NASWA
FY 2019
State Supplemental Survey Report

Results from the State Supplemental Funding Survey

September 2022

NASWA
NATIONAL ASSOCIATION OF STATE WORKFORCE AGENCIES

Contents

Background

Over the last 26 years, the National Association of State Workforce Agencies (NASWA) has surveyed state workforce agencies to determine the amount of state funds used to supplement federal grants for a variety of federal workforce and unemployment insurance programs. The NASWA State Supplemental Funding Survey (Survey) is NASWA's longest running survey, collecting supplemental funding information from states since 1994.

The Survey, sponsored by the NASWA Administrative and Finance Committee (A&F), helps gauge the actual expenditures for Unemployment Insurance (UI), Wagner-Peyser Employment Services (ES), Workforce Innovation and Opportunity Act (WIOA) programs, labor market information (LMI) activities, interest payments on Title XII Unemployment Trust Fund Advances, and any other activities supported by state funds that cannot be classified into one single category.

The Survey also captures how states have spent the funds allocated to them from Reed Act distributions. Reed Act distributions, authorized under Section 903 of the Social Security Act (SSA), are implemented when the three federal accounts in the Unemployment Trust Fund (UTF) exceed their statutory limits at the end of a federal fiscal year. If this occurs, excess funds may be transferred to the individual State accounts in the UTF. These transfers are called "Reed Act" distributions.

In December 2019, NASWA released the latest State Supplemental Funding Survey to state workforce agency Administrators and Finance Directors requesting supplemental funding data for FY 2019 (year ending June 30, 2019[1]). All 50 states plus the District of Columbia responded to the Survey. This report was delayed due to the impact of the COVID-19 Pandemic on state operations and the delay in a few states responding.

Table 1	
NASWA Supplemental Funding Survey	
Year	States Reporting
2002	47
2003	44
2004	45
2005	47
2006	46
2007	46
2008	45
2009	45
2010	45
2011	44
2012	44
2013	52
2014	52
2015	48
2016	52
2017	52
2018	50
2019	51

In reporting supplemental funding information for FY 2019, NASWA asked states to specify the source of state supplemental funds and the amount from each account used for the programs and operations mentioned above. The four categories of funding sources include: State Penalty and Interest, State General Fund, State Administrative Tax, and Other Funds.

For Reed Act distributions, states were asked in past surveys to specify the type of distribution used to supplement UI Administration, UI Benefits and ES Administration. The three Reed Act distributions[2] collected in this Survey are from the Special Reed Act, Regular Reed Act, and the $8 Billion Reed Act distributions. The A&F Committee asked the states to report on how UI Supplemental Budget Requests (SBRs) were allocated between UI and ES Administration funding. This request was continued for the FY 2019 Survey.

[1] Five states' fiscal years end on September 30th and one ends on August 31st
[2] Definitions for Reed Act distributions can be found at the end of this report

Survey Results

Table 2 below summarizes FY 2019 supplemental funding by source and program. The data shown below are actual expenditures, not obligations. Data reported by source of funding are summed to determine total state funds. In Table 2, each cell shows how much of each funding source was used for a given program.

Table 2

NASWA State Supplemental Funding FY 2019 N=51

NASWA State Supplemental Funding FY 19	UNEMPLOYMENT INSURANCE	EMPLOYMENT SERVICES	WIOA	LMI	MULTIPLE SOURCES	GRAND TOTAL	Interest on Title XII Advances
Source	*UI*	*ES*	*WIOA*	*LMI*	*Other Programs*	*Total*	*Interest on Loans*
Penalty and Interest	$191,204,657	$31,587,953	$37,220,664	$3,432,822	$62,364,468	$325,810,563	$15,889,917
State General Fund	98,384,491	35,014,964	34,566,767	858,439	28,379,739	197,204,400	10,528,206
State Admin Tax	104,355,633	99,492,991	15,209,310	5,353,473	17,859,390	242,270,796	0
Other Sources	50,829,514	37,109,094	78,469,617	308,083	3,899,500	170,615,808	0
Subtotal	*$444,774,295*	*$203,205,002*	*$165,466,358*	*$9,952,817*	*$112,503,096*	*$935,901,567*	*$26,418,123*
Special Reed Act	$497,012	$3,212					
Regular Reed Act	0	0					
$8 Billion Reed Act	7,653,456	71,334					
(SBR) UI Modernization Funds	55,805,289	25,893,725					
Subtotal	63,955,757	25,968,271					
Total	*$508,730,052*	*$229,173,273*	*$165,466,358*	*$9,952,817*	*$112,503,096*	*$1,025,825,595*	*$26,418,123*

