

<b>EMPLOYMENT AND TRAINING ADMINISTRATION</b> <b>ADVISORY SYSTEM</b> <b>U.S. DEPARTMENT OF LABOR</b> <b>Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> Unemployment Insurance
	<b>CORRESPONDENCE SYMBOL</b> OUI
	<b>DATE</b> August 2, 2016

**ADVISORY:** UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 19-16

**TO:** STATE WORKFORCE AGENCIES

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

**SUBJECT:** Unemployment Insurance (UI) Supplemental Funding Opportunity for Improved Operations

1. **Purpose.** To notify State Workforce Agencies (SWAs) of the availability of Fiscal Year (FY) 2016 funds for activities that support improved operations through the prevention and detection of UI improper benefit payments, state performance improvements, and addressing outdated Information Technology (IT) system infrastructures.

2. **References.**

- Executive Order (E.O.) 13520, Reducing Improper Payments (November 20, 2009);
- Improper Payment Information Act of 2002 (IPIA), 31 U.S.C. 3321;
- Improper Payment Elimination and Recovery Act of 2010 (IPERA), 31 U.S.C. 3301;
- Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), 31 U.S.C. 3321;
- Consolidated Appropriations Act of 2016, Public Law No. 114-113 (December 18, 2015);
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Parts 200 and 2900;
- Unemployment Insurance Program Letter (UIPL) No. 02-09, and Changes 1-3, *Recovery of Unemployment Compensation Debts Due to Fraud from Federal Income Tax Refunds*;
- UIPL No. 22-10, *Selecting and Monitoring At-Risk States for Continuous Improvement and Compliance with First Payment Timeliness and First Level Appeals Promptness*;
- UIPL No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance Program*;
- UIPL No. 26-11, *Unemployment Insurance Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
- UIPL No. 28-11, *Unemployment Insurance State Integrity Task Forces and Strategic Plans*;
- UIPL No. 33-11, *Identification of "Improper Payment High Priority States" for Unemployment Insurance*;

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> Continuing
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- UIPL No. 02-12, and Changes 1 and 2, *Unemployment Compensation (UC) Program Integrity – Amendments made by the Trade Adjustment Assistance Extension Act of 2011 (TAAEA)*;
- UIPL No. 17-12, *Unemployment Insurance (UI) State Information Data Exchange System Messaging and Communications Toolkit Availability*;
- UIPL No. 18-12, *Unemployment Insurance Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
- UIPL No. 24-13, *Unemployment Insurance Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
- UIPL No. 13-14, *Unemployment Insurance Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
- UIPL No. 16-15, *Unemployment Insurance Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
- UIPL No. 19-15, *Unemployment Insurance Supplemental Budget Request (SBR) Activities: Quarterly Program Reporting Form and Instructions*;
- UIPL No. 01-16, *Federal Requirements to Protect Individual Rights in State Unemployment Compensation Overpayment Prevention and Recovery Procedures*;
- UIPL No. 02-16, *State Responsibilities for Ensuring Access to Unemployment Insurance Benefits*;
- Training and Employment Notice (TEN) No. 12-13, *Unemployment Insurance (UI) Online Work Search Record*;
- TEN No. 27-13, *Unemployment Compensation for Ex-Servicemembers (UCX) Military-State Data Exchange System (MSDES)*;
- TEN No. 34-13, *Publication of the Final Rule for the Federal-State Unemployment Insurance Program - Data Exchange Standardization as Required by Section 2104 of the Middle Class Tax Relief and Job Creation Act of 2012*;
- TEN No. 08-14, *Reengineering Unemployment Insurance Benefits Program Accountability Processes*; and
- TEN No. 03-15, *Reengineering Unemployment Insurance Benefits Program Accountability Processes: Update on Implementation Progress and State Impacts*.

