

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- The Department receives no state general funds and the majority of its non-matching federal funding comes from the United States Department of Labor (USDOL).

- Our biennium budget projection is based on the knowledge and expectation of the continuation of our core programs: Employment Services, Unemployment Insurance and Labor Market Information.

- The Department also receives supplemental funding in the form of a 0.2% diversion of employer state unemployment taxes (RSA 282 A:87) for administrative support in order to cover federal funding shortfalls, and from which \$6M annually is deposited into the Training Fund.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- The Department offers a variety of services to claimants, job seekers and employers in 12 full service offices and 2 itinerant offices located throughout the state. Therefore, personal service and benefit costs comprise the largest portion of our overall budget. While services are currently being provided virtually, we are confident we will be able to open our offices back up to the public in 2021.

- **Personnel-related costs** comprise approximately **57% of our budget**. When unemployment claims increase, as has been experienced resulting from the pandemic, NHES receives additional federal funding based on workloads in excess of our base budget workload counts.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- A growing economy and low unemployment rate like NH was experiencing prior to the pandemic, results in decreased funding for NHES. To put this into context, at the start of the FY12-13 biennium, the total number of staff at the department was 453, while at the start of the FY20-21 biennium, the total number of staff was down to 249.

- Prior to the pandemic, NHES had the lowest staffing levels going back at least 40 years.

- Considering how quickly the pandemic and related necessary public health restrictions impacted the state's workforce, the department did not have time to hire additional staff in order to meet the growing demand for unemployment benefits and related services.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- Instead, the department made the decision to address this demand with existing staff and increasing reliance on technology. NHES staff worked overtime equivalent to approximately 95 additional positions in the initial months of the pandemic in order to handle the sudden and drastic increase in workloads.

- NHES staff were working longer hours and were working 7 days per week in order to meet the demand. The employees of the department have made incredible sacrifices during 2020 and continue to make sacrifices and work long hours in order to meet the needs of the citizens of this state.

- Understanding that such expectations from our workforce are only realistic in the short term, we made the decision to increase staffing levels during the summer when workloads were expected to decline. We have been

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

hiring staff these past few months, bringing in additional staff to process claims; conduct appeals; to work with customers on the hotline; and to review claims in order to detect fraud prior to benefits being paid.

- We have filled 59 vacancies since the beginning of the pandemic and 35 positions remain in active recruitment, many of which are the result of internal movement which we have done by filling previously funded vacant positions.

- We have also utilized external resources with at first the New Hampshire National Guard and currently an outside vendor to support the needs around the unemployment hotline created at the outset of the pandemic. We have received nearly one million calls during the pandemic and have handled this with the

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

combination of outside resources and our own internal staff.

- **Department of Information Technology (DoIT)** costs comprise approximately **11% of our overall budget**.
With this budget, NHES supports approximately 24 full-time equivalent DoIT positions: 19 embedded within NHES.
- The **Job Training Fund** receives \$6,000,000 annually, which represents approximately **12% of our overall budget**.
- NHES relies heavily on **technology** to administer all of our programs but most importantly the unemployment insurance program; therefore, in addition to class 027 (DoIT), our software, equipment and equipment-related

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

maintenance budget represents approximately 10% of our overall budget.

- **The remaining 10% of our overall budget is comprised of general operating expenditures** such as telecommunications, postage, utilities, supplies, rent, building maintenance contracts, etc.

- The Department submitted a budget of \$14,490,810 for SFY 2022 and \$15,323,820 for SFY 2023 in the category of personal services for permanent classified and unclassified staff. This includes 286 classified positions (of which 15 are unfunded this biennium) and 7 unclassified positions.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- The Department also included 26 full time temporary and 35 part time positions in the SFY 2022/2023 budget request in order to assist with continued elevated workloads for which above-base funding is anticipated.

