



Twenty-five percent of the dislocated worker funds are used to carry out required rapid response activities, as described in 20 Code of Federal Regulations (CFR) section 665.310 of the federal regulations. The majority of these resources are distributed to the local Workforce Development Areas when formula funds are insufficient to cover the costs of major dislocations.

Ten percent of the remaining Adult, Youth, and Dislocated Worker funds are used for a prescribed set of Workforce Investment Act related required and allowable statewide activities as directed annually by the Governor. These activities are outlined in 20 CFR 665.200-210. The final 5 percent of Workforce Investment Act funding is used for the statewide administration of the program.

**Bureau of Labor Statistics** provides funding for employment statistics, local area unemployment statistics and occupation employment statistics. This data is used for a variety of economic studies and for employment and unemployment analysis within the state of Washington.

**Trade Adjustment Assistance** provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. Workers whose employment is adversely affected by increased imports may apply for Trade Adjustment Assistance. Trade Adjustment Assistance provides a variety of benefits and reemployment services to assist unemployed workers prepare for and obtain suitable employment. Workers may be eligible for training, job search and relocation allowances, income support and other reemployment services.

**National Emergency Grants** provide supplemental dislocated worker funds to states, local boards and other eligible entities to respond to the needs of dislocated workers and communities affected by major economic dislocations and other worker dislocation events which cannot be met with regular Workforce Investment Act formula allotments. National Emergency Grants are obtained by special application to, and approval by, the Department of Labor.

**AmeriCorps** The Washington Service Corps receives AmeriCorps grant funds from the federal Corporation for National Service through the Washington Commission for National and Community Service, a unit of the Office of Financial Management and the Governor's Office. These funds are limited by the terms of the grant and by provision and regulation. The Washington Service Corps supports community-based initiatives that strengthen the capacity of local governments, faith-based and non-profit organizations to assist individuals, families and communities in need. AmeriCorps members provide service in five priority areas: education; environment; homeland security; human needs; and public safety.

2. **General Fund State** Employment Security receives no General Fund State appropriation. However, the Department does operate the WorkFirst program under an interagency agreement with the Department of Social and Health Services that is a combination of state and federal funds.

3. **General Fund Local** amount consists of many different contracts that the Employment Security Department has with Workforce Development Councils to provide training program services/activities including Dislocated Worker Program services, Adult Economically Disadvantaged and in some cases Youth Program Services.
4. **Unemployment Compensation Administrative Account (Federal)** encompasses four distinct federal appropriations:

