

Ohio Department of Job & Family Services Workforce Development & Unemployment Insurance Sections

Senate Finance and Financial Institutions Committee

Steve Mansfield, Fiscal Supervisor

Legislative Service Commission

May 1, 2003

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LSC Redbook
for the
Ohio Department of Job & Family Services
Workforce Development & Unemployment
Insurance Sections

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May 1, 2003

WORKFORCE DEVELOPMENT

OVERVIEW

The Office of Workforce Development (OWD) has been recently reorganized as part of the Department of Job and Family Services' program budgeting reform. It previously contained most of the programs now organized in the Office of Family Stability in addition to specific workforce development and employment service programs. The Office of Workforce Development develops and administers programs and services designed to support and enhance state and local workforce development initiatives that address the needs of workers, families, and employers throughout Ohio. The Office of Workforce Development provides services that seek to assist Ohioans remove barriers, enter employment, maintain employment, and gain self-sufficiency and independence. The Office of Workforce Development also provides programs to assist Ohio's businesses with recruitment of skilled workers, technical assistance with identification of funds and resources for skills training for new and incumbent workers; provides federally- and state-required training programs; and other support services tailored to meet specific business needs.

The Office of Workforce Development administers the federal Workforce Investment Act of 1998 (WIA), which brings about a fundamental change in the nation's employment and training system. The stated purpose of the legislation is to "provide workforce investment activities, through statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation."

The Workforce Investment Act of 1998 repeals the Job Training Partnership Act and replaces it with a locally based employment and training service delivery system for adults, dislocated workers, and youths with an emphasis on flexibility in the use of program dollars. These three categories (adults, dislocated workers, and youths) designate the three funding streams of WIA. Provisions of the Act promote individual responsibility and personal choice through the use of Individual Training Accounts that allow adult customers to "purchase" the training that best fits their needs. Adults and dislocated workers may access, depending on an eligibility assessment of their needs, employment and training activities that fall in three categories: core, intensive, and training services. Youth activities under WIA attempt to move away from one-time, short-term interventions toward a systematic approach that offers youth a broad range of coordinated services that may be provided in combination or alone. Such offerings for youth include opportunities for assistance in both academic and occupational learning, developing leadership skills, and preparing for further education, additional training, and eventual employment.

The Act is business focused as well. Business is seen to be a critical partner in the development and design of service delivery systems with strong ties to economic development. The Workforce Investment Act of 1998 requires that business representatives comprise the majority of the membership of State Workforce Investment Boards, providing leadership and information to ensure that the service delivery system prepares people for current and future jobs.

The Bureau of WIA, which is one of five bureaus in the Office of Workforce Development, has three main goals in its implementation of WIA. These are: (1) to create a vertically-integrated workforce-

investment system with all elements coordinated and complementary; (2) to promote Ohio's economic competitiveness by improving employment opportunities, fostering job retention, and increasing earnings of all Ohio workers; and (3) to build a workforce development system that prompts all stakeholders to agree that "it works for me."

Core to WIA is the One-Stop approach to service delivery. In fact, the Act mandates that states and localities develop One-Stop delivery systems for service integration and elimination of duplicative efforts. In Ohio, funding is allocated to eight Workforce Investment Boards for the establishment of One-Stops and the delivery of training services. These systems are mandated to serve communities by functioning as the primary public resource for job and career counseling, training, job searching, employment services, and a range of other ancillary services that include childcare and transportation.

Ohio has piloted One-Stops in six locations: (1) Defiance/Paulding/Williams, (2) Cuyahoga, (3) Franklin, (4) Portage, (5) Lawrence, and (6) Clark. Fully compliant, cost sharing Memorandum of Understanding (MOUs) have been negotiated and signed in Clark and Lawrence counties. The Department of Job and Family Services remains in the process of deciding the number and location of the remaining One-Stops. The Department of Job and Family Services has stated that its goal is to have a minimum of 36 One-Stops, with at least three located in each of the twelve economic development areas.

The Department of Job and Family Services is also developing a process for the certification of One-Stops. The goal of such a certification process is to assure that each One-Stop meets national standards on the presence and availability of services.

The Governor's Workforce Policy Board developed a five-year strategic state plan and began implementing WIA beginning July 1, 2000.

