

Rick Scott
GOVERNOR



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Testimony of Cissy Proctor

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“Unemployment Insurance:

An Overview of the Challenges and Strengths of Today’s System”

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Chairman Buchanan and Members of the Committee:

My name is Cissy Proctor, and I serve as the Executive Director of the Florida Department of Economic Opportunity. Thank you for the invitation to testify before the members of the House Committee on Ways and Means. I'm excited to talk to you about the success we are experiencing in Florida and about the strengths and challenges of Florida's Unemployment Insurance system, which we call Reemployment Assistance.

For businesses and jobseekers alike, Florida is a great place to be, because Governor Rick Scott and our Legislature are committed to cutting taxes, reducing unnecessary regulation and ensuring Florida is open for business. Right now, there are about 250,000 job openings across the state. Private sector businesses have added more than 1.1 million jobs over the past five years, and more than half of those jobs are in industries with an average annual wage of more than \$45,000. Our unemployment rate is at a more than eight-year low. Our GDP increase and private sector growth rate are beating the nation. Our state has come a long way over the past five years, and the private sector is confident in our future.

During the Great Recession, our state's future looked very different. Unemployment increased to 11.2 percent. Private sector businesses lost more than 900,000 jobs. Job demand continued to fall, as did home prices. The number of visitors and new residents both declined. Florida's GDP dropped significantly. Reemployment assistance claims reached 700,000. And for those who lost a job, reemployment assistance provided short-term financial assistance, but didn't get them to where they really needed to be – back to work. As these numbers show, the recession hit Florida harder and lasted longer than in other states.

FLORIDA IS LASER-FOCUSED ON JOBS

During this time, newspaper articles were trumpeting Florida's decline. "Is Florida Over?" asked the *Wall Street Journal*. "Sorrow in the Sunshine State" was the *Economist's* take. *USA Today* wrote it was "The End of an Era of Growth." How did Florida recover from this recession? Gov. Rick Scott's leadership and commitment has provided an unrelenting focus on job creation in Florida. After he was elected, the headlines began to change. *The Wall Street Journal* headlines read, "The Model is Florida, Florida, Florida" and "Has Florida Found the Secret to Saving the Economy?" *The New York Times* said, "A Bet on Florida Pays Off."

In 2011, one of Gov. Scott's first actions in coordination with the Legislature was to create the Florida Department of Economic Opportunity out of three state agencies that once covered workforce, economic and community development in their own silos. The newly created agency's mission became multi-focused in these three areas to allow us to look at Florida's growth holistically, with connections between workforce training, economic development and healthy communities. We know a well-trained and ready workforce is key to ensuring economic development continues in Florida, improving the quality of life in communities across our state.

With a strong emphasis on getting the state's workforce heading in the right direction, the next step was to rebrand Florida's unemployment insurance program as reemployment assistance. This wasn't just window dressing. The goal of unemployment insurance is to be a bridge for individuals who lost their jobs through no fault of their own. But what happens when you get to the end of the bridge and there's nothing there? We chose to change the culture in Florida to ensure the bridge of assistance connects jobseekers to reemployment.

Focusing on this goal now successfully aligns our reemployment and workforce systems. The reemployment assistance program includes a skills assessment that is available to all

jobseekers, to help them find jobs matching their current skills and abilities. The skills assessment also connects jobseekers to training opportunities that enhance their skill sets, qualifying them for new careers. Additionally, jobseekers are connected to the Employ Florida Marketplace, one of the largest job banks in the nation, with hundreds of thousands of job postings from Florida businesses and more than 20,000 job websites.

The most successful way we have been able to get jobseekers back to work is relying on our statewide workforce system. Florida is known for having one of the most successful workforce systems in the country. CareerSource Florida is the overarching board for our 24 local workforce boards and 100 career centers across the state. In the past five years, the CareerSource Florida network has assisted about 500,000 businesses and helped more than 3.5 million Floridians with training, job placement and other career services.

The total annual earnings of Florida jobseekers who went to work after being assisted by the CareerSource Florida network from 2011 through 2015 was \$11 billion. These newly employed individuals earned \$7.3 billion more in total wages than they were earning previously, directly improving their own financial stability and positively impacting their families and communities. Additionally, since 2011, more than 35,000 veterans with significant barriers to employment have been placed in jobs through the work of our agency and workforce boards.

