

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
	CORRESPONDENCE SYMBOL OUI/DFAS
	DATE July 29, 2014

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-14

TO: STATE WORKFORCE AGENCIES

FROM: PORTIA WU /s/
Assistant Secretary

SUBJECT: Fiscal Year (FY) 2015 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. **Purpose.** To provide:

- a. Preliminary FY 2015 dollar and staff year base resource planning targets for UI operations to be used in planning and developing State Quality Service Plans (SQSP);
- b. General guidelines for FY 2015 resource planning; and
- c. An explanation of how the Department of Labor (Department) allocates base resources among states.

2. **References.**

- Employment and Training (ET) Handbook No. 336, 18th Edition: “*Unemployment Insurance (UI) State Quality Service Planning (SQSP) and Reporting Guidelines;*” and
- ET Handbook No. 410, 4th Edition, *Resource Justification Model (RJM)*.

3. **FY 2015 Base Funding Level.** The total amount for the FY 2015 UI planning targets is \$2,539,076,000. This includes \$2,418,645,000 for base UI administration and \$120,431,000 for postage. These amounts are included in the Administration’s FY 2015 appropriations request. If the final appropriation differs significantly from the request, adjustments may be made to the allocations.

4. **Data Inputs.** Minutes Per Unit (MPU) values, annual hours worked, non-workload staff years, personal services/personnel benefits (PS/PB) rates, and non-personal services (NPS) dollars for FY 2015 are drawn from the Resource Justification Model (RJM) data collection submitted in 2014. The RJM data collection methodology is explained in ET Handbook No. 410. Base workloads are developed by the actuarial staff subject to the national limits of base workloads. The following table shows the data inputs used for the planning targets for FY 2014 and FY 2015. These inputs are described in more detail in section 7.

RESCISSIONS None	EXPIRATION DATE September 30, 2020
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DATA INPUTS		
CATEGORY	FY 2014 Targets	FY 2015 Targets
Base Workloads	National Office projections	National Office projections
MPU values	Average of actual for FY 2010, 2011, and 2012 (less state dollars & hours)*	Average of actual for FY 2011, 2012, and 2013 (less state dollars & hours)*
Annual hours worked	FY 2014 projected*	FY 2015 projected*
Non-Workload Staff Years	FY 2012 actual	FY 2013 actual
PS/PB rates	FY 2012 actual, increased annually by 3 percent*	FY 2013 actual, increased annually by 3 percent*
NPS dollars	Average of actual expenditures in FY 2010 (inflated to FY 2012), FY 2011 (inflated to FY 2012), and FY 2012, not including state dollars and one-time costs and increased annually by 3 percent.	Average of actual expenditures in FY 2011 (inflated to FY 2013), FY 2012 (inflated to FY 2013), and FY 2013, not including state dollars and one-time costs and increased annually by 3 percent.

* Both state supplemental PS/PB expenditures and the hours worked/paid associated with those expenditures were excluded from state RJM inputs, effectively leaving the PS/PB rates intact but reducing annual hours worked and MPU values.

5. Reduction to Availability. The data inputs described above produced a national total base state funding request of \$2,806,964,747 for FY 2015. The total anticipated FY 2015 base allocation is 2.4 percent more than the FY 2014 base allocation. The amount of funds available for allocation in each category (e.g., Workload, Support, Administrative Staff and Technical Services (AS&T), and NPS) is determined by multiplying the percent each category represented of the total requested amount by the total dollars available, with two exceptions: the requested amounts for Benefit Payment Control (BPC) and UI Performs were not changed in the targets.

6. Highlights of Base Planning Targets.

- a. Economic Assumptions. The FY 2015 UI planning targets reflect the economic assumptions used in the FY 2015 President's budget request.
- b. Base Workload Level. The FY 2015 national base claims-related workload was formulated at 2.4 million average weekly insured unemployment (AWIU) instead of the 2.3 million AWIU reflected in states' RJM submissions. The Department's proposal to the Office of Management and Budget (OMB) to increase the FY 2015 base claims-related workload from 2.3 million AWIU to 2.4 million AWIU was approved for the FY 2015 President's Budget, but not until after states' RJM data collections had been submitted. For all states, this will result in a larger base allocation than would have been provided under a 2.3 million AWIU.
- c. Base Workload Level. The FY 2015 national base claims-related workload was formulated at 2.4 million average weekly insured unemployment (AWIU) instead of 2.3 million AWIU. The Department's proposal to the Office of Management and Budget (OMB) to increase the FY 2015 base claims-related workload from 2.3 million AWIU to

2.4 million AWIU was approved for the FY 2015 President's budget but not until after states' RJM data collections had been submitted. For all states, the 2.3 million AWIU for FY2015 will result in a larger base claims-related workload.

