

Hearing on “Unemployment Insurance: An Overview of the Challenges and Strengths of Today’s System”

HEARING
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Hearing on “Unemployment Insurance: An Overview of the Challenges and Strengths of Today’s System”

U.S. House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:01 a.m., in Room 1100, Longworth House Office Building, Hon. Vern Buchanan [chairman of the subcommittee] presiding.

Chairman Buchanan. The subcommittee will come to order.

Good morning and welcome to today's hearing reviewing the challenges and the strengths of the Federal State unemployment insurance system.

The purpose of this hearing is to highlight efforts being undertaken by those on the ground to address the program's integrity, trust fund solvency, and successful reemployment strategies.

Helping the unemployed to return to work as quickly as possible and preventing improper payments within the system will better serve employers who fund the system to keep taxes low, as well as workers who claim benefits by getting them back to work sooner.

In 2015, more than 46 billion was levied from employers annually through State and Federal taxes to pay for benefits and program administration. Out of that, 32 billion in benefits were paid to 6.5 million beneficiaries.

States are eager to do more to help the unemployed return to work quickly for the sake of workers and job creators. I am excited to hear from two States in particular, Utah and my home State of Florida, who are rethinking the old unemployment office and transforming UI into reemployment systems.

Florida has combined a number of agencies at the State level to create the Department of Economic Opportunity to provide its citizens with a more streamlined approach to services and even rebranded their UI benefits to be reemployed assistance. I am looking forward to hearing more from the department's executive director, Cissy Proctor, about some of the innovative steps the State has taken.

As a business owner myself for 40 years, I know firsthand how important it is for a State's financial house to remain in order and the consequences of raising taxes on a company's bottom line.

I am particularly pleased to have Mr. Walter Carpenter, a small-business owner from the Orlando area, who will provide members with a first-hand account of how policies thought up in Washington truly impacts a firm's ability to hire new employees and grow a regional economy.

Finally, this hearing will also discuss the importance of properly targeting UI benefits to ensure they are going to the right person at the right time. In fiscal year 2015 alone, States improperly paid \$3.5 billion in UI benefits or one out of every \$10 sent out from the UI system. The Office of Management and Budget continues to designate the UI program under the annual list of high-error programs, and yet no real progress has been made to improve this percentage.

To many States, UI agencies rely on discovering and then trying to recover UI payments after they occur. This pay-and-chase approach is costly, time-consuming, and wasteful. It also means that only a fraction of improper payments are ever recovered. Since States' UI benefits are supported by payroll taxes on jobs, this misspending leads to higher taxes on jobs, reducing the very job creation the employee needs most.

I welcome all our witnesses today and look forward to our discussion.

Now I yield to the distinguished gentleman, Mr. Doggett, for the purposes of an opening statement.

Mr. Doggett. Thank you, Mr. Chairman, colleagues.

Witnesses, we are pleased to have you here.

Just as builders know to check the roof after a big storm to be ready for the next one, economic experts know that during periods of prosperity and job growth, like the one we are experiencing right now in most parts of the country, that is the time to make sure that our unemployment insurance system is ready for the next recession. We have accomplished much in this country, but we have never been able to totally suspend the business cycle, just as we don't totally suspend hurricanes and storms, and unless we are ready, the problems will only intensify.

Unfortunately, many States seem to be interested in tearing new holes in the insurance system, rather than getting ready for the next storm. Those State policies are dangerous not just for workers, but also for our national economy.

Well-functioning unemployment insurance is our first line of defense in keeping economic downturns from spreading and worsening. As bad as the last recession was, it

would have been far worse without unemployment insurance, and it would have been lessened had the efforts that Democrats made here in Congress to extend benefits for a longer period of time been permitted.

Extended unemployment benefits prevented 1.4 million home closures between 2008 and 2012, and we know from economic studies that every dollar of unemployment benefits paid produced about a dollar and a half to \$2 in additional economic growth, stimulating the economy and preventing other workers from being laid off.

Of course, we could have done much more had unemployment benefits been extended. The estimates are that we could have prevented the loss of about another 200,000 jobs.

Unfortunately, the majority of States have ignored the lessons of the last recession. Certainly my State of Texas has ignored it, and they are not preparing their insurance programs for the next recession. Indeed, many are actively reducing the likely effectiveness of the unemployment insurance system.

As of the end of last year, only 18 States in the entire country were prepared to pay a year of benefits in another recession. The rest of the States did not meet minimum standards of trust fund solvency.

There are some significant exceptions that are doing their job. Utah, which is represented at our hearing today, is one of the few States that indexes its taxable wage base and has a solvent trust fund. My home State of Texas, like most States, would quickly run out of money to pay benefits in a recession. And while I am pleased to hear that Florida is continuing to improve the solvency of its trust fund, it has apparently done so largely by making collection of insurance benefits earned in Florida more difficult for unemployment workers to obtain than any other State in the country.

Fifteen States have cut benefit levels, and the average unemployment benefit replaces significantly less than half of wages lost. More than 30 States have changed eligibility to end unemployment insurance altogether for some workers who receive other earned benefits or work in specific types of jobs. Nine States now provide less than 26 weeks of unemployment benefits, the lowest level in those nine States in about half a century.

As the Government Accountability Office noted in a recent audit, with long wait times by phone and in person, abandoned calls, dropped calls, blocked calls, and long delays in claims processing, many States have also created practical barriers to the unemployed accessing the insurance that they are due to rely upon. This is a time when States are serving fewer workers and yet erecting more barriers.

We all agree that the States should make their unemployment trust funds protected from fraud and errors. Individuals, employers, and identity thieves that steal from trust funds should be punished. But some States seem to have forgotten why they are safeguarding

these funds, and that is to pay workers the benefits that they have earned when they collect them and need them.

In addition, this Congress is failing to adequately fund the employment service, which plays a critical role in connecting the unemployed with new jobs and providing the skills necessary.

The cost of a well-funded trust fund is reasonable for employers. Wyoming is a State that is doing its job. It has indexed its unemployment tax to maintain a steady trust fund balance and currently has the best-prepared trust fund in the country. And a Wyoming employer with a low layoff rate pays as little as \$69 per employee per year in State unemployment taxes. As we saw in the last recession, the benefits of that modest investment for workers in our economy are substantial.

It is time for some accountability from the States regarding why workers are not getting earned unemployment benefits and State trust funds are in the red, in deficit, and not prepared for the next recession, and it is way past time for Congress to take some action.

Thank you, Mr. Chairman.

Chairman Buchanan. Thank you.

I see the full committee chairman has joined us. The chair would now like to recognize Chairman Brady for his statement and questions.

Mr. Brady. Thank you, Chairman Buchanan.

Does this work?

I am more mobile than I look.

Okay. Thank you, Chairman Buchanan, for holding this important hearing on our unemployment insurance system. Thanks for letting me join you for a moment.

One of the most important tenets of the law is that it requires a person applying for and receiving Federal unemployment payments to be able to work, to be available for work, and actively seeking work as a condition for eligibility.

In 2012, the bipartisan Middle Class Tax Relief and Job Creation Act was signed into law by President Obama with broad bipartisan support. It overturned an outdated 1960s era Department of Labor ban on States screening and testing unemployment insurance applicants for illegal drugs. Under the law of the land today, States are allowed but not required to test unemployment applicants who either, one, lost their jobs due to drug use or are seeking a new job that generally requires new employees to pass a drug test.

