

TRAINING AND EMPLOYMENT NOTICE	NO. 20-12
	DATE January 24, 2013

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
UNEMPLOYMENT INSURANCE DIRECTORS

FROM: JANE OATES /s/
Assistant Secretary

SUBJECT: Unemployment Compensation for Ex-Servicemembers (UCX) – UCX Claims Processing Enhancements

1. **Purpose.** To advise state agencies of plans to improve, streamline, and automate UCX claims processing, including plans to automate the UCX claim notification and the Quarterly Detailed Benefits Payment Data (QDBPD) by providing them in electronic format to the Federal military branches for unemployment compensation (UC) purposes.

2. **References.**

- 20 CFR Part 614, Unemployment Compensation for Ex-Servicemembers;
- 5 U.S.C. Chapter 85, subchapter II, Unemployment Compensation for Ex-Servicemembers (5 U.S.C. 8521-8525) (the UCX law);
- 5 U.S.C. 8509(f), *Federal Employees Compensation Account*; and
- ET Handbook No. 384, Unemployment Compensation for Ex-Servicemembers.

3. **Background.**

Technology exists to allow the Department, states, the Department of Defense (DoD), and military branches to develop more efficient and streamlined approaches to processing and managing UCX claims. The Department has been working collaboratively with the DoD and the states for some time to develop a strategic plan to automate the UCX claim process, eliminating reliance on a paper based system. The purpose of this Training and Employment Notice (TEN) is to provide states with information about these efforts and provide information on how it will impact states' processes moving forward. To implement these proposed changes, the Department, in coordination with the National Association of State Workforce Agencies' (NASWA) Unemployment Insurance (UI) Committee and Interstate Benefits Subcommittee, intends to engage states, the DoD, representatives from the Federal military branches, and the Department's Federal Claims Control Center (FCCC) contractor to establish a federal-state technical workgroup. Note: The FCCC was established by the Department to be the official source of military wage and separation information for state UC agencies to determine UCX entitlement. The FCCC also maintains a system of "claims control records" for program integrity purposes.

While there is a more comprehensive list of proposed improvements, this TEN will focus specifically on two discrete processes: 1) moving to a completely paperless process for the exchange of data between states and the military branches as part of the UCX initial claims process by fully automating the provision of Type 1 and Type 2 data to the military branches through the FCCC and enabling an automated challenge to a UCX claim by military branches to states through the FCCC; and 2) development of a nationally standardized automated process for states to provide quarterly UCX billing data to the military branches through the FCCC. While not the subject of this TEN, the Department intends to continue to work with DOD on streamlining the processes to obtain DD-214 data necessary for states to process UCX claims. The DD 214 is the form issued to all military personnel upon separation from periods of active duty. It contains information about how long the claimant served in the military, why s/he separated from the service, and other pertinent information for UCX purposes.

Below is a more complete description of the proposed changes.

4. Improvements to the UCX Initial Claims Process.

Current Process

State agencies notify prior employers, including federal military branches, when a claim for unemployment benefits has been filed that may result in charges to the employer/federal agency. There are different record requests that states send to the FCCC for UCX program purposes; however, for the purposes of this TEN, only two types of requests (Type 1 and Type 2) requests are relevant to this initiative. These include:

- Type 1 – Initial request for wage and separation information.
- Type 2 – Notice that a benefit year (i.e., claim) is established using UCX wages.

A Type 1 request serves two purposes: 1) to check on whether the FCCC has a DD Form 214 on file for the claimant; and 2) to check on whether any other state(s) has used or assigned federal military wages for the claimant and whether the wages were used or assigned from the claimant's most recent period of federal military service.

A Type 2 request notifies the FCCC that a claim has been established and that the wages have been assigned to the claimant. The FCCC stores this information and makes it available to any other states that may send another Type 1 request for the same claimant, preventing duplicate claims.

The process to notify the federal military agency that a UCX claim was filed has been a manual process that involves states generating a notification that is mailed to the appropriate military branch. Each state uses its own format to notify the military branch.

In the last several months, the Department has worked with the FCCC, DOD, and the military branches to test the provision of Type 1 and Type 2 data electronically by the FCCC. This work is foundational to moving toward a completely paperless process.

Proposed Changes to Current Process.

The Department has recently leveraged current UCX initial claim information sent to FCCC by the states to issue Type 1 and Type 2 reports to the military branches. A recent pilot of this process has proven to be successful. Moving forward, these reports will be created for each military branch and will reside on a secure hub server which conforms to Federal Information Security Management Act and National Institute of Standards and Technology standards. The reports will be held on the FCCC server awaiting pickup by each military branch. Designated points of contact for each branch will be provided a secure login ID in order to download reports using Secure Socket Layers 128-bit encryption. Each report will include the following data elements: Servicemember Name; Social Security Number; Branch; State; and Federal Claims Control Process Date.

