

**REMARKS TO The Special Committee on Disaster
Preparedness Planning
December 13, 2006**

- Good Morning. My name is Ben Peirce. I am the Central Operations Manager of Unemployment Benefits at the Dept. of Workforce Development. Hal Bergan, our Administrator, is unable to speak to you today due to medical issues and has asked me to speak on his behalf. I will share with you the remarks that Hal has prepared, and answer your questions to the best of my ability.
- The UI division collects taxes, pays unemployment benefits and settles disputes between employers and claimants. It is a big division, with 600 employees spread over 9 locations in Madison, Milwaukee, Appleton and Eau Claire. A decade ago we had twice as many employees and dozens of local offices spread throughout the state. Since then we have evolved into one of the most technologically sophisticated divisions in state government.
- The good news is that we are highly automated. The bad news is that if our automated systems go down, we are hurting.
- In 2005 there were 615,000 claims for unemployment insurance. Our adjudicators decided 222,000 issues, most of them disputes between employers and claimants. Our legal bureau issued 22,500 appellate decisions relating to UI claims and tax issues.
- In 2005 we paid out \$836 million in benefits. That's 3.9 million checks.

- We collected taxes from 128,000 employers.
- We are a state program, funded primarily with federal dollars.
- In January, the Unemployment Insurance program will mark 75 years as an essential element in Wisconsin's safety net.
- Over the years the UI Division has been blessed with some personnel that take disaster recovery very seriously. We have had a good plan that we updated every year.
- That strong base was reinforced in recent months by strong direction by the Governor to do a better job of disaster planning. The project is called Continuity of Operations Planning, or COOP. We completed our most recent update of our COOP effort just a few months ago.
- Because we have been doing this for so long, it was not major effort for us to get up to speed. The scenario we were planning for was a natural disaster. The fact that we have redundant facilities located around the state and the ability to move work and personnel from one location to another makes us a good candidate for rapid recovery. We felt that we had a handle on this problem.
- Then the word came down that our COOP efforts were to include planning for a possible flu pandemic. Still, we were not worried. How much harder can it be?
- We were not into it for too long when the answer became clear -- it is a heckuva lot harder. Why is this true?

- For openers natural disasters are usually localized and for a short duration. By definition a pandemic is statewide and lasts for years. In the case of UI, a pandemic not only affects our workforce, but our program. There will be an unemployment pandemic as well as a disease pandemic. This poses complex problems we are only beginning to address. So my remarks will include many more questions than answers.
- Our operations first.....because we are so automated and increasingly web-based, work at home options are a viable alternative for us. In fact, employees and their unions who have been advocating work-at-home options for some time now routinely invoke a potential pandemic as a reason to move in this direction.
- Issues: Should we set up now? Buy PCs? Move existing PCs if pandemic hits? Cost? What if we build it and the pandemic does not come? If we set up system, there will be strong pressure to use it, pandemic or not. Should chance of the pandemic drive the larger policy choice of work at home with all of its socioeconomic implications? Availability of IT resources to set up work at home if pandemic comes?
- All these questions are on the table and all are tough. If a pandemic were certain, then the choices would be easier. Since it is not certain, decisions are tougher. Preparedness is very expensive. It not only costs money, it forecloses other options that might improve productivity and customer service.

- The program and policy implications of a pandemic are even more daunting. Let's start out with the basic premise of the UI program: If a person is laid off from his or her job through no fault of their own, they are entitled to UI benefits. It seems straightforward enough, until you start to address the details.
- To be eligible for Unemployment benefits one must be "able and available" for work. If an employer closes its doors because of the pandemic, then the workers would be eligible for benefits. If a person is ill with the flu therefore unable to work he or she would be ineligible for benefits as long as the illness lasts.
- An employee is ill and cannot come to work: Benefits denied.
- An employee has to stay home to care for an ill family member: Benefits denied.
- A person is receiving unemployment benefits and becomes ill with the flu: Benefits suspended until the illness passes and they are again able to work.
- Employee does not come to work out of fear of infection: Benefits denied.
- Though there are a variety of scenarios that would produce what seem to be unacceptable outcomes under the present law there is an overriding reality: Businesses would close and lay off their workers for long periods. Most of those workers would be eligible for benefits. What then?

- Well, we pay unemployment benefits from a Trust Fund of revenues collected from employers. Currently the balance of that fund is about \$750 million. That trust fund would go broke in a matter of months with the rates of unemployment forecast for a pandemic type situation.
- Not only would benefits skyrocket, but receipts to the fund would plummet as fewer wages were paid. It would be a perfect storm. The number of disputes would also increase -- another huge workload item for us.
- How would we deal with all this? Let me offer an example from our recent history -- Hurricane Katrina. Wisconsin dispatched 10 UI personnel to Jackson, Mississippi. They worked as telephone claims takers primarily...and the claims volume was incredible, as you might imagine.
- Because of the unique circumstances, they were not dotting every i and crossing every t. The overriding goal was to get the money out the door to people who were in desperate need. So that is what they did. They changed the rules on the fly. And they took for granted that the federal government would come in and bail them out. This was a reasonable expectation and essentially it worked out that way. This is a plausible scenario for a localized disaster. But is it plausible for a flu pandemic?
- Yes and no. Yes we need to look to the federal government. No, we cannot count on them being there. They will be confronting the same problems we will. The Dept. of Labor has its own trust fund and its 2005 ending balance was \$28 Billion dollars. That is a big number, but that money would

not last long spread among 50 states trying to manage their way through a pandemic.

- What might happen to UI in a pandemic? It might go away, to be replaced by some other assistance program specifically designed for a pandemic. It might become the program of choice for providing cash assistance. We have sophisticated infrastructure designed to write checks or provide for electronic funds transfer. In any event, it would be a drastically different program than the one operating today.
- Here is Hal's plan, in the short term:
 - First: Identify the steps and costs involved in establishing work at home options for UI personnel. We do not have to have a system in place, but we need a plan that permits us, should the circumstances require it, to put a work at home system in place within 90 days.
 - Second: Stay actively involved in the statewide pandemic planning effort. This planning is in a particularly active phase right now.
 - Third: Look ahead to the complex eligibility issues sure to arise and establish policies in advance to deal with them within the context of the current UI law.
 - Fourth: Develop statutory language which will give us the freedom to undertake major policy changes on short notice in the event of a pandemic. This would relate to both paying benefits and collecting taxes.

- Fifth: *Get up to speed on the Federal Dept. of Labor pandemic planning efforts as they relate to unemployment insurance.*

These steps conclude Hal's prepared remarks. I'd be happy to address any questions you may have at this time.

Thank you.