Overview: 2024 Fiscal Year Budget for the Department of Labor

By: Ray Khalfani, Senior Analyst for Worker Justice and Criminal Legal Systems

The governor's proposed budget for the current amended fiscal year (AFY), AFY 2023, was flat for the Department of Labor (DOL). Spending proposals for fiscal year (FY) 2024 were nearly flat, offering minor spending increases to cover cost-of-living adjustments for DOL employees. FY 2024 provides less than a one percent increase in spending from FY 2023.

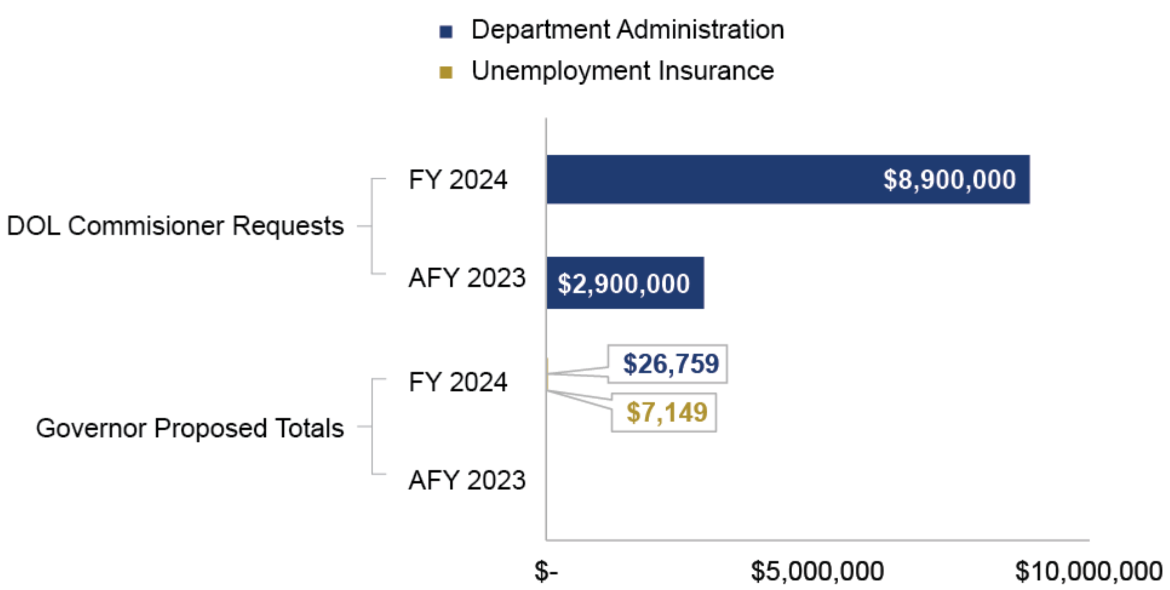
These mostly-flat state spending proposals fall far short of state fiscal solutions that can help DOL navigate through ongoing administrative funding shortages, lingering pandemic unemployment insurance program challenges, staff retention and recruitment needs, as well as a costly, obsolete IT system that leaves the DOL unprepared to adequately protect workers and help stabilize the economy in future downturns.

Following the governor's spending proposals for AFY 2023 and FY 2024, DOL Commissioner Bruce Thompson made requests to the General Assembly for additional state spending to address administrative challenges that DOL has prioritized for immediate attention. In a February 7, 2023 appropriations hearing held by the Senate Government Oversight Committee, Commissioner Thompson requested an additional $2.9 million in amended spending for FY 2023 to address DOL building maintenance needs, including $1.1 million to resolve water leaks and resulting building damage, and $1.8 million to fix a water chiller system. [1,2]

More recently, Commissioner Thompson outlined staff recruitment, retention and capacity needs as part of an $8.9 million request for additional FY 2024 spending. In an appropriations hearing held by the House General Government Subcommittee on February 13, 2023, he requested an additional $1.7 million for cost-of-living adjustments (COLA) for DOL employees, stating that the current COLA proposal of $32 thousand would cover DOL employees whose salaries are solely state-funded while excluding those whose salaries are funded through both state and federal dollars.[3]

He also requested an additional $7.2 million to cover staff retention costs for DOL employees who did not transition to the state's technical college system (TCSG) as part of a transfer of workforce training operations funding from DOL to TCSG during FY 2023.[4] The Commissioner's added request equals the current $7.2 million FY 2023 spending that is in place to transfer operations from DOL to TCSG.[5] This move suggests a desire by Thompson to fully reverse the transfer of this operation and keep reemployment services within the DOL.

