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UNEMPLOYMENT INSURANCE

Administrative Funding Is a Growing Problem for State Programs





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Human Resources Division

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The Honorable Tom Harkin
Chairman, Subcommittee on Labor, Health and
Human Services, Education and Related Agencies
Committee on Appropriations
United States Senate

The Honorable William H. Natcher
Chairman, Subcommittee on Labor, Health and
Human Services, and Education
Committee on Appropriations
House of Representatives

Language contained in Conference Report 99-960 requested GAO to monitor the operation of state Unemployment Insurance (UI) agencies and report on the effects of reductions in federal administrative funding. As agreed with your offices, we obtained information concerning state UI administration during the 1980s, including (1) trends in federal funding, (2) state management adjustments to funding changes, (3) changes in the number of local program offices and office staffing, and (4) Department of Labor oversight. This report summarizes our March 10, 1989, briefing of your staffs.

To develop the information, we created a data base containing information on the 53 jurisdictions currently operating UI programs. Specifically, using a questionnaire sent to these jurisdictions, we developed an 8-year profile of federal and state funding, spending and staffing, and state office openings and closings. We obtained budget and workload data from the Department of Labor and met with Labor's program officials in Washington, D.C., and three of its regional offices. We also interviewed state and local UI officials in six judgmentally selected states—California, Georgia, Kentucky, Louisiana, New York, and Ohio.

The UI system—a joint federal-state effort—is designed to provide temporary and partial wage replacement to unemployed workers. State administration is funded by an employer-paid federal tax on payrolls established in 1935, called the FUTA (Federal Unemployment Tax Act) tax. Labor allocates funds to the states through a process that is designed to provide them with the funding necessary for effective program operation. However, states have been concerned that federal allocations increasingly fail to meet their actual expenses.

Labor separately estimates state funding needs for personnel service (PS) costs and nonpersonal service (NPS) costs, such as rents, supplies, equipment, and contracts. To determine PS funding, Labor uses what is referred to as the "cost model." The model estimates state staff-year needs using projected workload and state specific data on the time required to perform certain UI functions, such as initial claims processing. State PS funding is computed by multiplying state staff-year needs by state specific salary costs. Thus, each state receives an allocation based on workload, personnel costs, and processing times. However, Labor no longer collects the information necessary to accurately determine actual state PS costs. NPS funding is computed using a state's staff-year needs and a state-specific cost per staff-year. The staff-year costs are derived from each state's actual 1983 NPS spending, adjusted for inflation. During the 1980s, Labor has taken steps to decentralize responsibility for the UI system to the states by giving them greater flexibility in the use of federal funds. For example, states no longer need Labor's approval to transfer allocated funds from one budget category to another, such as using PS funds for NPS activities. Consequently, the extent to which Labor's estimates accurately reflect state costs is uncertain.

Overview

Federal UI administrative funding and state staffing have fluctuated during the 1980s, generally consistent with changes in UI workload resulting from changing levels of unemployment. Local office openings and closings, however, have not demonstrated a similar cyclical pattern, with the overall number of offices remaining fairly steady during the 1980s. Federal funding has been less than the states' costs. To cope, states have increasingly converted PS to NPS funds and supplemented their federal allocations with other funds. In addition, states have made managerial adjustments, such as increased automation, that have raised program efficiency, but also increased staff training requirements. State UI program officials expressed concern that serious disruptions in service would likely occur should unemployment suddenly increase.

Trends in Federal Funding

Federal UI administrative funding has risen and fallen during the 1980s, generally mirroring the changes in UI workload that accompany periods of recession and economic recovery. Federal funding increased substantially during the early 1980s, peaking at about \$1.6 billion in 1983 and then dropping by 8 percent in 1984, reflecting the workload decline that accompanied the economy's improvement. For example, a major component of workload, number of weeks claimed, dropped by 40 percent

between 1983 and 1984. Since 1984, funding has been fairly constant when adjusted for inflation. However, federal funding has been below Labor's estimate of states' needs.

States Increasing Financial Support and Making Managerial Changes

While the bulk of state administrative expenses are covered by federal funding, during the 1980s more states have supplemented their programs with increasing amounts of their own funds. The number of states supplementing their UI programs increased from 8 providing an average of \$138,000 in 1980 to 33 contributing an average of \$1.6 million in 1987.

Labor's allocations are also diverging from actual state expenditure patterns, leading more states to reallocate funds among accounts, shifting PS funding to finance NPS costs. For example, in 1980, 7 states converted an average of \$270,000 from one account to the other, while by 1987, such conversions had increased to 21 states converting an average of \$1.8 million.

State UI officials have made managerial changes that raise staff training requirements. For example, states have automated many UI functions, such as benefit computation, in an effort to process insurance claims faster. This has made claims processing more complex and increased the need for staff training. States are also jointly locating UI and Employment Service (ES) offices, in some cases to use staff in both programs, also increasing the need for training. As of 1987, 89 percent of UI offices were jointly located with ES offices, up from 79 percent in 1980.

Number of Offices Remain Steady While Staffing Declines

In the aggregate, the number of permanent UI claims offices, the basic unit of service provision, changed little, remaining at about 1,850 during the 1980s. States closed 233 offices and opened 164. The trend in openings and closings does not mirror workload changes and has been unevenly distributed across the country. Most of the closings occurred before 1984, when workload was high. Over 50 percent of the closings occurred in seven states, with Colorado, Michigan, New York, and Ohio each closing 20 or more offices. Most openings occurred after 1984, when workload was declining. Three states—Georgia, Iowa, and Tennessee—accounted for over 50 percent of all office openings, reporting that UI offices were opened to locate them jointly with ES offices.

Unlike the trend in office closings and openings, staffing levels generally fluctuated with workload. Staff-years used, as measured by full-time

equivalents, declined by about 28 percent since 1983 to about 40,000 staff-years in 1987. This decline has occurred principally at local claims offices, where staffing declined from an average of 14 staff-years per office in 1983 to an average of 8 in 1987.

Federal Oversight Reduced

Labor's actions to decentralize the UI system to the states led to a reduction in state-reported information flowing to Labor officials. In addition, reduced Labor staffing at regional offices, which lost 57 percent of their staff since 1980, contributed to Labor's reduced oversight capability.

While Labor has less first-hand knowledge of state program operations, it still maintains a system of service quality measures. However, our assessment of this system is that it is an inadequate service quality monitoring system. Labor and state officials agree. For example, the system has been criticized as relying too heavily on promptness aspects of service quality as opposed to more qualitative aspects of service quality, such as claims accuracy. Thus, Labor's ability to assess changes in service quality using this system is limited.

State Programs Vulnerable to Sudden Workload Increases

Although the FUTA tax was envisioned as the sole source of funding to cover the costs of administering the UI program, during the 1980s this premise appears to have been eroded. Federal spending for state UI administration has been consistently less than Labor's estimate of state costs (based on its cost model), and states have increasingly used their own funds to help cover the costs of UI administration. Four of the six states we visited supplemented their UI programs, and the administrators said that these funds were needed to maintain basic program services. This suggests that federal allocations are inadequate to cover many states' administrative costs.

Administrators in four of the six states we visited told us that serious disruptions in service or significant increases in claims processing errors would likely occur if unemployment rates suddenly increased because they would be unable to get adequately trained staff processing claims as quickly as necessary. Since 1983, lower UI workloads have led to a decline in the number of experienced UI employees, including part-time workers. State administrators told us that part-time workers are the workers the UI system has generally relied on to handle sudden workload increases, because they are already trained and can immediately expand their hours worked. In addition, the added complexity of claims processing tasks due to automation has increased training needs for new

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staff, which state administrators believe could further hamper service delivery if workloads rise. Finally, the change in Labor's monitoring role raises questions as to how quickly service quality problems can be identified by Labor should they arise and whether the expertise at the regional level will be available to deal with such problems as in the past.

As requested by your offices, we did not obtain official agency comments on this report. We did, however, discuss its contents with Labor officials and have incorporated their comments where appropriate. We are sending copies to the Secretary of Labor and other interested parties. The staff responsible for this report are listed in appendix II.

Sincerely yours,



William J. Gainer
Director of Education and
Employment Issues

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Abbreviations

DLA	Desired Level of Achievement
ES	Employment Service
FUTA	Federal Unemployment Tax Act
GAO	General Accounting Office
NPS	Nonpersonal Services
P&I	Penalty Interest
PS	Personnel Services
UI	Unemployment Insurance

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Unemployment Insurance: Administrative Funding Is a Growing Problem for State Programs

Introduction

The Unemployment Insurance (UI) system—a joint federal-state effort—provides temporary and partial wage replacement to workers unemployed through no fault of their own. Within broad federal requirements, each of the 53 programs can establish its own tax structure, eligibility requirements, and benefit levels.¹ State employer payroll taxes finance the benefits. Currently, about 98 million workers, or 85 percent of employed persons, are in jobs that are covered by the UI system. In fiscal year 1988, the system collected about \$18 billion in employer taxes to pay \$13.3 billion in UI benefits to almost 7 million unemployed workers.