ANALYSIS OF EXECUTIVE PROPOSAL

Workforce Development

Purpose: The Office of Workforce Development (OWD) develops and administers programs and services designed to support and enhance state and local workforce development initiatives that address the needs of workers, families, and employers throughout Ohio. The Office of Workforce Development provides services that seek to assist Ohioans remove barriers, enter employment, maintain employment, and gain self-sufficiency and independence. The Office of Workforce Development also provides programs to assist Ohio’s businesses with recruitment of skilled workers, technical assistance with identification of funds and resources for skills training for new and incumbent workers; provide federally and state required training programs; and other support services tailored to meet specific business needs.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	600-422	Local Operations	\$2,305,232	\$2,305,232
GRF	600-424	Office of Workforce Development	\$877,971	\$899,375
3V0	600-662	WIA Ohio Option #7	\$87,407,014	\$89,352,850
3V0	600-688	Workforce Investment Act	\$93,636,390	\$94,932,750
331	600-686	Federal Operating	\$48,237,185	\$47,340,081
365	600-681	Job Training Program	\$5,000,000	\$0
Total funding: Workforce Development			\$237,463,792	\$234,830,288

Workforce Development

Program Description: Workforce development programs assist individuals and families achieve self-sufficiency and independence through job search and job readiness training, job referral, and placement assistance, unpaid work experience, basic education, and vocational and post-secondary education. Employers are assisted with problem solving services, and by helping employees achieve needed skills. The Office of Workforce Development is organized into five bureaus that administer various aspects of Workforce Investment Act (WIA) activities and services, Wagner-Peyser Act Employment Services, Employer Services, Women’s Programs activities and services, Veterans Services, and other services to individuals and business.

A major thrust of OWD’s mission is the development of a One-Stop system for service delivery. The Workforce Investment Act of 1998 mandates that states and localities develop One-Stop delivery systems for service integration and elimination of duplicative efforts. In Ohio, funding is allocated to eight Workforce Investment Boards for the establishment of One-Stops and the delivery of training services. These systems are mandated to serve communities by function as the primary public resource for job and career counseling, training, job searching, employment services, and a range of ancillary services that include childcare and transportation.

Funding Source: FED, GRF, GSF. Federal funds are from grants CFDA #17.255 (Workforce Investment Act), CFDA #17.207 (Employment Services), and several other federal grants for One-Stop development, veteran's services, refugee services, child support projects, and adoption services

Line Items: GRF 600-422, Local Operations; GRF 600-424, Office of Workforce Development; GSF 600-645, Training Activities; FED 600-614, Refugee Services; FED 600-617, Child Care Federal; FED 600-627, Adoption Maintenance/Administration; FED 600-658, Child Support Collections; FED 600-662, WIA Ohio Option #7, FED 600-678, Federal Unemployment Programs, FED 600-681 JOB Training Program, FED 600-686, Federal Operating; and FED 600-688, Workforce Investment Act; FED 600-689, TANF Block Grant.

Implication of the Executive Recommendation: The Executive recommends decreasing funding for the program series by \$45.8 million in FY 2004 from FY 2003 estimated spending levels. The largest contributor is a \$34.8 million reduction in the FY 2004 appropriation for line item 600-688, Workforce Investment Act. This reduction in appropriation is the result of the elimination of a “redundant” appropriation that was provided with the creation of a line item by the Controlling Board in June 2002, and thus has no fiscal effect. The Executive also recommends a reduction for FY 2005 of \$2.6 million from the recommended FY 2004 level. This reduction is the result of the phase out of funds in line item 600-681, JOB Training Program, held over for the closeout of the Job Training Partnership Act (JTPA) grant, and thus will have no impact on the program.

Permanent and Temporary Law: Please refer to the Permanent and Temporary Law section.

ADDITIONAL FACTS AND FIGURES

Federal WIA funds are provided to the states in three block grants. These three grants are for Youth, Adult, and Dislocated Workers programs. The table below summarizes WIA spending activity by Ohio for the most recently completed program year (PY 2001), which ended June 30, 2002. The report combines information for all three block grants, as of September 13, 2002. Ohio's expenditures as a percentage of the total available in PY 2001 is compared to the expenditures by all states as percentage of the total available to all states.

