

## FY2024 Budget Narrative

### Executive Summary

The Department of Labor is an independent department in State government and the Commissioner is a member of the Governor's cabinet. The Department is approximately 82% funded by federal, special and inter-department funds (Federal 63%, Special 18.5%, Inter-departmental .5%), and 18% State General Fund.

The Department's Central Office is located in Montpelier and a federally certified one-stop American Job Center in Burlington, as well as a number of satellite job centers located around the state.

The Department is made up of the following units and approximately 35% of the Department's staff works in the field.

- Commissioner's Office (executive, communications, and legislative affairs)
- Business Administration (fiscal, personnel, contracting, equity, continuous improvement, and facilities)
- Legal (non-AAG general counsel and staff attorneys that support specific programs, as well as first level determination appeals)
- Unemployment Insurance
- Workforce Development
- Economic and Labor Market Information
- Workers' Compensation
- RETAIN Grant (Retaining Employment and Talent after Injury/Illness Network)
- Vermont Occupational Safety and Health Administration (VOSHA)
- Project WorkSAFE
- Passenger Tramway
- Wage and Hour
- Technology (ADS)

VDOL has statutory authority/responsibility for the following Councils and Boards:

- State Workforce Development Board (federally certified)
- Vermont Employment Security Board



- State Apprenticeship Council
- Passenger Tramway Board
- Labor Board Review Panel
- Governor's Misclassification Taskforce (Partnership with AGO)
- Labor Advisory Council

The greatest challenge for the Department of Labor continues to be the uncertainty of our federal funding. It is important to note that the federal government determines our funding levels prior to the notice of award without input from us, and the Department must manage its operation to the level of funding awarded. Rarely are there opportunities to request increases to the base funding that is award by the U.S. Department of Labor or other federal entities.

If federal dollars do not increase at the same or greater rate as inflation, COLA, etc. the Department slowly runs out of programmatic dollars and must make operational changes to ensure expenditures remain within funding allotments. Additionally, the use of Continuing Resolutions by Congress can have a severe impact on Department operations and at times, the federal government has chosen to withhold program funding and partially fund programs to ensure they can support the Department programs at the federal level. Any loss of funding in federal money critically undermines VDOL program services and the operation of our field offices. For instance, the funding provided to the Unemployment Insurance program prior to the Pandemic had remained level, or slightly decreased over the years, but the cost of the program, especially overhead costs, have continued to rise annually. Because of this, the Department was forced to leave positions vacant for extended periods of time in order to maintain a positive balance sheet. This unfortunately caused the Department to enter the pandemic at insufficient staffing levels.

While the pandemic is essentially over, the Department expects funding pressures within the Unemployment Insurance Division for both administrative and modernization costs to continue over the coming years. The UI Division's administrative costs have sharply increased as a result of the Pandemic in order to provide timely service, combat fraud, and address federal and independent audit findings.

Finally, with regards to funding pressures specific to UI, the Legislature fully funded initial estimates for full system modernization at a cost of \$30M; however, initial estimations for ongoing maintenance and operation cost of any new system come in at somewhere between \$4M-\$10M annually. This will not be an issue for the FY24 budget, but will need to be addressed prior to launch of the new system.

Overall, the Department's FY24 budget shows little change in areas not impacted by the Pandemic. Unemployment Insurance administration and modernization, and workforce recovery efforts are the two drivers of changes to the Department's proposed budget.



## **Overview of VDOL Programs**

### **Unemployment Insurance**

The Unemployment Insurance (UI) Division processes claims for unemployment compensation, oversees employer tax contributions, and ensures UI program performance, integrity and compliance.

The Employer Services Unit and Unemployment Claims Center handle employer and claimant unemployment insurance issues and investigate claimant fraud. The Benefit Accuracy Measure and Tax Performance System programs test methods and procedures to ensure compliance with federal performance measures. The Program Integrity Unit audits paid unemployment benefits to detect and resolve improper payments stemming from unreported employment.

