

**Department of Labor and Workforce Development**  
**Response to Assembly Budget Committee Follow Up Questions**  
**May 10, 2018**

Question # 1:

*Please provide the department's projected number of personnel, in addition to the 145 already recommended, which the department intends to hire in FY 2019 and 2020, by funding stream and division.*

As noted during the Assembly Budget Hearing, since January 16 of this year, under the new administration, DLWD has authorized a combination of new hires and promotions totaling 145 positions, which is comprised of 60 new hires and 85 promotions. Many of these filled vacancies were 100% federally funded and all had unreleased funding attached.

Going forward in FY2019 and FY2020 the Department's approach to staffing will be on an incremental basis. We will assess fulfillments, define further needs, and move forward based on the availability of funding including the impact of contractual agreements.

While ultimately many of DLWD's hiring decisions hinge on the availability of funding and the impact of contractual agreements, DLWD would like to share a sample of possible projections. Assuming level-funding from state government, federal government, and an increase in revenues from heightened Wage and Hour inspection and enforcement we project 95 new hires and promotions in FY2019. Within Employer Accounts, utilizing funds from increased enforcement, it is our estimated projection there will be 14 new hires with a funding stream comprised of 57% UI funding and 43% TDI funding. In Unemployment Insurance, DLWD projects 45 promotions 100% UI funded; Fraud Prevention & Risk Management projects 13 promotions, also 100% UI funded.

Question # 2:

*Please provide the committee with examples of financial and non-financial, State and federal, regulatory and statutory factors that the department has indicated as obstacles to establishing a more centralized IT infrastructure, which has kept the department from advancing, and please highlight any which the Legislature could help alleviate.*

To discuss the future IT infrastructure needs of the Department of Labor and Workforce Development, it is essential to review the environment in which DLWD's Information Technology currently resides, the platforms on which our IT systems are built, our ongoing efforts to modernize, regulatory and statutory needs, and most importantly the needs of customers. Ultimately, DLWD endeavors to have an integrated IT solution that will be able to interface with other agencies, run checks and safeguards against errors and fraud, be user friendly, slash processing times, and remain adaptable to future changes in DLWD's operations.

Modernization of DLWD's IT infrastructure cannot be completed in a silo. As an example, our Unemployment Insurance Claims / Employer Tax System (UI / Tax) is required to run checks with other agencies in order to

verify a customer's claim and ensure accurate payment, while also detecting fraudulent activity. Once a customer completes the necessary steps in applying for Unemployment Insurance, our system runs checks with various state agencies' IT systems to ensure an accurate and truthful application. As we move through the modernization process, it is essential that we not only design and build a modern system that can continue to connect to these other, possibly outdated systems, in various agencies but also that the system remains accessible, flexible, and useable for the current customers as there can be no downtime for upgrades. Furthermore, in response to Executive Order 225, DLWD's legacy mainframe environment is centralized under the state Office of Information Technology (OIT). In light of Executive Order 225, and the interfaces to other agencies performed by DLWD's system, it is clear that a statewide upgrade, under the direction of the State Office of Information Technology, would be a determining factor in DLWD's decision making and implementation process around modernization. Similarly to other NJ state agencies, older legacy mainframe technology is at the core of our daily transactions and a full modernization should be in concert with a statewide effort led by OIT. However, DLWD has availed itself to any opportunity to work on operational and upfront web-based improvements to improve the customer experience.

Focusing in on DLWD's major IT infrastructure needs, the most pressing upgrades involve two of our legacy mainframe systems, the Unemployment Insurance / Tax System and the Temporary Disability Insurance and Family Leave Insurance system. Designed decades ago, in a programming language far removed from today's more advanced platforms, these legacy systems have been continuously patched over to comply with new mandates, a growing population, upgrades to external systems, and many other issues that require a change in DLWD's legacy mainframe programming. Presently, these two mainframes are comprised of millions of lines of code, developed over decades. This voluminous and outdated coding presents many challenges, even when attempting some of the most basic upgrades. While DLWD has consistently created and implemented innovative workarounds to accomplish many changes, this has left the system with layers of additional coding upon obsolete, redundant, and often conflicting coding, causing each workaround to become more and more difficult.

In the past 3 years, DLWD financed through Supplemental Budget Requests approved by the USDOL, has completed an organizational assessment of the Unemployment Insurance / Tax System by assessing its staff and operations in conjunction with completing our UI / Tax System used cases and system requirements as a critical step in our UI / Tax modernization process. The NJ UI / Tax System requirements and used cases were created in coordination with New York State while we formed a consortium funded by USDOL. The consortium effort was designed to achieve efficiencies in hopes of building one UI / Tax system that met the modernization needs of both states. Unfortunately, at the time when the joint NY / NJ systems requirements and used cases were completed, USDOL did not provide continuing funding to proceed for the system build.

