

**Testimony of
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**House Ways and Means
Subcommittee on Human Resources**

**“Moving from Unemployment Checks to Paychecks:
Implementing Recent Reforms”**

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Good morning Chairman Davis, Ranking Member Doggett and distinguished members of the Committee. Thank you for inviting me to testify on the implementation of the Middle Class Tax Relief & Job Creation Act.

As I have stated in previous testimony, Texas prioritizes the UI claimant population in its reemployment efforts. The Commission formalized this priority in 2003 and self-imposed a reemployment measure for UI claimants within 10 weeks; this is not a federal or state mandated target. Prior to establishing this formal target and the introduction of new tools and policies, performance was roughly 27% but climbed to a high of 64% before subsequently dropping with the onset of the recession.

Despite a slow economic recovery and Texas having seen the unemployment rate hit over 8% this past year, we continue to connect UI claimants to work. The 10-week performance target has exceeded 50% in the past year. It is important to recognize that while our goal is reemployment within 10 weeks, going back to work in 11, 12, or 13 weeks, is still better than reemployment in 16, 20, or 26 weeks.

As further evidence of the State's commitment to getting UI claimants back to work, the Texas Legislature in 2009, created a hiring incentive initiative, the Texas Back to Work (TBTW) Program. This program is what we based our application on for the Department of Labor's (DOL) demonstration project outlined in this Act. I am pleased to share the following results:

- Over 25,000 placements
- Over 4,000 employers participating, over 2/3 of participating employers have 100 employees or less
- Average wage replacement of 96.8%
- TBTW placement tended to reduce benefits utilized by 9.01 weeks on average (state and federal)
- A TBTW placement is \$596 cheaper on average than the total benefit cost for a similar claimant who was not placed

As you are aware, the Middle Class Tax Relief & Job Creation Act included a number of provisions aimed at getting Emergency Unemployment Compensation (EUC) claimants back to work. Specifically, the Act requires states to provide Reemployment Eligibility Assistance (REA) and Reemployment Services (RES) to EUC claimants that enter into Tier 1 benefits or transition from Tier 1 to Tier 2 on or after March 23, 2012.

This includes four steps; orientation to the services available through Workforce Solutions Offices, labor market and career information, assessment of the EUC claimant's skills and in-person review of the claimant's continued eligibility for EUC, including a review of the claimant's most recent work search log. The first three steps of this requirement can be done in groups, by phone, or via webinar, but the fourth step will require each individual claimant to come into a workforce center and meet face-to-face with employment counselors. The Texas Workforce Commission will hire an additional 225 staff in order to execute this provision of the Act.

Building on an integrated system administered through a network of 28 Local Workforce Boards, we have benefited from our existing operational relationship between the Boards and our unemployment services. This infrastructure has allowed us to build upon a process already in place to administer the REA-RES provisions. Although Texas has the benefit of having an integrated system, and Texas's unemployment rate is below the national average, there will still be challenges to our system.

As I stated, the provision requires in-person reemployment services, meaning the claimants that we outreach will have to come into one of our 220 One-Stop centers. We have already conducted outreach to 28,000 EUC claimants in just the first four weeks of implementation. TWC estimates approximately 7,000 EUC claimants per week will be outreached out of 161,000 claimants between now and the end of August. In some cases, One-Stops are preparing to see an additional 1,000 claimants walk through the doors in just a single week.

Because states only get reimbursed for those claimants who actually respond to outreach, there will be unfunded costs associated with implementation. For example, out of the first group of claimants scheduled for services, 53% did not report and must be contacted again. Staff time and cost to generate lists of claimants and sending outreach letters will not be recuperated unless the claimant comes in for services.

The local infrastructure to serve the unemployed is woefully inadequate. A portion of Federal Unemployment Tax Act (FUTA) dollars paid by Texas employers funds regular Employment Services (ES). Unfortunately, Texas is a donor state in the Federal Unemployment Insurance System, receiving only 35 cents on the dollar in return from FUTA taxes paid by employers. There is an expectation for Texas and other donor states to administer programs without prior investment in local infrastructure to provide the resources to offset those costs.

Another challenge I would like to bring to your attention is the guidance provided by the Department of Labor (DOL) for the implementation of this Act. For example, implementation on the unemployment insurance side for imposing a sanction of a period of ineligibility for not participating in the REA-RES is an "open ineligibility" until the individual participates, yet on the workforce side, the imposition of a sanction or a period of ineligibility is just one week. This is a prime example of the disconnect and lack of understanding within DOL of how contradicting policies impact the implementation of programs at the local level, and contrary to supporting an integrated system of service delivery.

In closing, I would like to briefly address Texas's application for a demonstration project under Section 2102. Texas submitted a waiver application on February 24, 2012 based on the criteria for a complete application as laid out in this section of the Act. On March 17, DOL denied our application stating that we would have to wait on federal guidance for the application process.

On April 19, 2012, DOL issued guidance on how states should apply for a waiver. We were disappointed that the guidance appears to go beyond what we believe is required by the legislation. The legislation set out a simple process in about four (4) pages of bill language, yet

DOL released 19 pages of guidance that we believe to be overly bureaucratic and administratively burdensome.

In our opinion, the DOL guidance is more process driven rather than outcome based, which we believe should be putting people back to work. The Middle Class Tax Relief & Job Creation Act specifically states that these demonstration projects are intended to begin as soon as possible upon enactment of the legislation. Had Texas been able to move forward in early March, we estimate that we had the potential to place an additional 2,400 individuals in a job under an already existing, successful, and DOL recognized program.

Again, thank you for allowing me to testify before you today, and I will be happy to respond to any questions.