CareerSource Florida also partners with private sector businesses to help meet their needs for a trained workforce. The FloridaFlex and Incumbent Worker Training grant programs invest in existing and expanding businesses to offset costs for upgrading employees' skills. Together, the programs have assisted 3,000 businesses and provided customized training for 360,000 employees across the state. These kind of partnerships clearly show the necessity for an approach that integrates workforce development with economic development.

We also have several new programs launching this year to continue to improve the success of our workforce system. One program, which we will be announcing later this month, seeks to increase the number of individuals receiving reemployment assistance who are connected to career opportunities through our local workforce boards. Our goal is to increase engagement with these individuals and decrease the timeframe from the first day they receive assistance to the first day they start a new job. It's an exciting initiative, and I can't wait to share the results.

Secondly, we have recently begun to take a look at a dozen counties across Florida that have had serious challenges recovering from the recession. The majority of these counties are in rural areas of the state, but all have limited job opportunities, high unemployment rates and other negative economic indicators – including high poverty levels, low high school graduation rates and low average wages – that set them apart. We are taking a holistic look at these 12 counties to see what support and coordination we can provide. We plan to bring our partners and other state agencies on board to review challenges such as transportation, assisting individuals with disabilities, employing felons, and other difficult barriers to employment. We know that government cannot fix the problem, but government can provide a variety of supports to the jobseekers and job creators in each community, and sometimes, government can help by getting out of the way. Again, we are very excited about this initiative. It will be a long-term investment in these communities that we hope will result in real economic impact.

FIGHTING PUBLIC BENEFIT FRAUD

Now, I'd like to switch topics a bit to talk about identity theft and fraud in public benefit systems. This criminal combination is a huge challenge that the reemployment assistance

program in Florida is experiencing. And it's not just a Florida problem. The Federal Trade Commission recently announced that more than 49 percent of all identity theft reported in 2015 was related to government documents and public benefit fraud, and that's up from 38 percent the previous year.

The fraud we are uncovering is not the traditional, one-off case where an individual knowingly misrepresents eligibility for reemployment assistance. The fraud we have exposed is criminal, and it threatens the integrity of the reemployment assistance program. Organized criminal enterprises are stealing or purchasing on the dark web personal information, then using this information to illegally access systems to steal public benefits. Criminals are stealing and purchasing identities in massive quantities because they are valuable, and public benefit fraud is one of the most common ways these criminals can cash in. If a criminal used a single stolen identity in all 53 unemployment programs, more than \$20,000 would be stolen each week. That doesn't take into account any other public benefit programs, such as SNAP, that are also facing this threat.

At our agency, we realized we were facing a crisis that would quickly undermine the reemployment assistance program. In early 2014, the agency's IT and reemployment assistance teams partnered to develop and implement a new system that analyzes unemployment claims data and detects patterns of fraud in real time. This system is called the Fraud Initiative Rules and Rating Engine, or FIRRE. The results have been stunning, beyond anything we expected to find.

In the past two and a half years, we have stopped more than 110,000 illegal claims from being filed in Florida. This represents \$460 million that would have been stolen from Florida's Unemployment Compensation Trust Fund. We are very proud of our FIRRE team, which was

recently recognized with the State Excellence Award for Leadership by the National Association of State Workforce Agencies (NASWA) and three times has won the state of Florida's TaxWatch Prudential Productivity Award, given to agencies that protect significant taxpayer funds. The U.S. Department of Labor's Office of Inspector General has also recognized the agency's efforts on identity theft and fraud prevention with FIRRE.

We know identity thieves are constantly adapting techniques to thwart existing fraud-detection solutions; in other words, the criminals are many steps ahead of us. This is the reason our in-house FIRRE system is so important. Because we developed and implemented the program, we are flexible and able to adjust the process as necessary to continue combatting criminals' innovative means to use stolen identities. The number of claims we are locking in Florida has continued to drop since FIRRE was fully implemented. We are now stopping most illegal activity before it gets into our system. Because of FIRRE's success, we are working with other Florida agencies and agencies in other states to raise awareness of public benefit fraud and to share best practices on preventing identity theft and fraud.

We know individuals may not even be aware their information has been stolen and used to perpetrate fraud. For example, with the IRS, individuals quickly realize fraudulent tax returns have been filed in their name when they attempt to file their taxes or claim a return. However, because many Floridians will never file for public benefits like reemployment assistance, they will never realize their identities have been stolen and used fraudulently. So we recently began notifying individuals who we believe are victims of identity theft, and providing them with resources to protect their personal information. We are also playing a key role in the creation of a federal Suspicious Actor Repository through NASWA's Unemployment Insurance Integrity Center so we can share information related to identity theft claims with other state workforce

agencies. We continue to partner with the Inspector General at the U.S. Department of Labor, along with state and local law enforcement in Florida, to fight these criminals and identity theft in our reemployment assistance program.