Reed Act & UI Modernization Funds Breakout	UI Administration	UI Benefits	ES Administration	Total UI	Total ES	Total Reed Act & Modernization Funds
Special Reed Act	$497,012	$0	$3,212	$497,012	$3,212	$500,224
Regular Reed Act	0	3,918,696	0	3,918,696	0	3,918,696
$8 Billion Reed Act	7,653,456	1,000,000	71,334	8,653,456	71,334	8,724,790
(SBR) UI Modernization Funds	55,805,289	2,638,719	25,893,725	58,444,008	25,893,725	84,337,733
Total	*$63,955,757*	*$7,557,415*	*$25,968,271*	*$71,513,172*	*$25,968,271*	*$97,481,443*

In Table 2, several cells deserve special mention, including:

- ✓ **UI-Penalty & Interest:** Forty-one percent of the amount shown is from one state and is a decrease from 52 percent in 2018.
- ✓ **UI-State General Fund:** Sixty-two percent of the amount shown is from one state and is an increase from 45 percent in 2018.
- ✓ **UI-State General Fund:** Eighty-six percent is from four states.
- ✓ **UI Other Sources:** Forty-eight percent is from one state.
- ✓ **WIOA-State Admin Tax:** Ninety-one percent of the amount shown is from one state.
- ✓ **WIOA-Other Sources:** Ninety-nine percent of the amount shown is from one state.
- ✓ **LMI-State General Fund:** Eighty-five percent of the amount shown is from two states.
- ✓ **SBR UI Administration:** Eighty-two percent is from three states.
- ✓ **SBR ES Administration:** Eighty-five percent is from two states.

Additional detail for UI funding is shown in Table 3, below.

Table 3

UI Funding Breakout 2019

	# States	Min	Max	Median	Average
Penalty and Interest	37	$1,000	$77,745,400	$1,607,759	$5,167,693
State General Fund	11	1,048	61,019,000	935,053	8,944,045
State Admin Tax	16	3,000	34,415,997	2,785,160	6,522,227
Other Sources	14	2,634	24,546,990	788,777	3,630,680

Each year NASWA receives requests from states to share specific information on the number of states that reported a specific expenditure. At this time, NASWA has not received authorization from states who have submitted data to release State specific responses. Table 4 below provides information on the number of states that entered a response in a particular cell.

Table 4

NASWA State Supplemental Funding Number of States Reporting
FY 2019 N=51

NASWA State Supplemental Funding FY 19	UNEMPLOYMENT INSURANCE	EMPLOYMENT SERVICES	WIOA	LMI	MULTIPLE SOURCES	Interest on Title XII Advances
Source	*UI*	*ES*	*WIOA*	*LMI*	*Other Programs*	*Interest on Loans*
Penalty and Interest	37	16	7	6	10	1
State General Fund	11	11	10	7	4	1
State Admin Tax	16	9	4	7	5	0
Other Sources	14	7	4	1	5	0
Special Reed Act	2	1				
Regular Reed Act	0	0				
$8 Billion Reed Act	6	1				
(SBR) UI Modernization Funds	25	5				
Reed Act & UI Modernization Funds Breakout	UI Administration	UI Benefits	ES Administration	Total UI	Total ES	Total Reed Act & Modernization Funds
Special Reed Act	2	0	1	2	1	3
Regular Reed Act	0	2	0	2	0	2
$8 Billion Reed Act	6	1	1	7	1	8
(SBR) UI Modernization Funds	25	1	5	26	5	31
Total	*33*	*4*	*7*	*37*	*7*	*44*

FY 2019 State Supplementary Program Funding Expenditures

In FY 2019, state workforce agencies contributed $935 million dollars of state funds to the above-mentioned programs and activities, with an additional $13 million used for UI and ES from Reed Act distributions and $84 million from SBRs.