DOL Spending Proposals Vary Widely Between the Governor & DOL Commissioner



Source: Governor's Budget Report for AYF 2023 and FY 2024.

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By The Numbers

Proposed Amended FY 2023 Highlights

- No changes initially proposed by the Governor
- $2.9 million requested by the DOL Commissioner for facility maintenance

Proposed FY 2024 Highlights

- $32,000 added by the Governor to provide cost-of-living adjustments (COLA) for all full-time, benefit-eligible employees

- An additional $1.7 million requested by the DOL Commissioner, to ensure COLA increases reach eligible employees with solely state-funded salaries and those paid through state and federal funds
- An additional $7.2 million requested by the DOL Commissioner, suggesting a reconsideration of $7.2 million that is being reallocated in FY 2023 as part of a transfer of reemployment operations to the state's technical college system (TCSG)

Fiscal Preparedness for Future Downturns

While the broader economy remains strong, there are questions about DOL's ability to effectively respond to another downturn. This includes information security risks and excessive labor costs associated with maintaining DOL's outdated legacy system and software.[6] Also, continued claims processing challenges increase the likelihood that involuntarily jobless Georgians must defer bills, accrue debt and deplete savings before receiving unemployment insurance (UI) benefits. Georgia also has one of the lowest employer UI tax rates in the country, which hurts the state UI Trust Fund's ability to grow to solvency levels that protect involuntarily jobless Georgians during economic downturns.

A majority of DOL's program administration is federally funded. Federal budget makers recently agreed to $3.1 billion in FY 2023, an additional $283 million from the previous fiscal year, to further fund DOL agencies nationwide.[7] FY 2023 federal funding can overlap with state investments to help better equip GA DOL in terms of technology and human resources. However, this does not reduce the need for greater state funding to provide resources to maintain the efficiency of Georgia's UI system through the ebb and flow of federal dollars.

Most state labor agencies, including Georgia, face staffing challenges and a large processing backlog following an unprecedented number of jobless claims made during the COVID-19 pandemic. This has created undue pressure on staff to reconcile improper and fraudulent payments made to claimants who filed for federal pandemic UI programs. DOL and its IT system were not equipped to handle that burden. Three-year average data from the Benefits Accuracy Measurement (BAM) program show that from July 2019 to June 2022, 13 percent of Georgians who were awarded UI benefits received improper payments.[8] Furthermore, six percent of all claims that were paid during that period were fraudulent.[9]

Data also suggests that DOL's lingering challenges—both in resolving claims and improper payments under expired programs—are related to challenges in addressing the needs of Georgians who have more recently sought unemployment protections. While the minimum federal standard requires that 87 percent of eligible UI claims receive a first payment by 21 days, as of December 2022, GA DOL only processed 73 percent of UI claims in 21 days.[10]

Broader Budget Implications

Despite operational vulnerabilities exposed during the recent economic downturn, the possibility of a 2023 economic downturn and long-term net declines in federal funding, state expenditure proposals to support UI-related operations have remained largely unchanged. This could leave Black and Hispanic Georgians to continue to experience disproportionate challenges in entering and exiting the UI system.

- Among all Georgia workers who turn to UI for support as they seek to transition to new employment, Black workers continue to disproportionately represent those enrolled in UI.[11]
- Hispanic workers have had the fastest rising share of UI enrollees, reflecting greater awareness of UI protections in Georgia.[12]

Adding to largely unchanged spending proposals, none of the initial $800 million in American Rescue Plan (ARP) fiscal recovery funds (the amount of federal recovery dollars that were designated for the Governor's Negative Impact Committee) were allocated to DOL. Legislators are considering UI safety net revenue proposals, including SB 160 and SB 190, both of which would modify proactive revenue sources, which carry implications for Georgia workers who turn to UI during jobless spells.