A federal employer payroll tax was authorized by the Federal Unemployment Tax Act (FUTA) to finance the state administrative costs for operating efficient and effective UI programs, as well as certain other employment programs.² The Department of Labor estimates that in fiscal year 1990, revenue from this tax will total \$3.65 billion, of which about \$1.7 billion will be used to finance the costs of state UI administration. Labor allocates these administrative funds to the states and is responsible for ensuring effective and efficient state operations. During the 1980s, Labor has taken actions intended to give state UI programs greater managerial flexibility and financial authority. For example, in 1986, Labor gave states the authority to shift funds among program activities without federal approval. Labor has also reduced program reporting requirements by lessening the level of detail required on quarterly state financial reports.

Financing State Administrative Costs

The Internal Revenue Service collects the FUTA tax and deposits the portion earmarked for financing state administrative expenses in the Employment Security Administrative Account. The budget and federal appropriations processes determine the overall funding authorized for state UI administration. Labor then allocates this funding to the states.

¹These programs are in the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

²FUTA also funds state administration of the Employment Service (ES) program, the federal administration of both the UI and ES programs, extended UI benefits, the UI state loan program, and UI and ES veterans' grants.

Figure 1

GAO UI Administrative Funding Categories

- Personnel Services (PS)
Based on state:
 - Workload
 - Processing times
 - Salary and benefit costs

- Nonpersonal Services (NPS)
Based on:
 - 1983 NPS staff year cost
 - Adjusted annually for inflation

Personnel Services and Nonpersonal Services Allocations

Labor allocates administrative funding using each state's estimated workload and actual cost of processing that workload.³ States receive separate allocations for the costs of personnel services (PS)—which include employee wages and benefits—and nonpersonal services (NPS)—which include rents, supplies, and contracted services.

Using what Labor calls the "cost model," PS funding is computed using forecast program workload for each state multiplied by a minutes-per-unit time factor for each unit of work to be processed—such as the processing of initial claims, continuing claims, or appeals. The resulting total number of minutes are converted into full-time equivalent staff-

³The costs of processing claims, appeals, or other program activities vary across states because of differences in state laws and procedures, wage rates, and productivity.

**Unemployment Insurance: Administrative
Funding Is a Growing Problem for State
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years which, when multiplied by each state's average annual staff-year cost for UI personnel salary and benefits, determines the state's estimated PS needs.

Nonpersonal service costs include the expenses associated with rent, maintenance, supplies, communications, travel, equipment, and other purchases necessary to operate the UI program. Beginning in 1984, Labor discontinued the collection of certain state specific NPS cost data and began calculating state NPS allocations for UI based on 1983 NPS costs per staff-year, revised each year by the gross national product inflation factor.

**Base and Contingency
Allocations**

Because the actual workload in a given year is somewhat unpredictable, Labor employs a mechanism that permits funding to increase when workload rises and to decrease when workload declines. The mechanism allocates funding to state programs in two steps—an initial or "base" level and a follow-on or "contingency" allocation. Labor's appropriation contains separate line items for base and contingency allocations.

Generally, all states require contingency allocations because Labor's process is designed to provide states with minimum funding in the base allocation.

Labor calculates the base PS allocation for the coming year using estimated staff-years needed for the forecast workloads and states' UI employee salary and benefit costs. It calculates contingency PS allocations quarterly, using the actual prior quarter's workload (if higher than base-level estimate) and states' salary and benefit costs for contingency workers. Contingency salary cost is less than the base salary cost because it is assumed that these workers tend to be part-time employees whose total cost to states is less than the cost for full-time workers.

Labor calculates the base NPS allocation using 1983 NPS cost per staff-year, adjusted annually by the gross national product inflation factor. It determines contingency NPS allocations quarterly, as a percentage of contingency PS allocations. Because contingency PS is lower than base PS for a given workload, contingency NPS funding per staff-year is lower than base NPS per staff-year as well.

Figure 2

GAO Funding Allocation Process

Department of Labor provides:

- Base Funding - initial allocation based on predicted workload
- Contingency Funding - subsequent allocation based on workload in excess of predicted

Objectives, Scope, and Methodology

States have expressed concern that the federal budget and appropriations process has resulted in insufficient resources being allocated to them for the efficient and effective administration of the UI programs. At the same time reserves are accumulating in the Employment Security Administrative Account.⁴ They assert that service quality is eroding and that their ability to respond effectively to the next recession will be severely hampered.

⁴The account's balance at the end of FY 1988 was \$1.86 billion. Labor forecasts an account balance of \$1.97 billion by the end of FY 1989.

Figure 3

GAO Study Objectives

Congress asked GAO to:

- Identify federal funding trends
- Analyze state adjustments to funding changes
- Determine the number of offices closed; changes in staff levels
- Examine changes in Department of Labor oversight

Appropriations for UI contingency funding were \$111 million less than the \$262 million the administration requested in fiscal year 1987. The conference report (99-960, Oct. 2, 1986) requested that GAO monitor state UI agencies and provide periodic reports to the House and Senate Appropriations Committees on any adverse effects resulting from this budget reduction. In February 1987, we briefed the Appropriations subcommittees' staff on our preliminary assessment of the budget reduction's effect on selected state UI programs. The subcommittees' staff requested that we provide more detailed information on funding and

Figure 4

GAO Methodology

- Analyzed state-level data
 - Questionnaire data
 - Labor budget and workload data

- Interviewed officials at:
 - Department of Labor
 - State and local UI offices

- Examined Labor performance measures

spending for UI administration for all state programs. Specifically, they asked for information on trends in the 1980s concerning

- federal funding for state UI program administration,
- state financial and managerial adjustments to federal funding changes,
- the numbers of UI claims offices and staff, and
- Labor's oversight and monitoring of state UI programs.

We collected information using a questionnaire mailed to all 53 jurisdictions operating UI programs. The data cover an 8-year period (fiscal year 1980 through 1987) and include amounts and sources of funding; staffing profiles by UI budget function; information on access to services,

such as the number and type of offices; and certain aspects of program operations, such as the use of mail claims.

We also interviewed Department of Labor UI officials in Washington, D.C., and at three regional offices and state and local UI officials in six states—California, Georgia, Kentucky, Louisiana, New York, and Ohio. Our purpose was to obtain information on the differences and similarities among state UI programs and to corroborate the information provided by the states in responding to our questionnaire. We also sought to obtain insight regarding the trend of locating UI offices jointly with Employment Service (ES) offices.⁵

Labor provided us with budget and workload data for fiscal years 1984-87. We constructed a state-level database using Labor's budget and workload information and state questionnaire data on staffing, administrative expenditures, and service access information.

We compared Labor's information with state questionnaire data. We analyzed trends in funding, spending, and staffing and used the data to compare characteristics of different state programs. We also examined Labor's Desired Levels of Achievement (DLAs) standards that are used to monitor state program service performance.

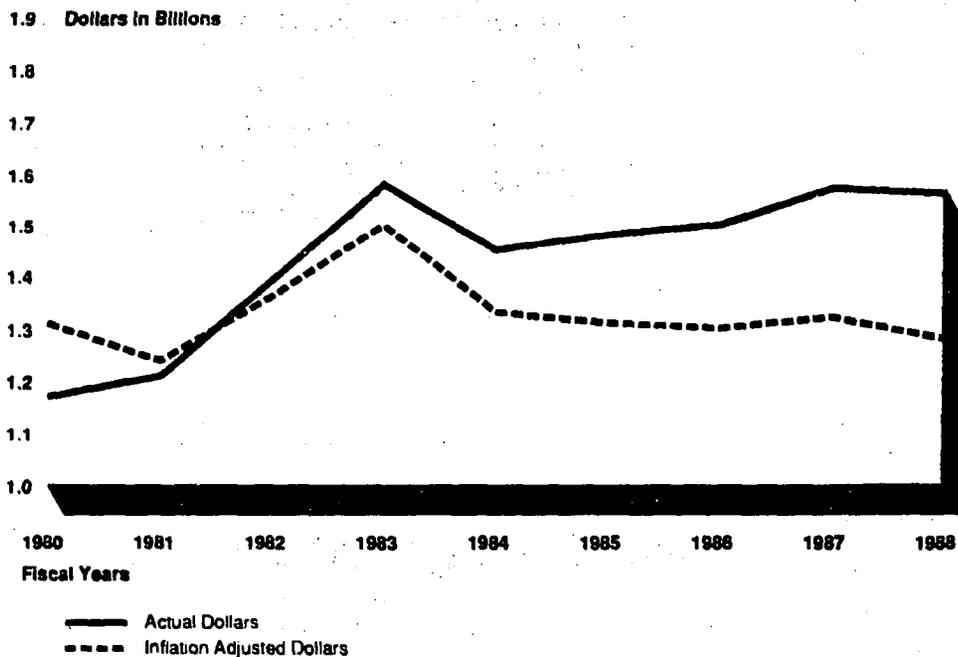
Major Trends in Federal Funding for State UI Program Administration During the 1980s

Federal UI administrative funding has risen and fallen during the 1980s following the pattern of UI workload that accompanies periods of recession and economic recovery. Federal funding increased substantially during the early 1980s, peaking at about \$1.6 billion in 1983, when the nation's total civilian annual unemployment rate was at 9.6 percent. Since 1984, UI funding has increased slightly, although when adjusted for inflation, funding has been nearly constant (see fig. 5). Throughout the 1980s, federal UI administrative funding has been less than that considered adequate by the states and often less than requested in Labor's proposed budgets.