**Unemployment Insurance** grant funds are used to administer the unemployment insurance program.

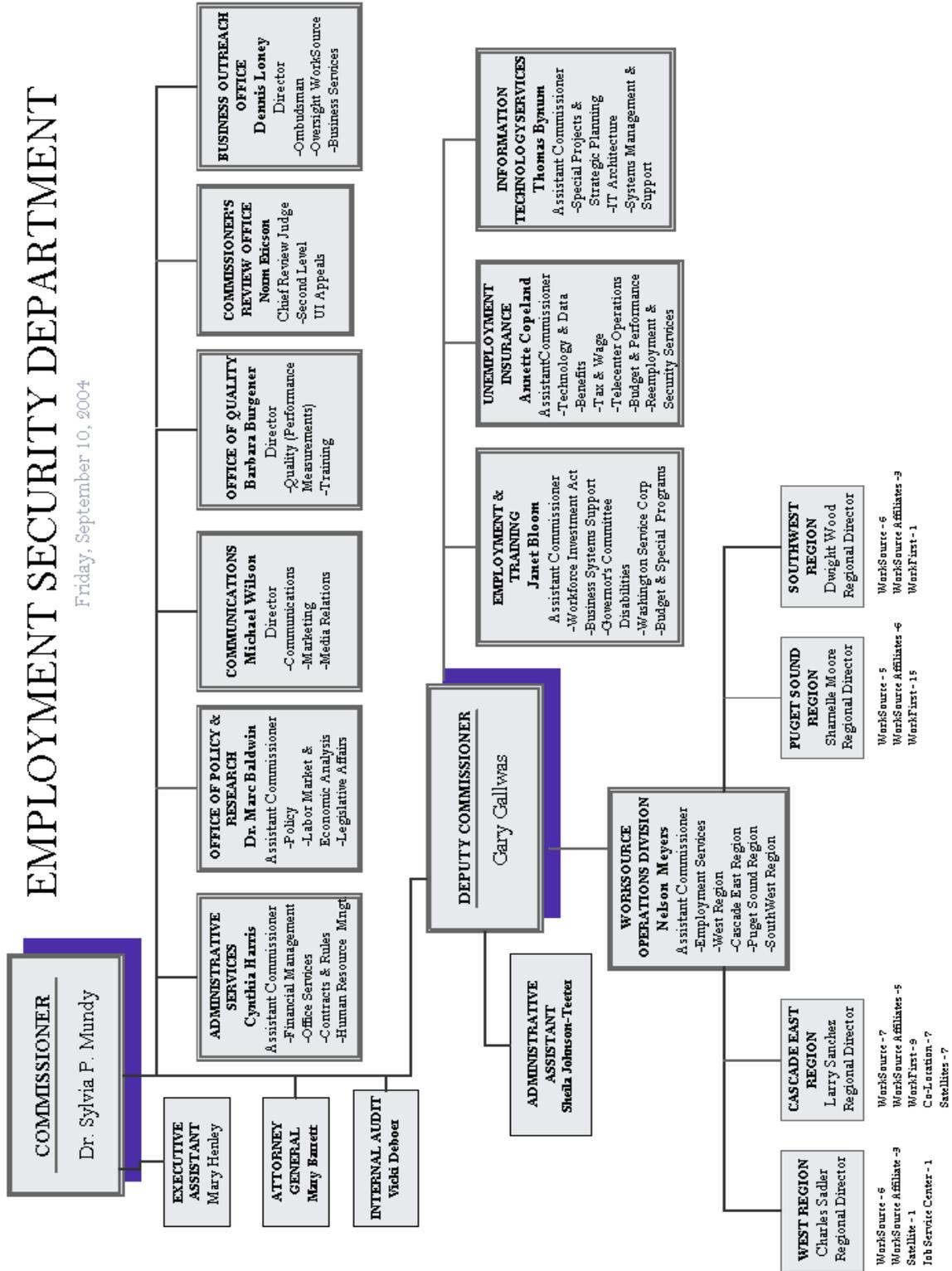
**Reed Act** funds refer to a one-time distribution of excess monies in the federal unemployment trust fund that were distributed to states in March 2002. As its share, Washington received \$167 million deposited into the Unemployment Insurance Trust Fund. Federal law limits the use of these funds to the Employment Security Department for unemployment insurance and employment service activities only after appropriation by the state legislature. The current biennium has a capital budget appropriation from Reed Act funds of \$6 million to buy Employment Resource Center equipment for the 7E7 Dreamliner Project. Employment Security also has \$27.3 million of Reed Act funding for unemployment insurance and employment service activities.

**Wagner-Peyser** grant funds are used to administer the labor exchange program as part of the One-Stop delivery system authorized under the Workforce Investment Act. The labor exchange program includes job search and placement services to job seekers including counseling, testing, occupational and labor market information, assessment, and referral to employers.

**Veterans Program** grants are used to develop jobs and job training opportunities and support services directly for disabled and other veterans.

5. **Administrative Contingency Account (State)** funding is generated by the collection activities of the Unemployment Insurance Division in Employment Security. The Administrative Contingency Account, referred to as the Penalty & Interest Fund, is comprised of two separate revenue and expenditure sources: the employer portion and the claimant portion. The state appropriation combines these two, but they are managed separately within the Employment Security Department. The employer portion of the fund is financed through penalties and interest on late unemployment insurance taxes and reports from employers. The claimant portion of the fund is financed through a 1 percent interest penalty on unemployment insurance benefit overpayments to claimants.
6. **Employment Services Administrative Account (State)** funding is generated from a tax on employers of two one-hundredths of one percent on the taxable wages. The Claimant Placement Program funds are used to administer a labor exchange program for unemployment insurance claimants and to provide employment service assistance to the agricultural industry.

**B. Organization**



C. ***Brief Biographical Sketches***

**Dr. Sylvia P. Mundy, Ph.D., Commissioner** – Dr. Sylvia P. Mundy was appointed Commissioner of the Employment Security Department in May 2001. Previously she was Chief Administrative Officer/Director, Center for Business and Industry at Virginia Highlands Community College and President and Chief Executive Officer of MBW3 Enterprises. She has a Ph.D. from The Catholic University of America; a Master's from Columbia University and a Bachelor's from Howard University.

**Gary Gallwas, Interim Deputy Commissioner** – Gary Gallwas has served in his current position since February 2004. He has worked for the agency since 1980 and in the workforce development arena since 1974. He has a Bachelor's degree from the University of Puget Sound and a Master's and A.B.D. from the University of Washington.

**Mary Henley, Executive Assistant to the Commissioner** – Mary Henley has served as Executive Assistant to the Commissioner of the Employment Security Department since 1990. She manages day-to-day operations of the Commissioner's Office, including research of issues for the Commissioner, meeting coordination, travel and supervision of the reception area in the Maple Park Building.