- d. Funding Period. The "funding period" is the period during which states may obligate funds. In general, states may obligate FY 2015 UI grant funds through December 31, 2015. States may, however, obligate UI grant funds through September 30, 2017, if such obligations are for automation acquisitions, competitive grants awarded to states for improved operations, reemployment and eligibility assessments and improper payments, or activities addressing worker misclassification. States have an additional 90 days after the end of the funding period to liquidate obligations. Should an extension of the liquidation period be necessary, a state must seek the approval of the Grant Officer. Requests to extend the liquidation period are to be submitted in writing to the regional office at least 30 days before the existing deadline.

7. Allocation Methodologies.

A detailed description of the allocation methodologies follows.

a. UI Base Staff.

- Workload Functions Allocation Methodology. The allocation methodology seeks to achieve four objectives to the greatest extent possible: equitably allocate available resources so that the same level of service to claimants and employers is available in all states; promote administrative efficiency; enable resources to shift with workloads; and avoid abrupt shifts of resources among states from year to year.
 - Data Sources.
 - Time Factors. The MPU values are an average of the data for FY 2011, FY 2012, and FY 2013. The MPUs were calculated from data submitted in the RJM data collection instrument.
 - Work Hours. The hours per staff year are from the FY 2013 data in the RJM data collection instrument.
 - Workload Forecasts. Each state's total FY 2015 workloads for the six workload activities -- initial claims, weeks claimed, nonmonetary determinations, appeals, subject employers, and wage records -- were forecasted using statistical models developed by the Department's actuaries. Each state's estimated workload in each category was reduced by multiplying it by the ratio of the national total base workload for that category to the estimated national total workload for the category, i.e., each state receives funding for the same percentage of its estimated total workload in its base budget allocation. Additional funds are available on a quarterly basis for claims-related workloads processed above the base level.

Because the amount of workload defined as “base” increased from 2.3 million AWIU to 2.4 million AWIU, the state workloads in the Target Allocation are higher than those reported in the RJM data collection submitted in FY 2014.

- Determination of Allowable MPU Values. For FY 2015, the calculation using states’ unreduced MPU values from the RJM data collection yielded 20,119 workload staff years. To fit the targets within available funds, the allocated MPU values were developed for the six base workload activities by reducing the MPU values for most states so that the number of targeted workload staff years equaled the 17,129 staff years for which funds are available. MPU reductions in each of the six activities were made as follows:
 - MPUs were arrayed from the highest to the lowest MPU value.
 - The lowest ten MPU values were not reduced.
 - Within each of the six workload categories, the difference was calculated between each of the top 43 MPU values and the tenth lowest MPU. Differences were then reduced by a percentage determined by available resources, and the result for each state was added back to the tenth lowest MPU to obtain the allocated MPU for each state. In general, the higher the MPU, the greater its reduction; however, reductions in MPUs for states with relatively smaller workloads were mitigated by up to 25 percent of what the reduction otherwise would have been. The percent of the mitigation was determined by the relationship of the state’s workload to the largest workload among states being reduced.
 - Non-Workload Staff Years Allocation Methodology. Staff years for non-workload functions are drawn from the FY 2013 data in the RJM data collection. Other than adjusting for any state supplemental funding, no reduction was applied to BPC and UI Performs staff years. Support and AS&T staff years were reduced by using the MPU reduction algorithm. The algorithm used the percentages that Support and AS&T staff represented of each state’s total requested staff. The ten states with the lowest percentages in each category were not reduced. In general, the higher the percentage Support and/or AS&T staff represented of the total, the larger the reduction in Support and/or AS&T staff years. In addition, no state’s Support staff years were reduced below the lesser of 15 staff years and the number of actual Support staff years used in FY 2013.
- b. Personnel Compensation Costs. The FY 2015 PS/PB rates were determined by using each state’s FY 2013 PS/PB rate for each functional activity and increasing the result by 3 percent annually.
- c. Non-Personal Services. The FY 2015 NPS allocation was based on an average of the states’ FY 2011, 2012, and 2013 NPS expenditures reported in the RJM, less any state supplemental NPS dollars and one-time expenditures. Before calculating the 3-year average, the FY 2011 and FY 2012 expenditures were inflated to FY 2013 dollars by

using the Gross Domestic Product deflators: 1.7 percent in FY 2011 and 1.1 percent in FY 2012. The resulting 3-year average was then increased by 3 percent annually to arrive at the FY 2015 level which was reduced across-the-board so that the sum across all states equaled the NPS funding availability of \$472,040,461. Attachment I shows a breakout of each states' NPS base planning level.