These electronic reports will ensure that the Federal military branches obtain UCX data as soon as possible to better manage and reconcile their UCX accounts. More importantly, when the paying state has established a benefit year using UCX wages, the current paper notification process will be replaced by an electronic submission to the Federal military branches. Work is now beginning to enable the Federal military branches to be able to submit “appeals of eligibility” to state agencies using the same system. The ultimate goal is to achieve a more efficient and secure paperless UCX claims process.

5. Process to Provide Quarterly Billing Information to Federal Military Branches.

Current Process

The current process for processing quarterly billing information is entirely a paper process. The Form ETA 191, *Statement of Expenditures of Federal Funds for Unemployment Compensation for Federal Employees and Ex-Servicemembers*, is used by each state agency to report the quarterly summary of UCX expenditures and adjustments and the detail of benefit charges and adjustments for the specific federal military branch. This report is the source document of the Department’s bill to federal military branches for UCX payments. Upon receipt of the ETA 191 reports, the Department aggregates by each federal military branch the reported benefit charges and adjustments from all state agencies and issues bills to the federal military branches accordingly. Each federal military branch reimburses quarterly benefit charges by depositing the amount billed into the Federal Employees Compensation account.

Under the Secretary of Labor’s authority under 5 U.S.C. 8509(f), state agencies provide appropriate payroll offices of federal military branches the detailed benefit payment data on a quarterly basis (i.e., the QDBPD). These records contain detailed information to allow federal military branches to properly account for the UCX funds that the state agencies requisitioned from the FEC account and paid to claimants, and for the state agencies to prepare the required quarterly fiscal reports to the Department using the Form ETA 191.

As described above, the QDBPD contains expenditure information that the federal military branches use to reconcile their bill(s) from the Department. Currently, in most cases, the QDBPD is sent by state agencies to the federal military branches in hard copy form and each state agency has its own format for providing this information. Due to the unprecedented increase in UCX claimants, it has become more difficult for federal military branches to process the information from hard copies of the QDBPD using the states' individual formats.

Proposed Changes to the Current QDBPD Process

The Department will leverage the FCCC system to create a nationally standardized electronic QDBPD to the military branches to provide the detailed benefit information. Enabling states to provide the QDBPD in an electronic format will streamline the process for both states and the federal military branches and make it faster and more efficient. States will no longer have the resource intensive process of producing and mailing paper documents and the military agencies will be able review, analyze and manage their billing information more quickly and with fewer resources as well.

Both short term and long term strategies are being explored to automate and standardize the QDBPD process. They include the following steps that will require business process and systems programming changes in the states:

- Development of an electronic report (as an interim report) containing “core” elements of the QDBPD (i.e., claimant’s name, social security number, chargeable benefits paid to each claimant, recoupment, offsets, other adjustments, branch of service, quarter/year), while continuing to allow state agencies to use a paper QDBPD until they are able to convert to the electronic application;
- Development of a standard file format that state agencies can use to load QDPBD electronically. This standard file format will contain fields that states would have identified as required to complete in accordance with state laws on the provision of detailed benefit accounting information to employers; and
- Development of a standard file format for federal military branches to protest detailed quarterly charges.

As noted above, to implement these proposed changes, the Department is convening a technical workgroup that will include representation from states, NASWA, DoD, the military branches, and the FCCC to develop the following:

1. The proposed file layout for the interim reporting described above. This proposed layout will be provided by the Department to its Regional Offices under separate cover for dissemination to states;
2. Sample billing statements from each state agency with descriptions for each field and clear indications of required or optional fields based on state requirements. This information will be analyzed, consolidated and developed into a new electronic QDBPD format; and
3. Developing roll-out and implementation plans.

The activities associated with requirements for these UCX enhancements (establishing workgroups, updating operational concepts, ongoing processing of state and military application requirements, and finalizing operational concepts and requirements definition), including convening the new technical workgroup, will begin in February 2013. One of the first tasks of the workgroup will be to develop a project plan with milestones. The Department recognizes that not all states may be equally positioned to do this work at the same time. Should resources be available, it is the Department's intent to make available supplemental budget funding to states to support adoption of these new automated business processes.

6. **Reporting Activity.** To the extent that these reporting requirements necessitate new reporting by state agencies, the Department is in the process of submitting an Information Collection Request (ICR) to the Office of Management and Budget (OMB) requesting changes to existing collections. A Federal agency cannot conduct or sponsor a collection of information unless it is approved by OMB under the Paperwork Reduction Act (PRA), and displays a currently valid OMB control number, and the public is not required to respond to a collection of information unless it displays a currently valid OMB control number. See 44 U.S.C. 3507. Also, notwithstanding any other provisions of law, no person shall be subject to penalty for failing to comply with a collection of information if the collection of information does not display a currently valid OMB control number. See 44 U.S.C. 3512. The Department will notify states of OMB's decision upon review of the ICR, including any changes that may result from this review process.
7. **Action Requested.** State Administrators are requested to provide this information to their UI Directors and other the appropriate staff.
8. **Inquiries.** Inquiries should be directed to the appropriate Regional Office.