**Dr. Marc Baldwin, Ph.D., Assistant Commissioner, Office of Policy and Research** – Dr. Marc Baldwin administers Policy and Research. Experience: State Senate Democratic Caucus, staffing Labor and Commerce, Economic Development, Ways and Means committees; AFL-CIO Public Policy, Employee Benefits departments, National Commission - Employment Policy, and United Auto Workers' Research. Bachelors, Oberlin; Masters, London School of Economics; Doctorate, Massachusetts Institute of Technology.

**Cynthia Harris, Acting Assistant Commissioner, Administrative Services Division** – Cynthia Harris has served as Acting Assistant Commissioner for Administrative Services since September 2002. She held the same position from 1991 to 1995. She has worked a total of 25 years with Employment Security and has 18 years of managerial experience. She holds a Master's degree in Business Administration from City University.

**Nelson Meyers, Assistant Commissioner, WorkSource Operations Division** – Nelson Meyers joined the Employment Security Department in 1986 and has over 30 years of managerial experience. He performed his undergraduate studies at Dillard University in New Orleans and has extensive training in Strategic Planning and is a graduate of the University of Washington Executive Management Program.

**Barbara T. Burgener, Director, Office of Quality and Organizational Performance** – Barbara Bergener has a Master's in Organizational Development and Psychology from Antioch University. She has served in an executive/senior leadership level since entering state government from the private sector for the last seven years. She is responsible for quality improvement, staff development, leadership, coaching, and performance management.

**Janet S. Bloom, Interim Assistant Commissioner, Employment and Training Division** – Janet Bloom has held her current position since February 2004. She oversees a broad variety of

workforce-related programs and services. She served more than ten years as Deputy Assistant Commissioner and has been with the department 22 years. She attended Eastern Washington University where her studies included business and education.

**Michael Wilson, Director of Communications** – Michael Wilson has been with Employment Security since December 1991. Prior to that, he worked for the Governor of Vermont. He has five years experience as a reporter. He has a degree in economics from Oxford University, England and degrees in Political Science and American Civilization from the University of Pennsylvania.

**Thomas Bynum, Assistant Commissioner, Information Technology Services Division** – Thomas Bynum is responsible for oversight of mission critical applications; Chair of the Customer Advisory Board; and the appointed Information Technology Director on the national Information Technology Support Center Steering Committee. He has been in state service for 13 years. He is a retired U.S. Naval Reserve Captain.

**Annette Copeland, Assistant Commissioner, Unemployment Insurance Division** – Annette Copeland has served as Assistant Commissioner for the Unemployment Insurance Program since 2000. She has 30 years of progressive leadership experience with the conceptual talent for seeing “the big picture,” pinpointing the goal to achieve success. She holds a Bachelor’s Degree from Eastern Washington University in Social Work.

**Lazaro (Larry) Sanchez, Director, Cascade East Region** – Larry Sanchez has been a Regional Director since 1997. He has 20 years of work experience with community non-profit organizations; twelve years as Vice President and Chief Executive Officer for Oregon Human Development Corporation. Currently he serves on three Boards of Directors and is President of International Association of Workforce Personnel. He attended Yakima Valley Community and Evergreen State colleges.

**Sharnelle Moore, Director, Puget Sound Region** – Sharnelle Moore has served as the Puget Sound Regional Director since 1998. She has worked for the state for 22 years including 20 years of managerial experience. She holds a Master's Degree in Education from Washington State University and a Bachelor's in Psychology from New Mexico State University.

**Dwight Wood, Director, Southwest Region** – Dwight Wood has held this position since 1999. His 35 years with the agency include Director of Labor Exchange and field office administrator positions. Education: B.A., Eastern Washington University; Certificate, Leadership Program at the Evans Institute for Public Policy, 2002. He received the Governor’s Distinguished Leadership Award in 2003.

**Charles Sadler, Director, West Region** – Charles Sadler has been with the Employment Security Department for 34 years and a manager for 31 years. He attended the University of Utah and holds an Associates of Science degree from Contra Costa Junior College.

## II. Authorizing Environment and Environmental Scan

### A. *References to major statutory authorities*

The following is a listing of state and federal enabling laws that authorize the establishment and operation of Employment Security Programs:

- **Title 50 Revised Code of Washington (RCW)** provides the authority for the administration of the Employment Service Program, the Unemployment Insurance Program, the Administrative Contingency Fund, the Employment Security Administrative account (claimant placement), and other dedicated programs administered by the department.
- **RCW 43.79.010** provides for the administration of programs under the Commission for National and Community Service to serve youth, by providing work experience through community service, and for the administration of programs to collect and disseminate Labor Market Information.
- **RCW 41.48.060** provides for the Federal Social Security coverage, the Old Age and Survivor's Insurance Program, for employees of Washington State and of local governments via a joint state-federal agreement.
- **Public Law (PL) 105-220** Federal Workforce Investment Act codifies the one-stop service delivery, and brings multiple federal programs for the public labor exchange (Wagner-Peyser), veterans, older workers, adult literacy and disabled under a state planning and service delivery umbrella. The Employment Security Department is charged with the overall state administration of the Workforce Investment Act.
- **PL 104-193 and RCW 74.08.090** establish the Welfare to Work and WorkFirst programs. Services are provided under contract with the Department of Social and Health Services.