In a world where more and more industries and careers require workers who are drug free, especially in security-sensitive professions with many directed, by the way, by Federal law, this important reform signed by President Obama made sound policy since then and continues to today. If you have lost a job due to drug use, you have established you are not fully able to work. If you can't take a new job because you can't pass a required basic routine drug test, you are not really available for work either. In both cases, you have forfeited your eligibility to receive unemployment payments subsidized by employers.

Clearly, the intent of the 2012 law was that States could restrict benefits for such individuals who fail drug tests, as well as designed programs to help them overcome their drug use issues.

This policy of reasonable State drug testing builds on the work of 20 States that already limit unemployment insurance benefits for people who refuse to take or fail an employer drug test or who have left previous employment issues with drugs. And according to a survey by the Society for Human Resource Management, more than half of all businesses drug test all their employees. So this is no longer the exception, it is the rule of the workplace.

Upon enactment, my home State of Texas was the first to modify their State laws to begin the Congress-approved policy but was denied the ability to fully implement it because the Department of Labor was slow and had not yet issued regulations on the provision. Texas, by the way, has been awarded and honored by this White House for its work in matching local workers to local jobs through unemployment.

In the four long years since the law was signed, other Members of Congress and I have met repeatedly with Labor Department and White House budget officials, written letters to Secretary Perez and others, held congressional hearings, attended numerous meetings and conference calls detailing our concerns over the administration's delays and widely panned draft regulations which prevent willing States and proven States from implementing the law as intended by Congress. Specifically, we thought the Labor Department's proposed rule in 2014 fell significantly short of achieving the intended purpose and would all but guarantee the law was not implemented as Congress intended.

In August of this year, over 4 years after the drug-testing provision was signed into law, the Department of Labor issued its final rule, which, similar to the proposed rule 2 years earlier, severely limited the ability of States to implement this important policy, harming unemployed workers in their quest to find new employment. The Department of Labor's rule contradicts congressional intent, which aimed to assure employers that UI claimants reentering the workforce are truly able and available to work so more of them can be hired.

Because I believe this administration reneged on Congress' clear wishes to allow States to screen and test for drugs today, I am introducing the Ready to Work Act of 2016. This bill is consistent with the congressional intent from 2012 to fulfill the promise of existing

law. It removes the role of the Department of Labor to determine which occupations should be subject to this policy. This bill seeks to give control back to the States where decisions about the administration of unemployment insurance programs involve both applicants and the businesses that fund the system.

If you are unemployed and using drugs, are unable or unwilling to pass a basic drug test for a job that requires one, you are not ready to work and are not eligible under the law for unemployment payments.

Once again, thank you, Chairman Buchanan, for holding this hearing, and to our witnesses who are here today to talk about ways we can help more Americans return to work quickly, to match those who are unemployed with businesses eager to hire them. This is an important issue.

With that, Mr. Chairman, I yield back. And thank you for allowing me to join you this morning.

Chairman Buchanan. Thank you, Mr. Chairman.

Without objection, other members' opening statements will be made part of the record.

Today's witnesses panel includes four experts: Ms. Cissy Proctor, executive director for the Florida Department of Economic Opportunity; Mr. Walter Carpenter, President of Pinel & Carpenter, Inc.; Ms. Judith Conti, federal advocate coordinator for the National Employment Law Project; Ms. Michelle Beebe, director of unemployment insurance for the Utah Department of Workforce Services.

We will begin with Ms. Proctor. Please proceed with your testimony. Thank you.

STATEMENT OF CISSY PROCTOR, EXECUTIVE DIRECTOR, FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY

Ms. Proctor. Chairman Buchanan, members of the committee, thank you for having me here this morning. And good morning to you all.

My name is Cissy Proctor, and I serve as the executive director of the Florida Department of Economic Opportunity. And I appreciate the invitation to be here this morning to talk about the successes 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 job seekers 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 that Florida is open for business. Right now there are more than 250,000 job openings across the State. Private sector businesses have added more than 1.1 million jobs over the last 5 years. Our unemployment rate is at a more-than-8-year

low. Our GDP increase and private sector growth rate are beating the Nation. Our State has come a long way over the past 5 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. Jobs demand continued to fall, as did home prices, the number of visitors, and the number of new residents that called Florida home. Our GDP dropped significantly, and our reemployment assistance claims reached 700,000.

And for those who lost a job, reemployment assistance provided short-term financial assistance, but did not get them to where they really needed to be, which is back at work.

During this time, newspaper articles were trumpeting Florida's decline. "Is Florida Over?" asked the Wall Street Journal.

So how did Florida recover from this recession and see headlines change in the Wall Street Journal to "The Model is Florida, Florida, Florida"?

Under Governor Scott's leadership and commitment, he has provided unrelenting focus on job creation and getting every Floridian back to work. In 2011, one of Governor Scott's first actions, in coordination with the legislature, was to create the Florida Department of Economic Opportunity out of three separate agencies that worked on community and economic development, as well as workforce development and their silos.

The newly created agency's mission became multifocused in these three areas to allow Florida's growth holistically. So we are looking at it holistically with connections between workforce training, economic development, and healthy communities. As we know, a well-trained and ready workforce is key to ensuring economic development as Florida continues to grow.

And with a strong emphasis on getting the State's workforce headed 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 job through no fault of their own.

But what happens when you get to the end of the bridge and there is nothing there? We chose to change the culture in Florida to ensure that the bridge of assistance connects job seekers to reemployment. And we know the most successful way to get job seekers back to work is to rely on a strong statewide workforce system, which we have done in Florida.

I would like to shift the focus a little bit now to talk about identity theft and fraud in public benefit systems. This criminal combination is a huge challenge for the reemployment assistance program in Florida, but it is 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 benefits fraud, and that is up from 38 percent in the previous year.

The fraud we are seeing is not just the traditional one-off case where an individual knowingly misrepresents eligibility for assistance. This fraud we have exposed is criminal, and it threatens the integrity of the reemployment assistance program. Organized criminal enterprises are stealing or purchasing this personal information on the dark Web and then using it to get into our systems and steal public benefits.

We realized this crisis at our agency, and we realized it 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. The system is called the Fraud Initiative Rules and Rating Engine, or FIRRE, and the results that we have seen are stunning and far beyond anything we would have expected to find.

In the past 2-1/2 years, we have stopped more than 110,000 illegal claims from being filed in Florida, which represents \$460 million that would have been stolen from our system. And individuals may not even be aware that their identities are stolen as they are with the IRS tax returns when they file their claim or file for benefits.

So fighting fraud is not only important to protect identities and ensure those who deserve to receive reemployment assistance benefits are getting them, but it is also vital to protect Florida's unemployment trust fund.

So how is Florida's reemployment assistance program prepared for the future? We know that recessions come and go, and there is no doubt that another national recession will hit. The only question is when. So continuing to research innovative ways to help our programs run effectively and efficiently will take us through another recession and be able to continue to serve claimants while connecting them with employment opportunities in a local community.

We know barriers to employment still exist, and we are working with our partners across the State on innovative ways to eliminate those barriers.

Thank you.

Chairman Buchanan. Thank you, Ms. Proctor.

