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## BUDGET UNIT BRIEF – FY 2019

Fiscal Services Division

September 24, 2018



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Des Moines, Iowa 50319

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## Field Offices — Unemployment Insurance Reserve Interest

### History and Purpose

The first employment offices in Iowa history date back to the 1920s, when Iowa entered into a cooperative agreement with the U.S. Department of Labor to provide employment services at the Polk County Courthouse, the City Hall in Sioux City, and the Farm Bureau office in Creston. By 1934, employment services expanded to 10 district offices throughout Iowa, and in the 1970s there were an estimated 70 regular and satellite field offices. This number of offices continued to operate through the 1990s and early 2000s. Funding for the offices mainly came from the federal government through various programs that were established and evolved over the years. Eventually, federal funds for administrative support began to decline, and State funding began to play a larger role in support of the field offices.

An Administrative Contribution Surcharge was established during the 1987 Legislative Session with the enactment of [SF 507](#) (Unemployment Compensation Contribution Array System Act). The Surcharge applied to all employers other than a governmental entity or a nonprofit organization and was equal to 0.1% of federal unemployment insurance taxable wages, or one penny for every \$10 paid to a worker. The Surcharge averaged \$7 per employee per year. This Surcharge was then placed in the Administrative Contribution Surcharge Fund, which the General Assembly appropriated for personnel and nonpersonnel costs associated with running the rural and satellite job service offices in population centers of less than 20,000 people. The Surcharge and Fund were repealed as a result of the enactment of [HF 692](#) (Taxation, Economic Growth and Development, and Other Changes Act) during the 2003 First Extraordinary Session, and the ruling of the Supreme Court in [Rants v. Vilsack](#).

After the repeal of the Surcharge, General Fund appropriations began in FY 2005 with the creation of three standing limited appropriations in Iowa Code section 96.7A in [SF 2311](#) (Workforce and Economic Development Appropriations and Related Changes Act). The standing appropriation was repealed in 2006 in [HF 2459](#) (FY 2007 Economic Development Appropriations Act), and an appropriation is now annually included in the Economic Development Appropriations Act.

### Operations

The Iowa Department of Workforce Development (IWD) currently operates 15 regional one-stop centers and four satellite field offices. The purpose of workforce development centers is to provide a one-stop career center within each region of the State to deliver an integrated network of information resources and workforce development services to job seekers, businesses, employees, students, schools and colleges, and the public at large. The following services are provided as core services in each workforce development center in the State:

- Individual career and employment consulting.

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### More Information

IowaWORKS Integrated Workforce Delivery: [www.iowaworkforcedevelopment.gov/iowaworks-centers](http://www.iowaworkforcedevelopment.gov/iowaworks-centers)

Unemployment Compensation Reserve Fund Issue Review:

[www.legis.iowa.gov/docs/publications/IR/1087.pdf](http://www.legis.iowa.gov/docs/publications/IR/1087.pdf)

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- Employment readiness training.
- Occupational skill development.
- Basic skills development.
- Individual income and support services.
- Business employment consulting.
- Employment networking and placement.
- Labor market information services.
- Special assistance with plant closings and layoffs.
- Community workforce development consulting.

### **Funding — State General Fund**

The General Fund appropriation is annually included in the Economic Development Appropriations Act. This appropriation is transferred to the Field Office Operating Fund. Total funding for the field office system fluctuates from year to year depending on certain economic conditions and the availability of federal funding from different programs. The General Fund expenditures represent approximately 30.0% to 40.0% of the total operating costs of the field offices over the past few fiscal years. These expenditures also include other State funds described below.

### **Funding — Other State Funds**

The General Assembly also appropriates other funds to field offices as available. These include the interest earned on the Unemployment Insurance (UI) Reserve Fund and the Special Employment Contingency Fund (also known as the Penalty and Interest Fund, or P & I Fund). The UI Reserve Fund Interest appropriations were initially estimated at \$4.0 million. However, due to the lower interest rates available on accounts, the UI Reserve Fund has not been generating as much revenue as originally estimated. These funds are the second source utilized by IWD once the General Fund appropriation is depleted. Special Employment Contingency Fund appropriations have increased over recent fiscal years and, as of FY 2016, are approximately \$1.8 million. This is the third source of State funding that the IWD utilizes if needed.

### **Funding — Federal Funds**

The field offices are also funded through a variety of federal programs, some with broad eligibility and some with very specific purposes and consumers to serve. These programs include:

- [Wagner-Peyser Act](#): Provides employment opportunities for any citizen over age 15. Funding can be used for staff and facility support and labor market information data collection. This source represents approximately 10.0% to 18.0% of the total operating costs of the field offices.
- [Unemployment Insurance Allocations](#): Provides limited support for offices after major program operations are expended. This funding source represents approximately 10.0% to 25.0% of the total operating costs of the field offices, recently being closer to 15.0%.
- [PROMISE JOBS](#): Provides training and job placement assistance to families in the Family Investment Program (FIP), Iowa's cash assistance program under the federal Temporary Assistance for Needy Families (TANF) Program. Funding is transferred from the Department of Human Services to the IWD, and is then split between the IWD and subcontractors that are providing Workforce Investment Act (WIA) services in those regions. For the IWD, this represents approximately 20.0% of the total operating costs of the field offices.
- [Disabled Veterans Outreach Program](#): Provides funds to support dedicated staff positions to develop and provide employment and job training opportunities for disabled and other qualified veterans. Also included is the Local Veteran Employment Representative. This funding source represents approximately 4.0% of the total operating costs of the field offices.
- [Reemployment Eligibility Assessment](#): Requires individuals to receive reemployment services through local offices in order to maintain their unemployment benefits. Services include skills assessment, education regarding the services provided at one-stop offices, and preparation for employment. This represents approximately 3.0% to 5.0% of the total operating costs.

- [Trade Assistance Act Training](#): Assists workers who have lost their jobs as a result of foreign trade. This represents approximately 3.0% of the total operating costs of the field offices.
- Other Federal Programs: Other federal programs for targeted consumers represent less than 3.0% of total operating costs.
- [Reed Act](#): One-time funding source last received in 2002. Funding in 2002 was used to partially fill the UI Reserve Fund and support the local offices. Various federal projections do not anticipate any additional Reed Act funding until after FFY 2021.

**Related Statutes and Administrative Rules**

Iowa Code chapter [84A](#)

Iowa Code section [96.7A](#)

Iowa Administrative Code [877](#)

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