Approximately 87 percent of all supplemental funds provided by states went to three primary programs: UI, ES and WIOA, a slight decline from 93 percent in 2018. Funding for LMI and activities across multiple programs received substantially less in comparison to funds in 2018.

Chart 1 below, along with the accompanying Table 5, shows the trends in expenditures for each of the five programs. Funding for the UI program declined after FY 2007, and remained at lower levels until FY 2013, largely reflecting the increase in Penalty and Interest funds available. Funding for WIOA remained relatively constant over the period, but very few states supported the program. Funding for UI increased in FY 2014 and peaked in FY 2016. While there is some variation, this level has remained dominant thru FY 2019. In order to allow year to year comparisons, all funding levels have been adjusted to FY 2017 dollars.

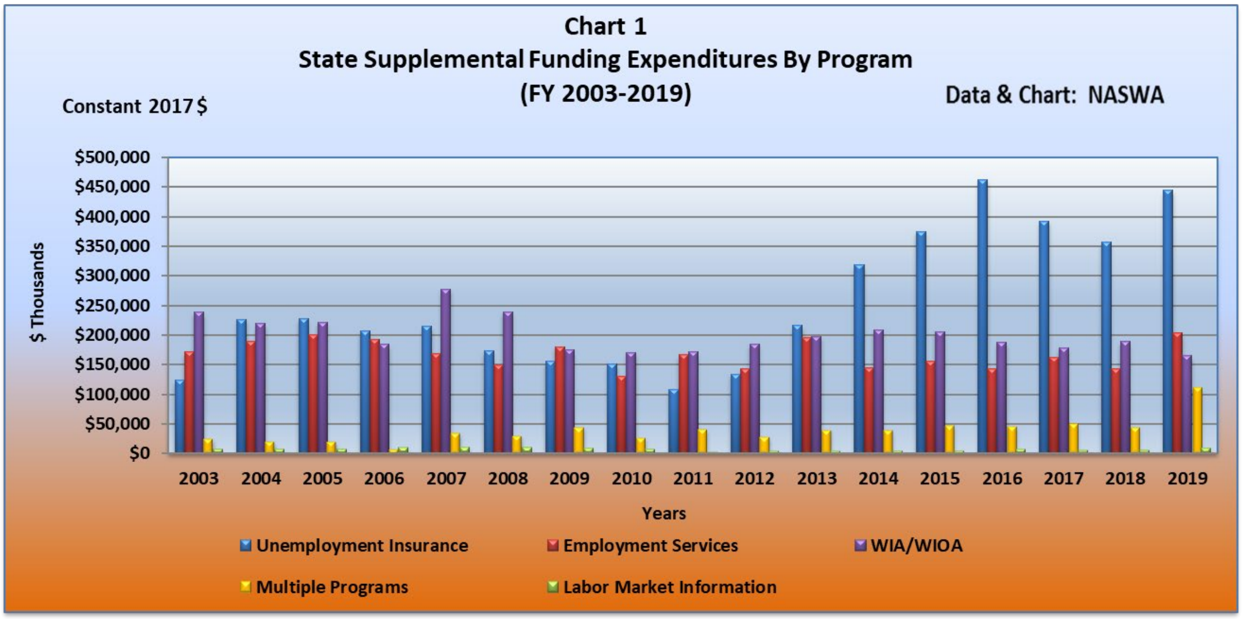


Table 5						
State Supplementary Program Expenditures FY 2007-2019 2017$						
Year	Unemployment Insurance	Employment Services	Labor Market Information	WIA/WIOA	Multiple Programs	Grand Total
2007	$214,972,571	$168,613,721	$11,055,892	$277,446,060	$34,699,120	$706,787,365
2008	$173,036,350	$149,052,243	$10,357,106	$239,193,158	$28,984,158	$600,623,016
2009	$155,645,473	$180,675,999	$9,363,137	$175,261,753	$43,509,290	$564,455,652
2010	$151,650,724	$130,680,631	$7,028,529	$171,029,195	$26,561,682	$486,950,761
2011	$108,528,173	$166,658,042	$2,526,909	$171,661,948	$40,478,741	$489,853,813
2012	$134,268,623	$142,979,152	$4,384,420	$184,978,306	$28,452,314	$495,062,815
2013	$216,058,307	$196,455,612	$4,413,167	$197,962,224	$38,751,607	$653,640,917
2014	$318,133,711	$144,884,001	$4,759,824	$208,509,138	$39,614,657	$715,901,331
2015	$374,679,614	$155,488,850	$4,693,845	$206,146,302	$45,933,324	$786,941,935
