

**Testimony of Acting Secretary Jennifer Berrier
Department of Labor & Industry
Before House Labor & Industry Committee
April 14, 2021**

Good morning, Chairman Cox, Chairman Mullery, and members of the Labor & Industry Committee. Thank you for the opportunity to speak with you today about the Department of Labor & Industry (L&I) and to share with you some updates on the UC Modernization Project, legislation to improve the UC system that is currently before this committee, and our efforts to help Pennsylvanians get back to work and for Pennsylvania businesses to return to normal.

I have with me today the Deputy Secretary for Unemployment Compensation, Bill Trusky, and Executive Deputy Secretary Bob O'Brien. We look forward to your questions.

The UC Modernization Project

I would like to start with some updates on the UC Modernization Project and our communications plan regarding its launch. As you know, last Thursday I announced L&I's intention to "go-live" on June 8 for the full implementation of the modern UC claims system. You and I have known it in its developmental phase as BenMod. Our staff has been working for many years to reach this point and we are confident that when the new system, which replaces a 40-plus-year-old legacy mainframe, is implemented it will make filing claims simpler for claimants and make processing claims faster for staff.

Our intention to bring the new UC system online in June is based on the progress of the project and the declining number of initial claims. We raised the June 8 date with the BenMod Advisory board in late March, which you will recall advised against the previously planned "go-live" date in October 2020 due to the high volume of UC claims resulting from what was then the beginning of the third surge in COVID-19 positive cases and COVID-19 deaths. Since then, the volume of claims has declined, Pennsylvanians are returning to work, and we anticipate more workers returning to work as businesses reopen and activities resume. As vaccination rates climb higher and positive cases decrease, we envision Pennsylvania returning to a condition much closer to "normal." We believe that the conditions are right to "go-live" with the new UC system in June.

This new system will be easier for unemployed Pennsylvanians to use because it looks and functions like a modern website. It incorporates formatting that claimants are familiar with from other user-friendly websites that most of us use every day. It will be easy to use on mobile and tablet devices. It will emphasize communication enhancing our customer service with users, enabling claimants and employers to receive and respond to alerts and documents from the UC staff. And it will allow users to easily access and update more of their personal information. To summarize, it will be more productive, and overall, a better customer experience.

Making a major change like this will require some adjustments. During the transition, the current UC claims system will need to be taken offline for users for a period of approximately two weeks. L&I will be providing regular updates regarding this and other changes in the coming weeks.

As with any project of this magnitude, we anticipate there will be some hiccups early on. Our staff has worked closely with our vendor, Geographic Solutions, Inc., to mitigate and prepare to ensure these hiccups are small and swiftly resolved ensuring claimants are well served throughout the transition period to the new system.

We want everyone to feel comfortable about using the new UC system when we make the transition. While we believe that most Pennsylvanians will intuitively understand how to use the system, we also recognize that any time you make a change of this magnitude, people will need help. That's why, over the next two months, we will be conducting extensive outreach to the public, groups that work with unemployed Pennsylvanians, and employers to provide education and training materials, user guides, and live workshops. And, of course, we will be informing you of all these developments, the timelines, and our updates over the next few months leading up to, during, and after the successful launch of the new UC system.

I would be remiss if I did not pause to thank our UC staff for their hard work collaborating with our vendor to build this modern UC claim system in a way that conforms to Pennsylvania's UC Law and meets the needs of out-of-work Pennsylvanians. I'd also like to thank the UC Service Center staff specifically, who have been hard at work familiarizing themselves with the functionality and workflows of the new system so that they are ready to help claimants navigate the system on day one.

The Benefits of The New UC System

The new UC system will make filing for Unemployment Compensation (UC); Pandemic Emergency Unemployment Compensation (PEUC); Extended Benefits (EB), Shared Work or Short-Term Compensation (STC); and Trade Readjustment Allowances (TRA) simpler and more efficient for both internal staff and unemployed Pennsylvanians.

It will also be easier for employers to navigate the new UC system. For the first time, employers will be able to access benefit information online, similar to how they access UC tax information in the Unemployment Compensation Management System (UCMS). They will be able to respond to UC staff inquiries concerning employees who are filing for unemployment through their own portal within the system. This will greatly reduce the time needed to adjudicate complex claims and to conduct fact findings related to refusal of suitable work and separation issues, and it will help prevent fraudulent benefits.