### B. *Major partner, supplier and customer groups and expectations*

#### 1. Partners and Suppliers

**Federal Partners** The Department of Labor is a major partner contributing funding, guidance, technical expertise, and support for a wide range of programs and activities. Key department activities funded by the Department of Labor include Unemployment Insurance, the Workforce Investment Act, Trade Adjustment Assistance/North America Free Trade Agreement, Work Opportunities and Welfare Tax Credits, and Alien Employment Certification. The Bureau of Labor Statistics of the Department of Labor funds labor market information activities. Other federal partners include the Corporation for National and Community Service, Social Security Administration, and the Department of Justice. The Department of Labor requires the state to administer the programs it funds in a way that complies with applicable federal laws, rules, policies, and procedures. In each case, the expectation is that Employment Security will carry out its administrative, service delivery, and fiduciary responsibilities as outlined in federal grant agreements.

**Employers** A key supplier for the agency is employers who pay taxes into the Unemployment Insurance Trust Fund for the payment of benefits and to fund the administration of the Unemployment Insurance system. A total of 240,811 employers paid Unemployment Insurance taxes in 2003.

**State Partners** Employment Security has significant partnerships with the Workforce Training and Education Coordinating Board, Department of Social and Health Services, State Board for Community and Technical Colleges, Department of Community, Trade and Economic Development, Department of Corrections, Washington State Commission for National and Community Service, Department of Services for the Blind, and Office of the Superintendent of Public Instruction. The expectations of our state agency partners is that Employment Security will be an active participant in carrying out our joint responsibilities under the Workforce Investment Act, WorkFirst, AmeriCorps, Governor's Committee on Disability Issues and Employment, and Corrections Clearinghouse's services to offenders.

**WorkFirst** Under WorkFirst, the state's Temporary Assistance to Needy Families program, Employment Security receives \$31.8 million annually from the state Department of Social and Health Services to provide job search and job-finding skills and related assistance to WorkFirst participants and helps employers fill job openings with WorkFirst participants. This activity takes place as part of a larger WorkFirst partnership coordinated by the Office of Financial Management in which state agencies collaborate to meet federal mandates and follow gubernatorial and legislative direction.

**WorkSource** The workforce development programs administered and operated by Employment Security operate as collaborative partnerships. State agencies and local partners established the *WorkSource* partnership, where diverse workforce development providers come together, often at a single delivery point, to provide integrated service to customers. Local partners include the twelve Workforce Development Councils around the state appointed by local officials, local community and technical colleges and local non-profit service providers. Expectations of Employment Security by these local partners range from advocacy for targeted groups to funding stabilization.

**Advisory groups** Through the creation of the Workforce Investment Act Executive Oversight Committee, the Department leadership ensures close coordination of service provision with the Workforce Development Council directors. The committee meets quarterly to address *WorkSource* operational issues and mutual concerns about the system.

## **2. Customer Groups**

**Unemployment Insurance Claimants** A key customer group is Unemployment Insurance claimants. In 2003, 381,670 individuals, including participants in federal/state extended benefit programs, received Unemployment Insurance benefits. In September 2004, 62,000 individuals received benefits. Roughly 2.6 million employed individuals are covered by Unemployment Insurance in Washington. Claimants expect fair treatment and quality service when seeking Unemployment Insurance, re-employment leads or assistance and/or training to prepare for re-employment.

**Employers** receive referrals of qualified job applicants to meet employment needs, assistance with large-scale employee recruitment efforts, and assistance obtaining tax credit certification for eligible employees. The Department established the Business Advisory Council to ensure the Department hears from businesses as it considers which business

services and products will be provided and how well Employment Security meets its business-related objectives.

***Unemployment Insurance Advisory Council*** The Department seeks guidance from employers and claimants on Unemployment Insurance issues through the Unemployment Insurance Advisory Council, which is made up of members from both business and labor and which actively involves itself in policy-making and decision-making.

***WorkSource Job-Seekers*** are diverse and include employed individuals seeking better work, Unemployment Insurance claimants, dislocated workers, low-income adults and youth, public assistance recipients, veterans, migrant and seasonal farm workers, and ex-offenders. The type of services sought also varies. Services can range from reviewing job listings, posting resumes, or examining labor market information on-line or on computers at local *WorkSource* centers or affiliates to more elaborate skill assessments, training plan development, or referrals to training.

During the 2003-04 program year, 280,981 job seekers received labor exchange services through *WorkSource*. Those labor exchange activities resulted in 163,592 entered employments during the last program year. In addition, the *WorkSource* partnership offered more intensive services to more than 30,538 participants who were served collectively through the Workforce Investment Act programs.