Workforce Investment Spending Report, U.S. Department of Labor					
Ohio Formula Spending Report for Program Year 2001 (7/1/01--6/30/02), as of 9/13/02					
WIA Youth, Adults, and Dislocated Workers Programs Combined					
Unexpended Carry-In to PY 2001	Total PY 2001 Availability (7/01/01 and 10/01/01 Allotments)	Total Available 7/01/01--6/30/02	Expenditures 7/1/01--6/30/02	Expenditures as % of Total Available	Unexpended Balance as of 6/30/02
\$79,472,619	\$127,098,301	\$206,570,920	\$122,665,088	59.4%	\$83,905,832
			All States	65.2%	

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Department's Workforce Development activities and spending decisions during the next biennium.

Permanent Law Provisions

Special employment service account (R.C. section 4141.04)

The bill directs the deposit of federal unemployment compensation money into the special employment service account within a newly created fund titled "federal operating fund" instead of to a special employment service account within the "unemployment compensation administration fund" where it is currently deposited. There is no fiscal effect.

Job Listings (R.C. section 4141.044)

The bill eliminates the requirement that any person or corporation contracting to do business with the state of Ohio must provide a listing of all available job vacancies that the person or business plans to fill from outside of its existing workforce or a traditional employer-union hiring arrangement. There is no fiscal effect.

Private Industry Councils (R.C. section 4141.045)

The bill eliminates an obsolete reference to private industry councils created by the Job Training Partnership Act, a federal law that was repealed effective July 1, 2000. There is no fiscal effect.

Workforce Development Grant Agreements (R.C. sections 5101.211, 5101.213 (repealed), 5101.214, 5101.241, 5101.242, 5101.243, 6301.05, and 6301.07)

The bill replaces partnership agreements with grant agreements for purposes of funding workforce development activities. The bill also creates specific duties and consequences for not performing those duties for chief elected officials of local areas receiving funds to administer workforce development programs. There is no fiscal effect.

Temporary Law Provisions

Appropriations from Fund 3V0 (Section 58.18)

The bill permits the Director of Budget and Management, upon the request of the Department of Job and Family Services, to increase appropriations in either appropriation item 600-662, WIA Ohio Option #7, Fund 3V0, or in appropriation item 600-688, Workforce Investment Act, Fund 3V0, with corresponding decreases in the other appropriation items supported by Fund 3V0 to allow counties the option of choosing to administer WIA as a conventional county or as an Ohio Option county. There is no fiscal effect.

REQUESTS NOT FUNDED

For this program series, the Department requested total funding of \$238,618,248 in FY 2004 and \$235,868,351 in FY 2005; the Executive recommended \$237,463,792 and \$234,830,288, respectively. The executive recommendations are below the Department's requested level of funding by \$1,150,456 in FY 2004 and by \$1,038,063 in FY 2005.

The Executive partially funded the following requested item.

Office of Workforce Development						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF 600-424	\$1,383,661	\$877,971	(\$505,690)	\$1,383,661	\$899,375	(\$484,286)

The Executive did not fund the following requested items.

The Department of Job and Family Services made one supplemental request in its budget for the Workforce Development program. The request was for \$460,089 in FY 2004, and \$437,573 in FY 2005. This was for workforce development activities supported by line item 600-424, Office of Workforce Development. In particular, this request was to support a program that would focus on recognition and other supportive activities for women, and to expand support for One-Stop certification and other local operations transition issues.