3. **Background.** The Employment and Training Administration (ETA) has been working to accelerate state actions to reduce improper payments, improve performance, and modernize IT infrastructure. To support states' efforts, ETA provided supplemental funding opportunities and incentives in FY 2011 (UIPL No. 26-11), FY 2012 (UIPL No. 18-12), FY 2013 (UIPL No. 24-13), FY 2014 (UIPL No. 13-14), and FY 2015 (UIPL No. 16-15). As a condition of funding eligibility, those opportunities required states to implement specific strategies in order to qualify for additional funding. The SBR grants available to states for each of these opportunities will be based on the estimated availability of above-base funding remaining after the allocation of funds to cover workloads experienced by the states. This UIPL provides supplemental funding opportunities to states for FY 2016.

ETA continues to work aggressively with states to reduce UI improper payments by implementing a comprehensive and continuously evolving strategic plan that targets the largest root causes of overpayments. States are implementing the strategies contained in the

strategic plan through the Integrity Action Plans that are developed by state cross-functional integrity task forces and submitted as part of the State Quality Service Plan (SQSP). These SBR funding opportunities have led to widespread state adoption of strategies such as the use of the National Directory of New Hires (NDNH) for cross-matching UI claims, the Treasury Offset Program (TOP) for the recovery of fraud and certain non-fraud overpayments, and the State Information Data Exchange System (SIDES) for the timely and accurate exchange of employer information.

Improving UI program accountability and performance also continues to be a strategic priority for ETA. To further this commitment, in FY 2014, ETA embarked on a major multi-year initiative to reengineer its program oversight and accountability processes for state benefit operations. The highlights of this initiative include integrating peer reviews with new operational review processes, the development of a comprehensive self-assessment tool that will be used by states in conducting assessments of their individual UI benefits program operations, and targeted technical assistance to those states with the most significant challenges related to program performance or administrative operational issues to support improved performance (see TEN No. 8-14 and TEN No. 3-15).

Finally, ETA continues to support individual states and state consortia in updating their IT infrastructures, in part by funding the National Association of State Workforce Agencies (NASWA) Information Technology Support Center (ITSC) and by providing SBRs for this purpose when sufficient funds are available. Funding for consortia projects is very limited in FY 2016 due to limited funding availability, and ETA is limiting consortia funding opportunities to pre-existing consortia, as described in Section 7 of this UIPL.

- 4. Structure of Funding Opportunity.** Due to the limited availability of funding for SBR requests overall, ETA has tailored this funding opportunity to focus on specific priorities.

Section 5 of this UIPL describes the required core strategies, how states may satisfy these requirements, and the availability of funds to meet these requirements. To receive any funding through this solicitation, states that were not previously funded to implement SIDES must commit to fully implement and begin using SIDES Web Services and E-Response by March 31, 2018. In addition, states that previously received funding must attest to the status of SIDES implementation (see Attachment A) and fully implement and begin using SIDES Web Services and SIDES E-Response. States must also attest that they will continue convening a cross-functional UI Integrity Task Force to support the development of an Integrity Action Plan submitted as part of the State Quality Service Plan (see Attachment A).

Additionally, all states may request funding to implement one or more of the Additional Strategies. These strategies are listed below and described in detail in Section 6 of this UIPL:

- Benefit Year Earnings (BYE) Improper Payment Strategies
- Fraud Prevention Strategies
- Work Search Automation
- TOP Implementation

- UCX Automation, MSDES
- Workforce Innovation and Opportunity Act (WIOA) Data System Integration/Reemployment Strategies Benefiting UI Claimants
- UI Accessibility
- UI Reporting Improvements, including Data Validation (DV)
- UI IT Contingency Plan
- UI IT Security
- Combined Wage Claim (CWC) 02-12 Application
- Protection of Individual Rights in State Overpayment Prevention and Recovery Procedures
- Strategies to Increase State and Employer Use of SIDES
- SIDES Monetary and Potential Employer Charges Exchange
- SIDES Nonmonetary and Determinations and Appeals Decisions Exchange
- State-Specific Program Integrity or Performance Improvement Strategy for At Risk or High Priority States

State requests must include a realistic timeline for completion with milestones and goals for each strategy it commits to implement. By accepting these funds, a state agrees to meet the commitment(s) made in its application.