⁵ES is a joint federal-state program designed to place unemployed workers in jobs and fill job openings for employers.

Figure 5

GAO Federal Funding for State UI Administration



Inflation adjustment is with the Gross National Product Deflator (1982=100).

Figure 6

GAO Factors Affecting UI Program Administrative Funding

- Changes in workload
- Actual funding below Labor's cost estimates
- Outdated data used to estimate state costs

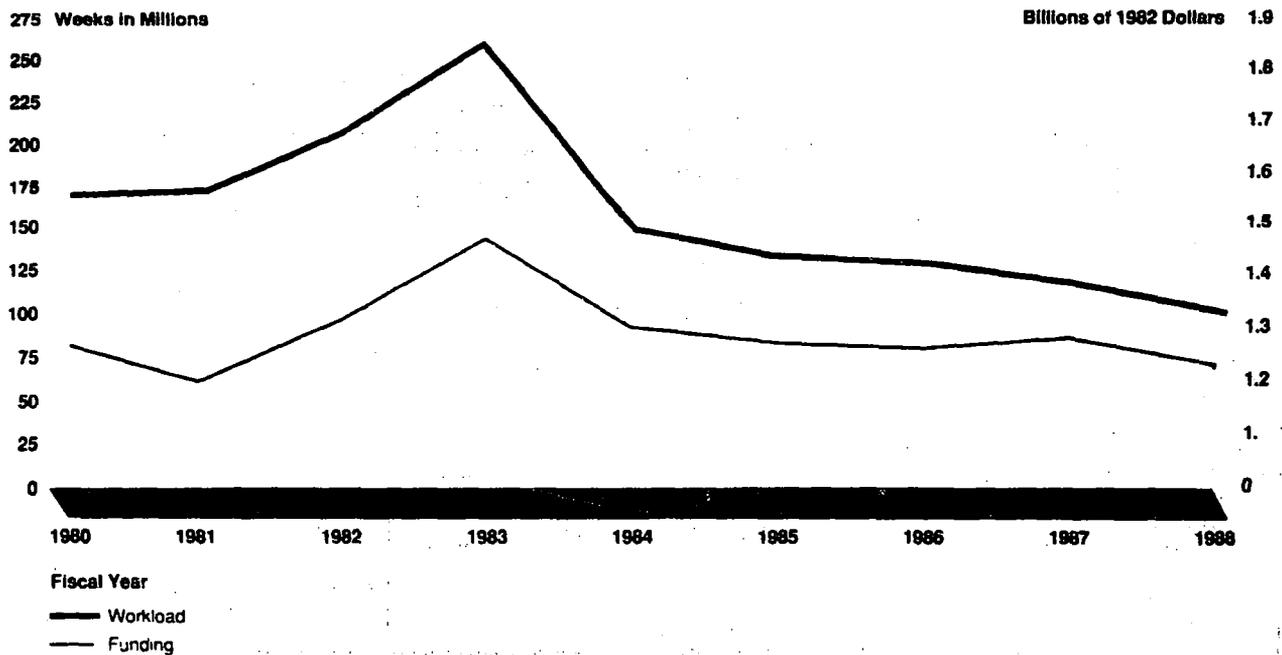
Factors Contributing to UI Administrative Funding Changes

Two factors have contributed to the changes in UI administrative funding to states: (1) significantly lower UI workloads since 1983 and (2) federal budgetary and congressional appropriations decisions. In addition, Labor uses outdated data to estimate state costs and distribute the appropriation among the states.

Figure 7

GAO UI Workload and Administrative Funding

National UI Program Workload and Administrative Funding Adjusted for Inflation FY 1980-88



¹ UI program workload is measured by the annual number of benefit weeks claimed.
² Inflation adjustment is with the Gross National Product Deflator (1982=100).

Data for fiscal years 1980-88 show that UI workloads increased through fiscal year 1983, then dropped significantly during 1984, the first full year of economic expansion following the 1981-82 recession. Since 1984, workload has declined steadily. However, federal funding has remained fairly constant since 1984, because staff reductions related to workload declines have been offset somewhat by increases in state salary and benefit costs. Figure 7 compares the trends in UI workload⁶ with changes in funding.

⁶We measure workload by the national annual number of benefit weeks claimed, one of the four workload categories used by Labor in determining funding allocations. The other workload categories are initial claims, appeals, and nonmonetary determinations. Labor considers the number of benefit weeks claimed to be the best overall indicator of workload.

UI workload has declined for a number of reasons. The nation's prolonged period of low unemployment is the most obvious explanation. The national average annual unemployment rate dropped from 9.6 percent in the recession year of 1983 to 5.5 percent in 1988.⁷ Further, changes in federal legislation, including the elimination of federal supplemental UI benefits and curtailing extended benefits, have reduced UI workloads by cutting the number of unemployed receiving UI benefits.

State legislation tightening benefit eligibility has also contributed to the workload decline.⁸

Decisions made in the budget and appropriations process also have affected the total federal dollars available to allocate to states for UI administrative expenses. The Office of Management and Budget has at times reduced Labor's funding requests for UI administration. The Congress reduced Labor's requested budget for UI administrative funding for fiscal year 1987 by \$144 million (\$111 million in contingency funding and \$33 million in funding for base activities). The Congress subsequently authorized a supplemental appropriation that replaced a portion of this reduction (\$27.5 million in contingency and \$22.5 million in base activities). The Gramm-Rudman-Hollings legislation also had an effect, resulting in budget cuts in fiscal year 1986 funding. Consequently, during the 1980s, states have received lower funding than the level they consider necessary for efficient and effective program operation. The underfunding of state UI administrative costs continues a trend begun in the 1970s. However, states maintain that the problem has become more serious in the 1980s, and cuts in requested budget levels have exceeded the reductions justified by workload declines.

⁷During periods of low unemployment, the unemployed are less likely to be job losers, the group most likely to receive UI benefits, and more likely to be new entrants to the workforce and therefore ineligible for benefits.

⁸For a discussion of these and related issues see, Unemployment Insurance: Trust Fund Reserves Inadequate (GAO/HRD-88-55, Sept. 26, 1988).

Lastly, changes in the amount and quality of data collected for Labor's allocation of funding have affected the distribution of administrative funding among states and budget functions. As a result, Labor's estimates of state costs are less likely to be representative of states' actual staff needs and costs. For example, in 1984, Labor discontinued the collection of actual state NPS cost data for UI and began estimating these costs using actual 1983 state NPS spending per staff-year, adjusting them for inflation during subsequent years. Labor also discontinued updating state productivity data on claims processing times and other activities, data that are needed to accurately estimate personnel staffing levels.

Labor acknowledges the need to reform the UI administrative funding methodology and has contracted for a study to assess the current system and provide suggested alternative mechanisms.

State Financial and Managerial Adjustments to Funding Changes

State financial adjustments during the 1980s suggest that, for many states, federal allocations have not accurately reflected the actual costs of program administration, especially NPS costs. Since 1980, a growing number of states have supplemented their federal allocations with increasing amounts of state funds. States have also made managerial changes that, state UI officials believe, have helped maintain service, but also raised staff training needs during a time when many states have reduced their spending on training.

States Increase Support for UI Administration

More states are supplementing their federal allocations for UI program administration because federal funding does not cover their total expenses. In addition, states are more frequently converting a portion of their PS allocations to finance NPS costs.

The number of states providing supplemental funds increased from 8 states and \$1.1 million in 1980 (an average of \$138,000) to 33 states and \$54.1 million in 1987 (an average of \$1.6 million). In 1987, states' supplemental money comprised at least 9 percent of total funding for five states—Connecticut, Illinois, Massachusetts, New Jersey, and Washington.

