

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	<b>CLASSIFICATION</b> UI
	<b>CORRESPONDENCE SYMBOL</b> OUI/DPM
	<b>DATE</b> May 28, 2014

**ADVISORY:**      **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 34-11, Change 1**

**TO:**                STATE WORKFORCE AGENCIES

**FROM:**            PORTIA WU /s/  
Assistant Secretary

**SUBJECT:**        Benefit Year Earnings (BYE) Unemployment Insurance (UI) Integrity Performance Measure

1. **Purpose.** To disseminate state Acceptable Level of Performance (ALP) targets for the BYE UI integrity performance measure for the calendar year (CY) 2014 performance period and provide information on this measure for future performance periods.
2. **References.**
  - Unemployment Insurance Program Letter (UIPL) No. 17-11, *Proposed Performance Measure for Unemployment Insurance Integrity*; and
  - UIPL No. 34-11, *Performance Measure for Unemployment Insurance Integrity*.
3. **Background.** BYE overpayments are the leading cause of UI overpayments -- claimants who return to work, fail to report earnings, and who continue to claim and collect benefits. For the most recent reporting period -- July 1, 2012, to June 30, 2013 -- BYE overpayments totaled over \$1.5 billion, which represented 3.8 percent of total UI benefits paid and 34 percent of all overpayments.

In order to address the BYE overpayments, the U.S. Department of Labor (Department) issued UIPL No. 17-11, *Proposed Performance Measure for Unemployment Insurance Integrity*, to describe and solicit comments from states on a proposed UI Performs Core Measure for UI Integrity. UIPL No. 17-11 proposed a measure defined as the percentage of UI benefits overpaid due to BYE fraud. UIPL No. 17-11 also stated that the Department would seek authority to collect data on the number of UI weeks overpaid due to BYE. The Department proposed that, once this data collection was implemented, the performance measure would be defined in terms of reducing BYE overpayments of five weeks or more. The Department considered public comments on its proposed BYE performance measure and finalized the measure in UIPL No. 34-11, *Performance Measure for Unemployment Insurance Integrity*. The final measure includes both fraud and non-fraud BYE

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> December 31, 2014
----------------------------	---

overpayments, regardless of the number of weeks of benefits that were overpaid. The BYE measure is calculated from the Benefit Accuracy Measurement (BAM) data reported by states. Each state will use, as its baseline, its average BYE overpayment rate for CYs 2010 – 2012. (During the previous performance period, each state used, as its baseline, its average BYE overpayment rate for CYs 2008 – 2010.) Moving from that baseline, the BYE performance measure requires each state to reduce its BYE overpayments by 25 percent in the CY 2014 performance period. As UIPL 34-11 stated, “percentage reductions for performance periods after CY 2013 will be adjusted to reflect ALPs that are cost effective for state agencies to achieve.”

4. **Reporting Guidance for CY 2014.** State ALPs for the CY 2014 reporting period are attached. These ALPs represent a 25 percent reduction from each state’s average BYE overpayment rate for the CY 2010 to CY 2012 baseline period, which is the most recent three-year period for which complete CY data are available from the BAM survey.

UIPL No. 34-11 defined the BYE overpayment rate as the ratio (expressed as a percentage) of the estimated amount of UI benefits that were overpaid due to BYE issues to the total amount of UI benefits paid. Both the numerator and the denominator are estimates, weighted by the number of paid UI weeks in the BAM survey population.

$$\frac{\text{Amount overpaid due to BYE}}{\text{Amount of UI benefits paid}} \times 100$$

The Department will evaluate state performance in CY 2014 by the same standard established in UIPL No. 34-11. A state will meet the ALP if: 1) its BYE overpayment rate decreases from its baseline rate during the performance period by the 25 percent state reduction target, or 2) its BYE overpayment rate decreases from its baseline rate during the performance period and its BYE overpayment rate is less than the national BYE overpayment rate reduction target of 2.59 percent.

The Department has developed a software application to allow each state to calculate its BYE overpayment rate using the results of the BAM survey according to the formula defined above. This software application is available at [http://oui.doleta.gov/unemploy/bye\\_overpay.asp](http://oui.doleta.gov/unemploy/bye_overpay.asp). Because the Department bases this measure on sample data, the software includes statistical tests that take into account the sampling error of each state’s estimated BYE overpayment rate to determine whether the state meets the ALP. States failing to meet the ALP for the CY 2014 performance period will develop a Corrective Action Plan as part of their Fiscal Year 2016 State Quality Service Plan.

5. **Future Performance Measurement.** The Department will continue to analyze performance data for the BYE UI integrity measure and will evaluate other metrics. The Department will report the results of its analysis and any proposed changes to the BYE UI integrity performance measure in a Federal Register notice for public comment.

6. **Action Requested.** The Department requests that State Administrators provide the information in this advisory to the appropriate staff.
7. **Inquiries.** Please direct all inquiries to the appropriate Employment and Training Administration Regional Administrator.
8. **Attachment.** BYE UI Integrity Performance Measure State Baseline Rates and CY 2014 ALPs.