UNEMPLOYMENT INSURANCE

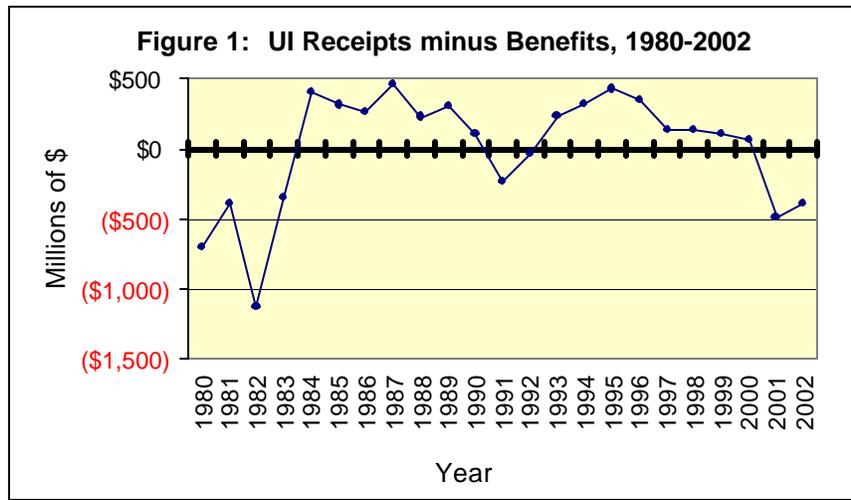
OVERVIEW

The Unemployment Insurance (UI) program was created as a federal/state partnership for income maintenance during periods of involuntary unemployment, by providing partial compensation for lost wages as a matter of right, to eligible individuals. Such compensation provides a counter-cyclical source of revenue to support the local economy in times of economic downturn. Funds for administration of UI are provided primarily by the U.S. Department of Labor (USDOL) from revenues collected from employers by the Internal Revenue Service pursuant to the Federal Unemployment Tax Act (FUTA). Benefits are paid through the Unemployment Compensation Trust Fund, which is funded through state insurance taxes that are paid by employers and collected by JFS.

The UI program is administered by the Office of Unemployment Compensation within JFS. The primary goal of the Office of Unemployment Compensation is to collect sufficient employer taxes to support the payment of unemployment compensation benefits to individuals who have become unemployed through no fault of their own.

Through information collected regarding hiring, wages, and benefits the UI system directly supports the informational needs for measuring outcomes related to employment, and supports the interception of benefit payments for the deduction of child support. In addition, this information is used to help detect fraud and prevent overpayments in such programs as TANF, workers compensation, railroad retirement benefits, as well as unemployment compensation itself.

Figure 1 depicts the status of the UI Trust Fund by looking at the balance of benefits and receipts, for calendar years 1980 through 2002. Receipts exceeded benefits paid or have been close to balancing in the period following the recession of the early 1980s, with a relatively small shortfall experienced during the recession of the early 1990s, and again in the last two years with the current economic slowdown. In February 2003, Ohio's UI Trust Fund balance was approximately \$1.4 billion. Unemployment Insurance taxes have been reduced three times since 1995. Today, depending on an employer's experience of unemployment, the tax rate ranges from zero to 6.4%. The average employer pays a rate of 1.5% on the first \$9,000 of an employee's wages—the lowest average rate since 1975. Approximately 15,000 employers, however, are delinquent in the payment of their taxes. The recent distribution of Reed Act funds received in March 2002 allowed the state to avoid an automatic employer tax increase during calendar year 2003, but a statutory automatic employer tax increase is expected in calendar year 2004 in order to keep the Trust Fund solvent.



Among issues that will impact Ohio’s Unemployment Insurance program includes implementation in Ohio of the federal Trade Act of 2002 (which expands eligibility beyond that contained in NAFTA). This will require legislative action, particularly with respect to the funding and multi-agency coordination needed to administer tax credits to pay for health care costs for eligible individuals.

In addition, according to JFS, there is, among other issues, interest in expanding eligibility for unemployment compensation benefits. According to JFS, there is a gap between the percentage of the unemployed who are eligible to receive unemployment benefits and the percentage of the total workforce that is unemployed. **Table 1** provides overall unemployment rates and insured unemployment rates for December 2002 for Ohio and the five surrounding states.

	Unemployment Rate, December, 2002	Insured Unemployment Rate, week ending 12/28/02	Proportion of Unemployed Receiving Benefits
Indiana	4.8%	2.7%	56.3%
Kentucky	5.2%	2.7%	51.9%
Michigan	5.8%	4.1%	70.7%
Ohio	5.2%	2.7%	51.9%
Pennsylvania	5.6%	4.4%	78.6%
West Virginia	5.9%	3.6%	61.0%
(U.S. Department of Labor data, not seasonally adjusted)			

ANALYSIS OF EXECUTIVE PROPOSAL

Unemployment Insurance

Purpose: The purpose of Ohio’s unemployment system is to provide funds for payment of benefits to unemployed workers and to provide a counter-cyclical source of revenue to support the local economy in times of economic downturn.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	600-435	Unemployment Compensation Review Committee	\$3,188,473	\$3,191,815
3V4	600-678	Federal Unemployment Programs	\$139,590,682	\$142,411,608
3V4	600-679	Unemployment Compensation Review Committee - Federal	\$3,097,320	\$2,860,297
4A9	600-607	Unemployment Compensation Administration Fund	\$8,001,000	\$8,001,000
4R3	600-687	Banking Fees	\$592,937	\$592,937
5A5	600-685	Unemployment Benefit Automation	\$7,000,000	\$0
Total funding: Unemployment Insurance			\$161,470,412	\$157,057,657