2016	$462,420,863	$140,947,681	$7,391,213	$187,205,798	$46,131,307	$844,096,861
2017	$392,403,768	$162,975,216	$5,282,144	$178,888,287	$51,994,762	$791,544,177
2018	$365,572,456	$146,701,028	$5,706,276	$193,380,185	$46,205,278	$757,565,223
2019	$424,408,403	$193,900,392	$9,952,817	$157,889,774	$112,503,096	$1,025,825,595
Total	$3,491,779,037	$2,080,012,570	$86,915,279	$2,549,552,128	$583,819,336	$7,893,423,867

FY 2019 State Supplementary Funding Sources

For FY 2019, states reported the primary funding sources used to supplement the programs discussed above. The four sources included: Penalty and Interest, State General Revenue Funds, State Administrative Taxes, and Other Sources. For a description of the source funding see the Survey Definitions at the end of this report.

Chart 2 and Table 6 below show the trends in supplemental state funding for the four primary sources that NASWA has captured in the previous fourteen fiscal years, adjusted for inflation in FY 2017 dollars. As shown in Chart 2:

- State Administrative Taxes, with the exception of FY 2009, have remained relatively constant,

- State General Funds increased during the Great Recession, declined significantly from FY 2009 to FY 2013, and have shown steady growth thru FY 2019,
- Penalty and Interest dropped from FY 2010 to FY 2013 but has grown significantly in recent years, and
- Other Sources have grown slightly over the period displayed but have generally remained relatively constant, declining somewhat in 2018 and 2019.

The total funding for each year in Table 6 shows that supplemental state funding over the past thirteen years reached a level in FY 2007 of $715 million – a level not reached again until FY 2014. From FY 2008 to FY 2012, supplemental funding declined each year, as state tax revenues dropped significantly as the Great Recession and subsequent slow recovery constrained state resources.

