

ANALYSIS OF ALTERNATIVE STRATEGIES FOR FINANCING UNEMPLOYMENT INSURANCE BENEFITS WHEN TRUST FUND BALANCES ARE INSUFFICIENT

DRAFT SITE VISIT DISCUSSION GUIDE UI Program Administration Respondents

Note to Interviewers: Questions will be asked as appropriate.

INTRODUCTION

I am/we are researchers with The Urban Institute/Capital Research Corporation, private research organizations based in Washington, DC/Arlington VA which conduct policy-related research on a variety of social welfare and economic issues.

This project is being conducted by the Urban Institute and its partner, Capital Research Corporation, under contract to the U.S. Department of Labor. Our visit here today is part of a study of alternative strategies states utilize for financing Unemployment Insurance (UI) benefits when trust fund balances are not sufficient. A major aim of the study is to learn more about the decision-making process (including the factors that influence these decisions) that states undergo to determine the merits of and tradeoffs between borrowing through federal Title XII loans and issuing municipal bonds to replenish UI trust funds. In addition, we are interested in gaining a better understanding of the specific activities and steps, as well as the benefits and challenges, associated with various borrowing methods. As part of this study, we are conducting site visits to eight states, including some that borrowed funds through Title XII only and some that also issued bonds to finance UI benefits. In each state, we will be speaking with state UI Directors and staff; state Finance/Tax/Revenue/Treasury Department Directors and staff; and key respondents from Governors' offices, in state legislatures and other relevant state agencies. We will also be meeting with bond market representatives, including bond underwriters, municipal financial advisors, credit analysts, bond attorneys and institutional investors, as well as other national experts on these processes.

We are here to learn from you about the decisions your state made and the strategies you have implemented to finance UI benefits when trust fund balances are insufficient. Our aim is to learn from your experiences, not to audit, judge or monitor your activities.

Privacy Statement: I/we want to thank you for agreeing to participate in the study. I/we know that you are busy and we will be as focused as possible and will only ask questions that are relevant to your experience. We have many questions and will be talking to many different people, so please do not feel as though we expect you to be able to answer every question.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays an Office of Management and Budget (OMB) control number. The valid OMB control number for this information collection is 1290-ONEW. The time required to complete this collection of information is estimated to average 60 minutes, including the time to review instructions, search existing data resources, gather the data needed and complete and review the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden Chiefevaluationoffice@DOL.gov and reference the OMB Control Number 1290-ONEW.

Your participation in this discussion is voluntary and you may choose not to answer some or any of our questions.

My colleague and I will be taking notes in order to document what we hear during our discussion, and we may record this discussion. We do not share these notes with anyone outside of our research team, including Department of Labor, and we will destroy these notes after the end of our project. When we compile our reports, the states we visit as part of this study will be identified; however, the names of individual respondents will not be included. If we choose to quote you, you will only be identified by your title. You will not be quoted directly by name in any of our reports. While it is possible that you might be identified by your title or state, we will do our best to minimize the chance of that occurring.

Do you have any questions before we begin?

[If we decide to record the interview] Are you okay with us recording the interview to improve the accuracy of our notes?

A. GENERAL BACKGROUND ON RESPONDENT AND RESPONDENT'S RESPONSIBILITIES

1. I'd like to begin by collecting some general information about you and your job responsibilities.
[Obtain the following information for each respondent, in advance if possible; confirm as necessary. Request a business card.]
 - a. Name
 - b. Organization/Agency/Office
 - c. Contact information (address, telephone, e-mail)
 - d. Title/Position
 - e. How long have you been in this position? How long have you been with the agency?
2. What are your overall responsibilities in your current position? To whom do you report?
3. What are your responsibilities specifically related to UI Trust Fund borrowing/financing (e.g., responsible for monitoring balances, requesting advances from DOL)?

B. GENERAL BACKGROUND ON RESPONDENT'S ORGANIZATION

[Verify the name of the organization/agency/office.]

1. Please provide a general overview of the key functions/responsibilities of this organization/agency/office.
2. What are the functions of this organization/agency/office as they specifically relate to UI trust fund borrowing/financing?

3. Please describe the staffing structure and the responsibilities of staff involved with UI trust fund borrowing/financing. *[If not obtained during the pre-visit call, identify key individuals (and obtain their contact information) who may have played a critical role in these processes but may no longer be with the organization.]*
 - a. Number of staff
 - b. Responsibilities of each staff member
 - c. Reporting structure *[Obtain org chart, if available.]*

C. GENERAL OVERVIEW OF STATE UI PROGRAM FINANCING

(Use these questions as needed to verify our understanding of what agencies are involved in the state's UI program funding and trust fund borrowing and financing.)