***Go2WorkSource.com*** The Department also hosts Go2WorkSource.com to provide on-line job-matching services and other assistance to job seekers. Over 400,000 job seekers and 11,000 employers use Go2WorkSource.com each month. During the 2003-04 program year alone, 70,000 job seekers posted resumes on the web site while employers posted more than 20,000 job listings.

The Department also helps employers screen large numbers of applicants and conduct large-scale events such as job fairs. Ultimately, job seekers expect intensive services and training for job placement, retention, and wage progression. Job seekers and employers alike expect high quality information and customer service from both the Department and its *WorkSource* partners.

***Labor Market Information*** The Department provides a wide range of state and local labor market information to a diverse set of users, including job seekers, employers, students, educators, counselors, legislative and governmental decision-makers and staff, researchers, and the press and media. These customers use the labor market information to inform their education, career, and business planning and decision-making. The demand for labor market information is primarily reflected in the number of “hits” on the Workforce Explorer web site found at [www.workforceexplorer.com](http://www.workforceexplorer.com) and the number of work orders executed by the Labor Market Information Center (1-800-215-1617). Workforce Explorer has averaged 46,200 hits per month thus far in 2004.

C. *External Environmental Scan*

1. **Trends in authorizing environment**

**Federal Budget** The long-term outlook for the Department's federally funded programs is problematic. Extreme pressure and sharp constraints will be placed on all domestic discretionary non-defense spending as a result of long-term budget problems. These constraints are caused by current deficit spending, tax cuts, increases in Medicare and healthcare costs, and future demands of "Baby Boomers" on Social Security. These fiscal problems are reflected in the Department of Labor budget and policy proposals, to shift fiscal responsibility for Department programs from the federal government to the states.

**Unemployment Insurance** The state's Unemployment Insurance tax system and benefit eligibility conditions changed dramatically with the passage of state legislation in 2003. The legislation reduced taxes on stable employers and increased taxes on employers that experience higher use of the Unemployment Insurance system. In addition, the legislation lowered benefits to soften the impact of the tax increases. In so doing, the method of allocating tax liability was changed as well as the method for funding shared costs and ensuring fiscal soundness for the system as a whole. These changes are being instituted over several years.

The legislative environment for Unemployment Insurance remains deeply divided, both within the employer community and between business and organized labor and claimant advocates.

**Workforce Investment Act** Funding for this program is driven by federal allocation formulas relying on a number of economic factors. In the 2002 program year, Washington received \$126 million, in part, as a result of the 9/11 tragedy's impact on our state's aerospace-related industry. In the succeeding two years funding has declined by 32 percent due to our state's improving economy while the number of participants receiving services is expected to decline by only 15 percent.

2. **Customer Trends**

**Unemployment Insurance** The Department is currently experiencing low unemployment caseloads, which reflects both the state's emergence from recession and the cessation of federal and shared federal-state extended benefit programs to respond to longer-term unemployment. The unemployment rate in Washington is currently declining, having fallen from 7.4 percent at the height of the recession in 2002 to 5.6 percent in September 2004. Over the same period, the insured unemployment rate (only those covered by Unemployment Insurance) has fallen by more than half from a high of 5.4 percent to the current 2.4 percent.

**WorkSource/Workforce Investment Act** As the state economy improves, enrollments in both the Workforce Investment Act and Trade Adjustment Act programs

are beginning to decline. The recession led to sharp increases in Trade Adjustment Act and Workforce Investment Act participation, due to high numbers of aerospace, high technology, lumber and wood products, and aluminum workers in the programs. Enrollments have declined as layoffs have slowed and as fewer dollars are available via the Workforce Investment Act.

At the local level, some Workforce Development Councils have reduced the number of clients in long-term training and substituted immediate job placement. Customers currently in training programs usually are carried from one funding year to the next so they can successfully complete their training, which results in fewer new customers served each subsequent year the state sees funding reductions.

At the same time, customer use of self-service methods is expected to experience a 15% growth rate for 2005 as evidenced by Go2WorkSource.com customer usage. Job seeker sessions are expected to increase from 400,000 per month in 2004 to 460,000 per month, while employer sessions are expected to increase from 11,000 per month in 2004 to 12,600 per month.

**Labor Market Information** Virtually all of the Department's labor market information is available through the Workforce Explorer web site. Usage is expected to average more than 50,000 hits per month next year, an increase of nearly 10 percent.

**WorkFirst** customers are low-income parents receiving Temporary Assistance for Needy Families. They tend to have limited work experience and a lack of attachment to the labor market. This population most often requires intensive and personalized job search services to be successful. WorkFirst customers often face multiple issues in accessing employment including childcare and transportation. The number of WorkFirst customers currently accessing intensive job search services from Employment Security averages around 6,700 per month statewide. Job search counts are projected to stabilize at this level.