Mr. Carpenter, please proceed with your testimony.

STATEMENT OF WALTER CARPENTER, MAI, CRE, PRESIDENT, PINEL & CARPENTER, INC.

Mr. Carpenter. Chairman Buchanan, Ranking Member Doggett, and the members of the Subcommittee on Human Resources, thank you for the opportunity to testify today.

I am Walter Carpenter, president of Pinel & Carpenter in Orlando, Florida. I graduated from the University of Florida in 1975, and in the early 1980s, I was afforded the opportunity to become a partner in my firm. Pinel & Carpenter is a real estate valuation and consulting firm primarily providing professional services throughout the State of Florida.

Both as an employer and an employee, I am humbled by the fact that many of my fellow workers have been employed with the firm for over 20 years, spanning my 41 years with the company. I look upon these workers and their families as an extension of our work family, recognizing they depend upon the decisionmaking and success of the company.

As a small-business owner, the day-to-day challenges of successfully growing a business, meeting customer demands, managing employees, and monitoring Federal and State laws and regulations sometimes seems overwhelming. As an employer, I would like to speak to you today regarding three areas of the unemployment system I believe directly impact small businesses.

First, the unemployment tax rate and the rate base, which depends upon the amount to be paid by employers, can have a direct impact on future hiring decisions. Depending upon the type of business and the claims experience of the employer, the tax rate can dramatically vary and during significant rate increases can actually have a negative impact on employment within a State.

Secondly, as small-business men and women, we understand the importance of the unemployment system being primarily a State responsibility with successful solutions creatively solved at a more local level. As there are many differences from region to region and State to State, one size does not fit all, and an overall Federal solution may actually have unintended adverse consequences in many States.

Finally, as an employer, I specifically understand the very important issue of the integrity in the employer-funded unemployment insurance system. During the downturn of the Florida economy, employers and employees recognized the value of the system that provided a short-term partial wage replacement for individuals who found themselves temporarily unemployed.

As previously mentioned, the bottom line and cost tax rate paid by employers is closely monitored and watched in the State of Florida. Although the professional service company like mine may have comparatively low rates, I interact on a regular basis with other employers in the manufacturing and construction fields which have immediately felt the significant rate increase of the trust funds as they become depleted. Yet, as an employer, we can partner with our State government in formulating solutions which balance a rate increase with job growth by increasing funding through other State

programs to encourage companies to relocate to Florida or for existing companies to expand.

Throughout the 2010, 2011, and 2012 legislative session in Florida, employers worked with the State to effect increases in the trust fund to adequately pay unemployment claims. The cumulative effect of these cooperative efforts allowed the borrowed money from the Federal Government to be paid back and the interest paid off in 2 years. The trust fund in Florida has rebounded to a once again healthy status and the employers are paying relatively low rates, which started in 2014 and continue today.

In most States, the majority of job growth is generated by small businesses at the local level. Unemployment claims are paid out to individuals at the local level, and the revenue is generated to pay the claims through private employers within the State. The unemployment insurance program is appropriately designed to place the primary responsibility for the unemployment insurance system at the State level with the ability to borrow funds from the Federal Government on a temporary basis when State trust funds experience shortfalls.

To effectively promote job growth and funding for new companies to relocate to Florida and for existing businesses to expand, the State considers what may be an appropriate maximum number of weeks in Florida for payment of unemployment compensation. Again, the State of Florida, working with the business community, has found that a sliding scale of benefits works well in our State. I do not believe a Federal one-size-fits-all approach when it comes to the trust fund is a proper way to achieve creative solutions.

Finally, as an employer who has contributed to the trust fund for some 40 years, I believe the integrity of the unemployment system is critical. Of utmost importance is the adoption of clear, straightforward administrative standards requiring that State law requires that individuals be able to work, available to work, and actively seeking work.

As an employer, I believe continued improvement should be made in the methods used by State unemployment insurance agencies. The unemployment system is intended to be an insurance temporary payment program and is not a public assistance system. Again, I see this as a public-private partnership with the businesses providing the revenue to support the trust funds and each individual State maintaining the integrity of their State systems.

Chairman Buchanan, Ranking Member Doggett, and the other members of the subcommittee, thank you for the opportunity to present my views to you. I appreciate your service, your time, and your consideration.

Chairman Buchanan. Thank you, Mr. Carpenter.

Ms. Conti, please proceed with your testimony.

**STATEMENT OF JUDITH M. CONTI, FEDERAL ADVOCACY
COORDINATOR, NATIONAL EMPLOYMENT LAW PROJECT**

Ms. Conti. Thank you. Good morning, Chairman Buchanan, Ranking Member Doggett, and members of the subcommittee. I appreciate the invitation to testify today.

Since it was established over 80 years ago, the UI system has been one of the mainstays of our Nation's social insurance system, and there is no better example of the importance of the UI system than the role it played in the Great Recession. In 2009 alone, UI kept an estimated 5 million people out of poverty and saved more than 2 million jobs. Over the course of the recession, it closed the GDP gap by nearly 20 percent.

Unfortunately, as Ranking Member Doggett has noted, too many States have taken actions that have weakened the UI system since the end of the recession. And as a result, today UI reciprocity is at historic lows and State trust funds are still largely unprepared for the next recession, which though not imminent is certainly inevitable.

Today, I would like to focus on three key areas: State trust fund financing and solvency, program integrity, and reemployment services.

Over the past three decades, rather than forward funding trust funds during good economic times, a majority of States have managed their programs with more of a pay-as-you-go approach, which left them woefully unprepared for the last recession. Thus, during the Great Recession, States had to borrow more than \$141 billion dollars from the Federal Government to pay their UI claims. And then the States had to repay these loans, which was done with a mandatory tax on businesses, which they had to pay long before the recovery had really taken hold and they were able to pay those funds as easily as they could have during good economic times.

Though virtually all States have paid back their loans, the programs as a group are still unprepared for the next recession. Only 18 States have sufficient reserves to get through 1 year of typical recession claims and none of the 13 largest States in terms of UI meet that standard.

Equally worrisome, because so many States have chosen to repay the debt by slashing benefits, we are not ready for the next recession in terms of the cushion that workers may need transitioning between jobs.

But there is time to correct these problems, and the Federal solution is simple. We recommend that Congress gradually raise the UI taxable wage base over the next 6 years to \$59,000, which is half of the Social Security taxable wage base, and we recommend that it be tied to the Social Security wage base after it. States and the Federal Government can then adjust tax rates in order to make sure that they are fair and sufficient to fund for the next recession.

And I realize that the concept of raising taxes is anathema to some, but it is important to keep them in perspective. Currently, they represent only 0.6 percent of overall hourly compensation costs, a mere 21 cents per worker per hour, and it is a small price to pay during good economic times for the income support and economic stimulus that they provide during recessions.

With respect to program integrity, we need to be sure that we approach this in a balanced manner, not just talking about claimant fraud. In 2015, for example, just 2.9 percent of total payments represented claimant fraud. And, of course, as Ms. Proctor described, there is a larger fraudulent scheme that the States need to be adequately financed to deal with as well.

A virtually equal percentage of overpayments, 2.7 percent in 2015, were found to be due to agency error, and my written testimony details the levels of employer fault for overpayments as well.