Fighting fraud is not only important to protect identities and ensure only those who deserve to receive reemployment assistance benefits are getting them, but it's also vital to protect Florida's unemployment trust fund. As many of you know, almost every state was forced to borrow money from the federal government during the height of the Great Recession in order to pay unemployment benefits. Florida was no different. The Unemployment Compensation Trust Fund is designed to build up a surplus during times of economic prosperity as fewer people are claiming benefits and more businesses are paying into the fund. That surplus is meant to help states weather economic downturns, but the Recession taxed most states' resources, even states like Florida that had a healthy surplus.

From the employer's perspective, indebtedness to the federal government meant higher payroll taxes. Florida's loan began in 2009 and ultimately totaled \$3.5 billion. In 2013, Florida became one of the first states to repay its federal loan in full. As of today, the U.S. Virgin Islands and the state of California remain indebted to the federal government for trust fund loans. California still owes more than \$3 billion, nearly the entire value of Florida's loan.

Florida's trust fund currently sits at \$3.3 billion and is one of the healthiest trust funds in the country. The recovery of the trust fund, combined with the improving economy, has resulted in decreasing payroll taxes for employers, from a minimum rate of \$120.80 per employee to the current minimum rate of \$7 per employee. Our agency is responsible for maintaining the health of this trust fund, protecting taxpayers' dollars, and ensuring reemployment assistance benefits are available for those who truly need them. We could not do this without fighting fraud.

Ensuring the health of the system is paramount in helping those who need reemployment assistance and connecting them with career opportunities. Recently, we began a pilot program to allow in-person reporting to ensure that those claimants who are having difficulties navigating the online system are able to go to a local career center to authenticate their claims. This also gives these claimants a direct connection with our workforce system and enables them to quickly access training and employment opportunities. We plan to expand the pilot across the state this year.

Our agency is also working diligently to improve our core federal measures by making our reemployment assistance system as efficient and seamless as possible. We have focused on meeting and exceeding the standards on First Payment Time Lapse, because we realize if claimants are paid on time, they don't need to call our call centers or go online to check on their benefits. Hitting this one measure not only helps us meet claimants' immediate needs, but it calms the entire reemployment assistance system. We have improved our First Payment Time Lapse from 60 percent in the third quarter of 2015 to 79.7 percent in the second quarter of 2016. Today I can report that we have made more than 80 percent of first payments on time each week since June 2016. We expect to meet and exceed this federal measure soon.

PREPARING FOR THE FUTURE

How is Florida's reemployment assistance program prepared for the future? We know recessions come and go, and there is no doubt another national recession will hit. The only question is when. We are gearing up while the number of reemployment assistance claimants is low to be prepared for when these numbers rise again. One of the ways we have begun to find efficiencies in our system is implementing process improvements through a program called the

“Theory of Constraints.” Some of you may already be familiar with the concepts of this program, and I know the state of Utah, who we will also be hearing from today, has implemented this across its entire state government, proving programs can be run efficiently and cost-effectively at the same time. The “Theory of Constraints” allows our team to focus on the constraint – a work flow or process that is holding us back – and determine ways to eliminate the constraint. In the past six months, using this process, and not adding any additional personnel, IT resources or funding, we have found efficiencies equal to about 20 additional employees in the reemployment assistance program.

Continuing to research innovative ways to run our programs and find these efficiencies are what will take us through another recession and be able to continue serving claimants while connecting them with employment opportunities in their local communities. It is critical that each state have the flexibility to implement innovative solutions to unique challenges, as Florida has done. Increasing the flexibility of the program and providing more control over administrative dollars will allow every state to ensure system integrity, including preventing fraud, and increase efficiencies to better serve claimants.

In closing, continuing to allow each state to manage reemployment assistance and workforce services is vital to maintaining the level of success Florida is currently experiencing. Our integrated programs are bridging the gap between unemployed workers and career opportunities. We know barriers to employment still exist, and we are working with our partners across the state on innovative ways to eliminate those barriers so that all Floridians have the opportunity to live the American Dream. Thank you so much for having me here today, and I’m happy to answer any questions you may have.