Section 7 discusses consortium funding opportunities for UI IT modernization projects.

States' progress in achieving the timelines and completing the deliverables established in the grant's statement of work will be monitored on a quarterly basis using the reporting format discussed in Section 8 of this UIPL.

5. **Required Core Strategies.** States must implement each of the Core Strategies identified in this section to receive funding through this solicitation. For each strategy, states must either commit to implementation and recommend a timeline for completion, or attest that the strategy is already complete and provide the completion date.

- **Full Implementation and Use of SIDES.** All states must commit to fully implement and use both SIDES Web Services and SIDES E-Response to improve the timeliness and quality of separation information needed to adjudicate non-monetary determinations. **States that have previously received funding for SIDES** must attest to the status of its implementation as part of the application for funding (see Attachment A). **States that have not previously received supplemental funds for this activity** may request up to \$500,000, and should propose realistic timelines and goals to implement SIDES Web Services and SIDES E-Response as soon as feasible, but with implementation and use no later than March 31, 2018.

SIDES is a web-based system that allows electronic transmission of UI information requests from SWAs to employers and/or Third Party Administrators (TPAs), as well as transmission of responses containing the requested information back to the agencies. SIDES provides for two methods by which employers can receive and respond to information requests from states:

- SIDES Web Services is a computer-to-computer system best suited for employers and TPAs that typically deal with a large volume of UI information requests.
- For employers with a limited number of UI claims throughout the year, the SIDES E-Response Web site provides an easy and efficient portal for electronically posting responses to information requests from state agencies. SIDES E-Response is available in participating states to any employer or TPA with Internet access.

The NASWA ITSC SIDES Team manages the day-to-day operations and maintenance of SIDES.

As with the FY 2015 SBR opportunity, all states are required to fully implement both SIDES Web Services and SIDES E-Response as a condition for obtaining any supplemental funding, and funds are specifically being made available to states that have not yet implemented SIDES and did not previously receive supplemental funds to do so.

ETA interprets full implementation of SIDES Web Services and SIDES E-Response as the state collaborating with the NASWA ITSC SIDES Team and completing all the steps necessary in order to establish SIDES Separation Information data exchanges with employers and TPAs on a continuous basis. Full implementation includes the following:

- **Use of SIDES Web Services as the only mechanism to communicate all separation requests with employers and TPAs with whom the state is currently exchanging information.** As states adopt SIDES Web Services, continuing to operate a parallel or dual system, or using some other method for obtaining job separation information, diminishes the efficiency of the information gathering process and requires state staff, employers, and TPAs to be trained in and to use multiple methods for data exchange. The exclusive use of SIDES Web Services for receiving all requests and responses to other participants is required by the SIDES Agreement to Participate.<sup>1</sup>

ETA knows that a number of states operate centralized business communication hubs for a variety of business interactions across multiple state agencies. States with centralized employer/business communication hubs should contact NASWA ITSC SIDES team for technical assistance to support using SIDES in a centralized environment using a single-sign-on option.

- **Implementation of SIDES Web Services with all available<sup>2</sup> employers and TPAs that are currently participating in SIDES, and beginning the SIDES data exchange with newly participating employers and TPAs within 12 months after those parties have completed testing/certification with the NASWA ITSC SIDES Team.** If a particular employer or TPA is the cause of the delay in implementing the

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<sup>1</sup> For states to participate in SIDES, the NASWA ITSC SIDES Team requires a signed “Agreement to Participate.”

<sup>2</sup> Applies to the employers and TPAs representing employers in the state.

exchange, the implementation date will be based on a negotiated schedule with the NASWA ITSC SIDES Team.