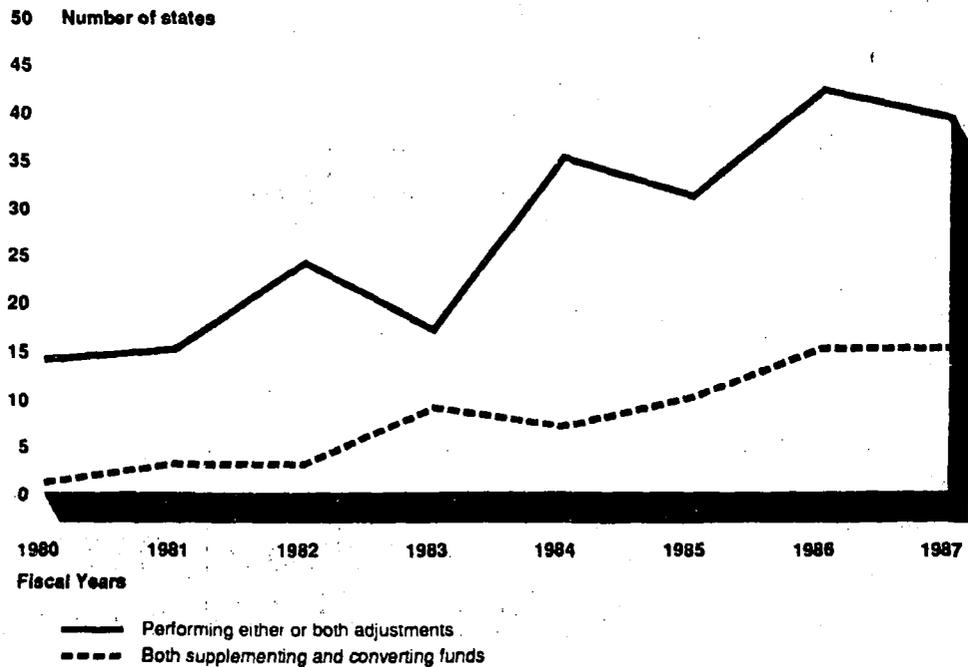
Figure 8

GAO State Adjustments to Funding Needs

- More state money
 - 8 states averaged \$138,000 in 1980
 - 33 states averaged \$1.6 million in 1987
- Conversion of Personnel Services to Nonpersonal Services
 - 7 states averaged \$270,000 in 1980
 - 21 states averaged \$1.8 million in 1987

Figure 9

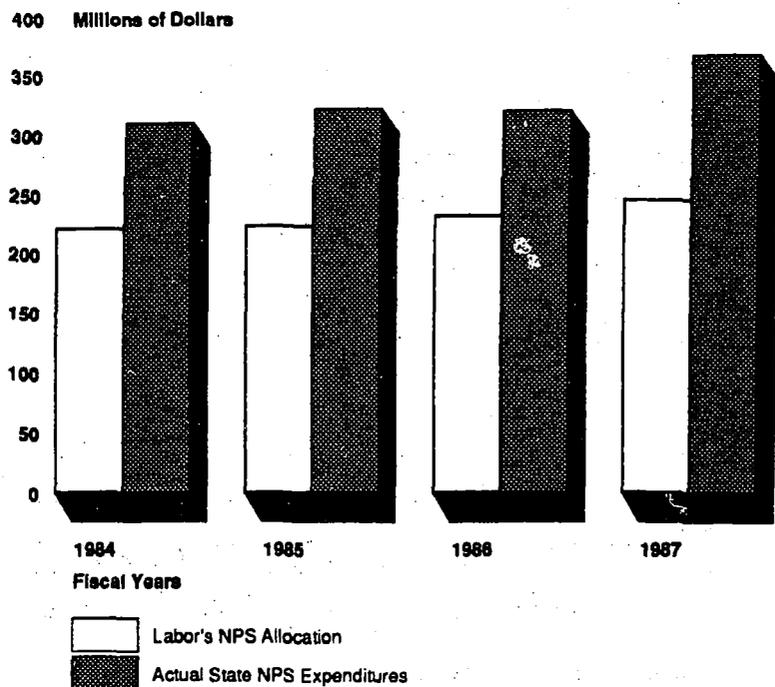
GAO States Supplementing and Converting Federal Allocations



The dollar value of PS to NPS conversions has risen by 20 times since 1980. State conversion of PS funds into NPS increased from 7 states shifting \$1.9 million in 1980 (an average of \$270,000) to 21 converting \$38.5 million in 1987 (an average of \$1.8 million). The number of states both supplementing and converting funds has also grown, from 1 state—Nebraska—in 1980 to 15 in 1987 (see fig. 9). States identified benefit claims, appeals, wage record processing, and employer tax collections as the functions most frequently having PS resources converted to finance NPS costs.

Figure 10

GAO NPS Allocations and Actual State NPS Spending



NPS spending as a percentage of total program expenditures has risen during the 1980s, increasing in the aggregate from 20 percent in 1980 to 23 percent in 1987.⁹ Increases in NPS costs per staff-year were more dramatic, rising from \$4,064 in fiscal year 1981 to \$9,187 in 1987.

As NPS expenditures have increased, the proportion of actual state NPS costs allocated by Labor has declined, resulting in a substantial gap between the amount Labor allocates for NPS funding and actual NPS spending. Consequently, states have used a combination of state supple-

⁹This percentage is for the 47 programs reporting for the entire period 1980-87. States omitted are Florida, Maine, New Mexico, Pennsylvania, Rhode Island, and Washington.

mental funds and conversion of PS allocations to meet expenses that exceed the NPS allocation. States spent between 38 and 50 percent more on NPS costs than the NPS funding allocated by Labor for fiscal years 1984-87 (see fig. 10). The sharp 1984 increase (see fig. 9) in the number of states converting funds suggests that the 1984 changes to Labor's method of estimating NPS allocations were a factor in the underfunding of NPS costs for many states.¹⁰ However, other factors, such as increased automation expenses, could also have raised states' NPS spending.

While we could not determine the actual amount of supplemental state money used specifically to finance NPS costs, it is likely that most state money is used for such expenses. Interviews with state officials in four states that used supplemental funds indicated that the funds were used to finance NPS activities. These four officials told us that state money was spent on basic program activities.

State UI officials' concern about the inadequacy of federal NPS allocations was widespread. Officials in all six states we visited believed that NPS funding was inadequate for their program needs. Labor officials in Region IV (Atlanta), covering eight states, and Region IX (San Francisco), with four states, echoed this view for the states in their areas.

Several states' questionnaire responses illustrate their views of the effect of increased NPS costs on service quality and their programs' staffing and facility upgrading.

- "... cutbacks in base staff, combined with unfunded increases in non-personal service costs... and shortfalls in funding of average salary costs have decreased the ability of the Unemployment Insurance program to provide quality service and maintain program security ..."
- "... With the present NPS funding level, training of staff and maintenance and upgrade of local and central office facilities continues to deteriorate ..."
- "... the UI Program has been forced to consistently not fill positions in order to pay fixed NPS costs ..."

Combined supplemental and converted funds have increased to where they now make up a significant proportion of state NPS expenditures. State-reported data indicate that only 14 states supplemented or con-

¹⁰ Provisions in the 1982 Job Training Partnership Act, which designated a statutory allocation formula for the Employment Service and led to an administrative change in the funding for ES and UI NPS beginning in 1984, may also have contributed to this increase.

verted funds in fiscal year 1980 (see fig. 9), with these funds representing only 2 percent of their \$190 million in NPS costs. In contrast, 39 states supplemented or converted funds equivalent to over 25 percent of their total NPS spending of \$367 million in 1987.¹¹

Sources of Supplemental Funds

The most common source of state supplemental funds is Penalty and Interest (P&I) funds. The P&I account is a state fund that accumulates reserves from charges—penalties and interest—assessed on employers for delinquent or late UI tax payments. States often use these funds to underwrite various UI activities, generally up to a specified ceiling. In most states P&I funds may be used for a variety of employment and training related activities.

P&I account funds are the largest source of supplemental money (see fig. 11). Between 1985 and 1987, states used over \$108 million of P&I funds to supplement their UI programs. This represented between 55 and 77 percent of supplemental state funds provided during the 3-year period. Nine of every 10 states that supplemented the UI program with state money used P&I funds. Other sources of state money include appropriated funds from state general revenues and special employer taxes. General revenue funding amounted to \$25.5 million, or about 16 percent of all supplemental money provided during fiscal years 1985-87. Some states have also levied taxes to finance UI administration. In recent years, both Georgia and Oregon have levied an additional employer tax, part of which is to be used for UI administration.

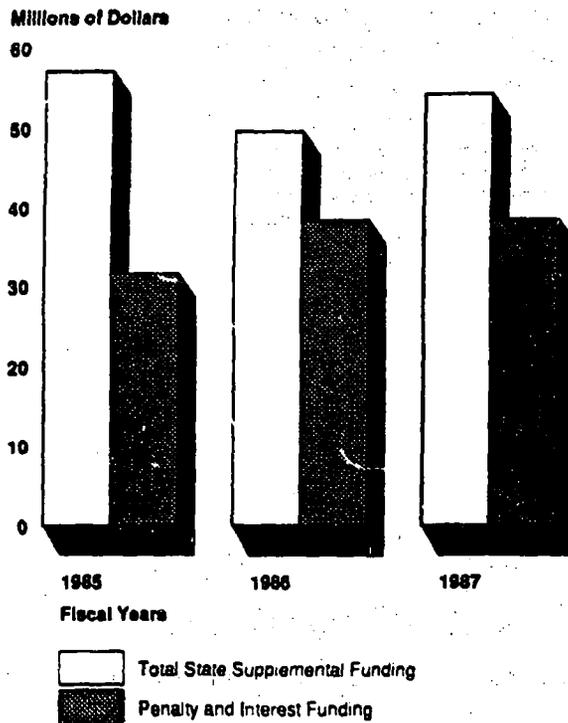
State Managerial Changes

To improve efficiency, many states have been automating their programs, permitting more claimants to file by mail to reduce office traffic, and locating UI and ES offices together, to allow staff to be used for either program. All six states we visited reported that automation has tended to increase efficiency. While states noted that increased automation, greater use of staff for both ES and UI program functions, and federal and state law changes increased training requirements, 11 states reported that training funds have been inadequate.