The new UC system will also increase the efficiency of our staff and partners and allow them to spend more time helping the claimants that need our services. The system will streamline current cumbersome internal processes and allow UC staff to easily access

all information related to a claim rather than searching for paperwork in different databases or, worse, having to request claimants to provide forms a second time.

Efficiencies in the new UC system will help with the management of workflow between supervisors and staff. Work items will automatically provide information on prioritizing cases by organizing them based on the age of the claim which will help to efficiently manage the backlog. Further, staff will be able to view all documents and correspondence from claimants and employers in real-time. This will help reduce the backlog of UC determinations and speed up the process of delivering timely benefits to claimants who have separation issues, all enhancing our customer service initiatives.

The new system will also provide greater transparency for claimants. Users will be able to manage their own claims, see all correspondence that has been sent to them, see their payment history which includes a breakdown of reductions and deductions, the method of payment, the overpayment history, factfinding completed, as well as determinations, all in a single portal online.

The new UC system will also reduce the number of claims and parts of claims that will require individual processing. It streamlines identity confirmation through internal crossmatches and modernizes the work authorization verification process.

While the system simplifies many parts of the claims process, we know that it is not a silver bullet. Some issues will not—and cannot—be resolved by this new system, such as the difficulty with transitioning claimants from state UC to the federal PUA program. Integration of the PUA and UC systems will occur after “go-live.” Doing so now would have delayed the implementation for several more months and, frankly, we do not know how long the PUA program will be in existence. That said, we are confident that the efficiencies the new system will provide our staff will help us to resolve persistent backlogs, allow more time for staff to manually handle claims, ensure that claimants are being paid on the correct program and in a timely fashion.

HB549

While the new system will create efficiencies within the UC program and our plans to hire 500 to 1,000 additional staff in partnership with Inspiratech will facilitate better service delivery to claimants, structural deficiencies remain in the UC Law that need to be remedied for us to reduce current and prevent future backlogs of claims that unemployed Pennsylvanians have experienced over the past year. We look forward to working with you, members of the General Assembly, to further reduce barriers facing claimants and improve the UC system for current and future claimants. While much of the UC system is governed by federal law, UC staff has identified several changes that could be made at the state level to improve the UC system.

I thank Chairman Cox and Chairman Mullery for hosting a hearing earlier this year regarding UC legislation and giving L&I a chance to highlight these changes. HB 549, introduced by Chairman Mullery, will make the UC program more efficient and faster at processing claims, while making the UC Trust Fund better able to weather future

economic downturns. HB 549 makes the shared work program more administratively accessible to employers, removes the archaic waiting week period, updates and clarifies the language around severance pay, eliminates the credit week from eligibility criteria, and aligns the definition of trust fund solvency with that used by the federal government. These changes will result in an increase in benefit payments from the Trust Fund, but we believe the cost is worth providing claimants with fewer barriers and faster access to the benefits they need and deserve.

The bill makes the UC program more efficient by reducing staff time spent on unnecessarily complex claims and helps eligible claimants receive their benefits faster. It removes confusing requirements in the UC law that cause claimants to contact UC service centers and add to the phone, email, and chat queue. If these provisions are removed, fewer claimants would need to reach out to the UC staff and your own offices to ask questions and staff could focus on answering more complex questions of other claimants or processing claims faster, including writing determinations.

Additionally, by aligning to the federal definition of solvency, HB 549 also makes our savings target more straightforward. If we can save more effectively, the UCTF will be more fiscally sound in the long-term so it is better able to weather economic downturns and periods of high unemployment. This will save employers money in the long run.

We are aware of the concerns expressed by some members of this committee that HB 549 will increase annual benefit payments from the UC Trust Fund, that there is no way to pay for it, and that it would be cheaper to hire additional UC workers rather than implement these policy changes. I am not immune to these concerns, but I believe they do not capture fully that the benefits of these changes are worth the dollar price tag. Further, they promise to give claimants back their time, peace of mind, and confidence in the timely dispersal of benefits to help them pay bills, buy medicine, afford food, and get back on their feet. Making this complex program less confusing for your constituents is worth the price. Frankly, if the Committee is concerned about the solvency of the UCTF, the solvency definition should be aligned with federal definition so that the fund is sufficiently built up to weather the next economic downturn.