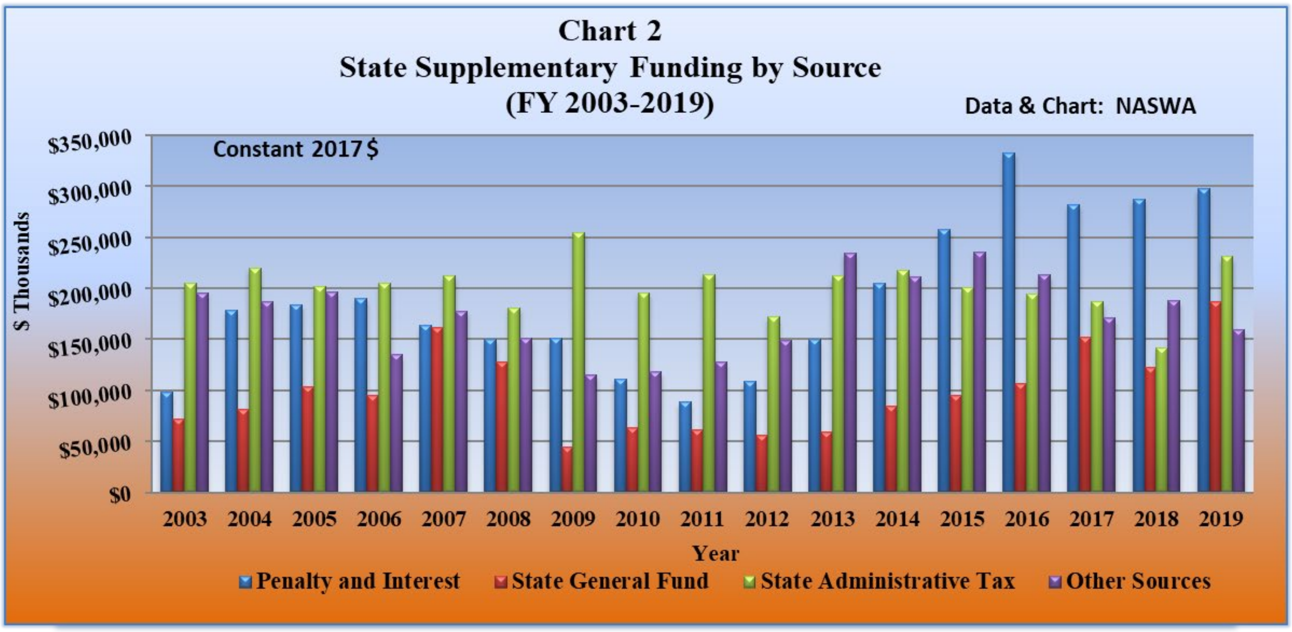


Table 6

State Supplementary Funding by Source

Constant 2017 $	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Penalty and Interest	$164,060,592	$150,325,538	$150,966,823	$111,193,224	$88,450,336	$108,422,379	$149,866,872	$204,862,510	$258,023,273	$333,106,412	$282,462,203	$287,741,693	$310,891,934
State General Fund	162,001,334	128,033,483	44,683,686	62,956,281	61,468,486	57,343,791	58,703,187	84,715,652	95,287,155	106,822,066	$151,834,082	$122,645,084	$188,174,554
State Admin Tax	211,920,757	180,604,799	254,748,641	195,760,977	213,624,845	177,647,013	211,903,017	217,040,147	200,185,887	194,270,193	$186,401,397	$141,201,732	$231,177,393
Other Sources	177,775,263	151,288,976	115,543,973	117,948,355	127,712,952	154,360,469	234,492,659	210,685,974	235,176,433	212,900,876	$170,846,495	$187,914,522	$162,803,434
Total	$715,757,947	$610,252,797	$565,943,123	$487,858,836	$491,256,619	$497,773,652	$654,965,735	$717,304,283	$788,674,831	$847,099,546	$791,544,177	$739,503,030	$893,047,315

From FY 2010 to FY 2012, state supplemental funding remained essentially level, increasing by about one percent each year, respectively. Data for FY 2013 showed an over 32 percent increase in supplemental funding, with states reporting over $155 million in additional state funds, an increase of over forty percent from FY 2012 to FY 2014. (Note the relative changes for years before FY 2013 are likely impacted to some degree by states that did not respond to earlier surveys—see section on missing state bias later in this paper. Changes for FYs 13, 14, 15, 16, 17, 18, and 19 are not subject to this bias.) Although the level of funding has increased since FY 2013, the level reached in FY 2007 was not surpassed until FY 2014 and subsequent years.

There has been a relatively large increase in the amount shown for UI from Penalty & Interest, and while the increase has been across many states, one state accounted for a significant portion of the increase from FY 2013 to FY 2019.

State Administrative Tax and Other Sources funding has varied some from year to year but the levels in FY 2017, while continuing a small downward trend, are not very different from the levels shown for FY 2007. Funds provided from State Administrative Taxes have contributed the largest amount of funds during the thirteen-year period, followed closely by Penalty and Interest, and Other Sources with only slightly less.

Funding from State Penalty and Interest accounts have continued to grow, remaining at a level first seen in FY 2015. This may be due to several factors, including an increased emphasis on integrity efforts by the states and the continuing reduction in UI workloads from the highs of the Great Recession. As a result, state workforce agency staff have been able to focus more on integrity efforts by diverting resources from the processing of UI claims to meet the recession driven high demand.

Contributions from State General Funds which first peaked in FY 2007 at $160 million and then declined for several years reach a new high of $188 million in FY 2019. From FY 2009 to FY 2013, contributions from State General Funds for the five programs declined but have increased throughout the rest of the reporting period, likely as a result of reduced state tax revenue available during and after the Great Recession.