- **Expansion of the overall state usage of SIDES (Web Services and E-Response) with a goal for states to receive employer responses through SIDES Web Services and SIDES E-Response for at least 50 percent of all UI initial claims<sup>3</sup> processed and, separately, a goal of at least 35 percent of all UI initial claims processed through the SIDES E-Response.** To promote employer participation, states are strongly encouraged to use SIDES E-Response as the default method by which employers respond to separation information requests. By making SIDES E-Response the default method, employers are automatically directed to SIDES E-Response with an opt-out to decline its use. States that have employed the default method approach have dramatically increased employer uptake and use of SIDES.
- **Development and implementation of a sustained outreach plan to increase employer participation in SIDES.** SIDES offers significant efficiencies to employers and their TPAs, especially those that operate in more than one state. Providing standard formats for employer use for information exchanges with state agencies eliminates the need for inefficient manual processes and the need to develop systems to handle each state's forms and processes separately. States also should use at least one SIDES messaging tool (either one included in the SIDES marketing toolkit as outlined in UIPL No. 17-12 or another state developed messaging tool) to ensure that employers are fully aware of the benefits SIDES offers.
- **Commitment to work with the NASWA ITSC SIDES Team on a mutually agreeable schedule to accomplish software enhancements and changes within a specific timeframe.** This mutually agreed schedule may include timeframes for testing of the business functionality and security features, and scheduling of the changes/enhancements. SIDES technical staff are available to assist states during this process. The NASWA ITSC SIDES Team provides states with at least six months' notice of major software changes/upgrades and works with states to determine a feasible and mutually agreeable implementation date.
- **Cross-Functional Task Force.** States must attest that they are continuing to convene a cross-functional UI Integrity Task Force (see UIPL No. 19-11 and UIPL No. 28-11) – including front line claims takers, adjudicators, Benefit Payment Control (BPC) and Benefit Accuracy Measurement (BAM) staff, IT staff, appeals staff, and tax staff – that is responsible for updating and submitting a revised integrity strategic plan required as part of the annual SQSP. ETA requires the continuation of this Task Force, established by all states in 2011, to cultivate a sense of ownership of program integrity within the entire UI system. States must attest that the Task Force is in place and has convened within the last quarter, or that it will convene within 3 months of the publication date of this UIPL (see Attachment A). **No SBR funding will be provided to support this activity.**

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<sup>3</sup> The total number of new, initial, and additional claims as reported in the ETA 5159 monthly report.

6. **Additional Strategies.** Provided that they meet the SIDES implementation requirement, all states may request funding to implement any of the additional strategies described in this section, if they have not previously done so. **States may request funding for more than one strategy, up to a total of \$500,000 for this section. Please note that funding in this section may not be used to supplement or supplant resources for staffing of routine program operations. However, funding may be used for staff directly involved in activities supporting implementation of an IT project such as development of business requirements, project management, coding, testing, and training.**

- **BYE Improper Payment Strategies.** States may request funds to implement a strategy to address BYE improper payments. Key to addressing this root cause of overpayments is for states to identify as quickly as possible that a claimant has returned to work. ETA encourages states to implement strategies such as:
  - Enhanced NDNH processes to flag the next continued claim when an NDNH cross-match “hit” is detected and require the claimant to speak to a state claims representative when attempting to file his or her next continued claim. In addition to programming to identify hits and flag continued claims, funding for this strategy may also be used to conduct more frequent State Directory of New Hires cross-matches to enable faster detection and prevention of future improper payments. Please refer to this summary [www.dol.gov/dol/maps/pdf/20111212NewJersey.pdf](http://www.dol.gov/dol/maps/pdf/20111212NewJersey.pdf) for a description of a similar strategy implemented in New Jersey.
  - Data analytics and predictive modeling tools for use in the detection and prevention of improper payments. Data analytics tools can assist states to identify and/or prioritize high risk claims, both before and after payment, and refer those claims for review and verification.
  - A state specific strategy, such as a new cross-match, designed to prevent BYE overpayments. ETA will prioritize requests to implement the enhanced NDNH and data analytics strategies, but will consider additional state approaches with the proper justification. States that propose these strategies must provide a detailed description of the project design, expected outcomes, and the anticipated impact of the strategy on the state’s improper payment rate.
- **Fraud Prevention Strategies.** States may request funds to implement tools that can help prevent and detect fraudulent overpayments. ETA encourages states to implement strategies such as:
  - Internet Protocol (IP) Address blocking software for use in identifying and blocking foreign IP addresses during incoming claim or weekly certification requests. Please refer to this summary for a description of a similar strategy implemented by the state of New York at: <http://www.dol.gov/dol/maps/pdf/20120127NewYork.pdf>.
  - Identity verification systems to authenticate the identity of individuals and prevent the use of personal identifying information for willful misrepresentation in establishing eligibility to apply for UI benefits.