HB 549 has a \$185 million impact in the first year. The UC Trust Fund pays out billions in benefits each year and that \$185 million impact is projected to be less than 4.5% of all the benefits expected to be disbursed in 2022. Additionally, what some may frame as a "cost" we think of it as an additional \$185 million in benefits distributed to out-of-work Pennsylvanians, and back into our state and local economies.

Eliminating the waiting week, credit weeks, and severance payments will save staff an additional 64,000 hours per year. In conjunction with the other outside hiring L&I is engaged in this will allow experienced staff time to review more claims and help eliminate our backlog of pending adjudications and separation issues. Put plainly, these changes will enable experienced UC staff to answer the complex claims that contribute to the backlogs.

Most importantly, we find ourselves at a crossroads. After the Great Recession, the General Assembly and the then-Governor tried to make the UC Trust Fund solvent by, among other initiatives, cutting benefits to claimants. The UC Trust Fund did not return to solvency before the COVID-induced economic downturn this past year, and the experience of the past year shows us that the way we project future demands on the Trust Fund may still be lacking. The solvency of the UC Trust Fund should not be balanced on the backs of claimants but should instead be a shared endeavor of both workers and employers, all of whom benefit from a robust unemployment safety net that cushions the fall in economic downturns and helps accelerate economic recoveries.

An equitable solution that includes long term savings for employers and enhanced benefits for claimants is possible and should include the federal definition of solvency so that Pennsylvania does not find its UC Trust Fund empty again after the next recession.

Work Search

The progress of the vaccination program in Pennsylvania and across the United States and the lifting of mitigation orders has contributed to the decrease in UC claims that gives us the confidence that June 8 is the right time to launch the new UC system. Given these developments and the decision to “go-live,” we have also begun having conversations with stakeholders about planning to reimplement the work search and work registration requirements for claimants to remain eligible for benefits.

We are listening to you, your colleagues, Pennsylvania businesses, workers and their advocates, and our staff about the work search and work registration requirements that mandate claimants perform work search activities and register with the CareerLink® system to remain eligible for benefits. You will recall that these requirements were waived in the spring of 2020 by Act 9 of 2020. When the waiver provisions of Act 9 expired on January 1, 2021, these waivers were continued under the Governor's emergency declaration.

Our staff has been hard at work identifying what questions need answers and what technical and programmatic requirements we will need to reimplement these provisions and help claimants find work and get back on their feet. I want to emphasize that neither work search nor work registration were waived before and, thus, have never been turned back on, so we have no playbook for this.

This is a little bit like the part of the movie *Apollo 13* when the astronauts have to shut down their spacecraft to save power and then restart it in a precise sequence, newly developed and never before attempted, or else they will lose all hope of returning to Earth. Similarly, we are developing the process carefully because we know doing this the wrong way will have catastrophic results. In our case, we are taking great care to ensure the process is sound, the programmatic and technical requirements are fully met, and that the communication strategy to claimants is thorough and complete, because doing this wrong could result in the denial of benefits to hundreds of thousands of people and thousands of new calls to our offices and yours.

As you know, to remain eligible for benefits when the work search requirement is reimplemented, claimants will be required to perform three work search activities each week, including applying for two jobs that would provide suitable work and completing at least one of seven different work search activities, such as attending a career fair, taking a civil service exam, posting a resume on the CareerLink® website, or searching for a job on the CareerLink® job board or another internet job board. The work registration requirement simply requires that claimants register on the CareerLink® website.