### **3. Changing Customer Characteristics**

**Demographic shifts** One of the major demographic forces shaping the Department's customer base is the aging of the state's workforce, largely due to the *Baby Boom* generation (those born between 1946-64). Today, that generation is roughly 40 to 60 years of age. This enormous group, coupled with the much smaller *Baby Bust* generation that followed (those roughly 25-35 years of age) contributed to the state and national labor shortages seen during the economic boom of the late 1990s. Over the next decade, as economic growth returns, the state will be confronted yet again by persistent labor shortages in the wake of what by then will be retiring Baby Boomers. Longer-term, some of the pressure will be mitigated by the sizeable *Baby Boomlet* (children of Baby Boomers), who are currently 10 to 25 year olds. However, their numbers are not expected to be sufficient to offset those of the Baby Boomers and the many jobs they created.

The racial composition of the state's population and labor force is also changing rapidly. According to the Census Bureau, by 2005, non-whites will represent nearly one-fourth (23 percent) of the state's population. Hispanics will continue to be the largest group with Asians and Pacific Islanders second. Moreover, the rate of growth in the state's non-white population is expected to continue rise faster than that for whites.

***Shifts in job composition*** Also affecting the department's clientele is the nature of today's jobs compared to those in the past. In 1979, for example, manufacturing represented 20 percent of all non-farm employment. Today, it represents 10 percent. Meanwhile, service jobs doubled their share of non-farm employment from 18 percent in 1979 to 36 percent in 2004. Given what continues to be significantly higher wages in manufacturing, the wage and salary structure is a potential issue.

***Part-time and Temporary jobs*** The part-time and/or temporary nature of jobs held by state laborers is also an issue. According to the State Population Survey, roughly 20 percent of the state's workforce is in part-time or temporary work. Just less than half are doing so on an involuntary basis; that is, they would prefer a full-time, permanent position. This is important because the median wage of part-time, temporary workers is half that of full-time, permanent workers and they have fewer employee benefits (i.e., health care, retirement and paid leave). To the extent part-time and temporary work becomes a more prominent feature of the workforce, Unemployment Insurance benefit eligibility can be affected.

#### **4. Risks and Challenges**

**Inadequate Unemployment Insurance Administrative funding** The new Unemployment Insurance federal administrative formula does not generate enough funds to support the state's existing Unemployment Insurance program. The formula is unlikely to change. The state faces risks as a consequence including reduced staffing that results in reduced Unemployment customer service. Other potential associated risks include sharp reductions in Unemployment Insurance support for agency functions, including support for job seekers, employers and support functions.

**Federal budget pressures threaten discretionary programs** Extreme federal fiscal pressures are likely to reduce support for federal discretionary non-defense spending. Some key existing federal programs funding Employment Security have not increased in some years, reducing Department buying power annually. The likelihood is that most of the agency's federal funding programs will see flat budgets or be reduced over the coming years. For example, House and Senate bills to reauthorize the Temporary Assistance for Needy Families program project no increases for the coming five years. Wagner-Peyser funding, supporting the Department's labor exchange programs, faces an approximate 10-12 percent reduction next year in legislation passed by the House of Representatives. The key challenge for the Department is both to rethink how agency programs are delivered and staffed given the new fiscal realities while adjusting to reduced funding while maintaining quality customer service.

**Wage replacement for high-wage workers** The state has seen large numbers of high-wage employees lose their jobs in industries such as aerospace, aluminum and information technology that faced structural reductions in the last few years. Many of these individuals are enrolled in the federal Trade Adjustment Act program. A challenge for the state's workforce development system is to assist these individuals to find productive opportunities at reasonable replacement wages.

**Temporary Assistance for Needy Families reauthorization** The Congress is reauthorizing this program. House-passed legislation sharply reduces work requirements for recipients and reduces state flexibility. There is no agreement on new legislation and the program has been operating on short-term extensions for some time. The major risk is that new legislation may be so restrictive that job search may not be able to continue its current central role in the state program. The challenge would be to help program participants find suitable work far more quickly than at present.

**Increased AmeriCorps match level** The Corporation for National and Community Service, the federal entity that funds AmeriCorps, is in rule-making to increase the required state match for these funds from the current 20 percent up to 50 percent. This presents the state with a challenge to retain sufficient state funds to continue to meet matching requirements to leverage these federal funds. Employment Security allocates Administrative Contingency Fund monies to the Washington Service Corps to leverage these federal dollars. This may be difficult because the agency is also facing fiscal difficulties as a result of inadequate federal Unemployment Insurance funding.