Missing state bias: Historical data is adjusted for changes in year-to-year inflation levels. However, the comparison of data over time is still impacted by which states reported each year. The number of states reporting has been relatively high (over 90 percent), implying the Survey does capture a relatively complete picture of state spending. The absence of states with significant spending will understate the funding levels shown, whereas the absence of states that spend very little would have a small impact. Since the yearly spending of missing states is not known, the best that can be said is that the numbers displayed are a minimum base. For example, spending is likely higher than the amount shown.

It is not known what the non-response bias is for data prior to FY 2013, as the variability of the data for states that did not report can be significant. Since all states reported in FY 2013 and FY 2014, the year-to-year comparison does not contain a non-response bias.

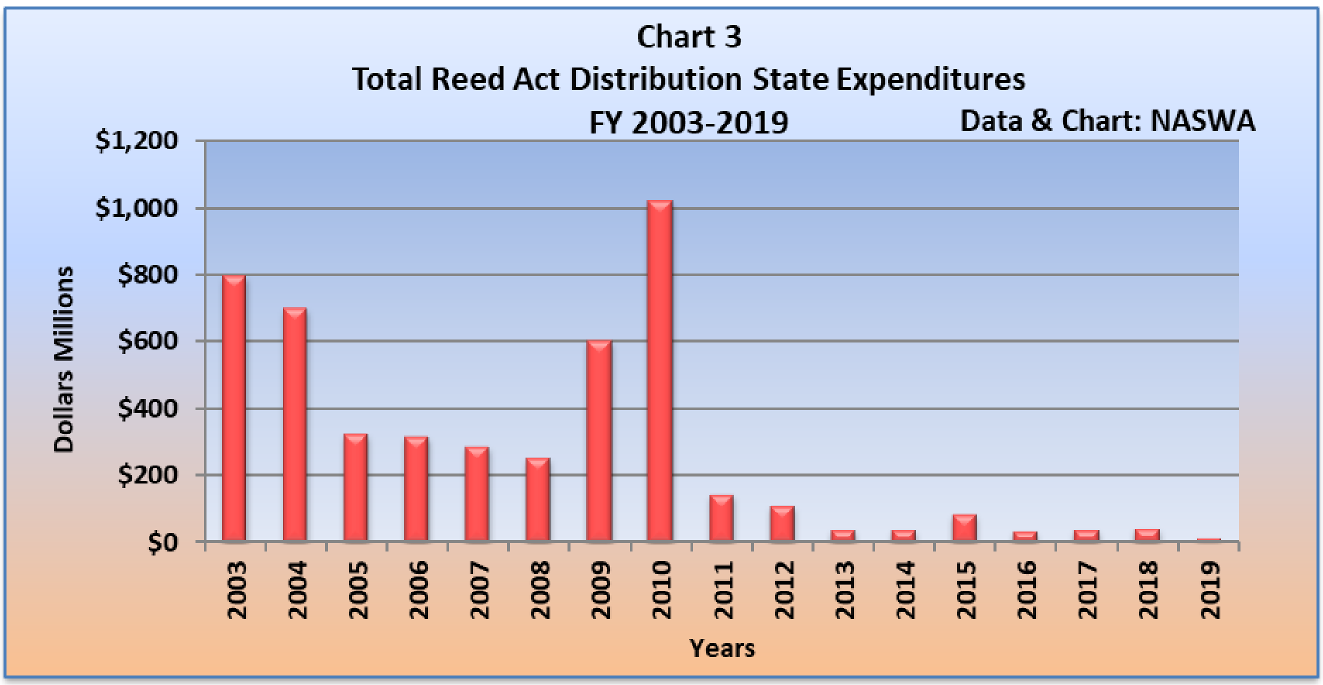
A comparative number for FY 2013 was computed based on the additional states that reported in that year versus the two prior years. The increase in the FY 2013 number, caused by the addition of eight states, increased the FY 2013 total by about $119 million or 17 percent of the final amount. If this applied to earlier years, and it may not, it would imply a non-response understatement bias of 15-20 percent for the prior years.

Reed Act Funds

In FY 2019, states reported approximately $13 million in Reed Act funds used to supplement UI and ES operations. This represents a significant decrease from the $45 million reported in FY 2018. Eight states used Reed Act funds for UI administration, three for UI Benefits and two for ES Administration.