¹¹State supplements and conversions account for over 81 percent of the gap between actual state NPS expenditures and Labor NPS allocations in 1987. States carrying over program expenditures into the first quarter of the next year may account for part of the difference. In addition, some states may have understated the amount of PS funds converted. Beginning in fiscal year 1987, states no longer needed to obtain Labor approval or report conversions to Labor. UI officials in one state told us that Labor funding for PS was converted but was not shown in the state's response to our questionnaire. The state identified about \$16 million in funds converted to NPS during a 4-year period.

Figure 11

GAO Penalty and Interest Funds Chief Source of Supplements



Increased Automation

During the 1980s, according to the states responding to our questionnaire, expenditures for UI program automation have risen sharply. For the 25 states that reported automation-related expenditures to us for the years 1980-87, such expenditures, in total, increased almost 2.5 times, from about \$12 million in 1980 to over \$30 million in 1987. States cited automation or automation-related expenses as the reason for almost 70 percent of the instances in which PS funds were converted to NPS funds.

Figure 12

GAO State Management Adjustments

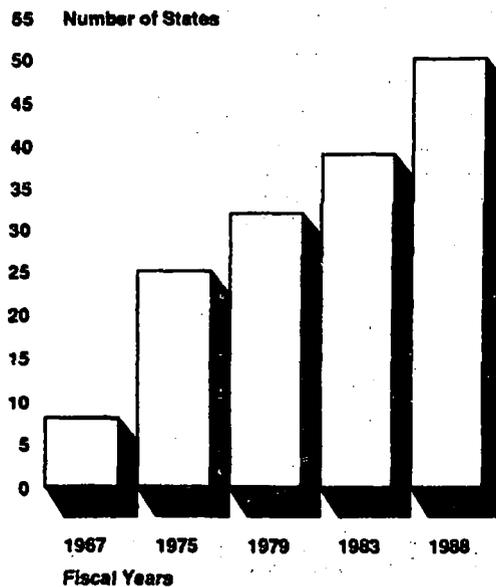
- Increased use of automation
- More claims filed by mail
- Increased joint location of UI and ES offices

A large part of state automation expenditures appears to be for the installation of new systems, although some states that previously made extensive investments are now trying to update or replace their systems. New York officials told us that their computer system needed a major overhaul, but that adequate funding was unavailable.

Officials from all 6 states we visited noted that, on balance, automation has made their program more efficient, a view echoed by regional Labor officials concerning the combined 18 states in their areas.

Figure 13

GAO State Use of Mail Claims



- "... [With automation] the offices are such that they can handle significant increases in workload with relatively small increases in additional staff. ..."
- "... Automation has helped to make the state more productive. ... continuous claims processing times has gone way down. ..."

Claims by Mail and Group Intake Used

States' use of the mail for benefit payment to reduce claimant walk-in traffic has been increasing. Many states have been using the mail since the 1960s, but the pace has steadily risen in recent years. Eleven states have added mail claim-filing services since fiscal year 1983 (see fig. 13), and it is likely that those who had been using it earlier have increased its use.

All states require that claimants file initial claims in person, but 50 of the 53 jurisdictions now permit claimants to submit subsequent claims by mail. Most states still require the claimant to appear in person at certain intervals. However, some states reported that they use continuous mail claims, wherein the claimant is interviewed only once, at the time of initial claim filing, and all subsequent weeks of UI benefit claims are handled through the mail.

In addition to increasing the use of the mail, officials in six states reported that, to save money, local offices use group instruction for initial claims filing and describing benefit rights to UI claimants. A questionnaire response had this to say about group filing.

- “. . . [our state] has made procedural adjustments to provide consistent information [to benefit applicants] and save staff time. Specifically, we have started taking group claims during heavy workload periods and have developed a video benefits rights interview. . . .”

State officials' opinions concerning the effect of mail claims on the quality of service to claimants were mixed. Of the 50 states using mail claims, officials in 28 believed that it improves service quality to claimants. However, officials in 18 states believed that the potential for financial fraud was increased when mail claims are used.

Concern about financial fraud has led one state to test a new program that requires intensive personal interaction with UI claimants, contrary to the national trend of decreasing face-to-face contact. This state asserts that its procedure reduces the duration of claimant benefit payment and lowers the number of overpayments.

Joint Location of UI and ES Offices

State UI programs have been moving toward the joint location of UI offices with ES offices. 89 percent of all permanent UI offices were jointly located in 1987, up from 79 percent in 1980. Although 47 programs had at least some jointly located UI offices in 1980, all 53 programs had some jointly located offices in 1987. In 1987, 28 states had all their UI offices jointly located with ES offices.

Some states moved from no joint location in the early 1980s to nearly all offices being jointly located. For example, in 1985, Ohio had no jointly located offices, but by 1987, all of its 94 offices were jointly located. Similarly, in Tennessee, jointly located offices jumped from none in 1984 to all 62 UI offices in 1987. Officials that were interviewed in several

Figure 14

GAO Training Needs Increase

- More automation
- Changes in UI laws
- Increased UI and ES joint location

states said that additional offices will be jointly located as lease arrangements expire.

Increases in UI Training Requirements

State UI officials and Labor's regional officials reported that the training time necessary to bring new staff up to productive levels has increased. The increase in training is caused in part by a greater emphasis on automation, although changes in federal and state laws and the trend toward joint location of UI and ES programs also increased training needs. Yet,

despite this increase in training needs, some states reported that because of tight budgets, less was being spent on training.

As of 1987, states reported an average training period, including both formal and on-the-job training, for a typical UI function like taking initial claims to be on average 120 days. In 15 states, training periods of 180 days or more were typical. Officials in four of the states that we visited told us that the length of time needed to become proficient at numerous program functions had increased significantly since the early 1980s. Regional Labor officials in San Francisco and Atlanta also reported that staff training requirements had increased for many of the states under their jurisdictions.

UI officials in four states we visited stated that increased automation had raised employee training requirements, a view corroborated by Labor officials in the three regions we visited. A state official noted that:

- "...In the past, new employees could be trained for on line critical functions quickly. With the significant automation that has occurred in the state during the 1980's, the training requirement for most UI job classifications have increased significantly. This makes it more difficult to gear up quickly for sudden increases in workload if the new workers are not already trained. . ."

Although the cross-utilization of employees (the use of UI and ES workers in either program) does not appear to be widespread, there is some evidence that it has contributed to the increase in training requirements. Two states that cross-utilize employees stated that it increased training requirements, and Labor officials in one region corroborated this view. However, Labor officials believed that, even with increased training, cross-utilization may not be an effective strategy for state programs:

- "... the ES and UI programs are too complicated for one person to be an expert in both. It is unrealistic to think that an employee can do ES tasks for six months and then switch to UI and be effective, efficient and accurate. . ."

UI officials in five of the six states we visited also reported that program complexities associated with changes in state and federal laws have placed additional burdens on states' training requirements.

- "... It [changes in immigration, child support and pension laws] has

made employee training more complex. Workers need more knowledge at initial contact point. This is the case not only in initial claims but also reopened claims which are more complicated. . ."

Training Funds Reduced

Despite the increase in training requirements, 11 states reported declining availability of resources for employee training since 1980. Some state officials said that the lack of funds for training resulted in inadequate training for permanent employees. Another official's comment illustrates some of the training problems states face:

- "... for years, training has not been enough especially with the increase in automation. There is a need for lots of OJT [on-the-job training] with the computer which takes longer than compared to pre-automation job training. Full training went from 6 months to a year. One problem has been that training has been frequently postponed. . ."

Training for part-time employees, a group that many states believe require a heavy investment in training, appears to be an even greater problem, because of turnover and the seasonal nature of UI work. One state's comments on the problem of training part-time employees are indicative of the views of several states:

- "... [states] are not funded for training of these [part time] employees, these 'temps' are forced to do increasingly complicated processes as states cut corners to match administrative funding dollars. The resultant activities are far less timely and accurate than those of experienced 'base' staff. . ."

Four of six state UI administrators we interviewed told us that serious disruption in service or significant increases in claims processing errors would occur if unemployment rises suddenly, because of inadequately trained staff.

Changes in the Number of UI Offices and Level of Staffing

The total number of permanent 5-day local claims offices—the basic unit of UI program service—changed little during the 1980s, remaining at about 1,850. The overall stability has been maintained because the number of office closings has been generally offset by office openings. However, some states closed many offices, with seven states accounting for over 50 percent of the 233 total closings. Four states—Colorado, Michigan, New York, and Ohio—closed 20 or more offices each, representing about a third of all closings.

