



# WORKFORCE DEVELOPMENT GROUP

**HOUSE COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON EDUCATION AND ECONOMIC DEVELOPMENT  
DELEGATE ADRIENNE A. JONES, CHAIR  
FEBRUARY 11, 2015**

**SENATE COMMITTEE ON BUDGET AND TAXATION  
SUBCOMMITTEE ON EDUCATION, BUSINESS & ADMINISTRATION  
SENATOR NANCY J. KING, CHAIR  
FEBRUARY 12, 2015**

**KELLY M. SCHULZ, SECRETARY-DESIGNEE, DLLR**



# AGENDA

INTRODUCTION

EXECUTIVE SUMMARY

AUDITS

UNEMPLOYMENT INSURANCE

WORKFORCE

EARN



## EXECUTIVE SUMMARY

- The workforce group is comprised of four divisions. The Office of the Secretary, Division of Administration, Division of Workforce Development and Adult Learning and the Division of Unemployment Insurance.
- The Office of the Secretary provides executive leadership, general administration, public information, and comprehensive planning for the commissions, boards, divisions and agencies of the Department and includes the Governor's Workforce Investment Board, the Office of Program Analysis and Audit, the Office of Fair Practices, the Office of Legal Services, the Board of Appeals and the Lower Appeals Division and the Employment Advancement Right Now (EARN)
- The Division of Administration, composed of the Office Budget and Fiscal Services, Office of General Services, Office of Information Technology and Office of Human Resources, provides support services in fiscal, budgetary, procurement, facility management, information technology, and human resources.



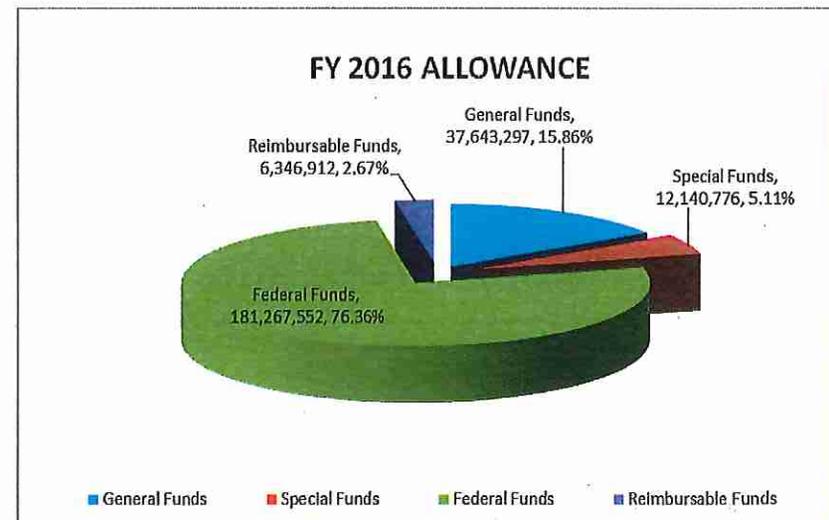
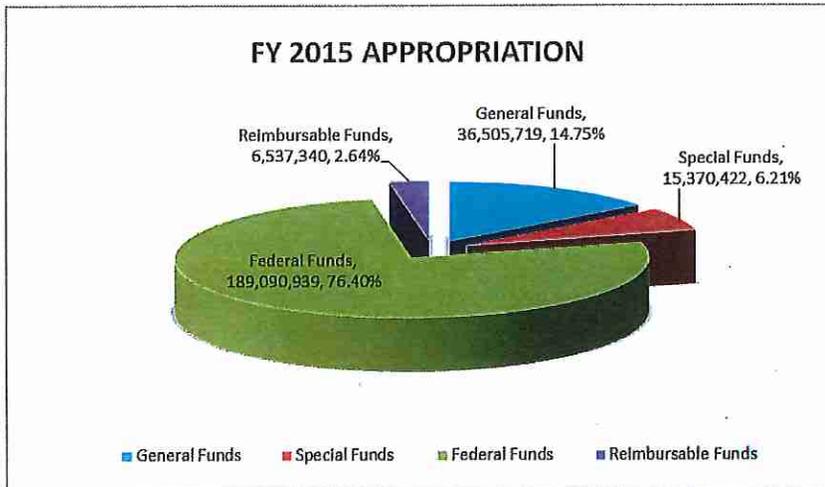
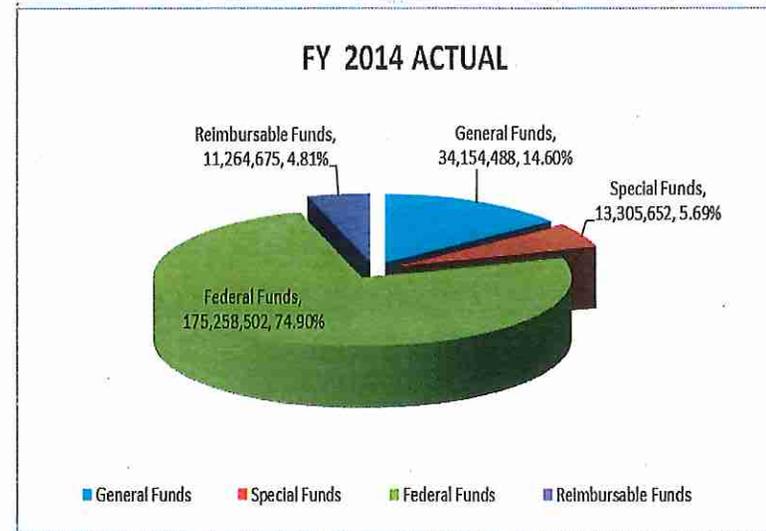
## EXECUTIVE SUMMARY