The differences in the source of Reed Act funding between FY 2016 and FY 2019 are shown in Table 7.

Table 7				
Comparative Reed Act Expenditures				
	FY 2016	FY 2017	FY 2018	FY 2019
Special Reed Act	$5,856,318	$4,754,752	$3,550,622	$500,224
Regular Reed Act	20,814,267	17,430,423	14,563,533	3,918,696
$8 Billion Reed Act	10,300,227	17,022,966	26,750,046	8,724,790
Total	$36,970,812	$39,208,141	$44,864,201	$13,143,710



As shown in Chart 3, state use of Reed Act funds declined from FY 2003 to FY 2008 and then increased significantly in FY 2009 and FY 2010, because of the $8 billion allocation. After FY 2010, Reed Act expenditures dropped substantially, with lower amounts expended in FY 2013 and FY 2014 and an increase from FY 2014 to FY 2015, with declines shown in all subsequent years.

Payment of Interest on Title XII Advances

At the direction of the NASWA A&F Committee, a new category was added to the Survey in FY 2013 to capture the amount, and source, of state funds used to pay the interest on Title XII

Advances from the Unemployment Trust Fund. States receive Title XII Advances when their state unemployment trust funds do not have sufficient funds to pay benefits. With the large increase in individuals receiving unemployment benefits during and after the Great Recession, many states had to borrow from the Federal Unemployment Trust Fund to pay benefits.

In Table 8, the data for FY 2019 shows a large drop in interest paid from prior years, reflecting the reduction in Title XII advances from $13.6 billion at the end of CY 2014 to $7.4 billion (CY 2015), $4.0 billion (CY 2016), $1.2 billion (CY 2017), $680 million (CY 2018) and $630 million (CY 2019).

Table 8
Payment of Interest on Title XII Advances

Source	FY 2014		FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Interest on Loans	# States	Interest on Loans	# States	Interest on Loans	# States	Interest on Loans	# States	Interest on Loans	# States	Interest on Loans	# States
Penalty and Interest	$0	0	$2,060,320	1	$0	0	$0	0	$49,794,901	1	$15,889,917	1
State General Fund	276,174,435	3	254,548,515	2	171,051,109	1	$0	0	$0	0	10,528,206	1
State Admin Tax	130,266,886	3	90,241,985	4	38,007,960	4	$0	0	$0	0	0	0
Other Sources	54,944,472	5	30,981,601	7	108,317	1	108,317	1	10,733,543	1	0	0
Total	*$461,385,793*	*16*	*$361,936,887*	*14*	*$209,167,386*	*6*	*$108,317*	*1*	*$60,528,444*	*1*	*$26,418,123*	*1*

Federal Funding

Federal funding for the programs included in the Survey have remained relatively constant or have declined over the past few years as shown in Table 9, below. Funding levels for UI State Operations are largely driven by the economic assumptions that underlie the federal appropriation process and therefore show a reduction as the economy continues to recover from the Great Recession. **While the bulk of the funding for the programs covered in the Survey comes from federal funds, the contribution of state funds remains a critical component of the total funds available.**

Table 9
Federal Appropriations

Training & Employment Services ($000s)							
Program	FY 2013	FY 2014	FY 2015	FY2016	FY 2017	FY 2018	FY 2019
WIA/WIOA Adult Employ & Training	$730,624	$766,080	$776,736	$815,556	$815,556	$845,556	$845,556
WIA/WIOA Youth Activities	781,375	820,430	831,842	873,416	873,416	903,416	903,416
Dislocated Workers Employ & Training	958,652	1,001,598	1,015,530	1,020,860	1,020,860	1,040,860	1,040,860
Total	$2,470,651	$2,588,108	$2,624,108	$2,709,832	$2,709,832	$2,789,832	$2,789,832
SUIESO							
UI State Operations	$3,184,531	$2,949,685	$2,757,793	$2,635,547	$2,687,600	$2,639,600	$2,355,581
ES State Administration	664,184	664,184	664,184	680,000	671,413	663,052	663,052
Employment Service							
One-Stop /LMI	$63,861	$60,153	$60,153	$67,653	$67,653	$67,653	$62,653

Conclusion

The results from the FY 2019 NASWA State Supplemental Funding Survey show state supplemental funding appears to continue to increase from the low period during the Great Recession and plays a relatively significant role in funding programs. Not all states utilize state funds to cover program operations, and this could be due to a variety of reason including the need, availability of funds, and the ability to access them. States that do utilize the funds generally talk about the critical role they play in the operations of state programs and in some cases demonstrate the shortfall of federal funding.

