



## **Service and Infrastructure Improvement Fund Annual Report June 30, 2020**

The Service and Infrastructure Improvement Fund (SIIF) was established by Act 34 of 2013 to provide supplemental state funding for the administration of Pennsylvania's Unemployment Compensation (UC) program and service center system, including staffing, training, and electronic systems. Act 34 provided funding through the transfer of fixed amounts of employee tax contributions from 2013 through 2016. Act 1 of 2017 authorized a transfer for 2017, and Act 60 of 2017 authorized transfers for 2018 through 2021.

Moreover, Act 60 of 2017 set forth the General Assembly's intention to reduce the Department of Labor and Industry's (department) reliance on SIIF and established additional restrictions and oversight for the use of these funds. Act 60 provided decreasing annual transfers to support operational and service levels and technological upgrades to the UC benefit payment system (UC Benefit Modernization). It also separated annual transfers for technological upgrades from funds that may be used for personnel and operational needs.

The department is required to submit an annual report of SIIF contributions and expenditures to the Governor and General Assembly by June 30 of each year under section 301.9(g) of the Pennsylvania Unemployment Compensation Law (UC Law). Act 60 established specific requirements for the contents of this report and further required its delivery to the chairs and minority chairs of the Labor and Industry Committee of the Senate and the House of Representatives. The report must include:

1. An accounting of the SIIF for the prior calendar year.
2. An update on operations of the UC system, including all of the following:
  - a) Compliance with federal benchmarks.
  - b) Efficiency measures and cost savings implemented by the department.
  - c) Staffing and service levels, including information on the timeliness of service to claimants and employers.
  - d) The department's efforts regarding the detection and prevention of fraud and overpayments and the collection of any outstanding and delinquent receivables, including interest, for employer contributory and reimbursable accounts.
3. An accounting of total funds spent on the administration of the UC system for the prior calendar year.
4. An update on the progress of the implementation and deployment of technological upgrades to the delivery system for UC benefits.
5. An update on the department's progress toward ending its reliance on transfers to the SIIF.
6. An update on the amount of funds available to the department for administrative costs for the UC system, including the following:
  - a) The total amount of funds available during each of the five prior calendar years.
  - b) An estimate of the total amount of funds that will be available for the current calendar year and the two subsequent calendar years.
  - c) For the information provided under paragraphs (a) and (b), a list of each source of available funds and the amount from each source.

Information corresponding to each of the above requirements follows.

**1. An accounting of SIIF for the prior calendar year.**

The SIIF received a transfer of \$37.1 million in calendar year 2019. The department expended a total of \$22,508,333.04 in calendar year 2019. Please note that funds are primarily tracked by state fiscal year and that a more detailed accounting by state fiscal year is provided below.

**SIIF Expenditures by State Fiscal Year**

<b>Bureau</b>	<b>SFY 17-18 Expenditures</b>	<b>SFY 18-19 Expenditures</b>	<b>SFY 19-20 Expenditures (through 6/30/20)</b>
<b>Deputy Secretary</b>	\$1,173,785.61	\$2,196,910.88	\$505,399.88
<b>UC Benefits Policy</b>	\$1,105,399.09	\$941,234.12	\$67,881.37
<b>UC Board of Review</b>	\$1,355,990.14	\$1,450,915.29	\$542,192.02
<b>UC Tax Services</b>	\$1,766,800.52	\$486,438.58	\$0.00
<b>UC Service Centers</b>	\$9,995,923.23	\$5,840,033.62	\$1,991,598.42
<b>Central Services</b>	\$6,393,165.35	\$11,255,993.40	\$4,317,214.29
<b>WF Programs (UC Support)</b>	\$53,544.00	\$152,247.68	\$0.00
<b>Totals</b>	<b>\$21,844,607.94</b>	<b>\$22,323,773.57</b>	<b>\$7,424,285.98</b>

**2. An update on operations of the UC system, including all the following:**

**a) Compliance with federal benchmarks.**

The below table identifies federal benchmarks for the first quarter of 2020.

	<b>Target Level</b>	<b>Pennsylvania</b>
<b>First Payment Timeliness</b>	87%	89%
<b>Nonmonetary Determination Timeliness</b>	80%	73%
<b>Separation Determination Quality</b>	75%	56%
<b>Non-Separation Determination Quality</b>	75%	83%
<b>Overpayment Detection</b>	50%	36%
<b>Overpayment Recovery</b>	68%	62.3%

**b) Efficiency measures and cost savings implemented by the department.**

The department has continued to implement Lean principles, which allow staff to work smarter and more efficiently and allow for the reduction and elimination of waste. The UC program has been one of the first program areas within the Commonwealth to adopt and implement Lean practices.