- The Division of Workforce Development and Adult Learning (DWDAL), under the direction of the Office of the Assistant Secretary, has oversight responsibility for five DWDAL offices: Administration; Adult Education and Literacy Services; Education and Workforce Skills Training for Correctional Institutions; and Workforce Information and Performance. The Division also administers local offices of employment and training in each county and in Baltimore City. The Division responds to both the individual employment and educational needs of Maryland residents and the workforce demands of the region's business community.
- The Division of Unemployment Insurance, under the direction of an Assistant Secretary and Deputy Assistant Secretary, is composed of two major Divisions – Benefits and Contributions. The Division operates an employer funded insurance program which pays benefits to employees who are unemployed through no fault of their own. The program administers the collection of unemployment taxes, the determination of employer rates and the payment of benefits to eligible individuals. Benefits are paid with employer paid taxes. Federal extensions of unemployment benefits are paid solely with federal funds. The administrative costs of the program are paid through a federally funded grant.
- The Workforce Group promotes Maryland's economic vibrancy by fostering a comprehensive, cohesive and collaborative workforce creation and adult education system that is supportive of the needs of both job seekers and the business community. The federally funded activities of DWDAL and UI are essential to the core services offered by the Department. The services of the Department of Labor, Licensing and Regulation's Workforce Development Group are provided in a high quality, customer focused environment for the citizens and businesses of Maryland.



The Workforce Group is supported by a combination of general, special, federal and reimbursable funding follows:

WORKFORCE						
	FY 2014		FY 2015		FY 2016	
	ACTUAL	%	APPROPRIATION	%	ALLOWANCE	%
General Funds	34,154,488	0.146	36,505,719	0.147	37,643,297	0.159
Special Funds	13,305,652	0.057	15,370,422	0.082	12,140,776	0.051
Federal Funds	175,258,502	0.749	189,090,939	0.764	181,267,552	0.764
Reimbursable Funds	11,264,675	0.048	6,537,340	0.026	6,346,912	0.027
<b>Total</b>	<b>\$ 233,983,316</b>	<b>1.000</b>	<b>\$ 247,504,420</b>	<b>1.000</b>	<b>237,398,537</b>	<b>1.000</b>



Fiscal Year 2016 Allowance Does Not Include Contingent and "Back of the Budget bill" Reductions

