



Strategic Services on
Unemployment and
Workers' Compensation



National Foundation for
Unemployment Compensation & Workers' Compensation

32nd Annual National UI Issues Conference
Arlington, Virginia

2013 Award Recipients

Each year UWC accepts nominations for awards to individuals who have made outstanding contributions in research, public policy, UI system integrity and contributions to UWC. A Recognition Awards committee reviews nominations and selects individuals for recognition at the annual National UI Issues Conference.

The **UWC Outstanding Contribution Award** is given for outstanding contributions to UWC or the National Foundation for Unemployment Compensation and Workers' Compensation.

The **UI Integrity Award** is given to an individual who has demonstrated commitment to preserving the integrity of the unemployment system.

This year, UWC and NFUCWC recognize one individual for the UWC Outstanding Contribution Award and three individuals for the UI Integrity Award.

Please join me in congratulating these outstanding individuals.

Sincerely,

A handwritten signature in black ink that reads 'Douglas J. Holmes'.

Douglas J. Holmes
President

John Sharkey

UWC Outstanding Contribution Award

John Sharkey started his career in UI working for the North Dakota Job Service from 1969 to 1976. He served as a claims taker in a local office where in the “olden days” people came in person to file their claims, and weekly benefit amounts and maximum benefits were manually calculated.

In 1976, John moved to the US Department of Labor, where he was involved in the development of what became the Benefit Accuracy Measurement (BAM), system, the UI Quality Appraisal system, and the implementation of electronic filing of UI required reports by states to the US Department of Labor.

While leading UI technology operations at the US Department of Labor from 1998 – 2004, John was instrumental in development and implementation of the Social Security Data Exchange System, which allows states to access Social Security Administration (SSA) data to verify electronically the names and social security numbers of claimants when they file initial claims, the SUTA Dumping Detection System, helping states identify employers who try to manipulate state UI tax rates to pay less than their fair share, the National Directory of New Hires, which matches benefit payment data with new hire records, and the Treasury Offset Program, which recoups UI overpayments from federal income tax refunds.

In addition to these initiatives, all of which have been supported by UWC members, John led the extensive effort to ensure that state UI agency information technology systems were prepared for the twenty-first century. Y2K preparations and oversight were extremely important due to fears that computer systems would not be modified in time to avert widespread breakdowns. Making sure that 53 state systems were ready on January 1, 2000, was a monumental effort, and on that date proved to be successful.

John has been instrumental in the design, development and implementation of SIDES (State Information Data Exchange System). As one of the members of the SIDES Team once described, “John has a way of sharing information and his vision about SIDES that makes you want to jump in and be a part of the action.”. John’s personality and infectious passion for “doing the right thing” to improve and maintain the integrity of the UI system has been and continues to be the key behind SIDES’ success. SIDES has taken at a minimum, two days out of the response time for the mail.

John has conducted numerous briefings for UWC members and has been a regular presenter at the Annual National UI Issues conference. It is our honor to present John Sharkey with the UWC Outstanding Contribution Award.

Julia K. Hearthway

UI Integrity Award

On June 22, 2011, Julia Hearthway was unanimously confirmed by the Pennsylvania Senate to serve as the 33rd Secretary of the Department of Labor & Industry for the Commonwealth of Pennsylvania.

Following her confirmation, Secretary Hearthway assumed command of the department and its nearly 5,000 employees, and was immediately presented with an imminent crisis: the insolvency of Pennsylvania's Unemployment Compensation Trust Fund and a staggering debt to the federal government. Pennsylvania was forced to borrow from the federal government to pay state UC benefits as the economic recession triggered higher unemployment and strained the UC Trust Fund. By mid-2012, Pennsylvania had borrowed nearly \$4 billion from the federal government, the second largest UC debt in the country. It was clear that the state's UC program was unsustainable and required significant structural reforms to achieve solvency and long-term viability. Less clear was how such reforms could come to fruition in a challenging political environment where accomplishing meaningful UC reform had been elusive for years.

One year later, on June 12, 2012, Gov. Tom Corbett signed into law Act 60 of 2012. This historic law provided comprehensive UC reform that addressed the federal debt, helped mitigate its impact on employers and started the process of restoring integrity to Pennsylvania's UC program. The bill authorized the state to sell bonds to pay off the federal debt immediately; thereby avoiding additional federal tax increases scheduled to go into effect. Ultimately, interim financing prior to the bond sale would save Pennsylvania employers \$22.6 million in interest over just two months, and it is expected that bonding the debt will save more than \$150 million compared to the federal repayment plan. Act 60, and to a lesser extent Act 6 of 2011, also provided various adjustments to the formulas that determine eligibility and benefits. The bill helped refocus UC to support those individuals for whom the program was truly intended and ensure that benefits are a more accurate reflection of previous work and wages. Most importantly, Pennsylvania's UC Trust Fund is now on a path to be solvent and employers, already paying among the highest UC taxes in the country, will experience no permanent tax increase.

Particularly noteworthy is the bipartisan support Act 60 received upon final passage in the both the state Senate and House of Representatives—a fairly remarkable accomplishment given the hypersensitive partisanship often associated with UC.