From December 2019 until June 2020, the UC Management System (UCMS) project to convert from portal technology to a java-based responsive design platform was successfully piloted with

department staff and a limited number of external users. On June 12, 2020 the full cutover to the new and improved platform was launched to all internal and external users. It is expected that the transition to the new platform will result in savings up to \$1 million per year along with providing improved navigation for UCMS users.

- c) **Staffing and service levels, including information on the timeliness of service to claimants and employers.**

**New Hires for 2020 (as of June 26)**

<b>Bureau</b>	<b>Positions Posted</b>	<b>Positions Filled</b>
<b>UC Board of Review</b>	20	20
<b>UC Tax Services</b>	53	19
<b>UC Benefits Policy</b>	17	6
<b>UC Service Centers</b>	208	208

*\*Positions filled include positions that may have been posted in 2018 and filled in 2019*

*\*\*Positions filled includes new hires with future start dates established*

*\*\*\*UCSC numbers do not include staffing levels for the job classification of Intermittent Intake Interviewers; more information on that position is provided below*

**Intermittent Intake Interviewers (III) – New Hires for 2020 (as of June 26)**

	<b>Positions Posted</b>	<b>Positions Filled</b>
<b>UC Service Centers - III</b>	540	435

*\*Positions filled include positions that may have been posted in 2018 and filled in 2019*

*\*\*Positions filled includes new hires with future start dates established*

**Comparison of Staffing Levels Pre-Furlough for 2016 to 2017 and 2019 (YTD)\***

*Salaried Positions*

<b>Bureau</b>	<b>12/1/2016 Complement</b>	<b>12/27/17 Complement</b>	<b>6/26/20 Complement</b>
<b>Deputy Secretary</b>	25	23	28
<b>UC Benefits Policy</b>	69	58	72
<b>UC Board of Review</b>	147	122	156
<b>UC Tax Services</b>	227	165	194
<b>UC Service Centers</b>	768	585	811
<b>Totals</b>	<b>1236</b>	<b>953</b>	<b>1261</b>

*Wage Positions*

Bureau	12/1/2016 Complement	12/27/17 Complement	6/7/19 Complement
<b>Deputy Secretary</b>	0	0	5
<b>UC Benefits Policy</b>	0	0	2
<b>UC Board of Review</b>	21	21	34
<b>UC Tax Services</b>	0	4	6
<b>UC Service Centers</b>	93	84	458
<b>Totals</b>	<b>114</b>	<b>109</b>	<b>505</b>

\*Staffing totals displayed above include hires and re-hires but does not show transfers or re-assignments. The *net* salaried and wage staff levels as of 6/29/20 for UC Benefits Policy, UC Board of Review, UC Tax Services, and UC Service Centers were 70, 158, 175, and 1,024, respectively.

**Timeliness of Service**

As indicated in section 2(a), the department is meeting federal goals during the first quarter of 2019 for first payment timeliness and non-separation determinations. It is working to improve additional service measurements. The department believes that service levels will improve as staffing levels return to pre-furlough numbers.

**UC Operations Comparisons**

	May 2016	May 2017	May 2018	May 2019	May 2020	May 2019 - May 2020 % Change
Initial Claims	70,274	53,638	51,178	46,909	224,267	378.1%
Continued Claims	128,287	102,304	91,438	94,512	1,029,094	988.9%
Agent Answered Calls	126,041	60,564	57,068	65,450	59,476	-9.1%
Busy Signals	16,262	2,484,139	1,165,239	220,031	48,850,921	22101.8%
Avg Wait Time Until Answered	0:10:25	0:32:22	0:31:30	0:11:55	0:50:42	+0:38:47
Appeals Timeliness	97.40%	74.60%	91.10%	97.9%	65.9%	-32.0%
Appeals Processed	6,200	4,763	6,052	5,754	2,483	-56.8%

- d) **The department's efforts regarding the detection and prevention of fraud and overpayments and the collection of any outstanding and delinquent receivables, including interest, for employer contributory and reimbursable accounts.**

### Fraud and Overpayment Detection

The overpayment process is a heavily manual process and one of the more complicated tasks to learn. The department seeks to purchase additional fraud detection software and has interviewed multiple vendors. This software may help identify fraud and reduce overpayments of benefits.

