	ESTIMATED TOTAL UI BENEFITS PAID FOR 26 WEEKS
100% FILING FOR UI	\$710,101	\$4,260,606	\$18,462,626
75% FILING FOR UI	\$532,469	\$3,194,814	\$13,844,194
50% FILING FOR UI	\$355,264	\$2,131,584	\$9,236,864
25% FILING FOR UI	\$177,632	\$1,065,792	\$4,618,432

2) Estimates for Administrative Costs:

The Committee requested the department to provide estimates for the amount of administrative expenses involved in processing federal worker claims that would not be allowed to be charged against any federal administrative grants. Pursuant to the letter from USDOL provided to the Committee, all of the administrative expenses associated with staff time in adjudicating and processing these claims would be required to be charged against non-federal funds. This would likely mean that these costs would have to be charged against the Administrative Contribution fund ("AC fund") administered by the department. The revenue in this fund is comprised of payments from employers paid each quarter along with the UI tax payment. This fund is only allowed to support proper and allowed administrative expenses of the department.

As discussed during the executive session, it is anticipated these claims would involve minimal staff time to adjudicate and process compared to other types of UI claims that require more analysis of the job separation. The department estimates that each of these initial claims would take approximately 0.5 hours of staff time to process and then each following continued claim would take less than a minute of staff time to process. The initial claim is the first claim filed by the claimant to determine eligibility for UI benefits. Upon being determined eligible, the claimant is then required to file a continued claim for each week of eligibility. The chart below shows the corresponding staff costs depending upon the number of claims filed:

FEDERAL WORKERS WORKING BUT NOT BEING PAID = 1,663	ESTIMATED STAFF PROCESSING COSTS FOR INITIAL CLAIMS (0.5 HOURS PER CLAIM)	ESTIMATED STAFF PROCESSING COSTS FOR CONTINUED CLAIMS	TOTAL ESTIMATED STAFFING COSTS
100% FILING FOR UI	\$48,828	\$7,350	\$56,178
75% FILING FOR UI	\$35,864	\$5,512	\$41,376
50% FILING FOR UI	\$23,928	\$3,677	\$27,605
25% FILING FOR UI	\$11,964	\$1,839	\$13,803

3) Estimates for impact on Employer tax rates:

The committee asked the department to project the potential impact of this amendment requiring payment of UI benefits to federal workers providing services during a shutdown on the UI trust fund and the fund balance reduction applied to employer UI tax rates. The fund balance reduction which reduces an employer's UI tax rate is determined by the quarter ending balance in the UI trust fund (RSA 282-A:82). If the UI trust fund maintains a balance of at least \$250 million for the prior quarter, then employers receive a fund balance reduction of 0.5% in the next quarter; if the UI trust fund maintains a balance of at least \$275 million for the prior quarter then employers receive a fund balance reduction of 1.0% in the next quarter; and if the UI trust fund maintains a balance of at least \$300 million for the prior quarter then employers receive a fund balance reduction of 1.5% in the next quarter.

To help illustrate how the mechanics of the fund balance reduction work, consider that a new employer in New Hampshire starts with a UI tax rate of 2.7%. This is the rate at which the employer pays UI taxes on the first \$14,000 in annual wages paid to each employee. This totals \$378 per employee per year. Currently, the employer receives a fund balance reduction of 1.5% so the tax rate is actually 1.2% or \$168 per employee. The level of the fund balance reduction is subject to change each quarter depending upon the balance in the UI trust fund for the prior quarter. The higher the fund balance reduction then the lower the UI taxes paid by the employer. The lower the fund balance reduction then the higher the UI taxes paid by the employer.

This type of analysis would be dependent upon an assortment of variables requiring the department to make several assumptions in order for any meaningful analysis to be provided. Considering the percentage of federal workers filing for benefits in such a scenario is unknown and the length of the shutdown, hence the number of weeks they would file for UI benefits, is unknown, the department feels there are too many possible scenarios for this exercise to be useful. The department has instead provided the Committee with the current forecasted UI trust fund quarter ending balances through calendar year 2020 and the corresponding fund balance reduction levels. However, I would certainly make myself available for the Committee to discuss any and all potential scenarios.

CALENDAR QUARTER	CURRENT FORECASTED QUARTER ENDING BALANCE	CURRENT FORECASTED FUND BALANCE REDUCTION TO EMPLOYER TAX RATES
2019Q1	\$299,590,981	1.5%
2019Q2	\$303,669,376	1.0%
2019Q3	\$305,061,590	1.0%
2019Q4	\$301,136,968	1.5%
2020Q1	\$283,309,674	1.5%
2020Q2	\$283,069,504	1.0%

2020Q3	\$282,216,874	1.0%
2020Q4	\$276,483,157	1.0%

4) General Overpayment Information:

The Committee asked the department to provide information relative to the total amount of UI benefits paid later determined to be overpaid and also the amount of UI overpayments collected.

During calendar year 2018, the amount of UI benefits paid later determined to be overpaid was \$1,257,981.10.

During calendar year 2018, the department collected \$1,979,172.49 in UI overpayments. This includes recovery of both fraud overpayments where the claimant failed to provide information or intentionally mislead the department causing the department to pay benefits that should not have been paid and also non-fraud overpayments, where the cause of the overpayment is determined not to be intentional.

5) Experiences of other states:

The Committee asked the department to follow up with other states that paid benefits to these federal workers during the shutdown. As discussed during the executive session, the department is aware that the states of California, Colorado and Vermont either paid or were in the process of paying UI benefits to federal workers required to provide services during the shutdown.

In following up with Colorado, they stated the amount of benefits paid to these federal workers was minimal because the emergency administrative rule that allowed them to pay benefits did not become effective until one week prior to the end of the shutdown.

In following up with Vermont, they did not decide to start paying benefits to these federal workers until just days prior to the end of the shutdown and as a result did not pay out any benefits to these workers.

Please contact me at your convenience to discuss this information further. Thank you.

Sincerely,



Richard Lavers
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