**Proposed merging of WorkFirst employment activities into WorkSource** The Department has been directed to prepare a plan to merge WorkFirst activities into *WorkSource*. That plan has involved significant feasibility and fiscal assessment and considerable local negotiation. It will be completed by the end of 2004. The decision whether to fully integrate these programs will be based on fiscal feasibility and the ability of staff to continue to provide the intensive, personalized services needed by WorkFirst customers.

### III. Strategic Plan Highlights

- A. **Vision** Be the Best Employment Security Agency in the Nation.

**Mission** Employment Security helps people succeed throughout their working lives. The Department accomplishes this by providing superior customer service to support workers during times of unemployment, to connect job seekers with employers, and to provide business and individuals with the information and tools they need to adapt to a changing economy.

- B. **Strategic Goals** The following depicts our Strategic Goals with the highlights of key objectives and strategies for the agency. More comprehensive and detailed information resides in our biennium strategic business plan.

**Goal 1: Provide high quality, demand-driven business services**

*Key Objective and Strategies* Meet the hiring needs of business customers by increasing the opportunities for employers to connect with job seekers. Indicators of success include:

- increasing the share of employers listing job openings with *WorkSource* from 10 percent to 15 percent in the program year;
- increasing the number of repeat businesses using *WorkSource* from 65 percent to 75 percent.

**Goal 2: Provide high quality, demand-driven services for the workforce**

*Key Objective and Strategies* Meet the employment needs of job-seeker customers by increasing their opportunities to connect with employers. Indicators of success include:

- increasing the *WorkSource* entered employment rate from 56.5 percent in Program Year 2003 to 60 percent in the current program year;
- increasing the percent of job-seekers that go to work within six months of receiving their initial staff-assisted service in the current program year from 58.8 percent to 65 percent.

**Goal 3: Prepare our agency workforce for the challenges of the future**

*Key Objectives and Strategies:* Increase opportunities for employees to excel at their work, enhance their professional growth and continue to build managerial capacity within Employment Security. Indicators of success include:

- using new in-person employee orientation to create an organizational climate of continuous learning;
- supporting attainment of core competencies for current and future needs through department Human Resources Development plan;
- increasing rate of completions of Supervisory Success training from 2 percent to 45 percent agency-wide;
- increasing the rate of completion for classes on Creating and Sustaining a Respectful Workplace and Ethics in Government from 30 percent to 100 percent agency wide.

**Goal 4: Provide superior internal and external customer service**

*Key Objective and Strategy:* Improve job seeker and business customer satisfaction by improving agency capacity for superior customer service delivery. Indicators of success include:

- continuing Phase Two of the Mystery Shopper program;
- improving the Department's Mystery Shopper score from 3.7 to 4.2 (on a scale of 1-5);
- continuing efforts with our *WorkSource* Operations Division's West Region to develop system-wide customer satisfaction tools and to conduct a pilot data-gathering tool that can be implemented state-wide and that can be used to improve our business customer satisfaction.

## **IV. Strength, Weakness, Opportunity, and Threat Analysis**

### ***A. Strengths***

- The Department has put intensive focus on customer service and continues to improve satisfaction ratings (both externally and internally) with its customers.
- Employment Security has received national recognition by the Department of Labor for innovative and creative programs in Unemployment Insurance, Workforce Investment Act, and labor market information programs including nationally recognized one-stop workforce development centers and the Workforce Explorer web-site.
- The Department is a leader in the use of technology to serve customers including on line benefit application and payment systems, job search and labor market information.
- The Department has had success in managing significant business changes, moving Unemployment Insurance to telecenters from a distributed staff model from around the state and helping to develop the integrated *WorkSource* partnership joining public and non-profit workforce development into a single system.

### ***B. Weaknesses***

- Funding inadequacies in recent years have limited the Department's ability to make strategic long-term commitments, such as investments in new technical or facility infrastructure, resulting in higher costs.
- Tax accounting mainframe computers are quite old and need replacement, but funding is not available.
- Initial development of *WorkSource* was led by Employment Security, which funded much of infrastructure support. However, as federal funding has declined, it is difficult to maintain a common vision and sustain adequate support, as budget reductions are required of all partners.
- Much of the agency's federal workforce development funding is provided in restrictive funding silos, which creates for integrating diverse funding sources and agencies in the *WorkSource* partnership.

### ***C. Opportunities***

- The legislative work over the last few years has resulted in significantly better relations with the Legislature and other stakeholders.
- Increased focus on businesses as customers and partners gives opportunity to increase access to job listings for job-seekers and to look for ways to meet other business needs, such as leveraging labor market information as we have done with the vacancy and benefit surveys, useful to businesses and job-seekers.
- The federal funding reductions can give the department and its partners the chance to rethink services and service delivery, such as what focus to give to self-service computerized tools, which staff intensive services are most effective, which are duplicative, and who should do what.

