Overview: 2025 Fiscal Year Budget for the Department of Labor

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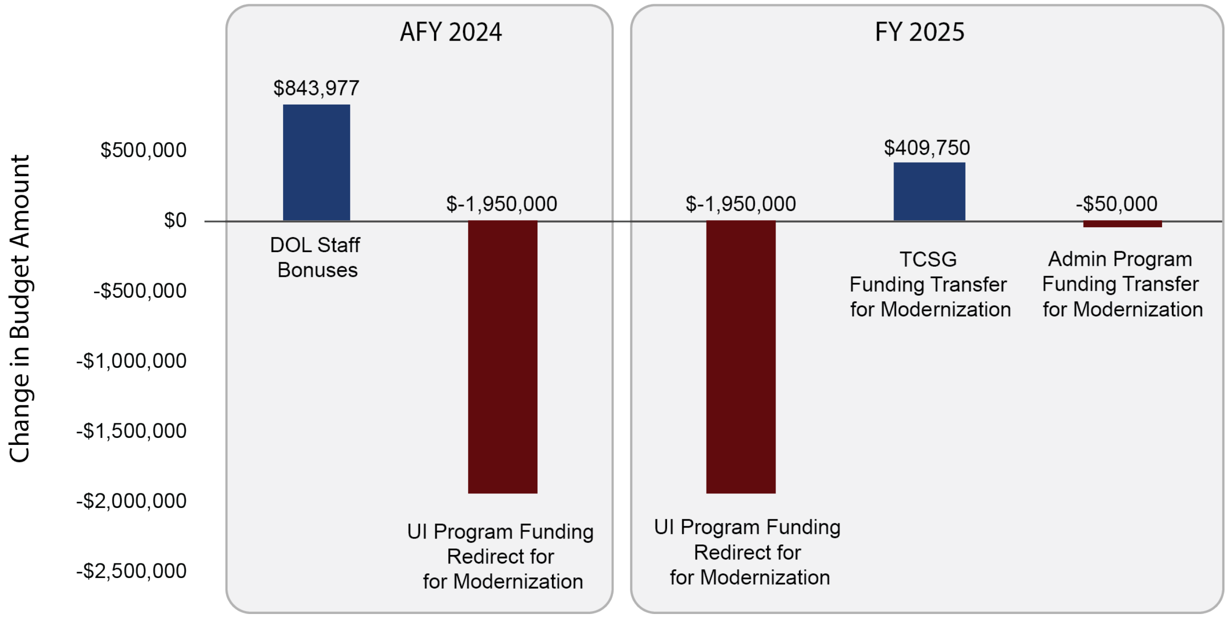
Governor Kemp's proposed budget for the amended fiscal year (AFY) 2024 provided a net increase of nearly $844,000 for the Department of Labor (DOL), covering $1,000 bonuses for agency staff. While overall DOL spending will decrease by 4% between AFY 2024 and FY 2025, spending proposals for fiscal year 2025 invest $443,000 in specific areas, such as increases to cover DOL employees' cost-of-living adjustments. There will also be significant state funding re-allocations within DOL to modernize Georgia's Unemployment Insurance (UI) system. Throughout FY 2024 and FY 2025, Governor Kemp proposes several fiscal adjustments, including migrating UI application files to a digital cloud environment, addressing UI appeal hearing case backlogs and managing customer service challenges.

While New State Funding Supports Staff Bonuses, DOL Modernization Investments Include Reallocations from UI Support Programs



Source: Governor's Budget Report for AFY 2024 and FY 2025.

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BUDGET OVERVIEW

By the Numbers

Proposed Amended FY 2024 Highlights

- $844,000 added to provide $1,000 bonuses to full-time eligible employees
- $1.95 million transferred out of DOL's Unemployment Insurance division for migrating DOL files to a digital cloud[1]
- $5.5 million added to Georgia Building Authority spending to help manage migration of DOL files to a digital cloud

Proposed FY 2025 Highlights

- $35,000 added to provide 4% cost-of-living adjustments for all full-time eligible employees
- $1.95 million transferred out of DOL's Unemployment Insurance division to address UI appeal hearing case backlogs and customer service challenges
- $409,000 transferred from Georgia's Technical College System to DOL as part of terminated lease agreements for employment services worksites; the amount was allocated to address UI appeal hearing case backlogs and customer service challenges.
- $50,000 transferred out of DOL's Departmental Administration to (as above) address UI appeal hearing case backlogs and customer service challenges

DOL Modernization Efforts Should Prioritize Increasing Access for Eligible and Legitimate Georgia Workers in Need