1. Please provide a general overview of the UI program in your state, highlighting any unique or innovative features/aspects of the structure.
2. What state agencies are involved in administering the UI program in your state (e.g., UI, Finance/Tax/Revenue/Treasury)?
3. What is the role of any Federal agencies (e.g., DOL, Treasury)?
4. What are the key sources of funding for the UI program (e.g., federal/state payroll taxes, UI trust fund)? Are there other sources of funding?
5. Are there any unique or innovative administrative processes/funding strategies for the UI program in your state?
6. What, if any, are the key issues/challenges related to the UI process (e.g., trust fund deficit after recessions)?

D. OVERVIEW OF TITLE XII BORROWING/FINANCING PROCEDURES

[Verify history and current status of Title XII borrowing/requesting advances:

- *Borrowed in past from Title XII but not currently borrowing from Title XII*
- *Currently borrowing from Title XI]*

1. Please provide a "big-picture" description of the Title XII borrowing process in your state.
2. Which state agencies, and which individuals within those agencies, are primarily responsible for borrowing decisions?
3. What types of information/data/analyses are used to inform the decision-making process regarding borrowing? Please describe. Is the information you need to make your decisions readily available? What are the sources of this information?
4. What are the roles of the various state agencies (e.g., UI, Finance/Tax/Revenue/Treasury) and their staff in these processes?
 - a. In monitoring balances
 - b. In making withdrawals/deposits

- c. In making the required 3-month advance requests and repayment plans with DOL
 - d. In other key tasks [identify]
5. What types of interactions do you and others involved with this process have with federal agencies (such as DOL and Treasury) and their staff regarding this process? Are there other federal agencies involved? Please describe these interactions in terms of content and frequency.
 6. What types of interactions/communications do you have with the DOL regional office on this process? Please describe these interactions in terms of content and frequency.
 7. What types of federal and/or state reporting requirements are in place to monitor this process? Please describe. More specifically, who monitors/regulates these activities at the federal level? At the state level?
 8. What types of guidance/written guidelines/directives are available to guide you on this process? Are there any TEGs and UIPLs (e.g., UIPL 22-2 April 2002) that you're aware of? Are there other sources that you rely on for this guidance? Is the available guidance adequate/helpful?
[Probe: NASWA? Webinars conducted by Federal agencies? Word of mouth (e.g., UI Directors' meetings, informal networking?)]
 9. [If not covered above] Can you provide me with a history/timetable of your state's borrowing from Title XII? When did your state first borrow? How often have you borrowed? [If respondents cannot provide information, ask for contacts who may be able to do so.]
 10. Have there been any issues or challenges related to borrowing process? If yes, please describe. How were these issues resolved?

E. OVERVIEW OF TITLE XII LOAN REPAYMENT PROCESS THROUGH US TREASURY

[Verify history of Title XII repayment practices:

- Repaid borrowing through direct repayment to US Treasury only
 - Also issued bonds to repay borrowing and/or replenish UI Trust Fund (discussed below)]
1. Please provide a "big-picture" description of the process for direct repayment to the US Treasury of borrowing through Title XII loans.
 2. What state agencies, and which individuals within those agencies, are involved in the repayment process?
 3. What types of information/data/analyses are used to inform the decision-making process on the repayment options available (e.g., sweeping, voluntary repayment plan)? Please describe. Is the information you need to make your decisions readily available? What are the sources of this information?
 4. What are the roles of the various state agencies (e.g., UI, Finance/Tax/Revenue/Treasury) and their staff in this process?
 5. What types of interactions do you and others involved with this process have with federal agencies (such as DOL and Treasury) and their staff regarding this process? Are

there other federal agencies involved? Please describe these interactions in terms of content and frequency.

6. What types of federal and/or state reporting requirements are in place to monitor this process? Please describe. More specifically, who monitors/regulates these activities at the federal level? At the state level?
7. What types of guidance/written guidelines/directives are available to guide you on this process? Are there any TEGs and UIPLs (e.g., UIPL 22-2 April 2002) that you're aware of? Are there other sources that you rely on for this guidance? Is the available guidance adequate/helpful?
[Probe: NASWA? Webinars conducted by Federal agencies? Word of mouth (e.g., UI Directors' meetings, informal networking?)]
8. Are you aware of the sweeping option related to trust fund account balances? If yes, can you provide a description of the process? Does your state use this option? In your opinion, what are the pros and cons of this practice?
9. How do you/your agency track the costs associated with borrowing and direct repayment through US Treasury? What are the main types of costs (i.e., by category)?
10. *(If not covered above)* What is the current status of your repayments of Title XII loans? Is there still an outstanding balance? If yes, what is the amount?
11. From your perspective, what are the benefits of using the direct repayment process for Title XII loans? What are the benefits of the FUTA credit reductions? What, if any, are the costs of these? Are there issues and challenges associated with this repayment process? Please describe. Have these issues been resolved?