# AUDITS



- DLLR Office of Program Analysis and Audit (OPAA) response to the Department of Legislative Services (DLS) recommendation on DLLR's efforts to resolve the two recent repeat audit findings reported in the August 2014 OLA audit report, and how those findings may affect the department's anticipated closure rate.
- **Finding 4: DLLR had not established adequate controls over a critical server and data base.**
- Current Status: Partially Resolved
- Corrective Action Taken: In October 2014, DLLR completed a review process for server activity reports. The reports include all critical activity by all critical users, and the review is documented and retained.
- Corrective Action Planned: In April 2015, DLLR will complete a new RFP draft that will include provisions that will require the service provider to protect the MWE database security.



# AUDITS

- **Recommendation (a):** Amend the settings on the aforementioned server to properly limit access to all critical programs and files and to critical server commands to only those individuals who require such access. We have already completed a process for logging, reviewing, and limiting the access of critical programs, files and commands. **RESOLVED**
- **Recommendation (b):** Include the server activity of all critical users in security reports, regularly review these reports, and document and retain such reviews (repeat). We are implementing the review process for the server activity. The reports of the server log review process include all critical activity by all critical users. The review is being documented and the documentation is retained. **RESOLVED**
- **Recommendation (c):** Log direct modifications to all critical server data files. We are implementing the review process that logs direct modifications to all critical server data files. **RESOLVED**



# AUDITS

- **Finding 6: Staff were not always properly performing or documenting certain reconciliations.**
- Current Status: Partially Resolved.
- Corrective Action Taken: Effective July 2014, DLLR reconciliations for Occupational and Professional electronic licensing receipts were modified to reflect PayPal statements and Merchant bank statements documentation and their verification to R-Stars e-licensing clearing account.
- Corrective Action Planned: In February 2015, DLLR assigned a staff to properly perform monthly reconciliation of electronic licensing receipts collected by Division of Financial Regulation. The reconciliation will document receipt transactions between PayPal, Merchant Bank and RSTARS.
- **Recommendation (a): Maintain documentation to support the reconciliation of DOPL electronic licensing receipts allocated to the boards with the related bank statements (repeat).** Monthly reconciliation reflecting PayPal statements to Merchant bank statements are documented and verified to the RSTARS e-licensing clearing account. These reconciliations contain documentation of electronic licensing receipts allocated to the Occupational and Professional Licensing Boards. **RESOLVED**

# AUDITS



- **Recommendation (b): Perform monthly reconciliations of electronic licensing receipts collected by DFR to ensure all receipts were recorded in the State's records (repeat).** DLLR has assigned a staff to perform monthly reconciliation of electronic licensing receipts collected by DFR, comparing receipt transactions between PayPal, Merchant Bank and RSTARS. **IN PROGRESS**
- With remediation efforts in progress to resolve two recommendations of the repeat findings, DLLR has substantially implemented corrective actions for the two repeat findings reported in the 2014 OLA Audit Report. To ensure continuous compliance with internal controls, DLLR OPAA is currently performing revalidation procedures with the affected divisions and units. Based on our current follow up review, we are confident that management is demonstrating progress to resolve the repeat findings in FY 2016.



## UNEMPLOYMENT INSURANCE

- Unemployment insurance provides an important safety-net to working Maryland families.
- In Maryland, DLLR has focused on fiscal responsibility for the Unemployment Insurance Trust Fund.
- Working closely with businesses and the General Assembly, Maryland maintains one of the strongest unemployment insurance systems in the country.
- Based on this balance and the calculation set in the unemployment insurance law, Maryland employers will pay unemployment insurance taxes in calendar year 2015 at the second lowest rate table.