One of the single biggest barriers to better program integrity is the persistent underfunding of UI agencies. Their funding has remained flat since 1995, and it is at its lowest rate since 1986. They need to be better resourced to zealously pursue program integrity.

They also need to be better resourced, as other witnesses here today agree, to better invest in high-quality and targeted reemployment services. There is ample evidence of their value to workers, employers, and State trust funds, which are held in trust by the Federal Government. Yet, in spite of that fact, in spite of the fact that the U.S. workforce grew by 36 percent between the years of 1985 and 2015, funding for reemployment services has shrunk by 61 percent over the same period of time.

In order to correct this underfunding and ultimately save the UI trust fund's money from shortened durations of unemployment, we recommend that Congress appropriate sufficient funds for the agencies to run vibrant reemployment services programs through their employment service. We also recommend that Congress make a one-time appropriation to help States update their UI technology, which will help them better administer every aspect of their program.

Alternatively, Congress could consider funding 2 years of enhanced reemployment services through the Federal Unemployment Account, require that States put the funds they save in those UI payments into a type of escrow account, and then reinvest that once the 2-year period is over.

I appreciate the opportunity to testify today, and I am happy to answer any questions that you may have. Thank you.

Chairman Buchanan. Thank you, Ms. Conti.

Ms. Beebe, please proceed with your testimony.

STATEMENT OF MICHELLE BEEBE, DIRECTOR, UNEMPLOYMENT INSURANCE, UTAH DEPARTMENT OF WORKFORCE SERVICES

Ms. Beebe. Chairman Buchanan, Ranking Member Doggett, and members of the subcommittee, good morning and thank you for the opportunity to be here. My name is Michelle Beebe and I serve as the unemployment insurance director for the Utah Department of Workforce Services.

To provide some background on Utah, the average individual in Utah qualifies for 22 weeks of benefits at \$375 per week and stops filing after 12.3 weeks. Our duration and exhaustion rates are among the 10 lowest in the country, even with our relatively high wage replacement rate. Our State unemployment trust fund was one of only 15 to retain solvency during the most recent recession, and we are currently ranked as the fifth healthiest in the Nation.

The recently enacted Workforce Innovation and Opportunity Act has three primary points of impact on UI: Reemployment services, providing meaningful assistance when filing a claim for benefits, and using employer wage records to evaluate performance.

Utah uses a triage approach in facilitating reemployment that leverages technology. Individuals filing a new claim are required to complete our online work registration and assessment. This includes participating in our State labor exchange, identifying their level of need, and utilizing online workshops. Individuals completing this process show a 26 percent increase in higher rates compared to individuals who fail to complete the process.

A certain portion of individuals will find work regardless of our intervention. The key is to identify who would best be served by an investment in mediated services. This is addressed with a worker profiling model, which evaluates education and previous work history to identify the probability of exhausting benefits.

Utah began participating in the original REA program in 2010, and we migrated to the new RESEA program in 2015. This extended the program statewide, and it focused Utah's mediated outreach on efforts that were for individuals that were recently separated from military service and those identified in the probability model.

Over a period of 5 years, individuals participating in the REA program have drawn \$10.9 million less in State unemployment benefits controlled through the control group. When we account for administrative costs, Utah generated an estimated \$5.8 million net positive return to the State trust fund as a result of the REA program.

To provide assistance for those filing new claims, instead of in-person support at 31 one-stop centers across our State, we centralized our claims center, and we now operate

with only 25 staff. This phone and online customer service delivery model includes an online chat feature and a help desk where staff in the one-stop centers can reach a claims taker in less than a minute. By leveraging technology, the hours of coverage and the convenience of access is increased significantly. This is one example of a State using its resources effectively to accomplish the program mission.

Congress designed the UI program as a Federal-State partnership. This ensures that the voice of local employers, who fundamentally support the payments of unemployment benefits through our State trust fund, is heard. Administration of the program is based on workload projections and historical operational costs for funding; however, the amount requested by States is consistently decreased in the final base allocation and has not been adjusted to include inflationary increases. This underfunding has shifted the purpose of the model to essentially having States compete with each other for ever-diminishing pieces of the same pie. States are left with limited means to pursue innovation.

The demonstration projects that were created with the Middle Class Tax Relief and Job Creation Act is one example of proposed alternative funding that showed an imbalance in that partnership. This allowed for 10 States to pursue projects to improve the effectiveness of reemploying individuals using State trust fund dollars. Unfortunately, the overly prescriptive nature of the legislation and the subsequent interpretation by the Department of Labor made pursuit of such an opportunity unrealistic and in the end no States applied.

Administrative funding is limited and States need flexibility in order to achieve sustainability and to pursue innovation. States should be held accountable by their employer base -- and by extension of Federal Government -- to spend responsibly and with demonstrable impact. We exist to protect workers during periods of involuntary unemployment and to protect employers by preserving the skills of the local workforce. This can be facilitated with flexibility in the use of funding and by realigning the balance of the Federal-State partnership to recognize the value of State innovation.

Thank you to the committee for engaging in this discussion today.

Chairman Buchanan. Thank you, Ms. Beebe.

I want to thank all of our witnesses for great testimony today. And I will begin with the questioning.

Mr. Carpenter, you are a small-business guy. I am. I know I talk to a lot of different business people, and over the years some have told me if they paid \$30,000 or \$40,000 salary, when they add all the add-ons to it, FICA and all the other costs, UI costs, everything else, it used to be 20 percent, now it is close to 40, 42 percent. So when they hire someone for 50, it ends up being really 70 compared to an independent contractor or something else.

So I guess I want to get your thoughts with the rising cost of insurance. I know you represent small business across the State as well and as a small business person. Ms. Conti had suggested raising the cost of unemployment insurance to small businesses, what impact would that have on your business and business in general in Florida?

Mr. Carpenter. Thank you, Chairman.

I think any type of an increase in a cost center for a small business has an adverse impact. It requires an immediate increase in revenue, which is not always obtainable for a small business. And it is usually the cumulative effect of what people believe to be small incremental tax increases taken on a small business in totality is what has caused the problem. Oftentimes small integral increases in and to themselves don't look big, but to a small business, multiple ones do.

Chairman Buchanan. Ms. Proctor, I am so impressed with what has taken place with the current administration in Florida. I know we have gone from 11 percent unemployment down to 4 or 5. And I know the governor and yourself have restructured a lot of it in terms of economic opportunity and UI and all these other agencies you merged together. Maybe you can take a minute and just explain to us, and maybe it would help other States as well, what Florida has done, because it is very impressive what has happened over the last couple of years.

Ms. Proctor. Yes, sir. Thank you, Chairman.

Over the last couple of years, since Governor Scott took office, the focus really has been on getting every Floridian back to work. We know that every job is important, and we know that if we support the private sector industry in our State and make sure that taxes are low and regulation is low, then there is going to be more job creation. Businesses are going to come where they are welcome, and if the taxes are too high, then businesses won't feel welcome, just like individuals go where they feel welcome and loved.

And so we know that and we see that all across the State. If we reduce the regulation and a business is able to open its doors sooner, then they are able to make that revenue sooner, they are able to hire more people sooner, and the economic impact of that is always felt at a local level.

So it is very important that we focus not only on the job creation in the private sector, but make sure we support that with an environment that shows that businesses are very welcome in Florida and that Florida is open for business.