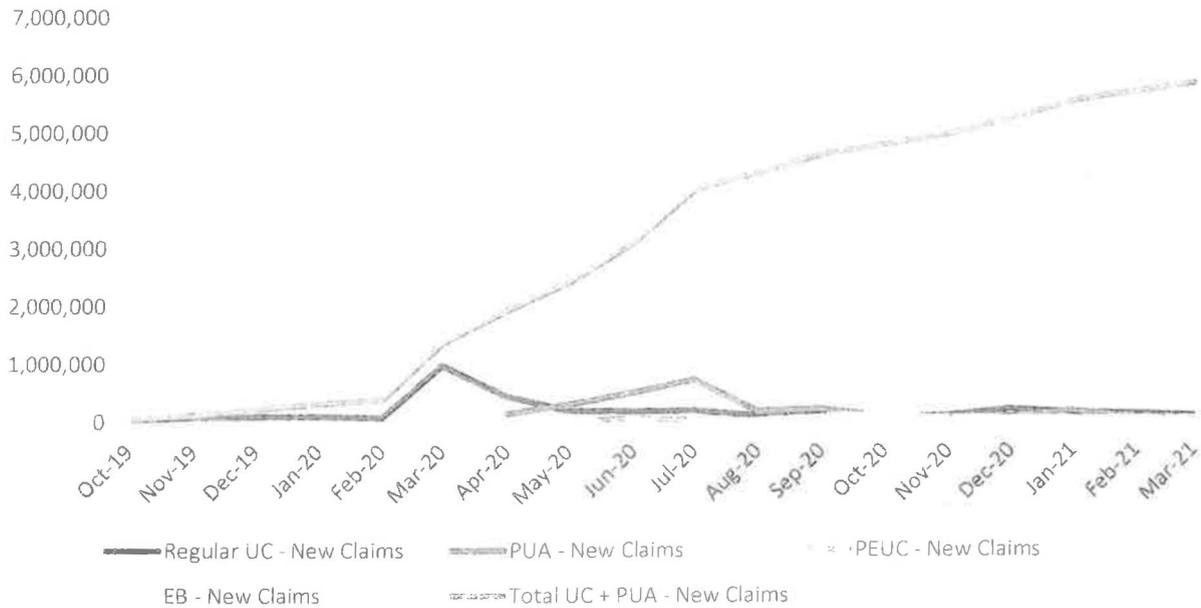
Once we have established a plan for turning on the work search and work registration provisions, L&I will conduct extensive outreach to inform claimants about these upcoming changes. We will reach out to claimants directly by mail and email, through social media, and through webinars. Claimants will be notified of the requirement directly in the new UC system when they file their claims and will have access to instructional information as to what qualifies as a work search activity, including the opportunity to register with the CareerLink® system.

Turning on work registration is a particularly complex process since it requires the seamless integration of the UC and CareerLink® systems. Additionally, the current volume of claimants who we expect to need to register with the CareerLink® system is many times greater than any previous number that have registered in a short period of time. Our team has already identified that we will need to significantly increase server and bandwidth capacity, and work registration will greatly test our mailroom capacity. While the timeline for reimplementing work registration has yet to be determined, we encourage all claimants to register on the PA CareerLink® website as soon as possible. Registering now will help claimants take advantage workforce programs and services that can help connect them to new career opportunities and reduce a future bottleneck and avoid the risk of claims being denied when work registration is restarted. I look forward to providing you with updates on the work registration requirement in the near future.

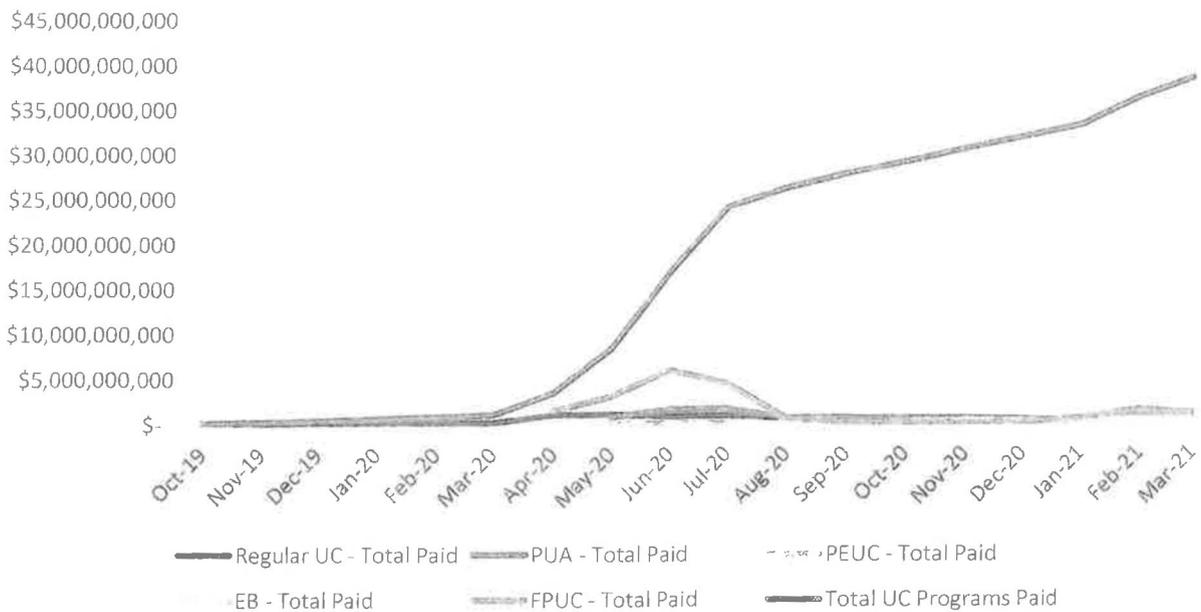
Chairman Cox, Chairman Mullery, member of the Labor & Industry Committee, thank you for your attention. We are ready to take your questions at the time.