### ***D. Threats***

- New federal administrative formula that does not provide adequate money to fund Unemployment Insurance administration. This may reduce the ability to maintain service standards in Unemployment Insurance and may force funding reductions in all

agency functions supported by Unemployment Insurance. This activity accounts for half of all agency overhead funding.

- Difficult state budget situation may lead to competition for the limited portion of Department funds that can be used by other agencies, reducing the limited fiscal flexibility of the Department because most federal funds are tightly constrained in their uses.
- The scale of Department investments in facilities, primarily leased to support the *WorkSource* partnership, is not sustainable. Facility consolidation and increased cost-sharing are necessary.
- The agency faces rising costs to maintain technology infrastructure to support agency activities and to meet state standards: aging mainframe, servers, routers, switches and desktops.
- Reauthorization of federal Temporary Assistance for Needy Families legislation could reduce the state option to maintain job search as a key program component of WorkFirst.

**V. Additional Key Issues** -- While the Employment Security Department has a number of significant issues as outlined in the Tier 1 Transition document, there are very few additional emergent issues that fit into the 30-90 day timeframe. Outlined below are those additional issues that may need gubernatorial attention.

**60 Days:**

**Governor's 10 Percent Funds** The federal Workforce Investment Act and Wagner-Peyser Acts both provide that 10 percent of the funding allocation be spent at a governor's discretion within the allowable spending categories of each act. Funding determinations must be made before the beginning of the federal program year in July. Discussions regarding the disposition of these funds usually begin in late March. In the case of the Workforce Investment Act 10 percent funds, discussions involve the Governor's Office, Workforce Training and Education Coordinating Board and Employment Security Department. In the case of Wagner-Peyser Act funds, the Governor's Office and Employment Security Department are involved.

**Contact:** Gary Gallwas, (360) 902-9304

**Re-appropriation of 7E7 resources** As part of the 7E7 Master Site Agreement, \$6 million of Reed Act funds were appropriated for the current biennium to purchase equipment to support the workforce development program at the Employment Resource Center. Due to project timing, the appropriation will not be expended in the current biennium, requiring that the funds be re-appropriated for 2005-07 biennium as part of the Department's capital budget.

**Contact:** Gary Gallwas, 902-9304

## VI. Employment Security Request Legislation Proposals

- A. *Amending Unemployment Tax Penalties*** Requests minor changes to the existing unemployment tax penalty statute to make penalties for incomplete and incorrectly formatted tax reports equitable for all employers, more efficient to administer, and meet the intent of the Legislature when enacted in 2003. The proposal to amend RCW 50.12.220 would:
- Establish in statute a flat \$25.00 fine for late reports,
  - Provide for a warning to be sent to employers the first time they do not file a complete or correctly formatted tax and wage report, and
  - Provide a set range of penalties: (1) when no unemployment taxes are due, the employer would be subject to a flat \$75.00 penalty for the second occurrence; a flat \$150.00 penalty for the third occurrence; and a flat \$250.00 penalty for the fourth occurrence and thereafter; or (2) taxes are due, a penalty of 10 percent of taxes due but at least \$75.00 and no more than \$250.00 for the second occurrence; 10 percent of taxes due but at least \$150.00 and no more than \$250.00 for the third occurrence; and a penalty of a flat \$250.00 for the fourth occurrence and all other occurrences thereafter.
- B. *Expanding Allowable Uses of 2003-05 Appropriation*** Requests expansion of the use of a current Reed Act fund proviso earmarked for the implementation of 2ESB 6097 (Chapter 3 Laws of 2003, 2nd Special Session). The expansion would allow Reed Act funds to be used for Unemployment Insurance activities imposed by state law. Recent federal funding formula and workload changes have made it impossible to cover these activities with federal resources, which cover basic federal Unemployment Insurance requirements only. This request would redress unfunded state mandates.
- C. *Ensuring Employers Pay the Rate They Have Earned*** Requests amendment of existing statutes governing the way employers obtain their unemployment tax rates. Some employers have found ways to evade State Unemployment Tax Account responsibility by manipulating the state experience rating tax system by purchasing, restructuring, or merging a business or portion of a business solely to obtain a lower tax rate. In response to this national trend, in August 2004, President Bush signed Public Law 108-295, the State Unemployment Tax Account Dumping Prevention Act of 2004, which requires states to enact conforming legislation by January 2006.

Though Washington passed legislation in 2003 that conforms in intent and theory with the new federal language, some policies need to be melded into state law. State law must provide that unemployment experience be transferred whenever there is substantially common ownership, control, or management, and an employer transfers trade or business (including its workforce) to another employer. State law must have procedures to detect State Unemployment Tax Account dumping and provide meaningful civil and criminal penalties for businesses that knowingly violate or attempt to avoid experience transfer laws or acquire a business primarily to obtain a lower contribution rate. Penalties must also be imposed on persons who knowingly give advice leading to such a violation.