

WORKFORCE SERVICES – SPECIAL ADMINISTRATIVE EXPENSE ACCOUNT

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: STEPHEN JARDINE

ISSUE BRIEF

SUMMARY

The Special Administrative Expense Account (SAEA) is made up of interest and penalties collected in association with unemployment. When the SAEA is used for anything not directly related to unemployment insurance activities, current statute requires a payment back to the account equal to the cost of collection of penalties and interest (currently set at 22 percent). DWS is requesting authority to use \$12,000,000 of SAEA funding in FY 2015 for expenditures not directly related to unemployment insurance activities. A list of proposed projects is included in the brief.

LEGISLATIVE ACTION

1. This issue brief is for information purposes only. The Legislature can choose either to: 1) accept the DWS annual recommendation for SAEA uses, 2) use the funds for other purposes, or 3) take no action thereby leaving the balance of funding in the SAEA account. The use of such funds is considered for one year only. The use of SAEA funds for other purposes would be accomplished by appropriating an amount from the SAEA to a program in DWS such as the Workforce Development program. Then an equivalent amount of one-time General Fund would be removed from the Workforce Development program to be used in other areas for other purposes. If SAEA funds are used to replace General Fund, collection costs for the SAEA funds would need to be appropriated as per [UCA 35A-4-506\(6\)](#).

OVERVIEW

Special Administrative Expense Account (SAEA) money includes interest and penalties collected in association with unemployment as found in the [Employment Security Act](#). When the Special Administrative Expense Account is used for anything not directly related to unemployment insurance activities, [UCA 35A-4-506\(6\)](#) requires a payment back to the account equal to the cost of collection of penalties and interest. The cost allocation plan required by statute currently calculates the collection cost at 22 percent. The Division of Finance maintains a history of the account balance.

Special Administrative Expense Account Account History						
Fund #	Year	Beg Balance	Revenues	Expenses	Transfers	End Balance
1281	1997	0	0	0	0	0
1281	1998	3,100,008	(129,884)	(624,494)	988,729	4,583,347
1281	1999	4,583,347	(103,070)	(353,891)	(1,530,442)	3,303,726
1281	2000	3,303,726	3,621,089	(117,652)	-	7,042,467
1281	2001	7,042,467	1,218,869	(46,435)	-	8,307,771
1281	2002	8,307,771	(287,053)	(18,122)	(1,186,700)	6,852,140
1281	2003	6,852,140	1,998,829	(74,098)	171,998	9,097,065
1281	2004	9,097,065	2,091,182	(68,200)	-	11,256,447
1281	2005	11,256,446	3,611,275	(50,600)	(5,801,000)	9,117,321
1281	2006	9,117,321	6,489,392	(30,000)	-	15,636,713
1281	2007	15,636,713	2,205,160	-	-	17,841,873
1281	2008	17,841,873	4,390,390	-	-	22,232,263
1281	2009	22,232,263	5,513,328	-	(15,800,000)	11,945,591
1281	2010	11,945,591	(5,241,480)	-	(431,846)	6,272,265
1281	2011	6,272,265	6,333,865	-	(2,000,000)	10,606,130
1281	2012	10,606,130	7,556,745	-	(5,266,000)	12,896,875
1281	2013	12,896,875	10,973,392	-	(6,390,772)	17,479,495

Table 1

NOT ALL OF ACCOUNTS RECEIVABLE ARE COLLECTIBLE

The Department of Workforce Services states that the “balance as shown in the . . . accounting balance . . . includes . . . receivables that we may or may not ever collect” (e-mail communication from DWS to the legislative fiscal analyst, May 16, 2013). Uncollectible funds might include, for example, funds owed by organizations that have gone out of business thereby making the actual collection of those funds extremely difficult.

15% OF ANNUAL FRAUD COLLECTION TRANSFERS TO THE UNEMPLOYMENT COMPENSATION FUND

UCA 35A-4-506(7) states, "Beginning October 1, 2013, 15% of a civil penalty for fraud collected under Subsection 35A-4-405(5)(c)(i) shall be deposited into the Unemployment Compensation Fund." This change in law has the effect of reducing the SAEA available funding due to this transfer of fraud collections to the Unemployment Compensation Fund. DWS assumes 75 percent of all SAEA deposits are related to fraud.