## Maryland UI Trust Fund is Stronger Than Most States'

### Top 12 State Trust Fund Balances\*

	State	Balance (\$)
1.	Washington	\$3,413,102,242
2.	Oregon	\$2,312,937,422
3.	Michigan	\$2,085,463,715
4.	Florida	\$1,848,278,566
5.	Texas	\$1,706,966,998
6.	Minnesota	\$1,471,492,269
7.	Illinois	\$1,327,797,809
8.	Oklahoma	\$1,234,385,065
9.	Massachusetts	\$969,253,264
10.	Iowa	\$947,611,302
11.	Louisiana	\$883,835,492
12.	<b>Maryland</b>	<b>\$856,092,461</b>

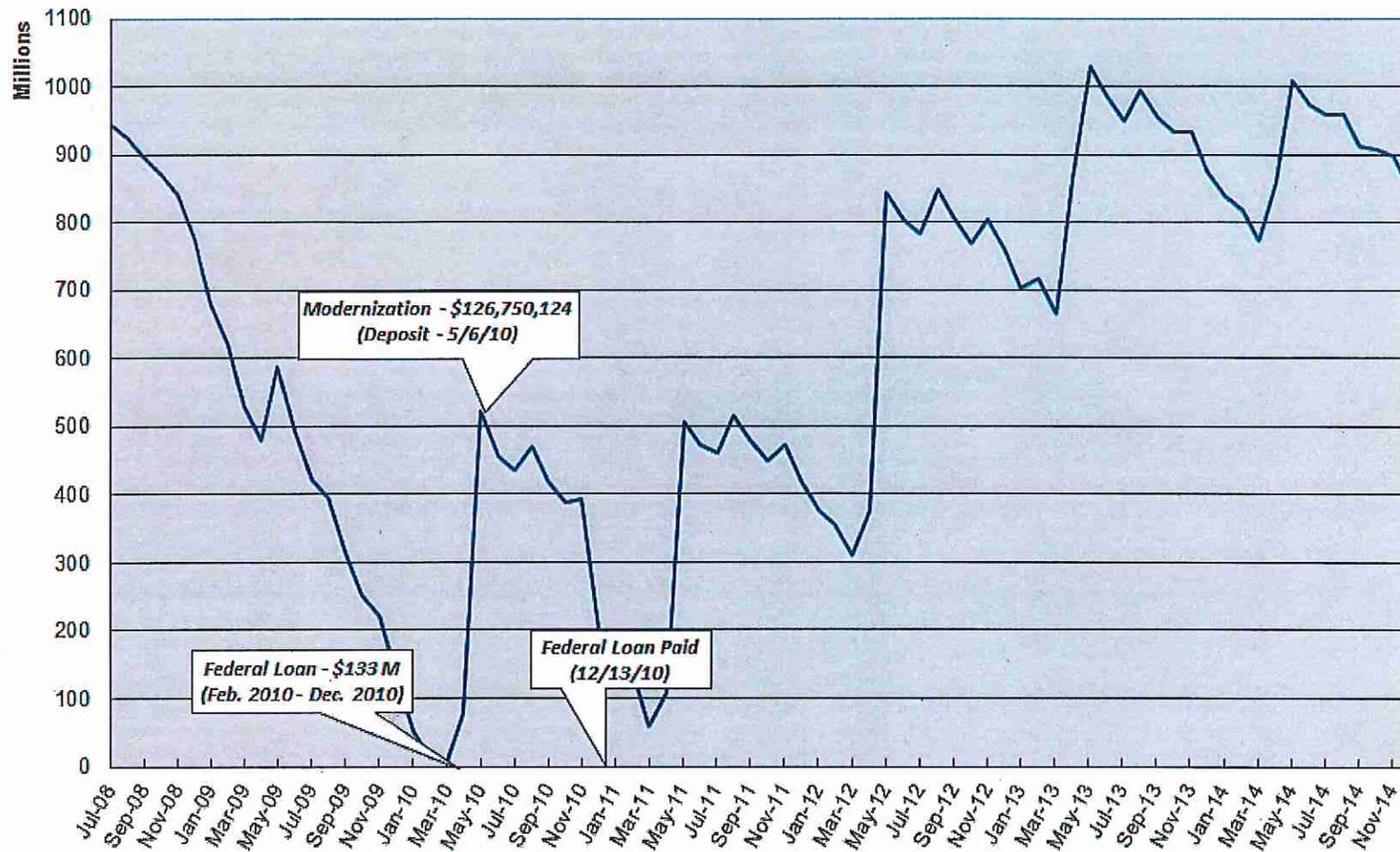
### Maryland UI Trust Fund:

- Has 12<sup>th</sup> highest balance as of 12/31/2014:
  - \$856,092,461
- No Trust Fund Loan:
  - 9 states and 1 jurisdiction have Trust Fund Loans from the Federal Government as of 12/31/2014

\* As of December 31, 2014; Source for other states: [treasurydirect.gov](http://treasurydirect.gov)



**Trust Fund - Monthly Balance**  
 Source: Maryland Department of Labor, Licensing and Regulation





## Maryland UI Trust Fund is Stronger Than Most States'

Due to Maryland's Trust Fund Balance:

- Maryland does not owe interest payments
- Maryland employers will not have a FUTA tax increase
  - 6 states and 1 jurisdiction increased FUTA tax for CY 2014



## PROGRAM UPDATES – UNEMPLOYMENT INSURANCE

- **New claims and benefit payouts continue to decline compared to previous recession years:** Under the unemployment insurance program, unemployed workers can receive up to 26 weeks of partial wage replacement. In state fiscal year 2014, Maryland paid \$732 million in regular program benefits, compared to \$749 million in SFY 2013.
- **Federal Tax Offset Program:** In 2012, Maryland implemented a new federal tax offset program for unemployment insurance overpayments caused by fraud or a person's failure to report earnings. In total, Maryland's two year participation has resulted in the recovery of more than \$41 million in benefit overpayments.
- **UI Modernization Project (UIM):** Maryland continues to plan for the development of a new server-based unemployment insurance system. This new, modernized system will replace Maryland's aging mainframe computer systems that were developed in the 1980s and 1990s. USDOL has committed funding only to projects involving larger multi-state consortiums. In 2011, Maryland formed a consortium with West Virginia and Vermont. Maryland is the procuring state for the UIM and the consortium was awarded \$6.0M in 2011 for Phase 1 and \$82.7M in 2013 for Phase II. This major IT project, which has full oversight by the Department of Information Technology, will: facilitate greater self-service for claimants and employers; enhance system flexibility; improve navigation and ease of use for all users; and, will increase automation of routine processes and workflows.



## PROGRAM UPDATES – UNEMPLOYMENT INSURANCE

- **High Performance Bonus:** Maryland was one of four states in the country to receive a High Performance Bonus award by the U.S. Department of Labor. The performance bonus was awarded because Maryland's Unemployment Insurance Field Audit Unit demonstrated a high level of performance by meeting and exceeding all USDOL effective audit measures. These measures include detecting worker misclassification and enforcing UI tax requirements on employers who failed to properly classify their workers.
- **New State Legislation:** There was one piece of unemployment insurance legislation enacted during the 2014 General Assembly Session. The bill, which was introduced on behalf of the Department of Labor, Licensing and Regulation amended Maryland's work sharing law to conform to new federal law requirements. Among other provisions, it made changes to the law to promote clarity, increase efficiency and ensure effective administration of the program for employers and workers. Work Sharing is a voluntary layoff avoidance program that allows an employer to cut costs by equally dividing available hours of work among employees. While working reduced hours, the employees will also be eligible to receive partial Unemployment Insurance (UI) benefit payment based on their reduction in weekly work hours. This tool can allow an employer to retain a trained workforce during an economic downturn



## PROGRAM UPDATES – UNEMPLOYMENT INSURANCE

- **Teleclaims:** In December 2014 a new Teleclaims application was implemented statewide after several months of pilot testing. Teleclaims is a web application used by the claims-taking staff throughout the state when taking claims for unemployment insurance benefits. This is a real-time application that interfaces directly with the Maryland Automated Benefits System (MABS). Teleclaims provides claims-takers with detailed prompts and information needed to determine the proper type of claim to be taken and gather all necessary information needed to process the claim efficiently and quickly.