Chairman Buchanan. And your thoughts just quickly on if we raise the UI fees that go to, companies have to pay small businesses in Florida, what impact would that have?

Ms. Proctor. So we have focused on cutting taxes, not raising taxes in the State of Florida. We know that every tax is money out of a business owner's pocket, and we

would rather them use that money to hire more people or give more benefits or use the money as they see fit. So we know that, as was just testified to, every tax increment adds on top of each other not only at the State level if we add taxes on top of other taxes, but there is also local regulation that has to be taken into account and a business owner will feel all of those. So we are focused on cutting taxes rather than raising them.

Chairman Buchanan. Thank you.

And I now would like to recognize the distinguished gentleman, Mr. Davis.

Mr. Davis. Thank you very much, Mr. Chairman.

And I thank all the witnesses for being here with us.

Ms. Conti, let me ask, I am concerned about the unemployment safety net. Certain groups of Americans continue to struggle. For example, the unemployment rate for African Americans is 8.1 percent, much higher than the average. Further, 2 million Americans remain long-term unemployed, with African Americans, Asian Americans, and older Americans remaining jobless the longest.

In Illinois, 40.3 percent of the unemployed were jobless for 27 weeks or more, much higher than the average 27 percent nationally. Chicago's local rate of employment is below the national average and other large urban cities.

These high rates of long-term unemployment, plus the large number of disconnected workers, together with the lower-income jobs appearing after the recession, the lack of State trust fund solvency, and the tenuous economic health of certain States, suggest that any economic volatility in the global market could harm millions of Americans.

What reforms do you think are needed to help these hardest-hit Americans now and to help the unemployed if global economic volatility increases in the next few years?

Ms. Conti. Thank you for your question, Congressman Davis.

I think there are two tools that we have at our disposal. The first is more vibrant reemployment services, starting with, as Ms. Beebe spoke about, the worker profiling system. Utah uses it to great effect, so they can meet a worker on that first week of unemployment and predict who is the most likely to exhaust benefits without getting a job and provide them with the intensive services they need to either find a job in that period of time or to move them into the publicly available training that is available through the Workforce Investment Opportunity Act.

Unfortunately, far too many States don't use the worker profiling system that Congress enacted in 1996, I believe it was, and the reasons are twofold. One is many don't have the money to do it because there aren't adequate appropriations for UI

administrations. Some States, Utah probably being one of them, use some State money to help with this as well.

But beyond that, I have also heard a number of State administrators express concern that if they use the profiling system too much and disproportionately, it is people of color, for example, or women who are turning up as the ones that are most likely to exhaust benefits, they are worried about some sort of discrimination lawsuit. When I have spoken with folks at DOL, they don't have any concerns like this.

So I think it would be time for all of us, and this committee could help to facilitate that, to facilitate a discussion and perhaps a guidance of the best usage of worker profiling so that States can feel comfortable using it to the degree of success that Utah has.

The other thing I would bring up, especially since you speak about disconnected workers, just recently, this summer, along with the Center on American Progress and the Georgetown Center for Poverty and Inequality, we released a fairly substantial large report about the ways we believe that the UI system should be overhauled in order to make it as vibrant as possible and protect workers, employers, the trust funds, and have that role in the economy we think that it should.

And one thing we recommended was the institution of something called a job seekers allowance. It would be a means-tested, modest 13-week benefit that people who are disconnected from work, people who have not earned enough money or been sufficiently attached to the workforce to qualify for UI, new entrants to the workforce, a small amount of money they can use to defray costs like transportation, resumes, wardrobe in order to be able to interview, child care if necessary for interviewing.

And we think that this is something, and once you bring somebody into the system and give them this help and then get them connected with reemployment services, as well, or employment services, perhaps, in the first instance, when they have that extra cushion, when they have that connection to the workforce system and the employment service, we think that is going to be something that would be great at getting people who have either given up looking for work or disconnected people or folks who haven't had a chance to get into the workforce system yet that opportunity.

Mr. Davis. Thank you very much. And I would certainly agree that the Georgetown proposal, as well as some of the interesting things that the State of Utah is doing, would be very helpful. I have looked at this for a long time. So thank you very much for your testimony.

And I yield back, Mr. Chairman.

Chairman Buchanan. Thank you, Mr. Davis.

I now recognize Mr. Rice.

Mr. Rice. Thank you, Mr. Chairman.

I am so pleased to hear about the successes in Florida and Utah in particular and glad that the Federal Government has allowed States the level of flexibility they have, although I hear you, Ms. Beebe, that perhaps we need to allow States more flexibility for innovation so that we can continue to solve this problem.

I think the best way to solve the problem is to have a better labor market. You know, we have got over 90 million people out of the workforce permanently, not looking for a job, because they could basically gave up, a large percentage of them. So the best way to help with reemployment is to create a tighter labor market where people don't struggle, have such a difficult time to find job. And the way we do that under the purview of this committee is tax reform and other things to make this country more competitive, in my opinion.

But working with the economy that we have now, and the successes that you, Ms. Proctor, and you, Ms. Beebe, have seen in your various States, one thing I am curious about is, is there a State association or mechanism for the States to regularly get together and compare notes on successful programs and how these innovations can be shared with other States?

Ms. Proctor.

Ms. Proctor. Thank you, Congressman.

Absolutely. And one of the things we like to do is we like to make sure we talk to other States. And we work regularly will Utah and with NASWA and make sure that our successes are heard not only in our State, but also in other States, because all of the States across the Nation are going to have different ideas, and we don't always know what will work in one State. If it may work in Florida, it may not work in other States. But if it does work in Florida, there is a chance it will work in other States.

And so we want to make sure we share that information as broadly as possible. We also want to make sure that we have a strong economy, because if we don't have a strong economy and, as you were saying, a strong labor force and job market, then we are in a difficult situation. So the stronger our economy, the better these innovative ideas will work.

Mr. Rice. And we certainly need a reasonable sinking fund to take care of the next recession. We will never completely do away with business cycles. But as you say, lower taxes yield a stronger economy and less need for unemployment insurance. So there is a balance in there somewhere.

Ms. Beebe, can you tell me about any history that you have had with looking at other States and adopting any things that they have innovated or other States looking at your programs and maybe picking up some of your ideas?

Ms. Beebe. Yeah, absolutely. And I think the beauty of bringing States together is that you find what may have worked in Florida, while it may not have a direct translation to our State, there are pieces that are translatable to our economy and we can make it work for our local solution.

Recently, the Department of Labor and the National Association of State Workforce Agencies called together representatives from both State unemployment programs and State workforce programs to talk about work search. We realize that this notion of checking off a certain number of contacts each week is not necessarily how people meaningfully find work. There are things like networking, there is how to use the Internet effectively. And so by getting together a group of different views within the same room and to talk through how can we reenvision work search so that it is more effective and also fits the requirements for the unemployment program.

Mr. Rice. I am so impressed with the testimony you have given about the use of technology both for bringing people back in the workforce and screening people and then with the, I guess you call it, centralization of your unemployment ops where your experts are all in one area, you can use the chat feature that you were talking about. So often you hear about technology putting workers out of work. You are using technology to put people back to work. That is a fascinating thing. So thank you for your service.

I yield.