Modernizing the Georgia Department of Labor's UI system is an ongoing process of adapting agency systems and programs to address the unmet needs of workers. Balancing the need to detect improper benefit payments with the needs of workers who file claims is essential for resourceful and equitable system technology. A $3.1 million federal grant helped Georgia add a modernization step in 2023 to improve plain language on UI benefit applications.[2] The state of Georgia has proposed modernization spending plans for the Georgia Department of Labor (GA DOL). These plans include migrating the state's unemployment insurance (UI) system to a digital cloud, upgrading customer service and improving claims processing. However, it's important to ensure that these proposals include safeguards and equity goals that prioritize workers' needs and rights. Potential goals could be:

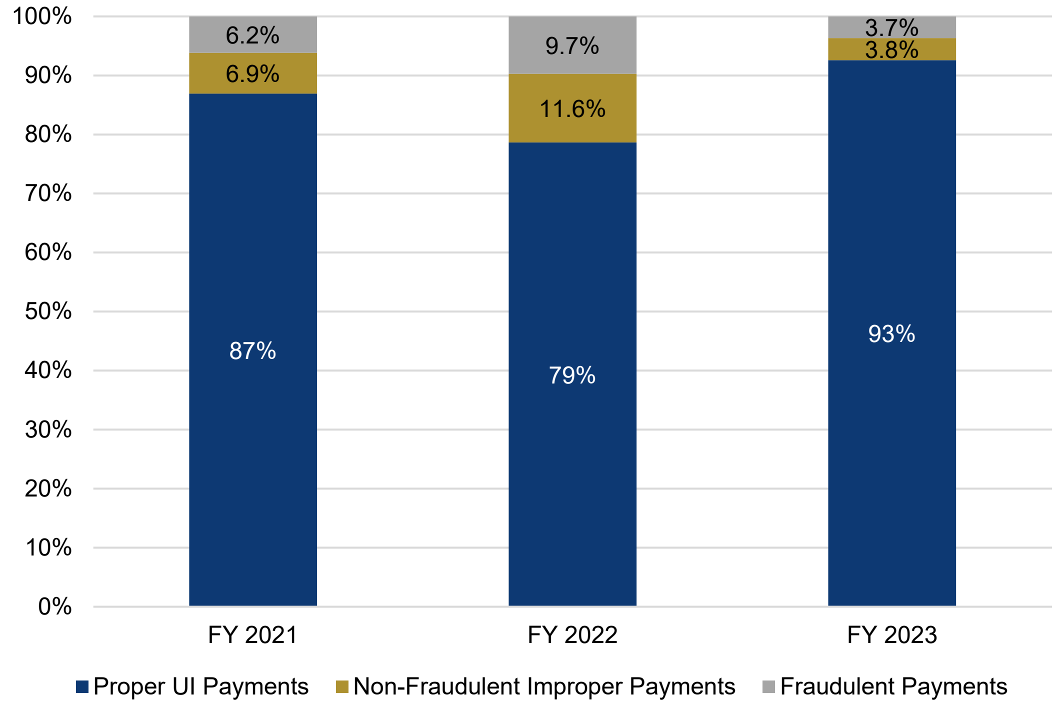
- Utilizing new technology to design benefit programs that serve, ID verify, and prevent improper payments to gig workers with community input for strategic planning
- Setting bold, forward-looking standards for the percentage of claimants who receive UI benefits on the same day they apply
- Improving transparency of data related to the classification of fraudulent claims. This will help agency staff and lawmakers evaluate processes that are vulnerable to fraud or unclear to claimants

A failure to design Georgia's DOL system to account for the needs of workers experiencing structural inequity, including Black, Brown and working-class Georgians, could result in wrongly flagging legitimate claims as fraud. Among claimants receiving UI overpayments due to honest mistakes, GA DOL's responsibility, whether partial or total, rose from 33.6% in fiscal year 2021 to 39.4% by fiscal year 2023, a rise of almost 6%.[3] Meanwhile, over the same period, UI overpayments that were classified as fraudulent declined as a share of all payments, from 6.2% in fiscal year 2021 to 3.7% by fiscal year 2023. New technology should be designed with these data trends and the claimant in mind and calibrated to protect those who are more likely to experience issues due to the following:

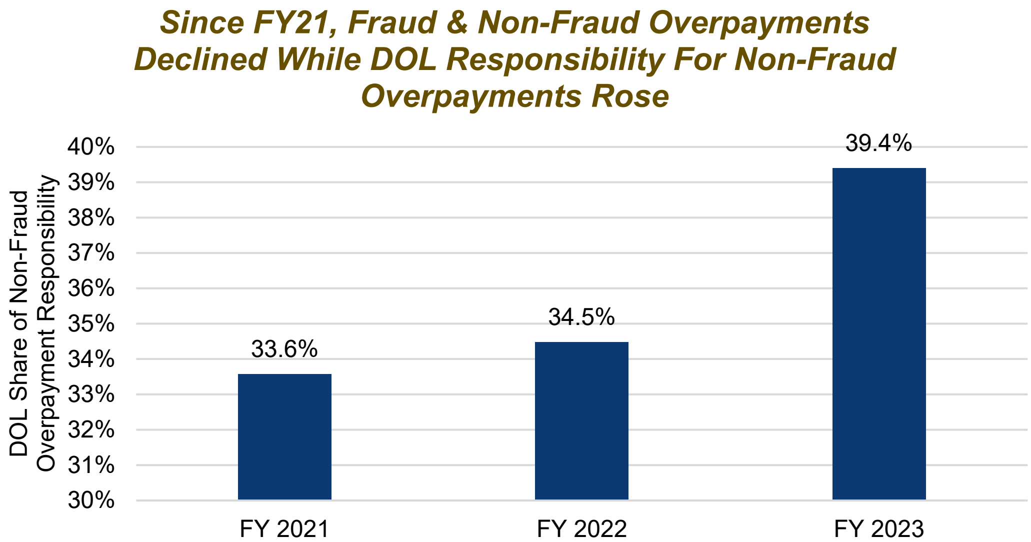
- Sharing an IP address, mailing address or bank account with another claimant;
- Having a name that is misrepresented in databases, OR
- Mistakes in gathering required documentation due to haphazard or incorrect filings by the employer.

By modernizing on a large scale, Georgia can create a new path towards employment and economic mobility for Black, Brown and working-class people, free from the shadow of a punitive carceral system and society.

UI Payments Deemed as Fraudulent Overpayments, a Small Fraction of All UI Benefit Payments, Were Only 3.7% in FY 2023



Source: USDOL Payment Accuracy data reports.



Source: USDOL Payment Accuracy data reports. "DOL Responsibility" includes the sum of UI overpayments in which DOL had either partial or total responsibility.

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Broader Budget Implications

A significant share of Governor Kemp's modernization-related spending proposals relies on taking nearly $4 million away from DOL programs that are critical for UI benefit administration and UI Trust Fund revenue collection. These fiscal actions threaten to worsen trust fund revenue and agency challenges in UI benefit claim processing for dislocated workers seeking UI support. Georgia has one of the country's lowest average employer contribution rates, and the contribution rate is frequently made even more inadequate by lawmakers' routine cuts to it. Georgia's low employer contribution rate has resulted in a UI trust fund that is underfunded and could become insolvent in a future recession.

While the federal government funds a significant portion of the Department of Labor's administrative tasks, state funding plays a crucial role in supplementing the fluctuations of federal funds. Many states, such as Georgia, rely on additional state revenue sources beyond federal funding or state general fund allocations.[4] State lawmakers should consider the potential consequences of the current fiscal proposals, including greater unmet needs of dislocated workers, a steeper climb out of a public service backlog and rising public distrust. These are common challenges in the balance to maintain operations while putting together new pieces within a state's UI system. Legislators should also consider how our unemployment system can utilize available revenue sources to support modernization efforts equitably and grow UI Trust Fund reserves to handle future economic downturns without further restricting access to UI benefits.

Endnotes

[1] This transfer of state funds is being proposed between two divisions within the GA Department of Labor: Unemployment Insurance and Departmental Administration. Within the appropriation process, state funds can be transferred between state agencies or between divisions within a state agency, to align budgets to meet expenses or re-prioritize funding for targeted uses.

[2] US Department of Labor. (2023, August 31). U.S. Department of Labor $3M in funding to promote equitable access to unemployment benefits in Georgia. https://www.dol.gov/newsroom/releases/eta/eta20230831-0

[3] GBPI analysis of USDOL Payment Accuracy data reports. https://www.dol.gov/agencies/eta/unemployment-insurance-payment-accuracy/data

[4] To supplement federal funding and state general fund allocations, Georgia employers provide administrative assessment contributions, meant to support DOL administrative needs. Through the passing of SB 160 in the 2023 Legislative Session, this funding resumed on January 1, 2024, after expiring December 31, 2022 under a previous statute.