While Pennsylvania fell short on overpayment detection and recovery during the first quarter of 2018, the work of the dedicated overpayment teams in the UC Service Centers resulted in an increased number of overpayments established in the past year. The increased number of established overpayments outpaced the amount of recovery, thereby resulting in a lower recovery percentage. Pennsylvania takes part in the Treasury Offset Program (TOP) which garnishes federal income tax returns. Over time, this program will assist Pennsylvania to improve overpayment recovery and increase the recovery percentage.

The UC Fictitious Employer Fraud Team, consisting of staff from all areas of the UC Deputate, was awarded the Governor's Award for Excellence for preventing more than \$10 million in potential losses to the UC Fund through fraud committed by fictitious businesses and employees attempting to claim benefits. The team has created resources to collect tips from staff and employers, developed software to scan new employer registrations and tax information for potential fraud indicators, and monitored hundreds of suspicious accounts.

### Fictitious Employers Discovered by State Fiscal Year

The following table provides statistics on the number of fictitious businesses and employees detected and related savings.

Year Discovered	Number of Employers	Number of Employees	Early Detection UC Benefit Savings
FY 15-16	12	71	\$ 642,020
FY 16-17	25	66	\$ 276,729
FY 17-18	25	129	\$ 2,085,225
FY 18-19	7	8	\$ 101,541
FY 19-20 (as of 5/31/20)	7	3	\$15,964

### Deposits by UC Tax Services to the UC Fund

The following amounts are employer taxes, interest, and penalties deposited into the UC Fund.

#### Deposits by State Fiscal Year

FY 15-16	\$ 3,091,222,549.11
FY 16-17	\$ 3,099,920,891.31
FY 17-18	\$ 3,024,325,333.69
FY 18-19	\$ 2,959,991,588.03
FY 19-20 (as of 5/31/20)	\$ 2,504,310,651.23

### UC Tax Delinquent Receivables

The following table lists amounts of outstanding receivables by fiscal year.

<b>Delinquent Receivables by State Fiscal Year</b>	
<b>FY 15-16</b>	\$ 307,525,662.88
<b>FY 16-17</b>	\$ 294,681,217.52
<b>FY 17-18</b>	\$ 233,838,163.80
<b>FY 18-19</b>	\$ 235,234,058.61
<b>FY 19-20 (as of 3/31/20)</b>	\$ 212,810,670.10

### OUCTS Treasury Offset Program (TOP)

This debt collection program authorizes the United States Department of the Treasury to intercept federal income tax refunds to repay their delinquent state UC tax debt. The following amounts were intercepted and deposited into the UC Fund.

	<b>Number of Offsets</b>	<b>Amount Collected</b>
<b>FY 15-16</b>	1,079	\$ 1,724,729.97
<b>FY 16-17</b>	1,014	\$ 1,204,204.33
<b>FY 17-18</b>	784	\$ 820,221.81
<b>FY 18-19</b>	1,092	\$ 1,454,551.35
<b>FY 19-20 (as of 5/31/20)</b>	558	\$ 796,531.35

### Writs of Execution

Writs of Execution, also called Attachment Orders, freeze bank accounts and seize delinquent UC taxes due from employers. The following amounts were collected and deposited into the UC Fund.

<b>State Fiscal Year</b>	<b>Amount Collected</b>
<b>FY 15-16</b>	\$ 1,782,320.04
<b>FY 16-17</b>	\$ 2,506,269.78
<b>FY 17-18</b>	\$ 3,562,605.19
<b>FY 18-19</b>	\$ 3,809,862.60
<b>FY 19-20 (as of 5/31/20)</b>	\$ 2,440,719.89

### Employer Prosecutions

The following information shows the prosecutions filed against delinquent employers under Section 802 of the Pennsylvania Unemployment Compensation Law.

Year Initiated	Number Initiated	Restitution Orders	Restitution Amount	Payments as a Result of Complaint	Payment Plans	Reports Secured	Fines	Costs
FY 15-16	83	57	\$ 863,515.69	\$ 213,588.25	13	434	\$ 45,017.00	\$ 9,227.58
FY 16-17	330	16	\$ 649,442.39	\$ 79,117.27	34	84	\$ 55,450.00	\$ 3,658.61
FY 17-18	412	42	\$ 1,980,119.77	\$ 287,709.55	41	100	\$ 43,635.00	\$ 8,321.53
FY 18-19	860	123	\$ 6,365,620.79	\$ 451,339.10	70	127	\$ 83,434.55	\$ 14,801.61
FY 19-20 (as of 5/31/20)	840	72	\$ 1,508,283.00	\$ 281,874.16	38	67	\$ 39,955.31	\$ 8,534.35

### Employer Liens

Liens are filed against employers to secure delinquent UC taxes, interest, and penalties. The following amounts are covered by liens.

