Service and Infrastructure Improvement Fund Annual Report
June 30, 2024

Act 34 of 2013 established the Service and Infrastructure Improvement Fund (SIIF) 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. And update on operations of the UC system, including all 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 department expended a total of $48,776,253.20 in calendar year 2023. 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

Bureau	SFY 19-20 Expenditures	SFY 20-21 Expenditures	SFY 21-22 Expenditures	SFY 22-23 Expenditures (as of 5/31/23)	SFY 23-24 Expenditures (as of 5/31/24)
Deputy Secretary	$505,399.88	$233,181.85	$439,199.32	$2,086,669.68	$4,205,568.64
UC Benefits Policy	$67,881.37	$50,663.89	$37,104.11	$1,185.52	$3,221,214.13
UC Board of Review	$542,192.02	$262,567.83	$312,991.30	$243,058.90	$9,460,074.44
UC Tax Services	$0.00	$0.00	$0.00	$8,981.08	$11,568,240.85
UC Service Centers	$1,991,598.42	$814,077.68	$684,538.41	$5,101,456.21	$59,167,653.19
Central Services	$4,317,214.29	$5,855,063.00	$7,964,860.77	$8,152,239.81	$12,355,151.89
WF Programs (UC Support)	$0.00	$0.00	$0.00	$0.00	$0.00
Totals	**$7,424,285.98**	**$7,215,554.25**	**$9,438,693.91**	**$15,593,591.20**	**$99,977,903.14**

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

a) Compliance with federal benchmarks.

The table below identifies federal benchmarks from April 2023 through March 2024.

	Target Level	Pennsylvania
First Payment Timeliness	87%	53.6%
Nonmonetary Determination Timeliness	80%	32.9%
Separation Determination Quality	75%	21.3%
Non-Separation Determination Quality	75%	66.4%
Overpayment Detection*	50%	25.84%
Overpayment Recovery	68%	28.15%

*Measure uses 3-year data in the calculation, from October 2020-September 2023

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

The department focuses on continuous improvement to allow staff to work smarter, more efficiently, and allow for the reduction and elimination of waste. These efforts are essential for improving the new UC Claims System. By focusing on what claimants and employers needed, the department targeted its approach during this year to better serve the people of Pennsylvania. The department has availed itself of federal grants aimed at improving operations through the implementation of process improvements, better communication, and faster service. Focus groups with employers regarding communications and the UC Claims System were recently completed, and the department is working on implementing the recommendations. Claimant testing aimed at improving the application flow is planned in the coming year.

Note: The department is not meeting federal goals during the reporting period of March 2023 to April 2024 due to the large backlog of pandemic claims being finally completed. As those payments were made and determinations were issued, they counted as "late" since timeliness is calculated on a simple pass/fail basis at the time of issuance. First payment time lapse is traditionally the most scrutinized measure, and even with the work on the backlog, PA was able to increase performance by 10% over last year.

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

Total Hires for FY 2023-2024

Bureau	Positions Posted	Positions Filled
UC Board of Review	67	49
UC Tax Services	64	73
UC Benefits Policy	18	22
UC Service Centers	568	424

**Positions filled include positions that may have been posted in FY 2022-23 and filled in FY 2023-24 and posted in FY 2023-2024 with projections to fill during in FY 2024-25*
***Positions filled includes total hires.*

Intake Interviewers (II) – Total Hires for FY 2023-2024

	Positions Posted	Positions Filled
UC Service Centers - II	361	195

**Positions filled include positions that may have been posted in FY 2022-23 and filled in FY 2023-24 and posted in FY 2023-2024 with projections to fill during in FY 2024-25*
***Positions filled includes total hires.*

Comparison of Staffing Levels Pre-Furlough for 2016 to 2017 and 2020 to 2024(YTD)

Salaried & Wage Positions

Bureau	12/1/2016 Complement	12/27/2017 Complement	6/26/2020 Complement	6/30/2021 Complement	6/27/2022 Complement	6/21/2023 Complement	06/25/2024 Complement
Deputy Secretary	25	23	28	39	40	43	41
UC Benefits Policy	69	58	72	75	74	66	66
UC Board of Review	147	122	156	205	172	205	216
UC Tax Services	227	165	194	171	193	204	217

UC Service Centers	768	585	811	1443	1245	1458	1411
Totals	**1236**	**953**	**1261**	**1933**	**1724**	**1976**	**1951**

**2020, 2021, 2022, 2023, and 2024 data includes both filled and vacant positions.*

Timeliness of Service

As indicated in section 2(a), the department is not meeting federal goals during the reporting period of March 2023 to April 2024 due to the large backlog of pandemic claims being finally completed. As those payments were made and determinations were issued, they counted as "late" since timeliness is calculated on a simple pass/fail basis at the time of issuance. First payment time lapse is traditionally the most scrutinized measure, and even with the work on the backlog, PA was able to increase performance by 10% over last year. That is a great stride to make in just one year but there is more improvement to be achieved.