## Maryland UI Rate Tables

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**Table A:** 0.3% to 7.5% = \$25.50 to \$637.50 per employee per year.

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**Table B:** 0.6% to 9.0% = \$51.00 to \$765.00 per employee per year.

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**Table C:** 1.0% to 10.5% = \$85.00 to \$892.50 per employee per year.

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**Table D:** 1.4% to 11.8% = \$119.00 to \$1,003.00 per employee per year.

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**Table E:** 1.8% to 12.9% = \$153.00 to \$1,096.50 per employee per year.

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**Table F:** 2.2% to 13.5% = \$187.00 to \$1,147.50 per employee per year.

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Source: Maryland Department of Labor, Licensing and Regulation



## Rate Table History

Calendar Year	Tax Rate Table in Effect	Annual Benefit Payouts (\$ in Millions)	Annual Revenue (\$ in Millions)	UI Trust Fund Balance as of Sept. 30 (\$ in Millions)
2006	B	383.5	457.9	1032.5
2007	A	433.3	377.9	1057.8
2008	A	785.2	347.8	895.4
2009	B	1068.8	380.7	301.7
2010	F	900.7	787.8	273.4
2011	F	795.7	959.9	460.2
2012	F	778.5	1052.5	794.5
2013	C	736.2	805.1	954.7
2014	A	623.2	587.3	904.6

Source: Maryland Department of Labor, Licensing and Regulation



## Balances Needed To Shift Rate Tables\*

- Amount needed in the Trust Fund on 9/30/2014 for each of the six tables:
  - If the balance exceeds \$914,000,000.00, we are in Table A;
  - If balance exceeds \$822,000,000, we are in Table B;
  - If balance exceeds \$731,000,000, we are in Table C;
  - If balance exceeds \$640,000,000, we are in Table D;
  - If balance exceeds \$550,000,000, we are in Table E;
  - \$550,000,000 or less, we remain in Table F.
- **Trust Fund balance on September 30, 2014 = \$904,640,583\*\***

\* Taxable wage base = \$18.28 billion.

