



# WORKFORCE SERVICES – SPECIAL ADMINISTRATIVE EXPENSE ACCOUNT

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
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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 to the federal government equal to the cost of collection of penalties and interest (as required by a cost allocation plan approved by the federal government and Utah Code Subsection 35A-4-506(6) which has been as high as 22 percent of funds collected). The Department of Workforce Services (DWS) is requesting authority to use \$5,000,000 of new SAEA funding in FY 2017 for expenditures not directly related to unemployment insurance activities. Although the FY 2015 SAEA fund ending balance was \$14,765,987, DWS states that “the SAEA fund balance includes accounts receivables that we may not ever be able to collect.” Uncollectible receivables include, for example, penalties owed by contributory employers that have gone out of business thereby making the actual collection of those receivables extremely difficult. DWS also states, “The fund balance in the SAEA at June 30, 2015 was \$14,765,987 and is comprised of \$9,860,655 in amounts due to the SAEA from the Unemployment Compensation Fund and \$4,905,332 in cash. This cash amount, along with expected collections during SFY 2016 (up to \$5 million in aggregate), were appropriated by the Legislature in the 2015 General Session for expenditure during SFY 2016. DWS does not currently anticipate that the amount available for expenditure during SFY 2017 will exceed \$5,000,000, a portion of which must be expended to repay collection costs as required by state and federal statute.” A list of proposed projects is included in Table 2 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 also 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 20 percent. The Division of Finance maintains a history of the SAEA fund 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
1281	2014	17,479,495	8,194,008		(5,977,920)	19,695,583
1281	2015	19,695,583	3,399,675		(8,329,271)	14,765,987

Table 1

**NOT ALL OF ACCOUNTS RECEIVABLE ARE COLLECTIBLE**

The Department of Workforce Services states that “the SAEA fund balance includes accounts receivables that we may not ever be able to collect.” Uncollectible receivables include, for example, penalties owed by contributory employers that have gone out of business thereby making the actual collection of those receivables extremely difficult. DWS also states, “The fund balance in the SAEA at 6/30/2015 was \$14,765,987 and is comprised of \$9,860,655 in amounts due to the SAEA from the Unemployment Compensation Fund and \$4,905,332 in cash. This cash amount, along with expected collections during SFY 2016 (up to \$5.0 million in aggregate), were appropriated by the Legislature in the 2015 General Session for expenditure during SFY 2016. DWS does not currently anticipate that the amount available for expenditure during SFY 2017 will exceed \$5,000,000, a portion of which must be expended to repay collection costs as required by state and federal statute.”

**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 instead of to the SAEA. At June 30, 2015, 92.5 percent of outstanding accounts receivable are subject to the 15 percent fraud collections transfer to the Unemployment Compensation Fund upon collection.

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

DWS is requesting \$5,000,000 in one-time authorization to use SAEA funding in FY 2017. 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.”

**THE TREASURY OFFSET PROGRAM (TOP) WILL AFFECT COLLECTIONS**

The TOP program’s first effect on collections took place in the Spring of 2013. DWS states, “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.” Since the inception of TOP efforts in early 2013, the program has a net collection of \$14,188,749 as of December 31, 2015.

“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>).

**20 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 to the federal government equal to the cost of collection of penalties and interest. This payment of collection costs to the federal government is based upon a cost allocation plan approved by the federal government and Utah Code Subsection 35A-4-506(6), and has been as high as 22% of funds collected.

**DWS REQUEST TO USE \$5,000,000 SAEA FUNDING IN FY 2017**

DWS has requested authority from the Legislature to use \$5,000,000 in FY 2017. Detail of how DWS intends to use the requested SAEA funds and the source of those funds is shown in Table 2.

**DEPARTMENT OF WORKFORCE SERVICES**

**Special Administrative Expense Account (SAEA) - Fiscal Year 2017 Proposed Budget**

Project Categories by Funded Projects	FY 2017 Proposed Budget	Outcome	Outcomes/ <b>Program Description</b>
<b>Business Support Programs:</b>			
World Trade Center Rural Partnership Program	\$165,000	4 / 25	4 Symposiums / 25 Business-to-Business sessions <b>This partnership will help rural Utah businesses become exporting businesses by giving them better access to the World Trade Center Utah resources.</b>
UCAIR Small Business Assist Program	\$350,000	28	<b>Businesses Served/Emissions Reduced (Emissions Reduced Tracked by DEQ)</b> A Department of Workforce Services (DWS)/Department of Environmental Quality (DEQ) partnership to provide grants to small businesses that need assistance to purchase equipment to reduce emissions and retain jobs.
<b>Sub-total</b>	<b>\$515,000</b>		
<b>Educational/Training Partnerships:</b>			
ACE Veteran Credentialing Program	\$375,000	333	Placement, Wages (Wages Tracked using Wage Data) <b>A program to help veterans receive credentialing for skills they obtained while serving in the military.</b>
UCAP	\$2,560,000	2	Certificate/Degree Programs Created or Expanded that Meet Industry Need <b>A grant program designed to help fund educational programs that have high industry demand.</b>
Refugee Program - USU Pathways	\$200,000	1	Certificate/Degree Programs Created that Serve Refugees <b>This partnership allows refugees to enroll and receive credential certificates through Utah State University.</b>
Utah NFB - Project STRIVE	\$75,000	55	Participants <b>A program that helps blind students get career ready skills.</b>
<b>Sub-total</b>	<b>\$3,210,000</b>		
<b>Other:</b>			
Administration	\$275,000		<b>Administration of SAEA programs is funded from the SAEA, as is standard practice with other DWS funding sources.</b>
Collection Costs	\$1,000,000		<b>Collection costs are returned to the federal government based on the cost allocation plan required by federal and state statute. The collection costs estimate for FY 2017 is 20%.</b>
<b>Sub-total</b>	<b>\$1,275,000</b>		
<b>Total Proposed Budget</b>	<b>\$5,000,000</b>		
Updated 01/05/2016			

Table 2

***A brief description of the requested programs***

**Business Support Programs:**

*World Trade Center Rural Partnership Program* – This partnership will help rural Utah businesses become exporting businesses by giving them better access to the World Trade Center Utah resources.

*UCAIR Small Business Assist Program* – A Department of Workforce Services/Department of Environmental Quality partnership to provide grants to small businesses that need assistance to purchase equipment to reduce emissions and retain jobs.

**Educational/Training Partnership Programs:**

*ACE Veteran Credentialing Program* – A program to help veterans receive credentialing for skills they obtained while serving in the military.

*Refugee Program – USU* – This partnership allows refugees to enroll and receive credential certificates through Utah State University – Salt Lake.

*UCAP* – A grant program designed to help fund educational programs that have high industry demand. This year’s program will include both a K-12 and higher education grant pathway to develop career pathways.

*Utah NFB - Project STRIVE* – A program that helps blind students get career ready skills.

Other Costs:

*Administration* – Administration of SAEA programs is funded from the SAEA, as is standard practice with other DWS funding sources.

*Collection Costs* – Collection costs are returned to the federal government based on the cost allocation plan required by federal and state statute. The collection costs estimate for FY 2017 is 20 percent. Collection costs have been as high as 22 percent in prior years.