Figure 15

GAO Trends in Number of UI Offices Since 1980

- Nationally, little net change
 - 30 states closed 233 offices
 - 27 states opened 164 offices
 - Most changes in a few states
- 27 percent fewer satellite offices

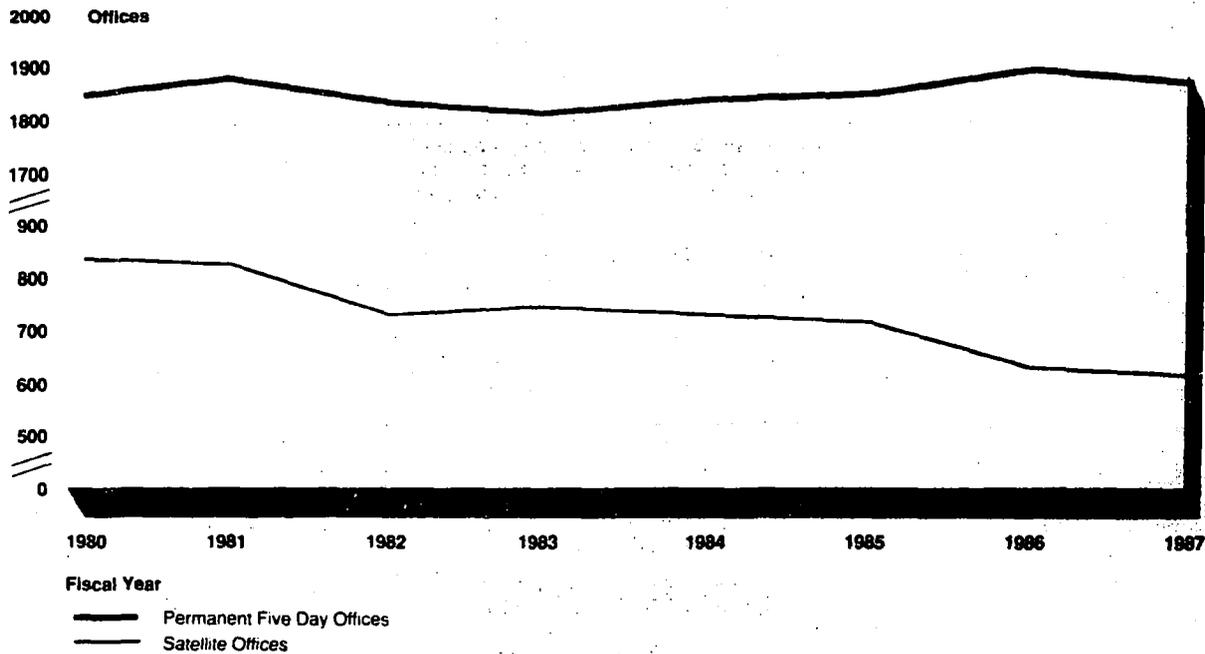
Office closings were more likely to occur when workload was increasing, with openings occurring during periods of declining workload. States have also closed many satellite or itinerant offices—usually offices opened less than 5 days per week—with the 604 satellite offices in 1987 representing a 27-percent decline from the 1980 level.

State UI program staffing has declined during the 1980s, peaking in 1983 at over 54,000 staff-years and falling to about 40,000 in 1987. The staff-year decline has mirrored the drop in program workload since 1983. Staffing declines have occurred at local offices to a greater extent than at other UI program offices, such as central and regional offices and tax collection offices, which are not directly involved in serving the public.

Figure 16

GAO Number of Permanent and Satellite Claims Offices

Total Number of Permanent Five Day Offices and Satellite Offices, FY 1980-87



- ¹ Two programs did not report the number of offices in 1980. One program did not report the number of offices between 1980 and 1983.
² Satellite offices are temporary offices offering less than five day service.

Stable Number of UI Permanent Offices

The total number of permanent 5-day local claims offices changed little between fiscal year 1980 and the start of fiscal year 1988. In 1980, 51 state UI programs reported 1,852 permanent 5-day offices, compared to all 53 UI programs reporting 1,850 such offices at the start of fiscal year 1988 (see fig. 16).¹²

¹² Two states failed to report the number of permanent offices for 1980. One state reported 42 offices in 1981. The other state, which did not report for years before 1984, had 25 offices that year. Adding these states' 67 offices to the 1980 national total increases it to 1,919 offices, a figure only about 4 percent higher than the 1988 figure.

Figure 17

**GAO States Closing 10 or More UI
Offices in One Year**

State	Total	1-year closing
Michigan	24	17 (1986)
New York	24	11 (1985)
Colorado	20	19 (1982)
Ohio	20	20 (1987)
Oregon	14	12 (1981)
Pennsylvania	14	12 (1982)
New Mexico	12	10 (1981)

The number of permanent offices remained steady during the 1980s despite a considerable number of closings. Between fiscal years 1980 and 1987, 30 states closed 233 offices. Four states—Colorado, Michigan, New York, and Ohio—closed over 20 offices each. States that closed a significant number of offices tended to do so in a single year. The peak year closings for seven states that closed 10 or more offices in a single year accounted for 43 percent of all office closings (see fig. 17). In total, these seven states accounted for over 50 percent of all closings between 1980 and 1987.

The number of office closings was balanced by a significant number of permanent office openings. Between fiscal years 1980 and 1987, 27

Figure 18

GAO Trends in Office Closings and Openings

- Most closings occurred during period of high workload
- Most openings related to joint location of UI and ES offices

states opened 164 offices. Most states opened only a few offices, with three states—Georgia, Iowa, and Tennessee—opening a total of 94 offices, or 57 percent of all openings.

Generally, states that closed large numbers of offices did not open many. The seven states with the largest number of closings (see fig. 17) opened only 16 offices between 1980 and 1987. State officials from four of the six states we visited reported that the decision to close permanent UI offices was often controversial. Because of the reduction in local pay-

rolls and the perceived decline in service quality stemming from reduced access to claims offices, closings often generated considerable local opposition. UI officials in two states commented that they were also reluctant to open new UI offices because of the expense involved and the difficulty encountered if they had to be closed later.

Most Offices Closed During High-Workload Periods

Closings were more likely to occur when workload was increasing, and openings when workload was declining. States closed most offices—55 percent—before 1984, when workload was high or rising. States opened 112 offices between 1984 and 1987, when workload was declining, compared with 52 offices opened by 17 states between 1980 and 1983.

We believe that decisions to open and close offices are influenced by factors other than workload. Joint location of UI and ES operations can partially explain the increase in office openings between 1984 and 1987. Three states, Georgia, Iowa, and Tennessee, account for over 50 percent of all office openings since 1980 (94 of 164) and since 1984 (68 of 102). Comments from UI officials in all three states indicated that the additional UI office openings since 1984 occurred because of a conscious policy of jointly locating UI and ES activities.

The number of satellite or temporary offices offering less than 5-day service declined from 823 in fiscal year 1980 to 604 in 1987, a 27 percent decline. Changes in the number of satellite offices have been independent of workload fluctuations, declining almost continuously since 1980. State UI officials in one state noted that it was easier to close satellite offices because there was less local opposition, perhaps explaining the greater decline in the number of satellite offices since 1980.

Staffing Level Changes

During the 1980s, UI staffing levels have moved in concert with changes in workload. Since 1983, staff reductions have occurred primarily at the local office level; local office staff have declined as a proportion of all UI staff. Reductions in the number of local staff have also resulted in a decline in the average number of staff per local office. Many states have also reported a large decline in the number of part-time and temporary staff.

Staffing and Workload

During the 1980s, state UI program staffing has generally followed the trend in workload (see fig. 20). State program staffing, as measured by

Figure 19

GAO Trends in UI Staffing

- Staffing declined 27 percent since 1983 reflecting workload decline
- Fewer staff in local offices
 - 14 per office in 1983
 - 8 per office in 1987
- Fewer temporary staff

full-time equivalent staff-years, peaked in fiscal year 1983 at over 54,000 and has declined through 1987.¹³