Specific programs within the Unemployment Insurance program series that this analysis will focus on include:

- **Unemployment Compensation**
- **Unemployment Compensation Review Commission**

Unemployment Compensation

Program Description: The UI program is administered by the Office of Unemployment Compensation (OUC) within JFS. The office is organized into three bureaus: Tax, Benefits, and Program Liaison. The Tax Bureau has the responsibility for collecting unemployment taxes, as well as wage information from all Ohio employers on a quarterly basis. The Benefits Bureau provides oversight and support services for the claims adjudication and benefit control processes, including issuance of monetary determinations for special claims, issuance of decisions on reconsideration of appeals of monetary and non-monetary determination, and provision of technical assistance to local offices relative to policy, procedure, and state and federal law. The Benefits Bureau is also responsible for the automated benefits delivery system. The Program Liaison Bureau is responsible for assuring that the UI program meets the requirements of state and federal law and that federal funding is provided.

The OUC is currently involved in the completion of a multi-year project called the Ohio Job Insurance Project. The mission of the project is to redesign business processes and apply advanced technology to improve the accuracy, accountability, accessibility, and efficiency of UI benefits service for employers and claimants. Funding for the project was obtained through legislation in 1995 (H.B. 275 of the 121st General Assembly) enacted to establish an unemployment benefit reserve fund. Interest on the principal maintained in the reserve fund is to be used to pay for the costs of automation and reengineering.

Funding Source: GRF, FED, interest earnings, and fines and forfeitures assessed on employers

Line Items: GRF 600-435, Unemployment Compensation Review Committee; FED Fund 3V4, ALI 600-678, Federal Unemployment Programs; FED Fund 3V4, ALI 600-679, Unemployment Compensation Review Committee - Federal; SSR Fund 4R3, ALI 600-687, Banking Fees; SSR Fund 4A9, ALI 600-607, Unemployment Compensation Administration Fund; and SSR Fund 5A5, ALI 600-685, Unemployment Compensation Benefit Automation

Implication of the Executive Recommendation: The Executive’s recommendations provide continuation funding for FY 2004 and FY 2005 for performance of all duties associated with this program.

In February 2001, JFS announced that it would close 56 local unemployment offices over a 15-month period, and replace these local offices with an expansion from seven to 21 in the number of telephone registration centers. The Department of Job and Family Services estimated that this reorganization would produce a “cost avoidance” of \$10 million per year after the reorganization was complete. Implementation of this plan was, however, delayed.

During FY 2003, JFS began to reorganize the local service delivery system by consolidating a series of sites in order to reduce housing and facility costs. Given the executive recommendation, however, JFS will need to seek another source of funding to proceed with its plan for continuing the local operations reorganization. The Department is working out a plan with the Unemployment Compensation Advisory Council and hopes to receive approval to use federal Reed Act dollars as an alternative funding source for this project. (See Requests Not Funded portion of the Administration Section of the JFS Redbook for a more detailed discussion of this issue.)

Unemployment Compensation Review Commission

Program Description: The Unemployment Compensation Review Commission (UCRC) handles appeals of unemployment insurance claims determinations. The UCRC and its hearing officers have the responsibility to conduct fair due process hearings and to issue well-reasoned decisions. The UCRC also has a responsibility to issue quality decisions in a prompt and efficient manner. The UCRC has two levels of appeal—a lower authority level (also known as Hearing Office level) and higher authority level (also known as Request for Review level).

