



Pennsylvania
**Department of
Labor & Industry**

**Written Testimony of Secretary Nancy A. Walker
Department of Labor & Industry
Before House Appropriations Committee
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Chairman Harris, Chairman Struzzi, members of the Appropriations Committee, thank you for the opportunity to discuss Governor Josh Shapiro's proposed budget for the Department of Labor & Industry (L&I) for fiscal year (FY) 2025-2026.

Over the past two years, Governor Shapiro has worked diligently with the members of the General Assembly to develop policies that will protect the interests and well-being of hardworking Pennsylvanians and their families. Since day one, Governor Shapiro has been dedicated to serving, supporting, and empowering the citizens of this Commonwealth—his proposed budget continues that commitment. This year's budget puts workforce front and center, making critical investments in struggling industries from child care to health care to education – this proposal advances the Governor's goal of building a strong state workforce and economy by continuing to invest in the people of Pennsylvania.

For the 2025-2026 budget, L&I's request represents an increase in state appropriations of about 10.78 percent, or an increase of \$10.238 million from the previous year, for a total state funding request of \$105,231,000. This request represents one-fifth of one percent of the overall state General Fund budget. State funds account for less than seven percent of L&I's total funding—federal dollars and other dedicated funds support most of the agency's work. Considering current uncertainties affecting federal funding and the possibility of future cuts, state funds are increasingly essential to L&I. Those funds are necessary to create and support initiatives that foster a healthy, thriving workforce – one that meets the needs of Pennsylvania's businesses both today and into the future. Those dollars also allow us to effectively enforce state laws that ensure businesses and employers operate within a fair and level playing field, with the ultimate goal of protecting workers.

The unpredictability of federal funding for the national vocational rehabilitation (VR) program is a prime example of how critical state funding has become. The Office of Vocational Rehabilitation (OVR) relies on federal grant funds from the Department of Education (DOE) at a rate of 78.7% federal and 21.3% state. In March 2024, the federal government unexpectedly and unprecedentedly flat-funded the national VR program, resulting in an

estimated \$12.8 million loss in federal reallocation funding for Pennsylvania. While we continue to work to maximize all opportunities to draw down federal funding, uncertainty makes it difficult to budget and maintain services for Pennsylvanians who need them both this current fiscal year and into the future.

In FY 2024-25, OVR expects to help over 6,000 individuals with disabilities find viable pathways to employment and provided over 1,200 paid work-based learning experiences for students with disabilities in 55 counties at over 230 locations. The uncertainty of federal funding levels could have a serious impact on vital services like these that OVR provides to some of Pennsylvania's most vulnerable individuals.

In response to the federal flat-funding, OVR has implemented various cost-containment measures, such as restricting hiring, offering fewer services, and reducing physical space as leases expire over the next two years. Additionally, the Governor has proposed \$5 million in state funds to bridge the gap as we adjust to evolving federal funding scenarios to ensure that we can continue to support our student and adult customers with disabilities.

To further strengthen our workforce and ensure our workers and employers are resilient and adaptable to the challenges and opportunities just over the horizon, this budget requests an additional \$5 million in Industry Partnerships, to help address the critical nursing shortage across Pennsylvania. With Pennsylvania's aging population, the need for nursing staff across all categories – from nurse practitioners, to nursing instructors, to home health and personal care aides – is a critical need that will only increase over the next decade. Investing in that sector of the workforce today is essential.

Since the start of the Shapiro Administration, we have improved the responsiveness of the Unemployment Compensation (UC) system, seeking to meet claimants where they are. Since January 2023, we have hired more than 380 additional UC interviewers to staff Service Centers and answer calls. This hiring has doubled the capacity of trained staff who can answer questions and provide real-time status updates about individual claims. For example, in January 2023, UC staff answered 50,858 calls, but in January 2024, 102,365 calls were answered. This staff expansion also significantly reduced wait times for phone assistance. Average call wait times improved from 39 minutes and 56 seconds in 2023 to 26 minutes and 44 seconds in 2024. In 2023, claimants on average needed to call 11.4 times before reaching a representative. This number has significantly decreased, with claimants now averaging only 2.8 attempts, representing a 75% percent improvement.

In February 2024, OVR launched a dedicated Help Desk staffed by 50 individuals with disabilities – including veterans – to provide employment services and support to fellow Pennsylvanians with disabilities. Since the inception of the OVR Help Desk, these specialists have assisted 55,987 claimants with scheduling in-person UC Connect

appointments at PA CareerLink® locations and getting assistance with routine questions, such as how to log in to the UC system, reset a PIN, or change contact information on file. This Help Desk increases capacity within the UC system, giving claimants another place to go when they need help.

In addition to the phone improvements, we have seen an increased capacity to handle claimant inquiries through other means of communication. Within less than two minutes, claimants can receive live assistance through UC Chat. The number of chats doubled between 2023 and 2025, and since May 2023, staff answer most UC-related emails through UCHelp within 24 hours.

Through the UC Connect program, claimants can schedule in-person appointments with UC staff at all PA CareerLink® locations. In 2024, L&I served more than 30,796 individuals through this in-person service, bringing the total served since its launch two years ago to 96,178 Pennsylvanians. This program has empowered our staff to engage on a deeper level with our constituents and provide the effective customer service that Pennsylvanians deserve and expect. Indeed, the number one reason claimants make an appointment with UC Connect is because they prefer an in-person experience.

