New Hampshire Department of Employment Security (NHES)
Senate Finance Committee - Budget Request FY 2024/2025
Monday, April 10th @ 3:15pm State House Room 103

- As we start our presentation every biennium, the Department receives no state general funds and the majority of its non-matching federal funding comes from the United States Department of Labor (USDOL).

- Our biennium budget projection is based on the knowledge and expectation of the continuation of our core programs: Employment Services, Unemployment Insurance and Labor Market Information.

- The Department also receives supplemental funding in the form of a 0.2% diversion of employer state unemployment taxes (RSA 282 A:87) for administrative support in order to cover federal funding shortfalls, and from which $6M annually is deposited into the Training Fund administered in connection with the Job Training Program, RSA 282-A:181.

- Without this 0.2% diversion of employer state unemployment taxes, the state would only be able to maintain 6 of the 12 NH Works offices conveniently located throughout the state if forced to rely solely on federal funding.

- The Department offers a variety of services to claimants, job seekers and employers in 12 full service offices and 2 itinerant offices located throughout the state. Therefore, personal service and benefit costs comprise the largest portion of our overall budget.

- **Personnel-related costs** comprise approximately **58% of our budget**. When unemployment claims increase, as was experienced during the Global Pandemic, NHES receives additional federal funding based on workloads in excess of our base budget workload counts.

- A growing economy and low unemployment rate like NH is currently experiencing, results in decreased federal funding for NHES. To put this into context, in February 2020 just prior to the start of the Global Pandemic, the total number of staff at the department was 264 (235 FT & 29 PT).

- The total number of FT NHES staff is currently at 260 (27 being recruited for).

- The highest point of staffing reached during the pandemic was 355 equivalent positions in April 2020 when the equivalent of 94 extra positions was worked in OT hours by existing staff.

- During the 2020-2021 Global Pandemic the Department managed to pay over $2 Billion in federal and state unemployment benefits to over 175,000 Granite State Workers which was more money and more people paid in the prior decade combined.

- **Department of Information Technology (DoIT)** costs comprise approximately **11% of our overall budget**. With this budget, NHES supports approximately 25 full-time equivalent DoIT positions: 17 embedded within NHES.

- NHES relies heavily on **technology** to administer all of our programs but most importantly the unemployment insurance program which combined with our extremely dedicated and knowledgeable staff, is why we were able to get through the Global Pandemic with lower staff totals as compared to the Great Recession a decade ago despite much higher claim totals during the pandemic. Therefore, in addition to class 027 (DoIT), our software, equipment and equipment-related maintenance budget represents approximately **12% of our overall budget**.

- The **Job Training Fund** receives $6,000,000 annually, which represents approximately **11% of our overall budget**. This fund provides support to employers and individual job seekers.

- The remaining **8% of our overall budget is comprised of general operating expenditures** such as telecommunications, postage, utilities, supplies, rent, building maintenance contracts, etc. Approximately **3%** is designated for training and support payments to eligible participants under the Dislocated Worker Program.

- The Department submitted a budget of $14,964,568 for SFY 2024 and $15,269,313 for SFY 2025 in the category of personal services for permanent classified and unclassified staff. This includes 286 classified positions (of which 15 are unfunded this biennium) and 7 unclassified positions.

- The Department also included 36 full time temporary positions in the SFY 2024/2025 budget request in order to assist with continued elevated workloads for which above-base funding is anticipated.

- The most significant differences between SFY 2022 Actuals and SFY 2023 Adjusted Authorized are in

Personnel and DoIT related expenditure classes resulting from an extra pay-period in 2023.

- The most significant differences between SFYs 2022/2023 and SFYs 2024/2025 are in the software and payments to program recipients expenditure classes.

- The difference in software expense, class 038, results from increases in ongoing maintenance/support costs of our benefit and tax systems as well as continued supplemental funding made available from USDOL to continue to enhance the unemployment benefit system.

- Guidance provided during the budgeting process instructed agencies to utilize classes 072 and 073 in lieu of previously used class 102 resulting in significant differences amongst those expenditure lines.

Discussion of the Unemployment Compensation Trust Fund:

- NHES administers both state and federal unemployment programs. As mentioned, over $2B in total benefits was paid throughout the pandemic, the majority of which was through federally funded supplemental assistance programs.

- The Unemployment Compensation Trust Fund has been hovering around $360M since the beginning of the 4th quarter in calendar year 2022, which is over $60 million higher than prior to the pandemic.

- A total of 23 states were required to borrow more than $55B from the US Treasury to cover benefits paid throughout the pandemic. NH did not need to borrow from the US Treasury to pay benefits during the pandemic. As of April 3rd, 6 states still have outstanding balances totaling $27B (CT, NY, CA, CO, PA & VI).

- The trust fund balance is now in better shape than prior to the pandemic when the level was $300M. This is due to continued historically low claim volume, employer base growth and additional infusions from Federal pandemic aid that was unspent in other programs and was redirected to the state's trust fund rather than being sent back to Washington.

- As a result of the growth of the Trust Fund, employers received on average a 30% reduction to their unemployment insurance tax rates starting with the 4th quarter of calendar year 2022 and continuing through the 1st quarter of calendar year 2023. The tax rate reductions will double with this 2nd quarter of calendar year as the trust fund maintained a balance at or above $350M thus triggering employers to go from a 0.5% rate reduction to a 1.0% reduction. The initial tax rate reduction for the 4th quarter of 2022 and 1st quarter of 2023 will save employers about $28 million in tax payments.

- I look forward to the next biennium and continuing to provide essential services to the people and businesses of New Hampshire.