Responses to Remaining Questions from
House Appropriations Committee Budget Hearing (March 2, 2021)

1. Can you describe the potential efficiencies associated with passing each element of HB 549?

There are several components of HB 549 that would result in greater efficiencies to the UC system and remove unnecessary barriers to receiving unemployment. They include the following:

- *Eliminating the waiting week* – Removing the waiting week would have saved UC staff an average of 34,782 hours per year between 2009 and 2019 or would have freed up 18 full time employees (FTEs) to process claims per year.
- *Eliminating the credit week* – Eliminating the credit week would save UC staff an average of 12,707 hours per year, which is equivalent to 6.5 FTEs per year.
- *Eliminating severance pay requirements* – Eliminating severance pay requirements would save UC staff 16,484 hours per year, which is equivalent to 8.5 FTEs per year.
- *Making improvements to the shared work plan* – This change to shared work plans would not save time for UC staff but would benefit employers and employees by keeping employees attached to the labor force and save employers time and money by eliminating recruitment and training requirements for hiring new employees.
- *Aligning solvency definition with the federal definition* – Tying solvency to actual needs in an economic downturn will put the UC Trust Fund on the road to stable long-term financial footing and reduce needs for future federal loans and interest payments. This will cost employers less in the long run because they will not have to pay interests on loans.

2. Can reimbursable employers use their credits from the federal CARES Act? Do those credits expire? Can employers request a refund?

L&I encourages reimbursable employers to use their available credits toward the payment of future charges; however, employers may request a refund of the credit on their accounts.

Section 311 of the PA UC Law dictates the method for and circumstances under which an individual or organization may receive a credit or refund from the Department. Section 311 contains the following time limitation:

> No refund or credit shall be allowed with respect to a payment as contributions, interest or penalties, unless an application therefor shall be made on or before, whichever of the following dates shall be the later:
> (a) one year from the date on which such payment was made, or
> (b) four years from the reporting due date of the reporting period with respect to which such payment was made. For a like cause and within the same period, a refund may be so made or a credit allowed on the initiative of the department.

3. **What does the "UC Strategic Plan" entail?**

The UC Strategic Plan serves as a living document to guide and align L&I resources, activities, and objectives across UC's four offices (Benefits Policy; Service Centers; Tax Services; Board of Review) and L&I's Executive Team, especially while demand for unemployment benefits in the Commonwealth continues to be elevated due to the impacts of COVID-19. The plan is divided into five "Strategic Priority Areas," which have corresponding objectives with assigned owners for implementation; they include:

- *Customer Service* – The intensity and duration of customer "friction" with the UC system will be minimized by implementing short-, medium- and long-term solutions to increase turnaround times for claim inquiries and processing.
- *Technology* – Tactical technological improvements will be made where feasible to improve operations while concurrently making progress on Benefits Modernization for anticipated go live in late Spring 2021.
- *Communications and Public Relations* - Customers who are on edge because of the uncertainty and ambiguity around their claim situation will be served by offering more tailored, frequent communication through all salient communication channels. The volume of customer contact to UC will be reduced by addressing common triggers for contact before they arise through proactive and empathetic communication. Technical issues and glitches that customers face across all UC programs will be specifically focused upon and updates will be provided regularly until those issues are resolved.
- *Workforce Planning* – Workforce needs in UC will be continuously reevaluated in a structured approach, pegged to available funding, complement gaps, and anticipated demand. A standing fiscal group will provide support to assist UC leadership in workforce planning. Contractors will be leveraged, in addition to hiring additional full-time staff to quickly flex up or down support. Turnover will decline as steps are taken to improve employee engagement, provide a stable staffing pipeline, enhance training opportunities, and offer a career ladder.
- *Policy and Legislation* – Areas of the UC Law to be improved by legislation will be identified in consultation with program areas and analysis of best practices in other states and new federal regulations and legislation. These include streamlined legislation for UC solvency, claimant accessibility, and shared work; BenMod enabling legislation; and stronger supports for claimant transitions to workforce programs enacted as soon as possible

4. **Can you provide sources to support your claim that the CBO methodology used to analyze the impact of the federal $15/hour minimum wage was outdated and incomplete?**

The Department of Labor & Industry (L&I) joins leading economists in recognizing the methodological shortcomings of the Congressional Budget Office (CBO) study that estimates a federal $15/hour minimum wage by 2025 would result in a loss of 1.4 million jobs and does not believe the CBO study is a useful tool in analyzing the Governor's proposal to increase the minimum wage to $15/hour by 2027.

First, L&I notes that this CBO study analyzes a proposal that is different from Governor Wolf's proposal: Governor Wolf proposes raising the minimum wage to $15/hour by 2027, a period two full years longer than the federal proposal. Applying the CBO analysis of a federal proposal is not an "apples to apples" comparison to the Governor's proposal. Second, as the op-ed by economist Dr. Arindrajit Dube in The Washington Post and the article featured by the Economic Policy Institute make clear, the CBO does not employ cutting-edge economics research in its study, it cited a very small number of studies, and did not include in its analysis the most recent studies, instead relying on older studies that were contradicted by subsequent reports by the same researchers. Third, L&I calls attention to the 2019 study of 138 state minimum wage increases between 1978 and 2016 which concluded that minimum wage increases did not eliminate jobs across the economy.

Please refer to the following attachments for more information:

CBO analysis confirms that a $15 m

The Effect of Minimum Wages on L

No, a $15 minimum wage won't cost 1.4 m