In FY 2019, federal funding levels are consistent with the immediately preceding years but not for UI Administrative Funds, which continue their steady decline from recession highs. State workforce agencies will likely have to rely more on state funding for these programs, as the outlook for additional federal funding is doubtful. In addition, there will be a continued reduction in the amount of UI Administrative funds available to states if the economy continues to improve due to lower workloads. There will be an additional impact on some states where the availability of UI benefits has been reduced.

Survey Definitions

Penalty and Interest Funds

In every state, an employer is subject to certain interest or penalty payments for delay or default in payment of contributions, and usually incurs penalties for failure or delinquency in filing required reports. All states except Minnesota have set up special administrative funds, made up of such interest and penalties, to meet special needs. The most usual statement of purpose includes one or more of these three items:

- To cover expenditures for which Federal funds have been requested but not yet received, subject to repayment to the fund;
- To pay costs of administration found not to be properly chargeable against funds obtained from Federal sources; or
- To replace funds lost or improperly expended for purposes other than, or for amounts in excess of, those found necessary for proper administration.

A few of these states use such funds for the purchase of land and erection of buildings for agency use or for the payment of interest on Federal advances. In some states, the fund is capped; when it exceeds a specified sum, the excess is transferred to the unemployment fund or, in one state, to the general fund.

State General Fund

In government accounting, this is a fund used to account for all assets and liabilities of a nonprofit entity except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of a governmental unit. Much of the usual activities of a municipality are supported by the general fund. Examples are the purchase of supplies and meeting operating expenditures. An example of a specialized fund, on the other hand, is the capital projects fund that accounts for financial resources used for the acquisition or construction of major capital facilities.

State Administrative Tax

Taxes for UI Administration or Non-UI Purposes —States collect a wide array of taxes, which are established for administrative purposes. These purposes may be UI administration, job training, employment service administration, or special improvements in technology. These taxes are not deposited in the state’s unemployment fund, but in another fund designated by state law. Since Federal grants for the administration of the UI program may not be used to collect non-UI taxes, almost all legislation establishing non-UI taxes provide that a portion of the revenues generated will be used for payments of costs of collecting the tax. Expired taxes are not listed.

UI Supplemental Budget Requests

Unemployment Insurance Supplemental Budget Requests (SBRs) are additional funding the U.S. Department of Labor has made available to state workforce agencies to modernize and improve their UI business processes and information technology systems.

Reed Act

Reed Act Distributions are authorized under Section 903 of the Social Security Act, which provides that when, among other things, three accounts in the Unemployment Trust Fund (UTF) reach their statutory limits at the end of a Federal fiscal year, any excess funds will be transferred to the individual State accounts in the UTF. These transfers are called "Reed Act" distributions.

Under the SSA, the primary purpose of Reed Act funds is the payment of "cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration" (Section 903(c)(1), SSA). However, subject to the conditions specified in Section 903(c) (2), SSA, a State is permitted, at its discretion, to use Reed Act funds for "the administration of its unemployment compensation law and public employment offices."

There are three groups of Reed Act Distributions. Funds should be reported based on the group by which the state received the funds. The three groups are:

Regular Reed Act: Distributions which occurred:

July 1, 1956	**$33.4 million**
July 1, 1957	**$71.0 million**
July 1, 1958	**$33.5 million**
Oct. 1, 1998	**$15.9 million**

Special Reed Act: Distributions which occurred:

October 1, 1999	**$100.0 million**
October 1, 2000	**$100.0 million**
October 1, 2001	**$100.0 million**

$8 Billion Reed Act: Distribution which occurred:

March 13, 2002	**$8,000 million**