Currently, DLWD is in the process of evaluating the used cases and system requirements derived from the now defunct consortium with NY. DLWD is pulling and isolating NJ specific used cases and system requirements. Concurrently, DLWD is planning the migration of massive amounts of data from the legacy system to our next system.

Regarding DLWD's Temporary Disability insurance (TDI) and Family Leave Insurance (FLI) Systems, DLWD notes that both TDI and FLI trail the type of operational and upfront web-based improvements seen from the Unemployment Insurance (UI) program. UI claims have been filed online for over ten years with also the option of filing claims over the telephone, while in the past two years TDI / FLI updated its system for online filing and the only other option for claim filing is by paper claims. Since there is only a few States that have any type of TDI or FLI component, obtaining the best practices has been extremely difficult. New Jersey is the only state that has

both TDI and FLI. Two years ago, a consulting vendor was engaged to complete a Business and Technology Re-Engineering Study, which resulted in recommendations on operational workflow and technology improvements to modernize the system. In addition, a Strategic Roadmap was outlined, focusing on Requirements Definitions, Case Management, Data Conversion, and Call Center Management. Subsequent to the report, the Department sought some additional upfront improvements while it evaluated its options. DLWD is now at a point to re-engage the consulting vendor to assist in the development of a Request for Information (RFI) as the next step in identifying appropriate vendors that are able to offer comprehensive course of actions / solutions toward a complete modernization of the system.

While DLWD has overcome many challenges in the march toward modernization of both the UI / Tax System and TDI / FLI systems, there are still hurdles to overcome. From a statutory perspective, statutes in both the Unemployment Compensation Law (N.J.S.A 43:21-16(d)(1)) and the New Jersey Temporary Disability Benefits Law (N.J.S.A. 43:21-55.1 (a )) reference claimants collecting either unemployment or disability benefits improperly as a result of fraud or misrepresentations of material facts when filing claims. No time limit to retain information on overpayments is provided within either of these statutes and, as such requires the department to maintain all overpayments data regardless of when the overpayment occurred. This undefined limit on retaining information on overpayments poses severe challenges in attempting to convert overpayments data into a new system during modernization. First, the data on overpayments to be retained and converted to a new system is many decades old with limited and incomplete information about the overpayment. These are decade old overpayments with virtually no opportunity to collect the outstanding debt. The creation of a legislative solution making the debt uncollectible after a certain number of years will alleviate some conversion challenges for data retention and data conversion.

From a financial standpoint, challenges must be coupled with caution. Over the past decade, many states invested large sums of taxpayer dollars, including both state and federal dollars, into modernization programs which failed. Often times throwing good money after bad in an attempt to salvage a useful upgrade to their IT systems. It is DLWD's belief that the carpenter saying of measure twice and cut once is appropriate when planning a herculean upgrade in IT infrastructure. We intend on working hard to ensure we have all necessary business case and systems requirements and technical features to go live with a user friendly and adaptable system that will not only increase the user experience while also lessen processing times and increase operational efficiencies.

#### QUESTION: #3

*Given that the Unemployment Insurance Compensation Trust Fund's FY 2019 opening balance is estimated at around \$2.9 billion, what range of adjustment to the taxable wage base for unemployment insurance does the department consider to be reasonable?*

In light of a notably low unemployment rate, it is understandable that a possible adjustment to the taxable wage base for unemployment insurance appears attractive. However, it is the Department of Labor and Workforce Development's belief that to seek such an adjustment at this time would not be fiscally prudent.

With low unemployment, New Jersey's Unemployment Insurance Trust Fund remains on a march to solvency under the US Department of Labor's (USDOL) latest analysis. As of January 1, 2018, under the USDOL's analysis, the New Jersey Unemployment Insurance Trust Fund ranks in the bottom 25th percentile of all state trust funds

and below USDOL’s Recommended Minimum Solvency Level as is shown in the chart below. In addition, USDOL’s analysis as of January 1, 2018 reveals that should a recession similar to the recession of 2008 occur again, New Jersey is at 56 percent of the minimum adequate solvency level.

With this in mind, it is DLWD’s position that the Department should not consider any adjustment to the taxable wage base for unemployment insurance in order to continue the path to solvency under USDOL guidelines and ensure the health of the trust fund for any future economic downturn.

In short, DLWD believes we should shore up and continue strengthening our fund during this current positive economic climate to ensure the help is available to New Jerseyans and prevent any future emergency Federal and State cash infusions into the UI Trust Fund in the recessionary times. Nevertheless, DLWD looks forward to revisiting the question of a reasonable adjustment once the trust fund reaches an acceptable level of solvency and the state is appropriately insulated from the negative impact of another downturn.

(Chart citation: [https://oui.doleta.gov/unemploy/images/state\\_trust\\_fund\\_solvency.png](https://oui.doleta.gov/unemploy/images/state_trust_fund_solvency.png))