- Cross-matching with public or private sources of incarceration and mortality data to prevent fraudulent UI overpayments.
- **Work Search Automation.** States may request funding to implement an online work search record or other automation strategy to address work search overpayments. For an example of an implementation of an online work search record, please refer to TEN No. 12-13.
- **TOP Implementation.** States that have not already done so may request funds to implement TOP for the recovery of fraudulent and certain non-fraudulent overpayments, or to implement TOP for recovery of unpaid employer taxes (see UIPLs No. 02-09, Changes 1-3).
- **UCX Automation.** States may request funds to implement the MSDES, as described in TEN No. 27-13, to improve, streamline, and automate UCX claims filing and billing. The MSDES makes UCX claim filing and billing significantly more efficient by allowing the various branches of the military and the states to electronically communicate with each other instead of relying on a paper-based system. Funding for this UCX automation strategy may be used for the following purposes:
  - To cover costs for Interstate Connection (ICON) Network programming necessary to implement MSDES;
  - Programming to provide additional information in the Type 2 Request Record sent to the Federal Claims Control Center, which must include: changing the Branch of Service field from optional to required, populating the Maximum Benefit Amount and Weekly Benefit Amount information in the Type 2 Record, and adding dependent allowance;
  - Programming to ensure that states can send and receive all six UCX record types via ICON;
  - Programming to update the UCX message codes to display new message types for error handling in the state system;
  - Developing the appropriate interfaces with the state benefits systems to generate the quarterly billing statement electronically in a standardized (.csv) file format; and
  - Testing state systems to verify display and processing functionality.
- **WIOA Data System Integration/Reemployment Strategies Benefiting UI Claimants.** WIOA requires states to work toward integrated data systems across partner programs, including UI, in support of broader service delivery, including to UI claimants in support of their reemployment. WIOA also amends the Wagner-Peyser Act to clearly emphasize the need to serve UI claimants. States may request funds to establish linkages across state IT systems supporting both UI and workforce services (e.g. UI benefits system, state job bank, and/or case management system) in order to more effectively link UI claimants to reemployment services – delivered either electronically or through American Job Centers. States are also encouraged to establish a UI feedback loop when claimants are referred to reemployment services to ensure the claimant maintains UI eligibility. States



may consider adoption of two reemployment information technology tools recently developed collaboratively by the ITSC and pilot states that support integrated registration for UI and workforce programs and create a common front door for job seekers. The Workforce Connect tools provide an interactive hub for reemployment service delivery and a way to push available jobs to claimants throughout the service delivery life cycle. States may find more information about these tools at [http://www.itsc.org/Pages/WF\\_Connect.aspx](http://www.itsc.org/Pages/WF_Connect.aspx) or they may contact Subri Raman ([raman.subri@dol.gov](mailto:raman.subri@dol.gov)), Chief, Division of Performance Management, in the National Office.