IF APPROPRIATIONS ARE MORE THAN COLLECTIONS, DWS CAN ONLY SPEND THE AMOUNT COLLECTED

DWS is requesting \$12,000,000 in one-time authorization to use SAEA funding in FY 2015. Latest projections, however, estimate that only \$10,659,100 will be available for use. Actual collections are still uncertain in particular because of the potential impact of recent efforts by the Treasury Offset Program. In the event that authorization by the Legislature exceeds actual collections, DWS has stated, “if the appropriations actually do exceed the collections, the department realizes it only has authority to spend the lesser of either the appropriated amount, or the amount collected.” (DWS e-mail communication with the Legislative Fiscal Analyst, December 17, 2013).

THE TREASURY OFFSET PROGRAM (TOP) WILL AFFECT COLLECTIONS

The TOP program’s first effect on collections took place in the Spring of 2013. DWS stated, “The Treasury Offset Program (TOP) will likely increase the collections for March and April of each year. However, this first year (2013) is likely much higher than later years collections will be since it is the first TOP collection.” (E-mail communication from DWS to the Legislative Fiscal Analyst, May 16, 2013).

“The Treasury Offset Program is a centralized offset program, administered by the Bureau of the Fiscal Service's (Fiscal Service) Debt Management Services (DMS), to collect delinquent debts owed to federal agencies and states (including past-due child support), in accordance with 26 U.S.C. § 6402(d) (collection of debts owed to federal agencies), 31 U.S.C. § 3720A (reduction of tax refund by amount of the debts), and other applicable laws. Fiscal Service disburses federal payments, such as federal tax refunds, for agencies making federal payments (known as "payment agencies"), such as the Internal Revenue Service. "Creditor agencies," such as the Department of Education, submit delinquent debts to Fiscal Service for collection and inclusion in TOP and certify that such debts qualify for collection by offset. . . . Fiscal Service transmits amounts collected through offset to the appropriate creditor agencies. Fiscal Service maintains information about the delinquent debt in the TOP delinquent debtor database and continues to offset eligible federal payments until the creditor agency suspends or terminates debt collection or offset activity for the debt” (Debt Management Services website found at: <http://www.fms.treas.gov/debt/top.html>).

22 PERCENT PAYMENT TO THE SAEA WHEN USING ITS FUNDS FOR NON-EMPLOYMENT PURPOSES

When the SAEA is used for anything not directly related to unemployment insurance activities, current statute requires a payment back to the account equal to the cost of collection of penalties and interest. When the SAEA is used for anything not directly related to unemployment insurance activities, current statute requires a payment back to the account equal to the cost of collection of penalties and interest. The cost allocation plan required by statute currently calculates the collection cost at 22 percent. This penalty and interest payment back to the account is based upon federal guidelines.

DWS REQUEST TO USE \$12,000,000 SAEA FUNDING IN FY 2015

DWS has requested authority from the Legislature to use \$12,000,000 in FY 2015. Detail of how DWS intends to use the requested SAEA funds is shown in Table 2.

Department of Workforce Services Request for Use of the Special Administrative Expense Account (SAEA) for Fy 2015		
Use of SAEA Funding	Amount	Description
Small Business Bridge Program	4,500,000	Small business job creation support program
Refugee Training	500,000	Increase community capacity for refugee ESL training
GOED Rural Outreach	75,000	This money funds a Rural Outreach position within GOED
GOED Training Partnership	325,000	Training dollars that DWS provides to GOED to leverage with other business incentives for recruitment initiatives
DWS/DEQ/UCAIR Partnership	1,000,000	Partnership to provide grants to small businesses that need assistance to purchase equipment to reduce emissions
LSI	1,000,000	LSI helps businesses win government contracts; they are helping to place DWS customers into newly created jobs
ACE Veteran Credentialing Program	500,000	This program helps veterans receive credentialing for skills they obtained while serving in the military
UCAP	2,000,000	A grant program designed to help fund educational programs that have high industry demand
Utah NFB - Project STRIVE	100,000	This program helps blind students get career ready skills
Subtotal	10,000,000	Summary of all SAEA projects associated with the request
Unrelated Unemployment Insurance Penalty	2,000,000	When used for anything not directly related to unemployment insurance activities, current statute requires a payment back to the SAEA account equal to the cost of collection of penalties and interest
Total	12,000,000	Total FY 2015 DWS Request for SAEA Funds

Table 2