Both SB 160 and SB 190 include proposals that would reinstate employer-generated revenues that would support DOL's administrative capacity, while separately reducing employer-generated revenues that would place the solvency of the state's UI Trust Fund at risk. The latter proposal would undermine Georgia's ability to fund UI benefit protections that Georgia workers turn to during jobless spells. Georgia's UI Trust Fund solvency level is already well below the recommended federal standard of preparedness for an economic downturn. Legislative steps that risk greater insolvency would be harmful for workers and employers alike. Reduced access to unemployment protections, particularly during economic downturns, often weaken workers' ability to support themselves while they look for suitable jobs, thereby weakening their attachment to the labor market, extending their jobless spells, and reducing the pool of skilled workers that employers rely on. Alternatively, if trust fund solvency is weakened and involuntarily jobless Georgians are allowed to maintain their current level of UI access, the state is at risk of having to borrow interest-bearing federal loans to pay benefits, and risk tax increases on employers to help pay those loans back.

As state lawmakers review the merits of current budget proposals, they should reflect on a history of disinvestment in DOL, the effects of disinvestment on communities of color and how to do better in the future. Ultimately, lawmakers must consider how Georgia's unemployment safety net can be resilient during non-recession periods, and the periods of recession to come.

End Notes

[1] Senate Appropriations Government Operations Subcommittee meeting. (2023, February 7). Testimony beginning at 48:28. Retrieved February 16, 2023, from https://vimeo.com/796449897?embedded=true&source=vimeo_logo&owner=138794852

[2] Senate Appropriations Government Operations Subcommittee meeting. (2023, February 7). Testimony beginning at 48:40. Retrieved February 16, 2023, from https://vimeo.com/796449897?embedded=true&source=vimeo_logo&owner=138794852

[3] House Appropriations General Government Subcommittee meeting. 2023, February 13. Testimony beginning at 33:55. Retrieved February 16, 2023, from https://vimeo.com/798504684?embedded=true&source=vimeo_logo&owner=138794257

[4] House Appropriations General Government Subcommittee meeting. 2023, February 13. Testimony beginning at 34:24. Retrieved February 16, 2023, from https://vimeo.com/798504684?embedded=true&source=vimeo_logo&owner=138794257

[5] HB 911, FY 2023 Appropriations Bill. Page 110 of 178. Retrieved February 16, 2023, from https://opb.georgia.gov/document/document/hb-911-signed/download

[6] Camardelle, A. (2021, February 26). *Delayed and denied: Modernization needed at Georgia DOL to support Georgia workers and economy.* Georgia Budget and Policy Institute. Retrieved February 16, 2023, from https://gbpi.org/delayed-and-denied-modernization-needed-at-georgia-dol-to-support-georgia-workers-and-economy/

[7] U.S. Senate Committee on Appropriations. Department of Labor, Health, Human Services Appropriations Act FY 2023 statement. Retrieved February 16, 2023, from https://www.appropriations.senate.gov/download/division-h_-lhhs-statement-fy23&download=1

[8] U.S. DOL Employment and Training Administration. (2022). Improper payments 3-year average data from 2019-2022. Retrieved February 16, 2023, from https://www.dol.gov/sites/dolgov/files/ETA/UIOverpayment/XLS/2022%20-%20Improper%20Payments%203-Year%20PIIA.xlsx

[9] Ibid.

[10] U.S. DOL Employment and Training Administration. (2022). Benefits timeliness and quality reports. Retrieved February 16, 2023, from https://oui.doleta.gov/unemploy/btq.asp

[11] GBPI analysis of U.S. DOL Employment and Training Administration 203 reports. Over 2022, Black UI enrollees made up between 57 and 61 percent of total UI enrollees.

[12] GBPI analysis of U.S. DOL Employment and Training Administration 203 reports. Hispanic workers made up only one percent of UI enrollees in Georgia, from March 2020 to December 2021. By the end of 2022, Hispanic workers climbed to six percent of all UI enrollees.