Pennsylvania has made great strides in meeting federal UC program performance goals, specifically the first pay timeliness. For the fourth quarter of 2024, Pennsylvania went from below the national average of 77.1% to above average, with 83.3% of all claims being paid within 14-21 days. For the percentage of nonmonetary determinations made within 21 days, Pennsylvania achieved 71.3%, just shy of the national average of 71.7%. Compare those percentages to the same measures in the fourth quarter of 2023, where Pennsylvania paid just 60.7% of claims within 14-21 days and issued 33.2% of non-monetary determinations within 21 days. This comparison shows that UC under this administration is working more efficiently for Pennsylvanians and making significant progress in meeting the federal acceptable levels of performance.

Similarly, while not an official federal performance measure, the average time for a claim to get a determination when an adjudication issue is detected has decreased dramatically and consistently since 2022. In 2022, it took on average 85.59 days from the issue detection date to the date of the determination adjudicating the non-monetary issue; in 2023, it was on average 49.10 days; and in 2024, it was on average 24.66 days. Again, the UC program is on the right trajectory.

Accordingly, to maintain the current customer service levels, continue system improvements, and meet federal UC program performance goals, L&I is dependent on the reauthorization of the Service and Infrastructure Improvement Fund (SIIF). Without the requested SIIF funding, L&I's expenses will outpace revenues and L&I will be forced to

realign UC programs with the minimum funding provided by the federal government. Such realignment would likely return UC's staffing complement to pre-pandemic levels, immediately resulting in diminished customer service and leaving Pennsylvania unprepared to deal with the next unemployment crisis. Without SIIF funding, L&I would have to discontinue programs such as UC Connect, UC Chat, and LegWeb, the request system used for inquiries from legislative staff. Correspondingly, the wait times on phone and email would increase dramatically, and constituents would resume contacting all of you, at your legislative offices, for assistance with UC claims, as they did in 2020 and 2021. SIIF funding is an appropriate resource to maintain customer service improvements because employee contributions fund SIIF. To that end, the budget request asks for \$104,354,000 in reauthorization of the SIIF, which includes an increased authorization of \$31,354,000. This will allow L&I to maintain its complement and continue to reduce both the call wait time for claimants and the time it takes to issue determinations.

Governor Shapiro wants to invest in workers and keep Pennsylvania competitive by raising the minimum wage. From January 2024 to January 2025, 24 states, and D.C. have increased their minimum wage, —Pennsylvania has not done so since 2009, some 16 years ago. In fact, all of Pennsylvania's neighboring states have a higher minimum wage than ours. The stagnation of our minimum wage is a grave disservice to all the Pennsylvanians who are doing everything they can to provide for their families and could cause our aging state to lose young workers who may seek the best economic future for themselves and their families elsewhere.

Raising the minimum wage could directly benefit as many as 869,900 Pennsylvania workers according to the PA Department of Labor & Industry's 2024 Minimum Wage Report, based on 2023 data. Additionally, the increase will generate at least \$100 million annually in additional revenue once fully implemented. Increasing the minimum wage not only puts more money into the pockets of workers, but it also means more local spending on the things families need—food, medicine, clothing, car repairs, and rent to name a few. It also gives local businesses more customers and bolsters local economies. Simply put, a higher minimum wage makes jobs more attractive for Pennsylvanians. In this time where workers have more bargaining power than ever before – and can be more selective in choosing where they work – raising the minimum wage is the right thing to do not only for our workers and businesses, but it is the smart thing to do for our economy.

This budget requests a \$1,752,000 increase to the Bureau of Occupational and Industrial Safety (BOIS) line item. BOIS is responsible for ensuring the safety of Pennsylvanians by enforcing laws and regulations that require compliance with the Uniform Construction Code, making sure that elevators and boilers are installed and inspected in accordance with their respective laws, and overseeing legislative standards involving the composition of children's stuffed toys sold within the Commonwealth, among many other crucial safety-

based functions. This 12.12 percent increase is needed to support increased inspection demands and contractual pay increases, provide Personal Protective Equipment, and ensure that expedited inspection requests needed to keep Pennsylvanian businesses open and running can be fulfilled. Additionally, a new electronic data application has been released that empowers the business community and L&I staff to operate more efficiently, which requires funding for further enhancements and timely troubleshooting. BOIS generates revenue for the General Fund by charging for the plan review and inspection services it provides. In fact, in state fiscal year 2023-24, BOIS generated over \$15 million in revenue, of which over \$5.5 million was deposited into the General Fund.

Increased funding will continue to support staff added in recent years, which in turn, will result in more funds being generated for the General Fund. Additionally, BOIS is seeing the impact of increased staffing with decreased boiler inspection backlogs this year. The boiler division backlog is on track to be reduced over 17% by the end of FY 24-25, and we anticipate similar reductions in the elevator division upon the graduation of the current trainee class in March-May 2025 when they will become inspectors and begin performing life-saving inspections of jurisdictional equipment.

I am grateful for the hard-working people at L&I who put in tremendous effort every day to serve Pennsylvanians. These public servants faced some of the Commonwealth's toughest challenges over the last few years with remarkable resilience. With the help of this General Assembly, our agency can continue to create pathways for economic mobility for hardworking families – particularly those with disabilities – provide, expand, and improve unemployment compensation services, ensure workplace safety, administer labor laws that protect employees, consumers, employers, and children, and promote the growth of law-abiding businesses within a fair economic system. Our funding requests are critical to maintaining key L&I programs that Pennsylvania citizens and businesses rely on to thrive.

We always look for ways to improve how we provide services and welcome any constructive feedback. Pennsylvanians depend on us, and this budget request will help us provide programs and services that will effectively serve them.

I appreciate the opportunity to testify on behalf of this agency. I am confident that, by continuing to work together, Pennsylvania can create a budget that will support both workers and businesses today and into the future.

I am pleased to take your questions at this time.