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The Honorable Harry Reid
Senate Majority Leader
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Minority Leader
Washington, D.C. 20510

March 19, 2014

Dear Majority Leader Reid and Minority Leader McConnell:

The National Association of State Workforce Agencies (NASWA) has concerns with S. 2148, the Emergency Unemployment Compensation Extension Act of 2014. This legislation would temporarily reauthorize the Emergency Unemployment Compensation (EUC) program until June 1, 2014, but would substantially increase the administrative burden on states.

NASWA does not have a position on whether to extend the EUC program because our member states hold varying positions on that question. However, NASWA wants you to know states have significant concerns about the implementation of this legislation.

The requirements in S. 2148 would cause considerable delays in the implementation of the program and increased administrative issues and costs. Some states have indicated they might decide such changes are not feasible in the short time available, and therefore would consider not signing the U.S. Department of Labor's agreement to operate the program.

A majority of states have said implementing the proposed legislation could take from one to three months. These delays would be due to a number of issues including:

1. Most states are struggling with antiquated and rigid computer systems -- averaging 25 years old -- thus making it very hard to implement program changes quickly and effectively.
2. The legislation is not clear on how states would pay for the administration of their EUC claims process if federal funds cannot be spent to determine an individual's eligibility.
3. The "millionaire provision" would be very hard to administer. The UI system is not means-tested and therefore does not collect information on an individual's adjusted gross income. Screening individuals by reported quarterly UI covered wages, rather than income tax information, would be a more feasible approach.
4. The backdating of EUC claims to December 29, 2013, would make it nearly impossible, in many cases, to apply a state's weekly work search requirement, a key factor to determine eligibility for UI benefits and to avoid improper payments to claimants who are ineligible.

We appreciate your attention to this important issue. A fact sheet providing further details is attached. Please contact NASWA's Executive Director Rich Hobbie on 202.434.8022 if you have questions.

Sincerely,

Mark Henry
President, NASWA
Executive Director
Mississippi Department of Employment Security

NASWA FACT SHEET

The National Association of State Workforce Agencies (NASWA) is concerned with S. 2148, Emergency Unemployment Compensation Extension Act of 2014 extending the Emergency Unemployment Compensation (EUC) program.

States indicate it could take from one to three months to implement the required elements in S. 2148. Last year, there were only 19 states able to implement the EUC FY 2013 sequestration benefit reductions within four weeks. Many states would not have the necessary changes to their State UI laws in place before the five-month EUC extension would expire.

The legislation would extend the EUC program to May 31, 2014, and would require states to backdate all EUC claims that would have been paid between December 29, 2013 and the date of enactment. NASWA's concerns include:

- Implementation: States would have to review each actual or potential claim, back to the week of December 29th. Some states would have to establish a manual process for paper applications and weekly claims since their computer systems are unable to handle such nuances.
- Retroactive Weeks: When multiple weeks are paid at the same time, claimants who exhausted an EUC tier during that period would have to be redetermined and a new claim would have to be submitted for payment once new tiers are established. It would be very challenging to identify these claimants, and then administer the proper payments, due to the complexity of the review process and the potential volume of claims to review.
- Overpayments: There may be a large number of EUC overpayments created by retroactively paying claims.
- Tiers: Determining the correct EUC tier could be challenging as many states have seen their monthly total unemployment rate decline. This could lead to a State that would have been in Tier 3 through March having to undertake a complex reprogramming effort to have only Tier 1 and Tier 2 available in April and May.
- State Law: States would not have the necessary conforming changes to their State UI laws in place before the five-month EUC extension would expire since many state legislatures cannot act quickly and some have already completed their sessions this year.
- Work Search: Gaining appropriate information to manage the work search requirement for the retroactive period would be virtually impossible. Claimants would be asked to verify they searched for work when there was no requirement to do so. Even if claimants attested to the fact they looked for work, they would have to do that on a week to week basis and the states would have no ability to verify such claims. The legislation would have to release states from this requirement or the potential for improper payments would be enormous. Under current state law, claimants must verify they were able to work, available for work, and actively seeking work during that time period.

The legislation would require states to deny EUC benefits to individuals who attest to their adjusted gross income, but the attestations could be audited by USDOL and GAO. However, no Federal funds could be spent for determining an individual's eligibility. NASWA's concerns and questions include:

- Information Gathering: States would have to create either a manual or automatic process to capture adjusted gross income information during the EUC initial claim process. If a formal certification method is required by USDOL, time delays would occur to properly implement the certification process.
- IRS Database: This provision seems to suggest each claim would need to be cross-checked against the IRS database (which may or may not be available) or the state would have to obtain income tax returns from the claimants. The verification would take months to implement and cause extensive and costly programming.
- Funding: States would find it very difficult to pay for this function from current UI administrative funding. Some states might decide not to implement the program due to lack of federal administrative funding.

- The legislation would impact current information technology (IT) projects. This legislation is emerging at a time when states already have a very full schedule of IT projects for the permanent unemployment insurance program and as a result state IT staffs are committed to this work. Reassigning IT staff could derail progress on such efforts and potentially increase improper payments.
- Some states might decide not to enter into an agreement with USDOL to extend the EUC program in 2014 because of the implementation concerns listed above. A state's relatively low total unemployment rate also might factor into the Governor's decision.