F. DECISIONMAKING REGARDING ISSUANCE OF BONDS VERSUS BORROWING/REPAYMENT THROUGH US TREASURY

1. Who/what agency was the initial source of the idea to issue bonds for this purpose (e.g., state UI administrators/staff, state Finance/Tax/Revenue/Treasury administrators/staff, Governor's office, state legislator, legislative staff, other states' experiences, bond underwriters, financial advisors)?
2. When did these discussions first take place (e.g., post 2007 recession)?
3. Can you provide a description of the decision-making process?
 - a. Number and timing of meetings convened
 - b. Duration of discussions
 - c. Content of meetings (e.g., presentations by staff; presentations by bond market analysts/advisers)
4. Who were the key stakeholders involved in the decision-making process? From your perspective, what was their respective knowledge of and stance on borrowing options (i.e., pros/cons of Title XII borrowing; pros/cons of issuing bonds)?
5. What were the key issues discussed during these meetings? Were any of the following discussed?
 - a. Savings through different interest rates (federal vs. bonds (including NIC vs. TIC)) and calculation of payments (average daily balance vs. total borrowed)

- b. Other cost considerations (e.g., administrative, insurance, underwriter and other costs associated with issuance of bonds)
 - c. State constitutional provisions (e.g., limiting issuance of debt)
 - d. Other state constraints/limitations regarding issuance of bonds
 - e. Legislation required
 - f. State economic situation/state budget and finances
 - g. Past borrowing experiences
 - h. Other options for UI trust fund replenishment potentially available (e.g., tax increases and/or benefit reduction; other state resources such as rainy day fund or other state agency funds)
 - i. Use of direct lending option (e.g., bridge loan to repay Title XII loan prior to issuing bonds)
 - j. Other?
6. What types of guidance/written guidelines/directives were available to guide you on the bond issuance process? Are there any TEGs and UIPLs that you relied on for this guidance? Is the available guidance adequate/helpful?
[Probe: NASWA: Webinars conducted by Federal agencies? Word of mouth (e.g., UI Directors' meetings, informal networking)]
7. What kinds of data analyses were conducted to justify the decision made?
 - a. Types of analyses (e.g., internal memos/reports)
 - b. Sources of analyses (e.g., your agency, a bond seller, others?)
8. From your perspective, what were the key factors in the final decision?
9. What are the tradeoffs or the disadvantages and advantages of issuing bonds for financing as opposed to Title XII financing?
10. Are there circumstances under which it makes sense to implement one approach versus the other (e.g., change in interest rates)? Please describe.
11. What are the outstanding issues and challenges related to issuing bonds for UI trust fund financing?

[Ask the following questions of interviewees in those states that considered issuing bonds but ultimately decided not to issue bonds]

12. From your perspective, what were the key factors in the final decision not to issue bonds?
13. Were tax increases implemented to restore the UI trust fund? If yes, please describe.
14. Were UI benefits reductions implemented to restore the UI trust fund? If yes, please describe.
15. What role, if any, did FUTA tax credit offsets play in the repayment process?
16. From your perspective, is there a possibility of re-visiting the decision not to issue bonds if a new need arises or circumstances change in the future? (e.g., dramatic increase in interest rates)
17. What is your overall level of satisfaction/dissatisfaction with your decision not to issue bonds?