Even though it is now complete, the pandemic backlog has lasting effects on claims opened since that time. The department continues working to improve service measurements by increasing staff, improving training, and standardizing processes. The department believes that service levels will improve again over the next calendar year as initial claim volumes decrease due to the economic recovery and the new benefits system is further improved to be customer friendly.

UC Operations Comparisons

	May 2019	May 2020	May 2021	May 2022	May 2023	May 2024	May 2023 - May 2024 % Change
Initial Claims	46,909	224,267	127,969	60,851	43,504	41,204	-5.3%
Continued Claims	94,512	1,029,094	211,608	315,006	304,457	323,638	6.3%
Calls Accepted	65,450	59,476	157,014	41,253	58,968	98,028	66.2%
Busy Signals	220,031	48,850,921	454,560	1,484,103	1,232,275	328,537	-73.3%
Average Accept Time	0:11:55	0:50:42	0:38:47	1:14:56	0:44:48	00:18:32	-58.6%
Appeals Timeliness	97.90%	65.90%	62.20%	60.12%	90.22%	67.33%	-25.4%
Appeals Processed	5,754	2,483	5,515	4,749	8,931	7,575	-15.2%

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

Overpayment detection increased by 5.09% this past year while the value of estimated overpayments in the UC program in PA fell by $104,319,804.00.

The department continues its partnership with ID.me and has also expanded it by using federal grant money to lease kiosks for in-person identity verification. Additionally, the department is using the same grant money to activate identity verification through ID.me's select UPS stores across the Commonwealth. Both in-person options have been well-received and described as an easy, 5-minute process for verifying identity and therefore being able to use the online benefits system to file and manage claims.

ID.me verification has been effective at keeping new fraudulent unemployment activity at bay while also providing first-time users with an identity verification which is useful in other areas of their life, such as with the Internal Revenue Service, Social Security Administration, and US Department of Veterans Affairs. All of the federally-required integrity crossmatches continue to operate in the new system as well as fraud filters created to flag suspicious claims. The department began using a federal crossmatch knows as the Integrity Data Hub (IDH) in 2023 and it has proven effective for preventing and detecting fraud.

Since go-live, the department prevented an estimated $2.3 billion in regular UC and Federal Pandemic Unemployment Compensation from being paid to bad actors using the modernized system's antifraud measures, crossmatches, and ID.me.

Treasury Offset Program (TOP) (Claimant Overpayments)

This debt collection program authorizes the United States Department of the Treasury to intercept federal income tax refunds to repay fraudulent claimant overpayments. The table below lists amounts intercepted and deposited into the UC Fund.

Tax Year	Number of Claimants collected	Amount Collected
2021	9,678	$10,134,674.96
2022	5,979	$6,663,481.97
2023 (collections through 6/7/24)	6,160	$7,328,372.13

Fictitious Employers (FE) Discovered by State Fiscal Year

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

In FY 19-20, the shift moved to identity theft claims and claimant unemployment fraud and has continued to be the focus of most of the fraud cases being reported to the Internal Audits Division (IAD). The employers detected during this FY constituted a tax service front tied to a larger crime ring that IAD did not investigate; rather, IAD referred this to the appropriate federal partners. The actual number of possible FEs that could have been funneled through that business is unknown, as well as the amount that could have been taken from the fund. The other employer listed as FE was shut down prior to having listed any number of employees with wages and therefore a savings amount could not be determined. During this FY the functionality of the legacy system no longer supported the FE scanner that was being used as of March 2020 which limited our ability to detect FE's.

FY 20-21 FEs were reported from staff findings listed in the chart. This FE had a loss to the fund. During this FY, the COVID-19 pandemic created unprecedented identity theft and general claimant fraud, requiring the department to pivot its resources and focus to address this epidemic. Therefore, the ability to continue searching for and investigating FEs was hindered.

Year Discovered	Number of Employers	Number of Employees	Early Detection UC Benefit Savings
FY 17-18	25	129	$ 2,085,225
FY 18-19	7	8	$ 101,541
FY 19-20	3	*	*
FY 20-21	3	6	$166,575
FY 21-22**	0	0	$0.00
FY 23-24	95*	645	*

*In 2023, UCTS implemented additional processes to proactively detect FEs. These procedures prevented FEs from registering accounts and allowing "workers" to collect UC benefits. In other words, the UC Program changed its processes to detect and prevent fraud up front (during employer registration) as opposed to after benefits were already collected.

**In FY 21-22, Fictitious Employer investigations were put on hold while IAD shifted their focus to investigating hijacked claims.