Addendum 1 to Acting Secretary Berrier's Testimony:

UC Claims by Program and Total



UC Programs Funds Paid



	2019			2020										
	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Reg UC - New Claims	44.8k	76k	97k	92k	72k	976k	438k	189.6k	177.2k	192k	105k	110k	83.2k	96.7k
Reg UC - Total Paid (\$)	134.8M	110.5M	175.3M	200.1M	181M	217.6M	1,033.4M	1,067M	849.5M	914.2M	677M	665M	336M	306.2M
PUA - New Claims							136.2k	305.3k	505k	726.3k	177.8k	209.4k	85k	67.9k
PUA - Total Paid (\$)								748.2M	1,612.4M	1,656M	683.9M	611.3M	623.7M	610.6M
PEUC - New Claims								5.6k	55.8k	14.3k	23.3k	76.8k	120k	52.9k
PEUC - Total Paid (\$)								9.5M	125.5M	52.9M	69.3M	81.4M	187.3M	320.9M
EB - New Claims										14.5k	9.2k	7.7k	11.4k	12.2k
EB - Total Paid (\$)										12.2M	33M	40.4M	33.7M	44.3M
FPUC - Total Paid (\$)							1,446.1M	3,022.6M	5,993.6M	4,507.1M	704M	194M	141.7M	98.3M
Total UC + PUA - New Claims	44.8k	120.8k	217.7k	309.7k	381.9k	1.35M	1.93M	2.43M	3.11M	4.03M	4.31M	4.63M	4.8M	4.96M
Total UC Programs Paid (\$)	134.8M	245.3M	420.5M	620.7M	801.6M	1.02B	3.50B	8.35B	16.93B	24.07B	26.24B	27.83B	29.15B	30.53B
PA Unemployment Rate			4.6%	4.7%	4.7%	5.8%	16.1%	13.4%	13.2%	12.5%	10.4%	8.3%	7.4%	6.8%

Addendum 2 to Acting Secretary Berrier's Testimony:

Regular UC Metrics Summary

Data Point	Metric	Updated Through	Value
1	Initial Claims	3/6/21	2.83M
1.2	Initial Claims - Unique Count	3/6/21	2.11M
2	Paid Claims - Unique Count	3/6/21	1.2M
3	Mon Dets - Pending	4/3/21	26.41k
3.2	Non-Mon Dets - Pending	4/3/21	105.40k
4	Denials (Mons + Non-Mons)	3/6/21	309.60k
5	Appeals - Referees	4/9/21	7,987
5.2	Appeals – Board of Review	4/9/21	1,948
5.3	Appeals - Comm. Court	4/2/21	105
5.4	Appeals - Superior Court	4/2/21	8
6	Stopped Filing - Unique Count	3/6/21	481.84k

PUA

Data Point	Metric	Updated Through	Value
1	Initial Claims	4/10/21	2.58M
2	Paid Claims	4/10/21	1.42M
3	Non-Mon Dets - Pending	4/10/21	184.59k
5	Appeal - Referees	4/10/21	7,184
6	ID.me Fraud (No response)	4/2/21	828k
6.2	SSA Failed SSA Authentication	4/10/21	435k