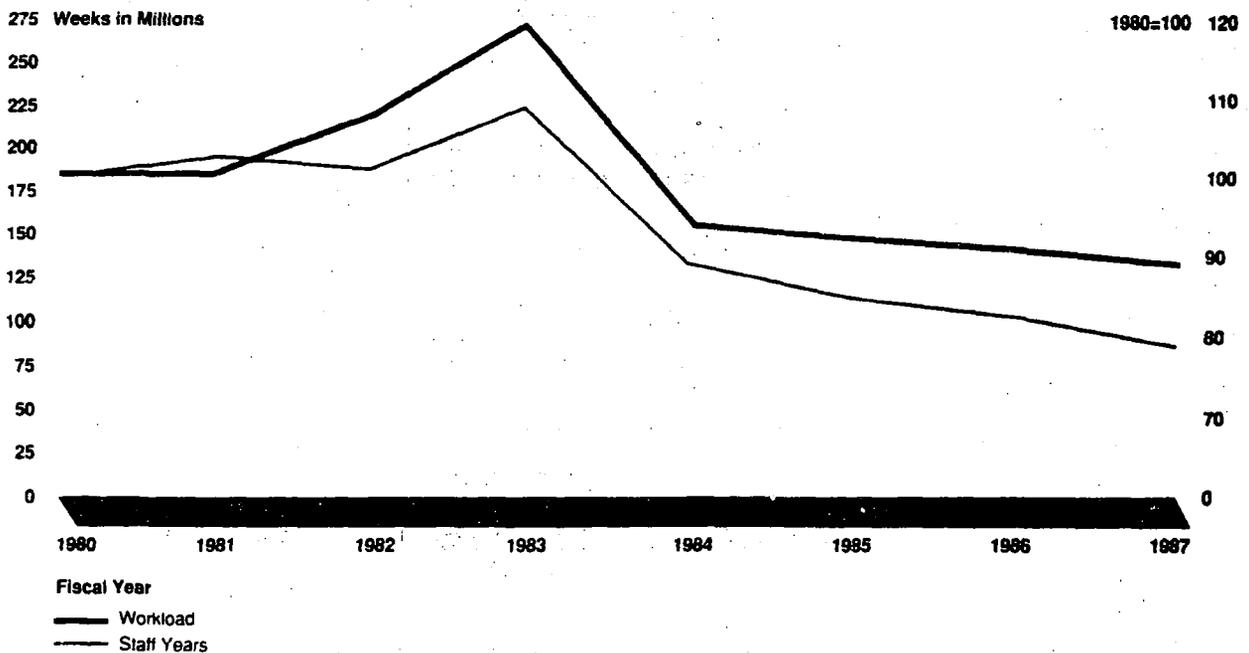
Between 1983 and 1987, the five states with the largest percentage staff-year declines—Michigan, Montana, Ohio, Pennsylvania, and Washington—reduced their 1983 staffing by 44 percent. In comparison, total national staff-years dropped by about 27 percent—from over 54,000 in 1983 to about 40,000 in 1987.

¹³ Figures are actual staff-years reported as used by states and include both base and contingency staff. Four programs, in Delaware, the District of Columbia, New Mexico, and Rhode Island, did not report staff-years in 1983. In 1986, the first year all four programs reported to us, these programs had combined staff-years of 897.

Figure 20

GAO UI Workload and Staffing

Total Annual UI Workload and Index of UI Staff-years, FY 1980-87



¹ Workload is measured by the annual number of benefit weeks claimed.
² Index based on 39 states reporting for all years.

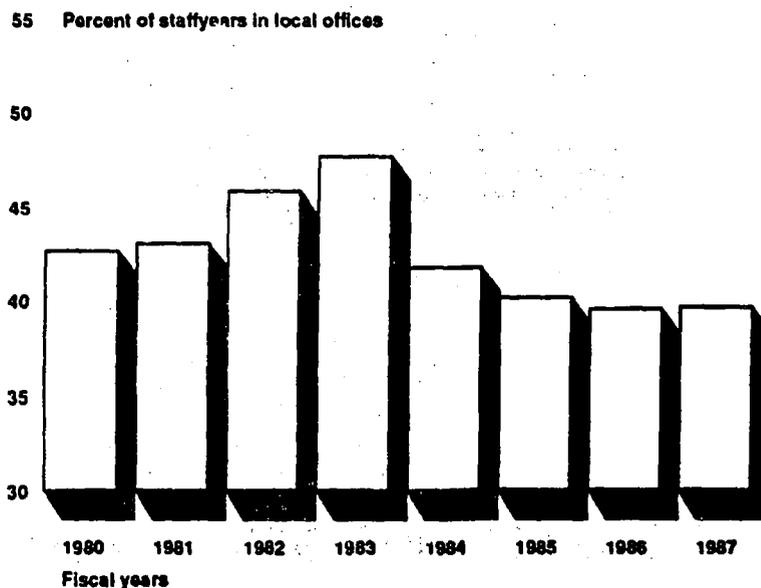
States that had large staffing declines also experienced large workload declines. For example, Michigan and Ohio, the two states with the largest percentage declines in staff-years, also had large declines in workload as measured by the annual number of weeks claimed. Between 1983 and 1987, Michigan's workload declined by 41 percent, while Ohio's declined by 42 percent.

Fewer Local Office Staff

In general, states have reduced the number of local office staff to a greater extent than staff at other UI offices, such as headquarters and tax offices. Local office staffing declined by one-third between 1983 and 1987,—from over 24,114 to 16,315 staff-years—compared to a decline

Figure 21

GAO Local Office and Total Staffing



of about 22 percent—from over 30,368 to 23,607—at all other state offices. Local office staff-years as a percentage of all program staff years have declined from about 48 percent in 1983 to slightly under 40 percent in 1987 (see fig. 21). In 1980, the typical local office used an average of 10 staff-years. This average rose to 14 in fiscal year 1983, but by 1987, it had declined to 8.4.

Use of Intermittent Employees Declines

The decline in aggregate UI workload and staff-years during the 1980s has reduced the use of "intermittent" (part-time or temporary) employees in many states. These workers give many states the flexibility to

handle changes in workload. State officials in five of the six states we visited reported a substantial attrition of part-time and temporary UI employees in recent years. This development was corroborated by regional Labor officials in Atlanta and San Francisco. State officials mentioned a variety of factors causing this decline: workload-driven funding declines; automation, which has made states more efficient; civil service procedures and collective bargaining agreements (which favor more senior and permanent employees); and workers' desires for full-time work.

UI officials in California said that increased training requirements actually made permanent employees more valuable, despite the greater flexibility offered by the use of intermittent employees.

- "... With the higher training costs caused by an increasingly automated production process, permanent employees have become more valuable than they were in the past. Although still not providing the flexibility of intermittents, they can step into jobs easily, especially if they are cross-trained in both ES/UI job functions. . ."

Labor's Oversight and Monitoring of State UI Administration

The amount of program oversight by Labor has been reduced. Labor has given states greater flexibility in program management. At the same time, Labor has reduced the amount of data it collects on state activities and reduced staffing in its regional offices—the offices that have traditionally worked with the state programs and monitored their operations. Labor still collects state data measuring UI program service quality using certain standards called Desired Levels of Achievement (DLA). However, as Labor officials acknowledge, many of these measurements have been historically weak indicators of service quality, while others do not provide for effective assessment of differences in state performance.

Recent Labor Initiatives

During the 1980s Labor proposed legislation and took administrative action to shift program financial authority to the states. Although the Congress failed to enact the legislation, Labor has implemented several administrative changes that increased state authority.

Reduced Federal Role

In 1987, Labor proposed legislation, the "Employment Security Administrative Financing Act of 1987." The legislation proposed that the Employment Security Administrative Account be abolished, with the

Figure 22

GAO Reduced Federal Role

- Labor legislative proposal
- Labor administrative actions
 - Lengthened carryover period
 - Broadened "bottom line" authority
 - Liberalized contingency funding
 - Reduced data reporting
- Cut staff 57 percent since 1980

fund reserves distributed among the UI programs. States would then be responsible for financing their own program administration, while maintaining compliance with specified federal guidelines. The Congress did not act on this legislation.

However, Labor implemented several administrative changes that gave states greater program authority and increased their flexibility over the use of federal allocations. Labor has given states an additional calendar quarter to spend or "carry over" the prior year's funding. In 1987, Labor gave states increased "bottom line" authority—allowing them to shift funds among functional categories and convert PS resources to NPS expenditures.

Reduced Reporting Requirements

Labor has reduced state financial reporting requirements. In the past, Labor required states to report monthly cost information as well as other information on the number of new claims and weeks claimed, using categories in the detailed Cost Accounting System format—a detailed line-item cost breakout by function. In the mid 1980s, Labor no longer mandated this format. Although many states still use the format internally, others now use their own reporting systems, making comparisons among states more difficult. Regional Labor officials believe that to fulfill their designated role, a standard accounting system is needed to help them ensure effective and efficient state program operations.

States provide a program financial report to the appropriate Labor regional office on a quarterly basis. In 1986, Labor substantially reduced the amount of information states must report, requiring only that states report total dollars spent, rather than reporting individual line-item expenses. In addition, Labor has discontinued the annual update of the state productivity data necessary in making yearly allocation funding decisions. Instead it uses the 1986 data.

Reduced Regional Resources

Labor's staffing of its 10 regional offices has declined significantly since 1980, falling 57 percent from 1,364 employees in 1980 to 590 in 1988. Regional office travel funds have also declined, dropping from \$2.9 million in 1980 to \$1.7 million in 1988. Officials from several regional offices said that these cuts, along with high staff turnover rates, have reduced their oversight capability. They also reported that reductions in travel funds have hindered staff in some of the geographically larger regions from monitoring state operations, providing training, assessing program quality, and identifying problems.