Chairman Buchanan. Thank you, Mr. Rice.

Mrs. Noem.

Mrs. Noem. Thank you, Mr. Chairman.

And, Mr. Carpenter, in your testimony you talked about how one size doesn't fit all. And I think in some of the questioning that we have already had today, the different programs that were talked about were not one size fit all. In fact, there are 53 different programs across the country based on what each State has chosen to do and offer. But for you as a business owner, tell me why it is important that you don't have the same programs that another State may have.

For me, I am from South Dakota and a small business owner, and I don't know if the same program would work for South Dakota that would work in New York or California or Florida or Illinois. So tell us today why it is important as a business owner to have flexibility and have a program that may not be nationwide or federalized.

But also, I want you to talk about Ms. Conti in some of her testimony talked about raising the threshold and potentially raising the amount of money that goes into these unemployment funds and what that would do to you and your business when that goes into place.

Mr. Carpenter. Thank you.

Florida has different types of businesses than other States. So I think what may adversely impact another State with regard to employment may not have the same effect in Florida. So I think the greatest to overcome unemployment is to concentrate on employment and to provide job growth, and I think that is what Florida has done.

So also, I think the innovation that you get with small business working with their State governments on how to adjust the unemployment system in their State, that creates a variety of those, that some will work in some States not in others. But that provides a large number of those through shared ideas to be shared rather than a top-down effect from the Federal Government.

Mrs. Noem. Do you have a specific provision or something that you feel like was implemented in Florida that made a big difference for you as a business owner?

Mr. Carpenter. Well, I think the biggest impact in Florida over the last 8 to 10 years has been the State working with small businesses on what is important with regard to job growth and the interaction of the State agencies with the university and the community colleges and working with small business so that the jobs and the skill set that small businesses need are actually introduced at the community college and the college levels to help the employment in the State.

And I certainly don't think that an increase in the wage level on unemployment is necessary. I mean, Florida lived through a tremendous recession, and its unemployment funds are back up to the level already that it was prerecession, maybe even a little bit above that. And that has been obtained within a short period of time and was still done at the level that we have been at. So as a small business, I don't think, at least in Florida, that is certainly not necessary.

Mrs. Noem. Ms. Proctor, how many weeks is your unemployment, your UI available? What is your program and the average benefit per week?

Ms. Proctor. So right now we are at 12 weeks and it is specifically tied in statute to the unemployment rate. So as the unemployment rate drops and more jobs are available in our economy, there are fewer weeks available to get the supplement that is provided by the reemployment assistance program in Florida.

Mrs. Noem. Do you know what the average weekly benefit is?

Ms. Proctor. The average weekly benefit, you can get a maximum of \$275, and most folks get a little bit less than that. And usually people stay on about 11 weeks is what we are seeing right now.

Mrs. Noem. Okay. All right. Great.

Ms. Beebe, was there other -- I know I don't have much time -- but was there something specific or another State that was doing something that caused you to look at your program and make a change? Because you are outstanding, your cooperation with other States. Is there something in particular that helps you get new ideas to implement or to try in Utah?

Ms. Beebe. I would like to be bring up the example of the State workforce development board as part of the Workforce Innovation and Opportunity Act. Utah is one of, I believe, 10 States that is considered a single State designee, so the workforce board covers our entire state workforce development.

Mrs. Noem. How is that funded?

Ms. Beebe. It is funded through WIOA dollars, employment services dollars. It has a variety of funding.

And with the workforce development board, I was recently having a conversation with a group of employers about how to set up an ideal one-stop center. And it was interesting, we had an employer who has nine employees, they are located in a rural town called Price, Utah, and we have an employer who has 3,500 employees in an urban center, 1,200 of which are engineers, and the distinction of what these employers need for success.

A hospital in Price, they found that they can find qualified candidates to come and get experience with their residency, but they will oftentimes leave once they have that 2-year period to put on their resume. And so in order to effectively recruit people for that location, they need to find people that have family ties to the location. And so this rural-urban unique situation is very, very important to have in the conversation.

Mrs. Noem. Yeah. Great. I am out of time. Sorry. Thank you.

Ms. Beebe. Thank you.

Chairman Buchanan. Thank you, Mrs. Noem.

Mr. Crowley.

Mr. Crowley. Thank you, Mr. Chairman. Thank you for this hearing today.

I think it is important that we have an understanding of the role that unemployment insurance plays throughout our country. It is there to help people through a tough time when they have lost their job through no fault of their own usually. No one looks forward to unemployment insurance, in fact, when they are fired for no fault of their own. No one looks forward to unemployment insurance. I don't have a constituent who says, "I can't wait to be on unemployment insurance." Unemployment insurance typically replaces a third or less of a worker's income.

What it does do is help people make ends meet between jobs so they don't lose their home or have their children have to go hungry. And yet, we have seen States cut back unemployment benefits during some very difficult times for Americans. And there have been proposals to make it worse, not better.

Primarily, my colleagues on the other side of the aisle fought us every step of the way when we tried to keep unemployment benefits going to the 3.6 million Americans who had not yet found work during the largest recession in our Nation's history since the Great Depression. It seems corporate tax cuts are always on the table. When it comes to helping working families, they deemed unemployment insurance to be too extravagant.

Ms. Conti, I would like to hear more about what you are seeing in the unemployment system and what we really should be doing. What are some of the reasons that people looking for new jobs, why is it they need income, not just job placement services? Does cutting off or blocking unemployment insurance benefits make it easier or harder to look for a job?

Ms. Conti. Most of the studies that you see show that it makes it harder to look for a job. Unemployment assistance is something that keeps people connected to the workforce and keeps them engaging and looking for the jobs. It provides people with the money they need to travel to job interviews, whether it is local, just using gas or public transportation, or perhaps crossing State lines or going to different cities. It takes care of child care for people when they are looking for jobs, wardrobes, all of the tools that we need for looking for jobs.

Mr. Crowley. And by the way, Ms. Conti, it doesn't pay for it. It helps.

Ms. Conti. Exactly.

Mr. Crowley. Child care alone, unemployment insurance is not going to cover the cost for child care alone.

Ms. Conti. Right. The costs are astronomic. But if somebody loses so much of their income and there is no replacement and they have a young child that they can't keep in daycare, for example, or can't put in some sort of affordable and safe care while they are interviewing for a job, we hear all sorts of horror stories that there are low-income single mothers, for example, who have had to leave their children unattended to go look for jobs and then all of a sudden they are in the child welfare system.

So there is a drastic cause-and-effect problem here and we need to be looking at it as a whole.

Mr. Crowley. Holistically.

Ms. Conti. There are studies that talk about how when there are children in families that are suffering unemployment they have less educational achievement, that they really suffer as a result of it.

So unemployment is a real human waste. It is a human tragedy. Adults want to support their families. They generally want to work for a living. It can have a dramatic effect on an entire family unit and, in times of recession, on entire communities.

So when we see States responding to solvency issues by slashing benefits so badly that we don't believe they are going to be ready for the next recession and aren't going to be able to provide adequate resources in times of heightened unemployment, it really troubles us for what we are going to see in the future.

Mr. Crowley. It is remarkable, I think, in terms of where we have come in the last 8 years, and forgetting that this was the worst recession since Herbert Hoover's Presidency and the Great Depression that really started in the Bush administration, was left in the lap of the present administration.

