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Subject: DEW Funding and sequestration

Ted, I just want to give you and the Governor a brief update on where DEW stands financially and operationally. First, the sequester from Washington. Overall, we estimate that the Sequester will take approximately \$3.5m combined from both DEW and the LWIBs. The local WIBs stand to lose about \$2.0m of that total and we are getting the word out to them as we speak. WE in DEW feel we can accommodate our cuts with no furloughs at this point in time. The local areas will have to figure out how they want to take their cuts but this will play into their views as we seek to restructure our service models since they too are now under funding constraints. I am still meeting with my staff to ensure we all agree on how to take the cuts and that there are no misunderstandings about what the numbers are. I should be finished with that by the end of this week. EUC benefits will also be cut by the sequester. I previously sent you and the Governor a paper about stopping payments near the end of the Federal fiscal year and then starting them up again in Oct. I have since talked to DOL in Washington and explained our position. When pushed, they softened their stance and now have agreed to three one week pauses in the payment of EUC benefits spread out from April to Sept. They feel this treats claimants as fairly as possible but also avoids the need for IT folks to reprogram all our benefit payment programs to enact a weekly cut. We are in the final review stages but right now plan to call DOL back tomorrow and agree to this method of taking the sequestration for those drawing EUC benefits. We are putting together a press release and explanation which we will float by Rob later this week.

As to the agency's finances, I now see where we are and where we need to be by the end of FY 13 and FY 14. We have plans to do that and are currently working with the local WFIB's to get their proposals on how to best continue to provide service while downsizing. Our meetings with the locals have been mostly cordial and several are excited about the possibility of designing new service models for their areas. Right now we have reached preliminary agreement with nine out the twelve LWIB's and expect the other three very soon. At that point, we can price out the model and come brief you and the Governor about the proposals with associated costs and manpower. Right now, my preliminary analysis shows that we will probably have to let go around 150 to 170 people through some sort of RIF action. Of that previous amount around 53 people would be as a result of the Federal EUC program terminating in DEC 2013 so the people funded by that program must be released. My intention is, as we RIF and hire back, we would hire about 53 people in temporary grant positions with them signing on to the knowledge that these jobs would go away at the end of DEC 2013. We have talked to a lot of the legislative folks and told them all we were restructuring and working with the local folks on how best to do that. I believe I have left ourselves some flex if there are some things we just have to politically fix. Hopefully, right after Easter, I can come brief you and the Governor on all the plans. We have RIF plans in Budget and Control board getting confidential approval and once you all are ok with the plans, we can prepare something for the General Assembly when they arrive back from Furlough. Once we have pre notified them, we would expect to have a press conference sometime the first or second week in April and we need to get out the notices to our employees at the same time.

Finally, I talked to Mikee Johnson about the state wide WIB meeting scheduled later this year for Hilton Head. They have now formally asked to cancel the meeting but the hotel has. in writing. told them they would charge around \$85K to cancel at this point. So, any effort to cancel this meeting which was contracted before the financial problems and layoffs came to light would cost more than it would save. I told Mikee, if the press raises any issues, they have documentation about the effort to cancel and most attendees are locally funded. I think that this will provide cover if there are questions. I am limiting my staff participation to those essential to putting on a successful conference. If you have any questions, please give me a yell. As an aside, do you know the only good thing about getting old and losing your memory? You can hide your own Easter eggs. Cheers and have a great Easter.