In total, the Unemployment Insurance Division paid out more than \$1.13 Billion in state and federal benefits from the Regular UI, FPUC, PUA, PEUC, EB, High EB, LWA, and VSTS programs between March 2020 and November 2020. During this same time, it processed more than 128,000 initial unemployment claims and over 1,300,000 weekly claims. For comparison purposes, the Department paid out more benefits in 2020 than the previous 10-years combined. More recently, the Division has seen a return to pre-pandemic levels with regards to claims levels; however, the administrative burden on the program has remained extremely high with numerous federal and state audits, pandemic claims review, fraud detection and mitigation, and increase oversight from the U.S. Department of Labor.

The UI Division also operates the Reemployment Services and Eligibility Assessment (RESEA) program. This federal program identifies claimants who are likely to utilize all of their benefit entitlement and provide early and intense intervention through enhanced case management in order to decrease their duration on unemployment insurance. Participants are required to meet regularly with a RESEA facility and are provided multiple tools and resources to assist with the reemployment process. Services include personal skill assessment and intensive job counseling sessions. The RESEA program has consistently proven to decrease the duration that a claimant is on unemployment.

### **Workforce Development Division**

VDOL's Workforce Development Division offers Vermont businesses and jobseekers comprehensive services. Most of the Division's funding comes from the federal Workforce Innovation and Opportunity Act (WIOA).

For businesses, we offer job registration into our Vermont Job Link system, applicant searches, screening and job matching, hiring events, job fairs, current labor market information, programs for interns, apprentices and OJTs, tax credits, programs for layoff avoidance, rapid response



services, short-term compensation programs, grants for job training for new and incumbent workers, and assistance with employment and labor law questions.

For jobseekers, services include skill assessment, skill training, labor market information, career counseling, and job placement assistance. Our workforce programs serve all Vermonters regardless of education-level, income, location or other demographic identifier. WIOA basic and career services are provided, with programs focusing on at-risk out-of-school youth, disadvantaged adults, and dislocated workers under Title I. The Wagner-Peyser Program under Title III provides all customers with employment services, labor market information, referrals to job opportunities, workshops and occupational skills development activities. Augmenting Title I and III services are the apprenticeship, migrant seasonal farm worker, Jobs for Veteran Services and SNAP and ABAWD employment programs. All services are provided through the Department's Job Centers located throughout the State.

1. Youth: VDOL provides intensive case management, paid and unpaid support services, and follow-up services for one full year after a youth exits. Additionally, VDOL places youth in work experiences, summer employment opportunities, and on-the-job training, as appropriate. Work based activities that have academic and occupational education as a component are integral to VDOL's youth program design.
2. Adult: The adult program is open to all individuals 18 years of age and older with priority given to veterans and individuals who are low income, recipients of public assistance, and those who are basic skills deficient. The program provides career services to individuals ranging from basic labor exchange information to more individualized career coaching, occupational skills development and work-based employment opportunities such as on-the-job training. The provision of a range of occupational skills pathways and employment-based activities assists participants in gaining and/or retaining employment that will lead to economic self-sufficiency. VDOL will continue to identify specific labor market needs in order to create and expand occupational credentialing through stackable training opportunities with a variety of entrance points for adult participants.
3. Dislocated Worker: VDOL's dislocated worker program offers employment and training services for eligible workers who become unemployed through no fault of their own or have received an official layoff notice. A description of the full range of services available through the One-Stop system and how services can be accessed is made available to dislocated workers. An initial assessment including a basic review of the individual's work history, skills, training, education, career objective, and self-identified service needs is used to inform decisions on next steps such as scheduling additional career services. The program provides similar re-employment and training activities as the adult program. The driving emphasis is placed on providing timely intervention and immediate assistance to laid off individuals unlikely to return to the occupation they



came from. Shepherding displaced workers through an assortment of timely and relevant training activities that lead to in demand occupations is paramount to the program's success.