But nine States currently offer less than 26 weeks' unemployment benefits. When was the last time so many States gave workers so little opportunity to earn enough unemployment protection for themselves and for their families? Do you have an idea?

Ms. Conti. Not since before the Federal/State unemployment insurance system was founded.

Mr. Crowley. And when was that?

Ms. Conti. It is over 81 years old.

Mr. Crowley. Eighty-one years. So not since it has been founded has less been given to unemployed workers in this country who are looking for work. Is that correct?

Ms. Conti. Correct. And right now we have reciprocity rates in the Nation of about 26 to 28 percent, whereas before the recession it was at 36 percent. There are a few States where reciprocity is as low as 1 in 10 unemployed workers in the State, and that is not what we believe is an adequate safety net.

Mr. Crowley. I have additional questions, but my time is running out, unfortunately, so I will have them in writing for you. And if you can respond in writing, we would appreciate it.

Ms. Conti. I will be happy to do so. Thank you.

Mr. Crowley. Thank you, Mr. Chairman.

Chairman Buchanan. Thank you, Mr. Crowley.

I now recognize Mr. Smith.

Mr. Smith. Thank you, Chairman Buchanan. I want to thank the witnesses for being here.

One thing we should all agree on is reducing fraud in unemployment insurance. When people defraud the system, the people who legitimately need our help don't get access to the resources that are needed.

As I traveled through Missouri during last month, I was completely shocked to read that a man from New Madrid County in southeast Missouri in our congressional district was convicted of a variety of fraud charges. Among other convictions, his actions resulted in more than \$60,000 worth of fraudulent unemployment insurance benefits to some of his employees.

Sure, I am pleased the authorities tracked him down and ended his scheme, but concerned how many more people in Missouri and throughout our country are out to defraud the system.

Ms. Proctor, in your testimony you talked about identity theft and fraud in the UI program in particular. Given your experiences, can you discuss the ways in which Florida has become better at identifying this illegal activity?

Ms. Proctor. Yes, sir. Thank you very much.

So what we found was that there was, back in 2014, something else going on in the system. It wasn't just the traditional one-off where somebody may say that they are eligible for benefits and then we find out later that they are not, the cut of the pay and chase that the chairman was speaking of.

What we found is that people were stealing identities from you name it. I mean, you hear about information being stolen from all types of systems all over the world and then being sold. And they were using those fake identities to come into the system and get benefits. And they can do that in Florida; they can do that all across the country.

For instance, someone could come in and say they are me. They could come in and say they are Cissy Proctor and that they have lost their job through no fault of their own. And they probably know more information about myself than I do. You can buy the IP address, for instance, that I may file, may use to go on my online banking system. And they can buy anything they want.

And so we found that that was very prevalent in our system, and we built an in-house system to fight the fraud. And so we have what is called, we call it our FIRRE system,

that on the front end looks for patterns to see if the person who is coming in, for instance, and saying they are Cissy Proctor is not.

For example, you may be able to file a claim in a very, very short period of time that a person would not be able to do it in, or there are a lot of other examples that we use to find this fraudulent activity. And then we keep it out of our system so that they are not given more information or access to the money or access to the system.

And then what we have started to do is we have provided, people who we think their identity has been stolen, we have started sending them letters to let them know, because like my testimony earlier, unlike the IRS system, you may never file for reemployment benefits in Florida, so you may never know that your identity has been stolen.

So we want to let these people know proactively, to give them the resources that they need. And so it has been a proactive approach on our end to make sure that we keep this identity theft out of our system.

Mr. Smith. What were some of the initial challenges whenever adopting that system?

Ms. Proctor. We built it ourselves. And so it was the creation of a system in-house that looked at identity theft in a different way. It wasn't looking at just blocking anybody from getting into the system, but we had to make sure that we were only blocking the folks that weren't real. We don't want to block somebody who is coming in the system legitimately to get the benefits that they are due. We want to only block the people who are coming in who have stolen identities, are coming in to steal money out of the Unemployment Trust Fund.

So that was the biggest challenge that we had. And what we have implemented now on the back end is, if somebody has difficulty, if they have difficulty authenticating who they are, or we have a question about whether or not somebody is using a false identity -- for instance, you can buy a PDF of a driver's license with your picture on it -- and if someone was using something that we questioned, we now have an in-person verification option for people. We will call them in and they will come into one of our career centers. So not only can they authenticate who they are, but then they also can get the help that they need to get reemployed in Florida.

Mr. Smith. So what advice would you give the folks back home in Missouri, to adopt a system similar to Florida, or is there any other advice that you would give?

Ms. Proctor. We work with States all across the country, and we are happy to, if there are folks in Missouri that would like to talk to our team, we can run them through a demo of our FIRRE system, show them what we found, show them what our technology does. And we have also for other States, we have actually run some claims through our system to show them what levels of fraud they may or may not have in their system.

Mr. Smith. Thank you, Mr. Chairman.

Chairman Buchanan. Thank you, Mr. Smith.

Mr. Dold, you are recognized.

Mr. Dold. Thank you, Mr. Chairman.

And I certainly want to thank our witnesses for taking your time to come and help us with what we believe is obviously an issue throughout the country, and we want to make sure that those that find themselves out of work have an opportunity not only to get back on their feet but find employment again.

And ultimately, as we look at the unemployment rate that the country nationwide says it is 4.9 percent, we all know that that number is significantly higher than 4.9 percent. At least back in Illinois, we know that there are a number of folks that have stopped looking for work. And I think that ultimately we want to find more people back into the workforce.

Time and time again, Mr. Carpenter, I interact as a small-business owner with other small-business owners. Let's say I have jobs available. I am having a hard time finding people to actually come take the jobs. And obviously the role that we want to see is, how can we get those that are dealing with our unemployment insurance to be able to marry up with employers.

So, Ms. Beebe and Ms. Proctor, you obviously in your roles are working with your States. How are you engaging with small-business employers that are looking for work? And we recognize that a one-size-fits-all doesn't work, but can you tell us real quickly how you are working with small businesses to get people back to work with local businesses?

Ms. Proctor. Yes, sir. In Florida, we know that more than 65 percent of the businesses in Florida have fewer than five employees. So the small businesses are really the backbone of our community. And so what we want to make sure is that there is an environment within which they can do what they need to do, which is run their own businesses.

What is interesting and really great about the Florida Department of Economic Opportunity is on one side we have the Reemployment Assistance Program, where we are trying to help those who lose their job through no fault of their own get back to work. So we have a whole system and network of career centers and State colleges and universities and private industry and charities that are working very hard in Florida to get people back to work.

And on the other end we work with the business community, because we have the economic development programs for our State. And so we work with the chambers across the State, not only the Florida chamber but also local chambers, to make sure that we understand what the business needs are in our State and we can marry up the business needs with those needs of folks who are looking for a job and may need extra training.

We also recognize in the middle is the communities. We want healthy communities. We want to make sure that the infrastructure is available in those communities to support the businesses and support a strong economic climate so that everybody who wants a job can get back to work.

Mr. Dold. Great.

Ms. Beebe, do you want to talk just a little bit about what you are doing in Utah?