Discussion of the Unemployment Compensation Trust Fund:

- The Unemployment Compensation Trust Fund is currently at \$112M (as of 3/2/21).
- This current balance includes the additional \$50M recently deposited to the trust fund from the state's CARES Act flex funds.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- To put this into perspective, the balance was approximately \$300M prior to the pandemic. NHES has paid out approximately \$304M in state UI benefits during the pandemic.

- As NHES administers both state and federal unemployment programs, we have paid out approximately \$1.7Billion in total benefits, the majority of which was through federally funded supplemental assistance programs.

- Based upon our current trust fund forecast and the initial \$50M infusion from the CARES Act flex funds, we currently anticipate the trust fund will remain solvent during calendar year 2021. While this is great news for New Hampshire, there are many assumptions involved in this forecast that could shift suddenly because of the pandemic. We need to be very cautious with forecasting

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

the trust fund during these unprecedented times and certainly need to refrain from making long term predictions without plenty of caveats and proper analysis of all risks.

- There are currently 23 states borrowing from the US Treasury in order to pay benefits including Massachusetts and Connecticut here in New England.
- Regarding proposals in HB2 involving the department, the first such proposal (Sections 130-132) involves changes to the sections in state law that adjust employer tax rates in order to maintain the solvency of the unemployment compensation trust fund.
- Currently, the manner in which revenue is generated into the trust fund, we ask the least of employers when they can most afford it - like during periods of economic

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

growth and low unemployment - and the most of employers when they can least afford it - like during an economic downturn or a pandemic.

- This series of amendments seeks to reverse this upside down dynamic, first by eliminating the tax surcharges that drive up employer tax rates during times when they can least afford it like during the Great Recession or currently during the pandemic.
- These surcharges are only needed because the solvency controls allowing the trust fund to grow to the predetermined point of solvency are set too low. If the trust fund thresholds are increased then the surcharges that hit employers during economic downturns are no longer necessary.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- Second, these amendments increase the 2nd and 3rd of the trust fund solvency thresholds, ultimately allowing the fund to grow to \$400 million rather than the current limit of \$300 million, before employers receive the maximum reduction to their unemployment tax rate.

- We are confident that if these changes had been implemented prior to the Great Recession, New Hampshire would not have needed to borrow the \$120 million we borrowed from the federal treasury in order to pay benefits and if implemented prior to the pandemic we would have avoided the trust fund needing \$50 million from the CARES Act flex funds.

- The 1st threshold would remain unchanged providing tax relief when the fund grows to \$250 million. The 2nd threshold would be increased from \$275 million to \$350

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

million and the 3rd threshold would be increased from \$300 million to \$400 million.

- By setting these top two thresholds at higher trust fund balances then we eliminate the need to implement surcharges when the trust fund falls because we will have allowed the fund to grow to a sufficient level to achieve solvency.
- The second proposal contained in HB2 involving the department is found in sections 69-74 creating the Granite State Paid Family Leave Plan.
- The department's involvement in this proposal is with administering two new revenue funds, the first is the FMLI Premium Fund and the second is the FMLI Premium Stabilization Trust Fund.

New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm

- In both instances, the department would utilize the option contained in the proposal to contract with private sector benefit administrators in order to carry out these functions.

- The reason why the department feels contracting this out to be competitively bid in the private insurance administrator market is the that these types of services are currently available and carried out by private sector providers, so it would make little sense for the state to take the time (estimated at least 24 months) and invest the people and the money to create the necessary IT infrastructure to account for and operationalize these funds.

- Instead, the department would utilize the language contained in this proposal to competitively procure these services from a private third party benefit administrator.

**New Hampshire Employment Security (NHES)
House Finance Division I Hearing on Budget Request FY 2022/2023
Thursday, March 11th @ 2:30pm**

We would expect this process to take approximately 6 months from passage of the program until entering into a contract with the chosen vendor.

- I look forward to the next biennium and continuing to provide essential services to the people and businesses of New Hampshire.