\*\* Balance reconciled for rate calculation



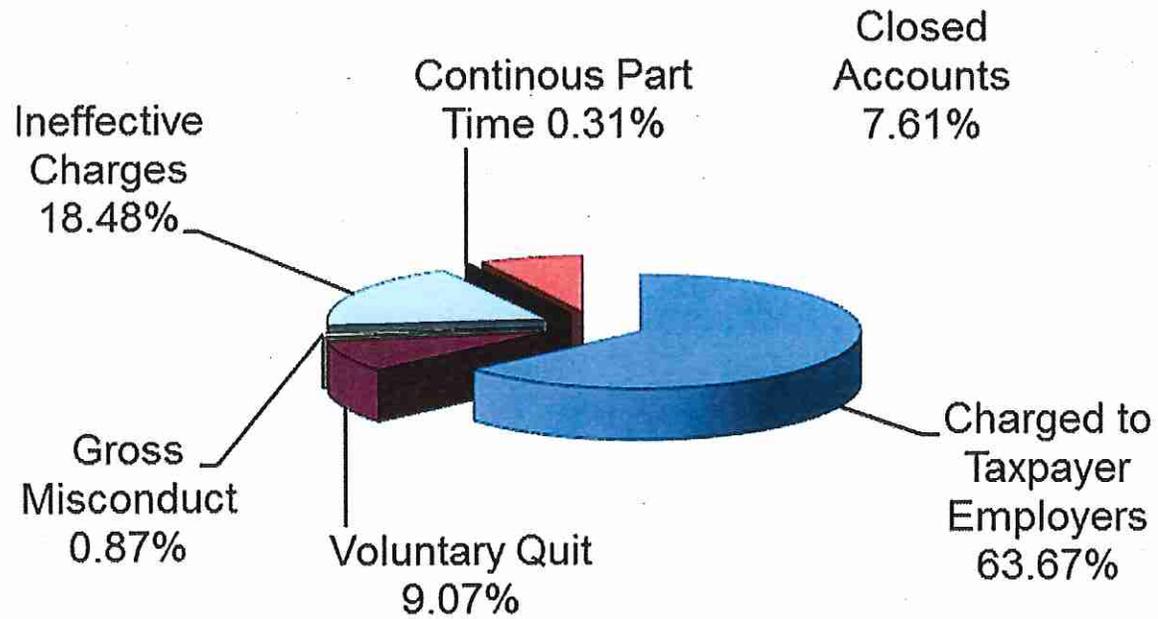
## Employer Rate Calculation

Type of Employer Account	Number of 2014 Employers
Minimum Rated	70,050 (50.4%)
Maximum Rated	13,200 (9.5%)
Other Rated	28,944 (20.8%)
Other Non-Experience Rated*	25,025 (18.1%)
Non Rated (Govt. & Non-Profits)	1,668 (1.2%)
<b>TOTAL EMPLOYERS</b>	<b>138,887 (100%)</b>

\* Other non-rated includes: new accounts, foreign contractors, and standard rate employers.



### Chart of Chargeable Benefits State Fiscal Year 2014





## WORKFORCE STATS

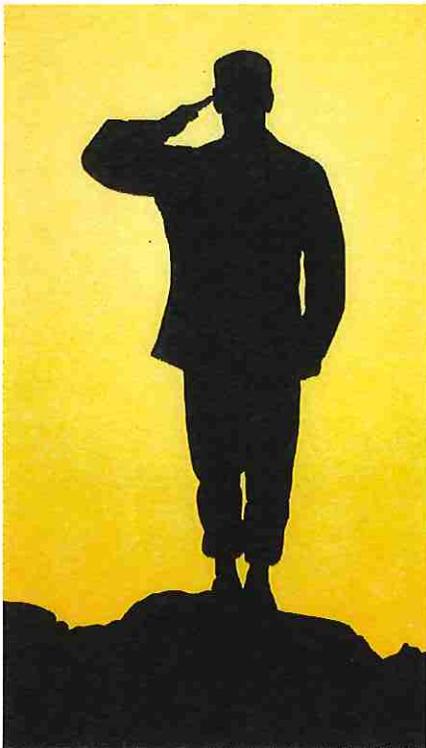


During FY2014, Maryland's Workforce System placed 79,763 jobseekers into jobs – a 51% placement rate. Of those, 27,102 were claiming Unemployment Insurance benefits. More than 161,843 Marylanders received services at Maryland's 33 American Job Centers, including more than 103,184 who received staff-assisted services. Of the 161,843 participants receiving services, 12,025 were veterans, eligible persons, or transitioning service members. Of all participants employed after program participating, 82% have maintained employment for six (6) months.

For FY 2014, 1,828 students enrolled in DLLR's instructional programs earned a Maryland High School Diploma. A total of 4,501 students passed the GED test and earned a Maryland High School Diploma.

## **WORKFORCE PROGRAMS | Veterans PY2013**

From July 1, 2013 – June 30, 2014, Maryland's Workforce System accomplished the following:



- **Total Veterans Served | 12,025**
- **Training Referrals | 331**
- **Employment Services Referrals | 3,013**
- **Employment Acquisition | 5,372**
- **Staff-Assisted Services | 8,092**



## **WORKFORCE PROGRAMS | Correctional Education (CE)**

In FY2014, Correctional Education served approximately 12,000 students – 5,818 in academic classes, 1,960 in occupational programs, and 3,945 in transitional programs.

**GED® Certifications Earned | 482 students**

**Occupational Program Completed | 990 students**



## **Employment Advancement Right Now (EARN) Maryland**

- EARN Maryland is a competitive grant program for industry-led partnerships that improve workforce training, job readiness, and skills training for the State's workforce.
- By removing barriers between stakeholders, this initiative organizes formal sector partnerships in collaboration with the public workforce system, higher education and community service organizations.
- Working with targeted industry sectors, the Department seeks to lower unemployment, encourages sustainable wages and creates more competitive industries in Maryland.