**Weaknesses in Labor's
State Program
Performance Measures**

Labor continues to collect and evaluate state performance data by comparing state-reported data against the DLA standards. The DLAs are weak indicators of program performance and do not constitute an effective quality monitoring system. For example, independent analyses by outside experts have noted that the DLAs overemphasize "promptness" aspects of service quality as opposed to other, more qualitative aspects of program performance. Also, some DLAs measure inappropriate or misleading aspects of service quality, wherein an improvement in the measure could actually be indicating a decline in service quality. In addition, for those DLAs Labor computes from a sample, there are weaknesses in the sampling method and in the sample size. Labor has acknowledged

Figure 23

GAO Weaknesses in Performance Measures

- Overemphasis on promptness of service (19 of 24)
- Not indicative of service quality
- Limited sampling used to set measures

these difficulties and has contracted for a study to suggest improvements to its quality monitoring system.

Although Labor has monitored UI program service quality since 1935, it increased its efforts during the early 1970s. In 1975, Labor established a task force to determine how to assess the quality of state operations. This effort resulted in the creation of the DLAs—measures that set the levels of service performance state programs are expected to meet.

The 24 DLAs include 17 standards for the payment and processing of benefit claims, 4 for tax collection and processing activities, and 3 for

state trust fund management activities (see fig. 24). Eight DLAs are computed from a sample of state cases, the remainder being calculated from the universe of each state's cases. States that fail to meet a DLA are required to develop a Corrective Action Plan on how they will improve performance in the future.

Most of the DLAs emphasize "promptness" aspects of service quality as opposed to other, more qualitative aspects of program performance. Of the 24 DLAs, 19 explicitly judge programs according to a time deadline, and only 3 (2 on nonmonetary separations and 1 on appeals performance) attempt to measure state performance according to other qualitative aspects. For example, there are no DLAs that measure the accuracy of program information provided by telephone, the length of time UI claimants wait before being served, and the availability of bilingual translation services.

Some of the DLAs may be inappropriate and provide misleading indications of service quality. For example, the DLA for field tax audits sets a minimum 4 percent for penetration rate review of tax records of a state's contributory employers. However, UI officials in several states reported that they judge their UI field audit effectiveness by the amount of additional revenues collected from delinquent employers, which they consider to be a superior criterion compared to the percentage of employers audited. One state uses a sophisticated computer program to identify delinquent employers. Because of the emphasis on these "flagged" employers, this state almost never meets the 4-percent audit rate DLA, yet considers itself to have a very successful tax audit program, as determined by the amount of delinquent taxes collected.

State officials claimed further that the amount of delinquent taxes identified by their computer system would decline if they diverted resources to meet the 4-percent standard. In their view, meeting this DLA would reduce their program's effectiveness. Regional Labor officials agreed that the 4-percent audit rate presented a problem in terms of measuring service quality.

Other DLAs may also be misleading quality indicators. For the DLAs measuring the promptness of initial claims for federal employees and ex-service members, local UI officials in two states complained of such long delays in receiving necessary federal wage data that it often was impossible for them to process the claim in a prompt manner, hurting their DLA score.

Figure 24

GAO Desired Levels of Achievement

Standards (number of DLAs in parentheses)	Activity
Initial Claims Promptness (8) Intrastate, Interstate Federal employees, Ex-Service members	Benefit Payment
Appeals Promptness (4) Higher and Lower Authority	Benefit Payment
Fund Management Promptness (1) Trust fund deposit transfers	Fund Management
Fund Management (1) Minimum state account balances	Fund Management
Report Delinquency Promptness (1) Employer report filings	Tax
Field Audits (1) Minimum 4-percent penetration rate of contributory employers	Tax
Standards Based on Samples	
Collection Promptness (1) delinquent accounts	Tax
Status Determinations Promptness (1) Employer liability determinations	Tax
Fund Management Promptness (1) tax collections	Fund Management
Nonmonetary Determinations (1) Promptness	Benefit Payment
Combined Wage Claims Promptness (1)	Benefit Payment
Nonmonetary Determination (1) Performance (Nonseparation)	Benefit Payment
Nonmonetary Determination (1) Performance (separation)	Benefit Payment
Appeals Performance Quality (1)	Benefit Payment

For those DLAs based upon a sample of state cases, Labor's sampling is very small, making it difficult to determine the programmatic impact of small but potentially significant changes. Statistically, Labor determined that a sample of about 2,000 taken throughout the year would be necessary to obtain meaningful results. However, because of budgetary constraints, Labor samples only 200 to 250 cases. There are other potential sampling problems due to the short time interval and the small number of offices from which Labor draws its sample. Because Labor's sampling methodology also does not provide for the selection from the annual population of state claims, there may be seasonal biases introduced into the measurement. Similarly, because Labor does not ascertain the extent

**Unemployment Insurance: Administrative
Funding Is a Growing Problem for State
Programs**

to which the small number of sampled offices are representative of statewide performance, additional bias may be introduced into the measurements.

Labor acknowledges sampling difficulties but maintains that the lack of regional staff and budget limitations makes it infeasible to correct these problems. Labor acknowledges many of the DLAS' weaknesses and indicated that in October 1988, it let a contract to reevaluate the DLAS in a manner consistent with its decentralization efforts. The evaluation is due to be completed by September 1990.

**Unemployment Insurance: Administrative
Funding Is a Growing Problem for State
Programs**

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List of Data for Figures

Table I.1: Federal Funding for State UI Administration (Figure 5)

Dollars in billions		
Year	Actual dollars	Inflation-Adjusted dollars
1980	1.17	1.31
1981	1.21	1.24
1982	1.39	1.36
1983	1.58	1.50
1984	1.45	1.33
1985	1.48	1.31
1986	1.50	1.30
1987	1.57	1.32
1988	1.56	1.28

Note: Inflation adjustment is with the Gross National Product Deflator (1982=100).

Table I.2: UI Workload and Administrative Funding (Figure 7)

Years	UI workload (benefit weeks in millions)	Inflation-adjusted dollars (billions of dollars)
1980	180.2	1.31
1981	183.0	1.24
1982	218.0	1.36
1983	268.1	1.50
1984	149.8	1.33
1985	147.0	1.31
1986	140.5	1.30
1987	128.9	1.32

Notes: UI program workload is measured by the annual number of benefit weeks claimed.

Inflation adjustment is with the Gross National Product Deflator (1982=100).

Table I.3: States Supplementing and Converting Federal Allocations (Figure 9)

Years	States supplementing funds, converting federal funds, or both (number of states)	States both supplementing and converting federal funds (number of states)
1980	14	1
1981	15	3
1982	24	3
1983	17	9
1984	35	7
1985	31	10
1986	42	15
1987	39	15

**Appendix I
List of Data for Figures**

Table I.4: NPS Allocations and Actual State NPS Spending (Figure 10)

Dollars in millions		
Years	Labor's NPS allocation	Actual state NPS expenditures
1984	\$221.31	\$309.88
1985	223.68	321.68
1986	232.47	319.68
1987	244.83	366.76

Table I.5: Penalty and Interest Funds Chief Sources of Supplements (Figure 11)

Dollars in millions		
Years	Labor's NPS allocation	Actual state NPS expenditures
1985	\$57.0	\$31.5
1986	49.6	38.4
1987	54.1	38.4

Table I.6: State Use of Mail Claims (Figure 13)

Years	Number of states using mail claims
1969 and earlier	8
1970-75	25
1976-79	32
1980-83	39
1984-88	50

Table I.7: Number of Permanent and Satellite Claims Offices (Figure 16)

Years	Parmanent 5-day offices	Satellite offices
1980	1,852	823
1981	1,882	817
1982	1,841	722
1983	1,817	743
1984	1,848	729
1985	1,851	703
1986	1,895	632
1987	1,872	604

Notes: Two programs did not report the number of offices in 1980. One program did not report the number of offices between 1980 and 1983.

Satellite offices are temporary offices offering less than 5-day service.

Appendix I
List of Data for Figures

Table I.8: UI Workload and Staffing
(Figure 20)

Years	UI workload (weeks in millions)	Staff-year index (1980=100)
1980	180.2	100.00
1981	183.0	102.76
1982	218.0	101.64
1983	268.1	108.98
1984	159.8	89.04
1985	147.0	84.51
1986	140.5	81.58
1987	128.9	78.40

Notes: UI workload as measured by annual number of weeks claimed.

Index based on 39 UI programs reporting for all years.

Table I.9: Local Office and Total Staffing
(Figure 21)

Years	UI workload (weeks in millions)
1980	42.6
1981	43.0
1982	45.8
1983	47.6
1984	41.7
1985	40.1
1986	39.5
1987	39.6

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Related GAO Products

Unemployment Insurance: Trust Fund Reserves Inadequate (GAO/HRD-88-55, Sept. 26, 1988).

Unemployment Insurance: Issues Related to Reserve Adequacy and Trust Fund Solvency (GAO/T-HRD-88-23, July 7, 1988).

Unemployment Insurance: Issues Related to Reserve Adequacy and Trust Fund Solvency, (GAO/T-HRD-88-6, Dec. 14, 1987).

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