UC Fraud Reporting Tool

In June of 2022, the department instituted a new internal fraud reporting tool that served as a case management system for IAD investigators to allow for the efficient triaging of pandemic fraud cases. This tool enabled IAD to quash its backlog of pandemic fraud cases by August 2023. In February 2024, this fraud reporting tool was made available to the public to facilitate the reporting of possible unemployment fraud cases to make them available to IAD staff for immediate assignment and investigation.

Deposits by UC Tax Services to the UC Fund

The table below lists employer taxes, interest, and penalties deposited into the UC Fund.

Deposits by State Fiscal Year

FY 18-19	$ 2,959,991,588.03
FY 19-20	$ 2,564,337,552.39
FY 20-21	$ 2,577,331,974.99
FY 21-22	$ 2,288,974,703.50
FY 22-23 (as of 6/1/23)	$ 2,651,382,949.78
FY 23-24 (as of 6/23/24)	$2,388,257,658.85

UC Tax Delinquent Receivables

The table below lists amounts of outstanding receivables by fiscal year. These are the amounts as of June 30th each year, therefore, the total amount owed will be reflected in the last SFY period.

Delinquent Receivables by State Fiscal Year

FY 18-19	$ 235,234,058.61
FY 19-20	$ 239,221,134.23
FY 20-21	$ 229,538,901.58
FY 21-22	$ 266,286,301.24

FY 22-23 (as of 6/1/23)	$ 235,095,081.28
FY 23-24 (as of 6/23/24)	$211,005,957.39

Treasury Offset Program (TOP)

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

Tax Year	Number of Offsets	Amount Collected
FY 18-19	1092	$1,454,551.35
FY 19-20	558	$796,531.35
FY 20-21	2868	$1,877,593.59
FY 21-22	2896	$1,460,947.13
FY 22-23	662	$628,743.00
FY 23-24 (as of 6/14/24)	1602	$834,894.79

Writs of Execution

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

State Fiscal Year	Amount Collected
FY 18-19	$ 3,809,862.60
FY 19-20	$ 2,440,719.89
FY 20-21	$ 415,300.96
FY 21-22	$ 140,821.03
FY 22-23 (as of 5/31/23)	$ 1,507,423.99
FY 23-24 (as of 5/31/24)	$1,332,357.60

**New Writs of Execution were temporarily suspended during fiscal year 2021 due to the pandemic.*

Employer Prosecutions

The table below lists the prosecutions filed against delinquent employers under Section 802 of the UC Law.

Year Initiated	Number Initiated	Restitution Orders	Restitution Amount	Payments as a Result of Complaint	Payment Plans	Reports Secured	Fines	Costs
FY 18-19	860	123	$6,365,620.79	$451,339.10	70	127	$83,434.55	$14,801.61
FY 19-20	840	80	$1,729,069.26	$281,874.16	42	67	$48,155.31	$9,588.25
FY 20-21*	2	0	$0.00	$0.00	0	0	$0.00	$0.00
FY 21-22	446	10	$80,534.68	$59,392.24	9	3	$4,835	$1,033.49
FY 22-23 (as of 5/31/23)	436	15	$376,371.55	$62,904.17	19	0	$8,300	$2,802.43
FY 23-24 (as of 6/1/24)	325	34	$286,971.10	$266,957.70	42	25	$13,100	$2,746.35

**Beginning in April 2020, all the UC Tax Field Staff worked full-time assisting PUA and UC Benefits. Starting on 7/1/2021, field staff returned to doing tax work full-time.*

Employer Liens

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

State Fiscal Year	Number Filed	Amount Covered
FY 18-19	6,896	$ 71,904,393.94
FY 19-20	5,362	$ 47,579,471.48
FY 20-21	3,546	$ 36,055,879.86
FY 21-22	4,273	$ 39,391,967.67
FY 22-23 (as of 5/31/23)	4,809	$ 36,053,721.57
FY 23-24 (as of 5/31/24)	5540	$37,558,123.80

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

The department spent $230,726,544 on the administration of the UC system for calendar year 2023.

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

The GUS system was launched on June 8, 2021, after converting approximately one billion records from the legacy system. The department continues to work with GSI to make enhancements to the system in response to stakeholder feedback.

The department has successfully paid nearly $7.1 billion since go-live.

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

The department increased staffing levels using SIIF in the past year and the response has been very positive from every angle. This advantage has allowed staff to work on improvement projects and training which are both essential to making long-term operations efficient. The department is seeing early signs of productivity improvements with new Benefits Modernization system. We expect that with additional time and training those efficiencies will lead to better customer service and timeliness for claimants and employers.

While the department is making internal improvements to serve our customers more efficiently and effectively, federal funding alone is not adequate to maintain acceptable performance levels. This is not specific to Pennsylvania, but applies to state unemployment programs across the nation, who are forced to turn to their legislatures for assistance. This shortage is due mostly to the size of the overall appropriation Employment & Training Administration (ETA) receives, which ETA allocates among states. There is acknowledgement at the federal level that the current funding methods are not adequate to fund state Unemployment Insurance activities. The federal government is beginning a study to determine changes to be made to their funding model.