At the bill signing ceremony on June 12th one theme permeated each speaker's remarks: of all those who contributed to this effort, Secretary Hearthway is most responsible for the successful outcome and deserves much of the credit.

Secretary Hearthway and her team met the challenge head-on; maintained a commitment to engaging all stakeholders, both allies and adversaries, across the political and industrial spectrum; initiated and sustained regular and meaningful communication; adhered to a fact-based and data-driven process of developing policy; meticulously reviewed reform proposals and considered their impacts, both anticipated and unintended; and always strived for fairness and balance.

We are pleased to recognize Secretary Hearthway and present her with the 2013 UI Integrity Award.

Representative Julia Howard

UI Integrity Award

In September 2011, the business community was notified of a statewide conference call to discuss North Carolina's unemployment insurance (UI) system. The discussion outlined what had become nothing short of a crisis. For the previous two years, North Carolina had been borrowing from the federal government to pay state UI benefits, racking up a debt of nearly \$2 billion. The purpose of the call was to inform the business community that employer taxes were slated to increase so that the state could begin repayment of the debt, with interest and penalties.

The business community was stunned. Focused on the day to day challenges of navigating their businesses through a challenging economy, employers were unaware of the dire straits the state's unemployment insurance system was facing.

It was in those early days that Rep. Howard took the bull by the horns. Recognizing the huge consequences North Carolina was facing and that this was not going to be an easy issue; Representative Howard began the challenging task of not only understanding but mastering the issue, learning the program and best practices from across the nation. She then set her mind toward finding solutions and achieving results. Over the course of approximately one year, Representative Howard devoted her days to self-education, coalition building and putting the right people in place to tackle the debt and UI reform head on.

Taking a four-pronged approach, she, along with N.C. Senator Bob Rucho, developed a plan to address and improve North Carolina's UI system for the future. The duo met with stakeholders to understand the burden the debt was causing on job creation and found a repayment scheme that would eliminate the federal debt in the shortest amount of time with the least interest payments. The plan also included crucial integrity measures to eliminate waste, fraud and abuse from the system. Finally, Rep. Howard and Sen. Rucho reviewed and researched the affordability of benefits in the state's UI program and ultimately made very tough decisions to put new reforms in place to eliminate the imbalance that had more dollars being paid out of the system than those collected to fund it. The final part of the approach was to implement stronger

reemployment measures through able, available and actively seeking work requirements and improved linkage between jobs and benefits, and workforce development programs and retraining. The chief goals were to get the unemployed reemployed, reduce the cost per job so that businesses could apply more dollars to job expansion and creation, and to create a program that would be sustainable and predictable for the future, keeping North Carolina out of a borrowing situation in the future.

On Tuesday, Feb. 19, the fruits of Rep. Howard's labor were realized when N.C. Governor Pat McCrory signed House Bill 4: UI Fund Solvency and Program Changes into law.

Without the work of Rep. Howard, North Carolina would not be implementing the significant reforms to restore solvency, integrity and affordability to the state's unemployment insurance system. It is our honor to recognize her with the 2013 UI Integrity award.

Senator Bob Rucho

UI Integrity Award

North Carolina started borrowing money from the federal government to cover its unemployment compensation payments in 2009 and the federal debt grew to \$2.6 billion

Amid the crisis of an insolvent system, it was discovered that the system was also plagued by extremely high numbers of benefit overpayments and fraud. Between July 2008 and June 2011, the U.S. Department of Labor found that North Carolina paid \$534 million more than it should have in unemployment benefits, translating to an improper payout rate of 8.86 percent.

Improper payouts involving allegations of fraud hit an estimated \$12 million during the same time period, approximately 2.4 percent of total payouts. Some of these individuals were collecting unemployment benefits while incarcerated. In the fall of 2011, the Employment Security Commission was criticized for seeking to recoup \$28 million in overpayments it made to 38,000 unemployed workers, the result of a computer glitch that the agency failed to address quickly. The agency responded to the criticism by reversing course and returning the deductions it had made from unemployed workers' benefit checks.

The Department of Employment Security, formerly known as the Employment Security Commission, had also been criticized for a range of lapses in recent years, many of them information technology-related. In its 2010 audit, the agency was said to have paid \$147 million in benefits out of a wrong account. Auditors also identified more than 4,000 instances in which ESC employees received inappropriate access to its computer systems which gave those users access to confidential information, and the ability to manipulate data related to employer contribution rates and the amounts of benefits paid.

Senator Rucho and Rep. Howard developed a plan to improve North Carolina's UI system for the future. The duo met with stakeholders to understand the burden the debt was causing on job creation and found a repayment scheme that would eliminate the federal debt in the shortest amount of time with the least interest payments. The plan also included crucial integrity measures to eliminate the widespread waste, fraud and abuse from the system.

On Tuesday, Feb. 19, N.C. Governor Pat McCrory signed House Bill 4: UI Fund Solvency and Program Changes into law. This legislation ensures that the North Carolina UI system will be sustainable for the future.

For Senator Rucho's efforts in developing and enacting this groundbreaking legislation we recognize him with the 2013 UI Integrity Award.