G. PROCESS FOR ISSUING BONDS TO FINANCE UI TRUST FUNDS [*For those states that issued bonds*]

1. Please provide a “big-picture” description of the bonds issuance process implemented in your state. (*Collect any available information prior to the interview and confirm as needed.*)
2. Can you give me a history of bond issuance in terms of dates and frequency? How many bonds were issued? When were the bonds issued?
3. What were the amounts of the bonds issued?
4. What types of bonds were issued?
 - o Municipal bonds
 - o Private market loans (e.g., bridge loan to repay Title XII borrowing before issuing bonds)
 - o Short-term notes
5. Were the bonds taxable or tax-exempt?
6. Why were these particular types of bonds chosen?
7. What was the structure of the issuance?
 - a. Maturity
 - b. Length
 - c. Convertibility
 - d. Callability
 - e. Taxability
8. Who were the key decision makers in the determination of the structure of the issuance [*Probe: state agency staff or bond underwriters*]?
9. What was the rationale behind the choices made regarding the structure of the issuance?
10. Who was the bond underwriter?
 - a. How was the bond underwriter chosen? (e.g., negotiated vs. competitive)? Who made that decision?
 - b. What was the role/responsibilities of the bond underwriter?
 - c. What was your overall level of satisfaction with the bond underwriter?
11. Was there ever any consideration given to issuing short-term notes versus bonds? If yes, please explain. Specifically, what degree of consideration was given to this option?
12. Please provide a description of the structure and format of the new administrative unit set up to administer bond issuance and repayment. Is this a unit/entity within the UI agency or another existing state agency (e.g., housing finance agency)? What are the responsibilities/tasks of this new unit/entity? Please describe.
13. Please describe the process for determining how bond funds were to be distributed (e.g., repayment of Title XII debt, replenishing trust fund account, administrative costs, etc.)? Who made that decision? What were the factors considered in that decision?
14. How does that distribution process work in practice?
15. How did you determine the specific amount to borrow? Did you borrow additional funds beyond the existing debt amount? Why? Who made that decision?

16. What are the bond issuance tasks? What are the sources of funding for all of the bond issuance tasks? What are the costs of all of the issuance tasks? *[Verify information in bond issuance documents.]*
17. What are the sources for repayment of the bonds? Are they being repaid by add-ons to regular state UI employer taxes? If yes, are they experience-rated? If another source is being used, please describe. What are the administrative costs associated with bond repayment? *[See table]*
18. How are bond taxes calculated? Please describe.
19. What is the process for collecting bond taxes? Were they linked to regular UI taxes? What are the administrative costs associated with collecting bond taxes? *{See table}*
20. What is the process for determining the average tax rate for bond taxes?
21. What is the process for making interest payments to bond holders? What are the administrative costs of that process? *[See table.]*
22. What is the process for retiring bonds? What are the costs of that process?
23. What are the bond tax administrative tasks? What are the sources of funding these bond tax administrative tasks? What are the costs of those tasks?
24. Did your state decide to repay bonds early? If yes, please describe the decision-making process behind that decision. What was the rationale for that choice?
25. What kinds of processes are in place for tracking all of the costs associated with issuance/repayment of bonds? Who is responsible for monitoring those costs?
26. Please describe the steps for repayment of Title XII debt with bond funds through DOL and Treasury. Are there any time limitations on the repayment process? If yes, please describe. Are there any penalties for violation of these limitations? If yes, please describe.
27. What types of interactions do you and others involved with this process have with federal agencies (such as DOL and Treasury) and their staff regarding this process? Are there other federal agencies involved? Please describe these interactions in terms of content and frequency.
28. What types of interactions/communications do you have with the DOL regional office on this process? Please describe these interactions in terms of content and frequency.
29. What types of federal and/or state reporting requirements are in place to monitor this process? Please describe. More specifically, who monitors/regulates these activities at the federal level? At the state level?
30. What types of guidance/written guidelines/directives are available to guide you on this process? Are there any TEGs or UIPLs that you're aware of? Are there other sources that you rely on for this guidance? Is the available guidance adequate/helpful? *(Probe: NASWA? Webinars conducted by Federal agencies? Word of mouth (e.g., UI Directors' meetings, informal networking?)*
31. Please describe any outstanding issues or concerns regarding the bond issuance process (e.g., arbitrage regulations).

H. LESSONS LEARNED AND ASSESSMENT OF BORROWING/REPAYMENT THROUGH US TREASURY AND BOND ISSUANCE PROCESSES

1. What is your overall assessment of the Title XII borrowing and repayment process?
 - a. In general, what is your overall level of satisfaction with the process? What aspects work particularly well?
 - b. Are there any outstanding issues or challenges related to the process? Please describe.
 - c. Are there aspects that need improvement?
2. What is your overall assessment of the bond issuance process?
 - a. In general, what is your overall level of satisfaction with the bond issuance process? What aspects work particularly well?
 - b. Are there any outstanding issues or challenges related to the process? Please describe.
3. From your perspective, how would you rate the overall cost-effectiveness of bond issuance compared to borrowing/repayment directly to US Treasury?
4. What guidance would you give to other states considering issuing bonds as an alternative UI financing strategy?
5. Are there any lessons learned that you would share regarding these processes?
6. Are there other issues related to UI Trust Funding that we have not covered? If yes, please describe.

Thank you for participating in this very important study.

Request of states:

1. *Quantitative data on bond taxes and various administrative costs*
2. *Internal estimates of savings from issuing municipal bonds versus Title XII repayment.*