Notable points about the federal appropriation to ETA:

- The unemployment program is a discretionary item in the federal budget. Therefore, the funding provided to unemployment is affected by how much funding is allocated to other programs. There is no guarantee that "per claim taken," L&I will receive an amount that covers costs of that work. In federal fiscal year 2023, their American Rescue Plan Act appropriation was cut from $2 billion to $1 billion and grants for states' improvement projects were reduced or ended three-quarters of the way into the fiscal year.

- The appropriation request that ETA sends to the legislature is based on formulas from the early 1980s. For FFY23, they updated one portion of this formula for current day but are still lagging.

Challenges states have with federal funding from ETA:

- Although the federal fiscal year begins October 1, states are not informed in a timely manner regarding the amounts of their grants, making business decisions difficult. In 2022, states were not informed until September 21.

- There were unprecedented funding cuts made in recent years due to the overall appropriation being so low. ETA promises stop-loss protection to states so they do not lose or receive more than 5% of their prior-year grant. However, FFY 2022 saw a reduction occur in the middle of the fiscal year, receiving an overall 10% reduction, $14M, after the year was already half finished.

- The Resource Justification Model (RJM) penalizes states if they do not use their money in the best way as prescribed by the formula. Namely, States should expend their full federal grant, first, before using state funds. This is a critical factor affecting the following-year grant. If a state does not spend their full grant and funds are returned to ETA, the state will receive a smaller share of the appropriation the following year.

The department will continue to monitor and analyze its usage of and reliance on SIIF, and this information may position the department to better project its future needs. The pandemic has shown the need for qualified trained unemployment staff, and the department is committed to working with the General

Assembly on proper staffing levels moving forward. To supplement our federal allocation, pay employees and our vendors, improve customer service, and serve the citizens of Pennsylvania, it is imperative that we continue to use state funds. Our new SIIF Authorization request for the SFY2024 is as follows:

SFY 2024 Projected Expenditures and Revenues		
	Expenditures	**Revenues**
Personnel	$ 210,787,960.93	
Payments to Other State Agencies	$52,475,233.85	
Payments to Other L&I Departments	$5,890,418.59	
Payments for Utilities and Insurance	$ 5,530,100.00	
Payments for Rentals, Parking, & Maintenance	$ 8,046,860.00	
Payments for Paper Goods and Mailing	$ 8,343,256.98	
Payments for Recurring Miscellaneous Costs	$ 3,335,679.00	
Payments for Additional Non- Recurring Costs	$ 4,902,663.00	
Budget Request SFY 2024	**$299,312,172.35**	
USDOL Budget Allocation		$ 126,701,878.71
USDOL Carryover		$ 71,424,898.61
PACSES SFY 2024		$ 425,000.00
Special Admin SFY 2024		$ 14,000,000.00
Reed Act		6,551,332.70
SIIF Authorization Carryover		$ 5,000,000.00
Additional Above Base grant deposits		$ 2,500,000.00
Remaining COVID grant funds (7/1/2023 – 6/30/24)		$5,467,168.42
Total Expected Revenues SFY 2024		**$ 232,070,278.44**
Revenue Deficit		**$ (67,241,893.91)**

6. An update on the amount of funds available to the department for administrative costs for the UC system.

The following information includes available funding from federal unemployment insurance grants, CARES Act funding, the Special Administration Fund, and SIIF.

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

	UI Grant (FFY*)	Cares Act Funding (FFY*)	Special Admin (SFY**)	SIIF (CY***)	Total
2020	$114,461,841.00	$109,451,309.21	$11,000,000.00	$22,950,000.00	$257,863,150.21
2021	$120,024,667.00	$120,788,476.00	$28,000,000.00	$10,000,000.00	$278,813,143.00
2022	$126,156,608.00	$42,740,028.00	$11,000,000.00	$0.00	$180,945,112.00
2023	$134,879,204.00	$9,365,310.25	$14,000,000.00	$65,000,000.00	$223,224,514.25
2024	$126,701,787.71	$5,467,168.42	$14,000,000.00	$0.00	$146,168,956.13

*Federal Fiscal Year: October 1 - September 30
**State Fiscal Year: July 1 - June 30

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

	UI Grant (FFY*)	Cares Act Funding	Special Admin	SIIF	Total
2024	$126,701,787.71	$5,467,168.42	$14,000,000	$68,000,000	$214,168,956.13
2025	$125,000,000	$0	$14,000,000	$TBD	$139,000,000
2026	$125,000,000	$0	$14,000,000	$TBD	$139,000,000

*Federal Fiscal Year: October 1 - September 30

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).