Ms. Beebe. Absolutely. So we have some formal and informal means. In terms of formal engagement with the business community, we find that that occurs through the State Workforce Development Board, where more than 50 percent of the representatives are from businesses across the State.

We also have an Employment Advisory Council. So any time we are looking at potential policy changes, we take it in front of our group, which has five public, five employer, and five employee representatives, to make sure we are not developing government policy in a bubble.

In terms of the informal means, we have workforce development specialists that are located around the State of Utah whose sole job is to engage the employer community in making that match between job seeker and employer. Finding a job in tech industry Utah County is going to be a very different experience from finding a job in the oil and gas industry in Duchesne County, and that local approach is important.

Mr. Dold. You also talked a little bit about triaging folks as they are coming in and using technology to be able to do that. Obviously, the opportunity that everybody is going to be doing the same thing, therefore, taking less staff time, actually freeing up staff time to be able to focus on those that might have more specific needs.

Can you talk about how important it is to have the flexibility to be able to do things differently in Utah than perhaps a one-size-fits-all mentality coming from the Federal Government?

Ms. Beebe. Absolutely. And so by having that flexibility to identify what works best for Utah, we can use our resources where it is appropriate. I know that some States have selected to have an unemployment representative in each of the one-stop centers. And as individuals file for claims, they are meeting with them one-on-one.

By having the flexibility to use our resources, the claims process is standardized. We can do that centralized. The RESEA program is not standardized; it is an individualized approach. It requires an individualized communication. And so by identifying what those needs are, we are able to have that tailored approach.

Mr. Dold. Well, I certainly appreciate that.

And, Mr. Carpenter, can you talk just a little bit as a small-business owner how you have helped leverage or have leveraged what Ms. Proctor and her organization are doing?

Mr. Carpenter. Absolutely. I think the engagement of the State with the small businesses on what their actual needs are from an unemployment standpoint is utmost important. And it changes. I mean, it is not something that is stagnant. So that is an ongoing conversation with the State of what skill sets are needed in small businesses in our particular State as compared to potentially a different State, like Connecticut.

Mr. Dold. Thank you, sir.

Mr. Chairman, my time has expired. I yield back.

Chairman Buchanan. Thank you, Mr. Dold.

The gentleman from New York, Mr. Reed.

Mr. Reed. Thank you, Mr. Chairman.

And thank you to our witnesses.

The questioning will go to Ms. Proctor and Ms. Beebee, because I believe you have implemented something I am very interested in exploring a little closer.

The Theory of Constraints, as indicated in your written testimony, Ms. Proctor, can you articulate that a little bit more in detail? What are you looking for in there to make the programs more efficient, less duplicative in their efforts, and what are you seeing as the common barriers that you are identifying through the Theory of Constraints and solving with that practice?

Ms. Proctor. Thank you so much for the question. We have worked very closely with Utah, who has implemented the Theory of Constraints across the State. And what we know is that we want to make sure that we provide reemployment assistance to claimants who are eligible in a timely manner. And how do you do that with a system that seems to eat up more workers and more IT and more money without really making a big difference and making sure that the people who are eligible receive that money timely?

And so we went to Utah and have implemented the Theory of Constraints to make sure that what we have is a streamlined process. We make sure that the process runs without looking to new IT, without looking to additional money or staff time until we have streamlined the process as much as possible, and then we identify the IT needs that may help that process just take it one more step. And then if we need additional resources or additional dollars, we know that we have basically found in every nook and cranny every available resource in the agency that we can.

I mean, one of the examples that we have really focused on with the team out of Utah and the Theory of Constraints is our first payment timeliness. We know that if we can pay claimants timely that it is an extremely important measure, and we haven't been able to hit it in a long time. And just last week, we hit the measure and actually exceeded it.

And I think the focus on making sure that we have a streamlined system, a process that works, when something goes wrong in the system or we have, for instance, a hurricane like we just had where you may have disruption, we need to be able to manage that, and being able to manage that with a streamlined process makes much more sense than if it is duplicative.

Mr. Reed. So let me get to more of the frontline input, because obviously a lot of times sometimes folks in D.C. focus on their point of view from here. I am really looking for input from people on the front line.

So, Ms. Beebe, when you are talking about looking at streamlining these programs within your agency, do you look outside of your agency? How do we deploy the Theory of Constraints, not just within the agency yourself, either economic development or workforce I believe is your agency, how do you deploy that beyond? Because if you are cutting checks to a claimant, are you using one central office in the Florida government in order to do that or are you doing that within your department and another department is doing it on another program, et cetera, et cetera, et cetera? That is duplicative, in my opinion.

So how do you do that? Explain that to me. And what are you uncovering as you identify these points of constraints?

Ms. Beebe. Thank you for the question. And as Ms. Proctor said, it is not always about getting more money. I think that the fundamental aspect is engaging staff.

Mr. Reed. Within your agency or outside of your agency?

Ms. Beebe. Within agency to begin with.

Mr. Reed. How do you go beyond your agency walls? How do you get into those other silos? So that is one thing I have uncovered in looking at some initiatives we have taken. We have silos in government that don't know and don't communicate with each other. How do we break those barriers down so we are using the resources most effectively that are deployed in each agency for the purposes that other agencies may be able to tap into?

Ms. Beebe. I think that comes under strong leadership. One way that we have been able to engage outside of those silos is to address the issue of worker misclassification. We have found that our Utah Department of Workforce Services is often looking at it from an unemployment insurance perspective; our Utah Labor Commission is looking at it from a

workers compensation perspective; and our Department of Commerce is looking at it from a business license perspective.

By having a coordinated council that meets on a regular basis that has these open lines of communication, we are able to share tips and leads, we are able to share best practices, and we are able to collaborate on our communication streams so that we are not addressing it in a one-off.

Mr. Reed. And what has been your experience once you have done that? Has that been a positive experience or have there been negative experiences you can share, both positive and negative experiences, with us as policymakers?

Ms. Beebee. It has been very positive for us and we have seen incredible gains.

Mr. Reed. And why has it been positive? What has allowed it to be positive?

Ms. Beebee. The sharing of ideas and the sharing of tips and leads. Information disclosure is so important when it is done in a controlled manner in respect to the confidentiality of the data that we are sharing.

Mr. Reed. Okay. And what have been negatives? I have got 5 seconds. Any negative experiences?

Ms. Beebee. Negative experience, I think it is the challenges of working with larger groups, and those are overcome with strong leadership and open communication pathways.

Mr. Reed. I appreciate that input.

With that, I yield back. My time has expired.

Chairman Buchanan. Thank you, Mr. Reed.

I would just like to thank all of our witnesses.

And I know my personal experiences, seeing the administration in Florida, the focus has been on jobs and creating jobs. You can't create jobs unless you have successful small businesses. And I think that is one of the reasons that we have had so much success the last four or five years in Florida, because we talked earlier, it is about the culture that has been created. Focus on small business, it will get you the jobs and keep full employment, which is the goal.

But thanks for your thoughts and ideas today.

Please be advised that members will have 2 weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

Chairman Buchanan. With that, the subcommittee stands adjourned.

[Whereupon, at 11:18 a.m., the subcommittee was adjourned.]

[Member Questions For The Record](#)

Member Submission For The Record

[The Honorable Vern Buchanan 1](#)

[The Honorable Vern Buchanan 2](#)

[Public Submissions For The Record](#)