4. Wagner-Peyser: The Wagner-Peyser funds support employment services for jobseekers and business customers in the Vermont's American Job Center Network. The Vermont Network physically embodies the required coordination of core and local partner program services, as all programs are present at these locations across the State and is operated under the concept of universal accessibility. Title III funds support State staff, facilities, and information technology needed for partner program delivery at the American Job Centers and for improving the overall capacity of the workforce development system to match labor demand with labor supply. These funds are directed as necessary to best support the system and to most efficiently fulfill Federal mandates. Vermont's AJC's provide activities that support the development of a competitive workforce, including appropriate recruitment services and special technical services for employers. Vermont's AJC's work with all individuals and other jobseekers to obtain critical job search, assessment, and career guidance services that support them in obtaining and retaining employment. In addition, AJC's offer activities that assist employers with building skilled, competitive workforces through recruitment assistance, employment referrals, and other workforce solutions. AJC staff also assist in developing and disseminating regional workforce information and related resources, which provide both jobseekers and employers with comprehensive and accessible economic and industry data to inform workforce and economic development activities. VDOL is working to establish more comprehensive "business needs" programs, teaming up with employers, chambers, regional workforce development and investment boards, trade associations, training and education partners, state agencies, SBDC, the Agency of Commerce/Department of Economic Development, and others to support small business and offer technical assistance and support for existing businesses. Assistance can range from providing technical assistance on programs, guiding them to resources, assisting with labor law explanation and compliance, helping with job development, advertising and recruitment for their vacancies, and assisting with specialized needs.

### **State Workforce Development Board**

The State Workforce Development Board (SWDB) is designated as the single State Workforce Development Board under the federal Workforce Innovation and Opportunity Act, and under Vermont statute, 10 VSA 541. The Department of Labor oversees and provides the administrative support to the 50+ member board. The work of the Board is performed by an executive director and an administrative assistant, with significant legal and policy counsel from the Department of Labor. By law, the Board's membership must represent a business majority to help ensure that the workforce development efforts are consistent with business needs. The Board advises the Governor on how to promote and improve the effectiveness of a



comprehensive and responsive workforce development system. The Vermont State Workforce Development Board (SWDB) advises the Governor on the development and implementation of a comprehensive, coordinated, and responsive workforce education and training system. Vermont is designated as a “Single Area State,” and the SWDB is designated as the State and Local Workforce Development Board under the federal Workforce Innovation and Opportunity Act. Under Section 101(d) of the WIOA, the SWDB assists the Governor in the following functions:

- The development, implementation, and modification of the State plan.
- The review of statewide policies, statewide programs, and of recommendations on actions that should be taken to align workforce development programs in a manner that supports a comprehensive and streamlined workforce development system, including the review and provision of comments on the State plan, if any, for programs and activities of one-stop partners that are not WIOA core programs;
- The development and continuous improvement of the workforce development system,

### **Legal Services**

VDOL’s Legal Unit provides a variety of services across the Department. Most notably, the unit handles all unemployment insurance appeals (claimant and employer) that are heard by an Administrative Law Judge or come before the Employment Security Board. Additionally, staff attorneys are assigned to the Workers’ Compensation Division to hold evidentiary hearings and issue determinations in cases of Workers’ Compensation benefit disputes. There is a staff attorney assigned to the VOSHA program, as well as the Wage and Hour program, where they provide adjudication services. Staff attorney can also represent the Department before the VOSHA Review Board (independent) and the Vermont Supreme Court. This unit is lead by the Department’s General Counsel, who also serves as the Department’s Government Transparency and Notice of Potential Layoff Officer.

### **Wage and Hour**

The Wage and Hour program handles a significant number of calls from employees and employers seeking assistance with workplace rights and employment practices. Most inquiries by the public are seeking information or explanation of Vermont's labor and employment laws. W&H also produces informational materials (e.g., mandatory workplace posters). When an inquiry or complaint may present a possible violation of state or federal law, the staff intake the complaint, conduct a review, and adjudicate if the issue falls within VDOL jurisdiction. For issues that fall outside of the Department’s jurisdiction, the Unit refers them to the appropriate agency (e.g., AGO-Consumer Protection Division). The Legislature has passed workplace protections that have steadily increased the Unit's workload. This unit, consisting of two specialists and one staff attorney, is supported with state General Funds and some UI funding.

### **Economic and Labor Market Information Division (LMI)**





This division has a staff of 12 employees and is 99.9% federally funded. LMI is a state partner to the federal government's U.S. Bureau of Labor Statistics (BLS) which provides nearly 70% of the divisions overall funding. The balance of the LMI budget (~ 30%) comes from the U.S.