# Employment Advancement Right Now (EARN) Maryland

- 40 Strategic Industry Partnerships representing every region of the state
- Industries include Biotech, Construction, Cybersecurity/IT, Healthcare, Hospitality, Manufacturing and Transportation and Logistics
- As of December 31, 2014, 700 Maryland workers participating in training, expected to be 4,000 over the life of the program
- As of December 31, 2014, 67 Training Modules completed
- 517 Organizations throughout Maryland including:
  - 325 industry partners
  - 15 community colleges
  - All 12 of the State's Workforce Investment Boards
- For more information, please visit: <http://www.dllr.state.md.us/earn/>

**EARN MARYLAND IMPLEMENTATION GRANT PROGRAM  
 EVALUATION AND ACCOUNTABILITY TOOL DEVELOPMENT PROJECT**

**FEBRUARY 2015**

The objective of this project is to collect data from, and evaluate process, output, and outcome metrics for, each of the 2014-2015 DLLR-EARN Grantees. A key element of the project is to develop an interactive "Accountability Tool (Dashboard)", to inform the evaluation process for decision-makers at DLLR and for each of the grantees.

Since the project launch in July 2014, the Business, Economic, and Community Outreach Network (BEACON) has completed or made progress on many of the scope items outlined in the MOU for this project.

To date, BEACON has:

- Conducted regional meeting with all grantees to outline process, output, and outcome evaluations;
- Individual follow-up questions were addresses in one-on-one conversations;
- Assigned a BEACON staff member to each partnership to serve as a point of contact for any questions;
- Conducted online meetings with all partnerships to discuss and develop custom metrics;
- Developed the final set of core metrics for all partnerships and the entry and exit reporting forms;
- Developed the core metrics Key Performance Indicator (KPI) dashboard;
- Compiled all Q1 reporting measures into the core metrics dashboard;
- Collecting and analyzing data for custom metrics for each partnership;
- Developing the individual partnership dashboards to include the custom metrics for each partnership;
- Populating narrative reports and comparing process metrics to partnership proposals;
- Scheduling and preparing for the site visits with each partnership (February to June)

**SCHEDULE:**

<b>Task</b>	<b>Time Frame</b>	<b>Status</b>
Project launch	May 1, 2104	Complete
TEAM-CLIENTS Meet	By May 15, 2014	Complete
Project Phase I (Flowchart)	By May 26, 2014	Complete
Project Phase II (Tools and Dashboards)	By June 20	Core metrics dashboard complete; custom metrics dashboard in progress
Evaluation & Accountability Process Launch	July 1, 2014	Complete
Initial Awardee Group Meetings	July 2014	Complete
Site Visits	July 2014 – June 2015	Ongoing
Final Awardee Group Meetings	May – June 2015	To be scheduled by 5/1/2015
Project Report to DLLR	June 15, 2015	Draft to be ready by 6/1/2015

“92% of graduates were offered employment, with 75% of the graduates accepting jobs. Within 6 weeks, 3 graduates were given \$3 raises!” - *Maryland Manufacturing Boot Camp*

“In less than six months, Timothy progressed from having no income or formal education to obtaining his GED and two EARN certificates with an industry recognized skill set. He is earning \$10.80/hour plus full benefits to better sustain he and his family.” – *Baltimore Healthcare Partnership*

## EARN Maryland Successes

“23 of our 25 participants passed the State Boards, with 15 being placed into jobs and interviews continuing for remaining 8.” – *Healthcare Industry Partnership of Prince George’s and Charles County*

“Highly recommended! This is a **MUST-HAVE** for anyone aspiring to gain skills and experience to obtain a job in the workforce!”

-EARN participant from the *IT Center for Excellence: Preparing Western Maryland for the Future*

“Darris received math remediation courses to improve his skills enough to pass the ABC apprenticeship entrance exam and excelled throughout training. After graduation, he was offered a job with an electrician. He received a set of starter tools specific to his trade and a financial sponsorship from JOTF for a car. He’s earning \$11/hour with benefits after completion of a mandatory probationary period.” - *Project Jumpstart*

**THANK YOU**

**QUESTIONS?**