State Fiscal Year	Number Filed	Amount Covered
FY 15-16	9,578	\$ 70,504,141.48
FY 16-17	4,610	\$ 52,789,647.41
FY 17-18	6,485	\$ 58,743,605.48
FY 18-19	6,896	\$ 71,904,393.94
FY 19-20 (as of 5/31/20)	5,358	\$ 47,212,358.64

### 3. An accounting of total funds spent on the administration of the UC system for the prior calendar year.

The department spent \$162,812,487.32 on the administration of the UC system for calendar year 2019.

### 4. An update on the progress of the implementation and deployment of technological upgrades to the delivery system for compensation benefits

The Benefit Modernization contract was awarded to Geographic Solutions, Inc. (GSI), and the project began on August 1, 2017. The project will utilize a commercial-off-the-shelf (COTS) software application called Geographic Solutions Unemployment System GUS®.

The project is moving forward with a project team and departmental leadership is closely monitoring its status. The project is currently in User Acceptance Testing. Current progress includes:

- User Acceptance Testing, including testing with converted data;
- Monthly conversion activities; and
- End to End Interface testing.

The goal of the GUS COTS product is to leverage existing technology and limit customizations to those that support federal and ensure compliance with Pennsylvania's UC law. The original go-live date of April 2019 required an aggressive schedule. The department worked with the vendor to review and reevaluate the timeline. After a careful review, a new go-live date of October 2020 was established in January of 2019. The department remains committed to a successful and functional system. Importantly, L&I's progress on

BenMod has continued while UC has simultaneously implemented complex legislation as part of the federal CARES Act, including a new IT system to administer the Pandemic Unemployment Assistance (PUA). The department continues to work with the Benefit Modernization Advisory Committee on a quarterly basis.

**5. An update on the department's progress toward ending its reliance on transfers to the SIIF.**

The department has been focused on restoring quality service levels to stakeholders, claimants and employers, which require pre-furlough staffing levels. While hiring staff to reach that point is taking longer than anticipated, the department continues to work diligently to fill positions as soon as possible.

The implementation of the Genesys phone system in September 2018 brought new features to claimants. Claimants now have the ability to wait on the line to speak to an interviewer or leave their contact information and request a call back at a specific time of their choosing. This feature limits the need for claimants to unnecessarily wait on phone lines and allows them to receive the customer service they need at their convenience. The new phone system also allows for an online chat function, like what many private sector employers use in their customer service departments. This will allow interviewers to handle multiple claimants who are seeking general UC assistance at one time. We hope at some point to make this function secure, so that claimants may provide personally identifying information that enables interviewers to access individual cases and provide highly personalized assistance.

The department is anxiously awaiting the implementation of the Benefit Modernization system. The Benefit Modernization system is scheduled to go live in October of 2020, and staff training for the new system began near the end of 2019. After the go-live date, UC and the department will continue to monitor and analyze its usage of and reliance on SIIF; such information may position the department to better project its future needs. The decline of federal dollars for the administration of the UC program must also be kept in mind when looking at reliance on additional monies to bridge the gap between federal funds and administrative costs in the future.

**6. The total amounts of funds available during each of the five prior calendar years.**

The following information includes available funding from federal Unemployment Insurance grants, federal Special Administration grants, and SIIF.

**a) The total amount of funds available during each of the five prior calendar years.**

	UI Grant (FFY)	Special Admin	SIIF	Total
2016	\$131,534,718.00	\$10,251,242.05	\$56,568,990.00	\$198,354,950.05
2017	\$119,445,768.00	\$14,048,721.05	\$20,000,000.00	\$153,494,489.05
2018	\$124,654,505.00	\$12,975,567.68	\$37,200,000.00	\$174,830,072.68
2019	\$115,092,411.00	\$14,571,167.05	\$37,100,000.00	\$166,763,578.05
2020	\$114,461,841.00	\$6,419,788.10	\$25,900,000.00	\$146,781,629.10



- b) An estimate of the total amount of funds that will be available for the current calendar year and the two subsequent calendar years.

	UI Grant	Special Admin	SIIF	Total
2020	\$109,000,000.00	\$11,000,000.00	\$25,900,000.00	\$145,900,000.00
2021	\$109,000,000.00	\$11,000,000.00	\$10,000,000.00	\$130,000,000.00
2022	\$109,000,000.00	\$11,000,000.00	\$0.00	\$120,000,000.00

- c) For the information provided under paragraphs (A) and (B), a list of each source of available funds and the amount from each source.

Sources are listed in tables under (a) and (b).