Funding Source: GRF, FED. Federal Funds are from grant CFDA 17.245 (Unemployment Insurance)

Line Items: GRF 600-435, Unemployment Compensation Review Committee; FED 600-679, Unemployment Compensation Review Committee—Federal

Implication of the Executive Recommendation: For ALI 600-435, Unemployment Compensation Review Committee, the Executive recommended \$3.2 million for FY 2004, and \$3.2 million for FY 2005. JFS had requested \$3.6 million for FY 2004, and \$3.7 million for FY 2005. The bulk of the portion requested but not funded was to fill five FTEs in the UCRC that are open or will come open due to retirements. The UCRC has experienced an increasing backlog of cases and at the present time is not meeting the USDOL standards. In February 2003, the backlog of pending cases was 8,691, whereas the normal pending caseload, according to the UCRC, is 2,200. This is due to an increase in the number of appeals filed, with no corresponding staffing increases. The USDOL has placed the UCRC on a corrective action plan for failing to meet the time-lapse standards. The recommended funding level for this line item will mean that the UCRC will be less able to carry out the corrective action plan. The table below summarizes the recent increase in caseload.

Table 2: Lower Level Appeals Processed by the UCRC			
Year	Employer Appeals Received	Claimant Appeals Received	Total Dispositions Issued
1999	7,986	7,278	14,456
2000	7,223	6,710	13,366
2001	7,795	7,169	14,066
2002	11,660	9,402	21,062

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Department's Unemployment Insurance activities and spending decisions during the next biennium.

Permanent Law Provisions

Unemployment Compensation Updates to Coordinate with Federal Trade Act Law Changes (R.C. section 4141.09)

Under existing law, the federal government makes available to Ohio and the other states certain moneys to pay for assistance to workers who experience job loss or dislocation due to U.S. foreign trade agreements, most notably, the North American Free Trade Agreement (NAFTA).

The bill renames the "Trade Act" account the "Trade Act Benefit" account where federal funds received by the Director of Job and Family Services for the purposes of payment of unemployment benefits, job search, relocation, transportation, and subsistence allowances are to be deposited. It alters the specified purpose for which the money in the Trade Act Benefit Fund is to be used from paying unemployment benefits, training, and support services, to more broadly refer to any purpose allowed under the federal acts from which the funds are received.

It also renames the "North American Free Trade Act" account the "Trade Act" account where federal funds received by the Director of Job and Family Services are to be deposited. It alters the specified purpose for which the money in the Trade Act account is to be used from paying unemployment benefits, training, and support services, to more broadly refer to any purpose allowed under the federal acts from which the funds are received. And it requires funds received from the federal government for training and administration purposes pursuant to the Trade Act of 1974, the Trade Act of 2002, or the North American Free Trade Agreement Implementation Act to be deposited into the Trade Act account. There is no fiscal effect.

Temporary Law Provisions

Employer Surcharge (Section 58.11)

The bill continues the authority to collect the surcharge that was levied for 1988, 1989, and 1990. There is still a small amount in accounts receivable, and collectable, from those years. The bill also provides that the funds collected go to the special administrative fund instead of the employer surcharge account because the amounts are frequently too small to warrant maintaining a separate account. There is no fiscal effect.

Federal Unemployment Programs (Section 58.19)

The bill: (1) increases the appropriation of Fund 3V4, line item 600-678, Federal Unemployment Programs, by \$53.7 million for FY 2004, and \$47.3 million for FY 2005, (2) requires the Director of Budget and Management, up the request of the Director of Job and Family Services, to increase the appropriation for FY 2004 by the amount remaining unspent from the FY 2003 appropriation, and to increase the appropriation for FY 2005 by the amount remaining unspent from the FY 2004

appropriation, and (3) requires the transfer of up to \$18 million in each year from line item 600-678, Federal Unemployment Programs, to be used by the Department of Job and Family Services to reimburse the GRF for allowable expenditures for the Unemployment Insurance Program, employment services, and Section 903(d) of the federal Social Security Act.

REQUESTS NOT FUNDED

For this program series, the Department requested total funding of \$161,924,175 in FY 2004, and \$157,518,715 in FY 2005; the Executive recommended \$161,470,11, and \$157,057,657, respectively. The executive recommendations are below the Department's requested level of funding by \$453,763 in FY 2004 and \$461,058 in FY 2005.

These differences are entirely within the request to fund line item 600-435, Unemployment Compensation Review Committee. The bulk of the portion requested (\$288,155 in FY 2004 and \$295,227 in FY 2005) but not funded was to support five unfilled FTEs in the UCRC.

Unemployment Compensation Review Committee						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF 600-435	\$3,642,236	\$3,188,473	(\$453,763)	\$3,652,873	\$3,191,815	(\$461,058)