- d. Hold-Harmless Provisions. There is one hold-harmless provision for the FY 2015 planning targets.
 - Total Dollars. A “stop-loss” of 5 percent is imposed on states that would have lost more in total base dollars from FY 2014, with a resulting “stop-gain” of 6.3 percent on states that would have gained more in total base dollars. This adjustment is shown on a separate line in Attachment I.
- e. Postage. For FY 2015, the Department plans to allocate \$120,431,000 in base postage resources directly to states. The postage allocation methodology uses projected base weeks claimed and subject employer workloads which are totaled for each state; base postage resources are then calculated pro rata based on each state's share of the total workload. Attachment III displays the state-level detail regarding this allocation.

8. General Guidelines for Above-Base Workload Resource Levels. The State Administration budget activity includes a reserve for above-base workloads.

The Department will use the quarterly hours data on the UI-1 (OMB Approval No. 1205-0132) report, the allocated claims activity staff years paid, and the allocated annual MPU values in the FY 2015 above-base certification process. States should submit the UI-1 (OMB Approval No. 1205-0132) report by October 1, 2014; the annual hours on the report should agree with the FY 2015 annual work hours used for each state's target allocation.

- a. Above-Base Overhead. The above-base overhead percentage will remain at 19 percent.
 - b. Above-Base Resources. Above-base resources are tied directly to above-base workloads. If above-base workloads decline, less above-base funding will be made available to the state agencies. During periods of declining above-base resources, adjustment to staffing levels may be necessary.
 - c. Above-Base Instructions. General instructions for completing UI-3 (OMB Approval No. 1205-0132) reports are in ET Handbook No. 336, Chapter II. Specific implementation procedures for the above-base certification process will be issued later this year in an Unemployment Insurance Program Letter (UIPL) promulgating the final FY 2015 UI allocations.
- 9. Standard Form (SF) 424**. All states should submit an SF-424 (OMB Approval No. 4040-0004) for FY 2015 base resources. Instructions for completing these forms are in ET Handbook No. 336, Chapter I. The forms are available in Portable Document Format (PDF) at <http://apply07.grants.gov/apply/FormLinks?family=15> (select “SF424 Family”). When completing the form, states should ensure that total UI dollars are the same as the allocated

levels. Only states that vary the quarterly number of claims activity staff years paid should submit the SF-424A (OMB Approval No. 4040-0006) and show the quarterly distribution in item 23 (Remarks) of the form. All states should submit the SF-424B (OMB Approval No. 4040-0007).

10. Bottom-Line Authority. The allocation methodology is a detailed process that determines the funding level for each state; however, as provided in ETA Handbook No. 336, the assignment of resources by categories resulting from the methodology is not binding on state agencies' management. Since FY 1987, states have had full authority to shift resources among UI program categories as they deem appropriate and necessary to manage their UI programs to meet established program goals and requirements. Thus, states have the flexibility to move UI resources among UI program categories, among quarters within a fiscal year, and among specific cost categories. States are held accountable on a bottom-line basis, giving states the discretion to use UI administrative resources to meet their assessment of needs and to meet UI performance requirements. The only exception to bottom-line authority is that states may not change the staff-year level in the claims activities category from the allocated staff year level for purposes of computing above-base resources. This is to ensure that states do not earn more above-base resources than they would otherwise have been entitled to earn.

11. Action Requested. State Administrators are requested to:

- a. Provide to the appropriate staff the FY 2015 planning targets and above instructions as soon as possible after receiving this UIPL.
- b. Review closely the attached tables and notify the appropriate regional office of any questions or concerns as soon as possible after receiving this UIPL, but no later than August 1, 2014.
- c. Submit to the appropriate regional office as part of the SQSP, the FY 2015 SF-424 (OMB Approval No. 4040-0004), 424A (OMB Approval No. 4040-0006), if applicable, and 424B (OMB Approval No. 4040-0007).
- d. Submit the FY 2015 UI-1 (OMB Approval No. 1205-0132) report via the UI Required Reports system by October 1, 2014.

12. Inquiries. Please direct questions to the appropriate regional office.

13. Attachments.

- I. FY 2015 Detailed State Base Staff Planning Levels
- II. Back-up Material for Allocation of FY 2015 UI Base Staff
- III. FY 2015 Base Postage Allocation