Department of Labor's Employment and Training Administration (ETA). VDOL's LMI Director serves as an economic consultant to Vermont state agencies, the State Workforce Development Board, the Governor's Office, and many outside public and private entities. Providing data insight on key workforce and economic issue, and special initiatives. LMI produces a wide variety of Vermont related reports and data about:

- Vermont Employment
- Unemployment and Labor Force
- Monthly Jobs Reports
- Wage Data
- Occupational Projections

USDOL provides some funding to LMI that allows for some expanded research on projects such as:

- Long-term (10 year) and short-term (2 year) occupational projections
- Monitor and forecast UI Trust Fund solvency
- Promote and maintain LMI data for public use: [www.vtlmi.info](http://www.vtlmi.info)
- Perform analyses, support special studies relating to public policy such as:
- Pathways to promising Careers brochure
- Healthcare workforce study groups
- Wage analyses of publicly funded training
- Minimum Wage determinations
- Prevailing Wage determinations
- Public outreach: The importance of LMI's public outreach (including the LMI internship program) has been a priority during this year. Through ETA funding, LMI is able to outreach and travel for presentations Vermont businesses and trade associations, regional workforce development groups, high schools and universities, workforce education and training partners, state agencies, the legislature, non-profit organizations, and to the general public.

### **Workers' Compensation and Safety Division**

The Workers' Compensation Program administers and adjudicates the statewide WC system. It does not operate the State's self-insured workers compensation program for state employees. A worker who suffers a work-related injury can receive medical and wage compensation from the employer or the employer's insurance carrier. The WC staff members provide audits, dispute resolution, mediation, adjudication, and compliance reviews on matters involving injured employees, employers, and WC insurance carriers. The Division's investigators pursue fraud and misclassification and issue Stop Work Orders and administrative penalties to enforce compliance with the law.



The Vermont Department of Labor does not set Workers' Compensation insurance rates; the rates are set by the Department of Financial Regulations.

The Division also oversees a variety of workplace safety programs. The Workers' Comp and Safety Division strives to:

- Ensure that injured workers claims are properly adjusted and timely paid, with disputes resolved in a fair and appropriate manner consistent with the requirements of the Workers Compensation Act.
- Reach out to the medical community, business and labor organizations, health and safety associations, insurers and others to reduce injuries, identify trends and best practices.
- Reduce injuries and shorten time before a return to work.
- Make safety a priority for all Vermont employers.
- Lower workers' compensation costs.
- Determine which business sectors need the most safety focus.
- Publicly acknowledge employers in Vermont who have successful workplace safety programs.
- Investigate complaints that employers are not providing WC Insurance coverage and enforce compliance.

## **VOSHA**

Vermont has a state-based OSHA program. The VOSHA staff works to ensure that all persons are provided a safe and healthy workplace. VOSHA has jurisdiction over workplace safety and health in both the public and private sector, inspecting workplaces for violations of VOSHA standards, and issuing penalties for violations classified as serious and/or uncorrected after being formally advised by VOSHA of the violation. VOSHA Compliance Officers investigate serious workplace accidents and fatalities.

The program also recognizes businesses for their efforts in workplace safety through programs such as the Green Mountain Voluntary Protection Program (VPP). Vermont Compliance Assistance Specialists work with trade associations and industry groups to help employers comply with the national OSHA standards. The 14 employees are funded by a 50-50 match of federal and state (general fund) dollars.

## **Project WorkSAFE**

This program provides voluntary consultative services to Vermont employers seeking to improve the health and safety condition of their workplace. WorkSAFE's employees are funded with a combination of federal and state funds, (75% is federal money, and the remainder is funding from VDOL's Workers' Comp administrative fund). Federal OSHA grant requirements have a target of 200 visits to the private sector for on-site safety and health consultations and review/development of safety and health programs. Responsibilities also include developing and providing safety and health trainings to Vermont companies on new OSHA regulations





and other topics, emergency response consultation and assistance with radiological and biological issues (with the Vermont Departments of Health and Public Safety; maintaining and increasing the amount of Vermont companies in the Safety and Health Achievement Recognition Program (SHARP) and developing recommendations for the Governor's Workplace Safety Awards.

**Passenger Tramway**

This program has three employees who inspect the construction or modification of ski lifts, as well as the operation and maintenance of ski tows, lifts and trams, and monitor for compliance with State regulations. Vermont ski areas pay the program costs with a fee due annually set by the Passenger Tramway Board, which consists of the Commissioner, two mountain representatives, and two public representatives.

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