- **UI Accessibility.** States may request funds to help comply with statutory and regulatory obligations to ensure equal, effective, and meaningful access to the UI program and its benefits, services, and information. In delivering UI services, states must ensure that information and the provision of services regarding UI initial claims filing, Benefits Rights Information, UI continued weekly/biweekly claims filing, fact-finding and adjudication/determinations, appeals hearings/decisions as well as referrals and linkages to reemployment services are accessible regardless of age, disability, race, national origin, or English language ability. They must also be accessible to those with other access barriers such as literacy issues or inability to access or use technology. SBR funding is available to make automated system enhancements and/or to provide tools and training to staff to accomplish accessibility compliance. Please refer to UIPL No. 02-16 for additional guidance.
- **UI Reporting Improvements, including DV.** States may request funds to improve the data quality of UI federal reports submitted to ETA. The proposal must clearly explain the deficiencies with the existing required report(s) that will be addressed by implementing this project. States may also request funding for IT support of DV efforts to create/revise the DV population datasets or extract files, modify computer systems to add new fields needed for DV, ensure that state computer programs are extracting the correct transactions for DV population datasets, correct errors in data validation extract files, and ensure that the corrections pass DV guidelines.
- **UI IT Contingency Plan.** States may request funding to develop or update their UI IT Contingency Plan using the guidelines provided in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-34. Upon completion of the plan, SWAs must have an Independent Verification & Validation (IV & V) conducted of their UI IT Contingency Plan based on guidelines provided in the NIST SP 800-34. States must submit a copy of the IV&V certification report on their contingency plan to their respective Regional Office.
- **UI IT Security.** States may request funds to address the UI IT security weaknesses that have been identified by recent IT security audits (performed within the last three years from the date of this UIPL) or by a SWA's UI IT security self-assessment that complies with the NIST IT security guidelines found in NIST SP 800-53, *Recommended Security Controls for Federal Information Systems* and NIST SP 800-53A, *Guide for Assessing the Security Controls in Federal Information Systems*.

- **CWC 02-12 Application.** States may request funding to implement the guidance contained in UIPL No. 02-12 and UIPL No. 02-12, Changes 1 and 2. The Trade Adjustment Assistance Extension Act (TAAEA) of 2011 and implementing guidance contained in UIPL No. 02-12 and UIPL No. 02-12, Change 1, necessitated a new communication process between the paying state and the transferring state involved in a CWC to ensure the paying state's determination of non-charging is promptly communicated to the transferring state and the employer's account is appropriately charged. The effective date of this requirement was October 21, 2013. In a collaborative effort involving ETA, NASWA, and states, an application (CWC 02-12) was implemented on the ICON network to address the TAAEA provision on non-charging. States are required to meet the provisions of TAAEA and are encouraged to use the ICON CWC 02-12 application to communicate with each other.
- **Protection of Individual Rights in State Overpayment Prevention and Recovery Procedures.** States may request funds to implement changes to their existing overpayment prevention or recovery procedures in order to comply with the requirements in UIPL No. 01-16.
- **Strategies to Increase State and Employer Use of SIDES.** States that have implemented SIDES may request funds for strategies to increase employer usage of SIDES. Proposed projects may include automation needed to better integrate SIDES with internal workflow or case management system interfaces, developing portals for the employer sign-up for SIDES that include a default to respond through SIDES, and developing new strategies for employer take-up. States can review how employers are using E-Response, and current practices for employer engagement, outreach, and marketing at [http://www.itsc.org/Pages/SIDES\\_eResponse.aspx](http://www.itsc.org/Pages/SIDES_eResponse.aspx).
- **SIDES Monetary and Potential Charges Exchange.** States may elect to implement SIDES Monetary and Potential Employer Charges Data Exchange. This feature of SIDES allows a state to notify employers when claims are filed, shows the wages the employer paid that were used to establish a claim, identifies the claimants' potential weekly and total benefits, and calculates the potential charges to the employer's UI account. This data exchange supports prompt notification to employers of the initial application for UI benefits and gives employers the opportunity to instantly respond regarding any discrepancies.
- **SIDES Nonmonetary Determinations and Appeals Decisions Exchange.** States may elect to implement the Nonmonetary Determinations and Appeals Decisions exchange. This feature of SIDES allows for communications with employers regarding the outcome of an individual application to receive UI benefits, specifically, information on determinations made regarding claimants' UI eligibility resulting from a separation or non-separation issue. States can electronically provide decisions regarding claimant eligibility, and employers can respond by filing protests or appeals to those decisions. The Nonmonetary Determinations and Appeals Decisions exchange streamlines this essential step in the UI claim resolution process and eliminates potential mail delays.

- **State-Specific Program Integrity or Performance Improvement Strategy for At Risk or High Priority States.** States formally designated as “At Risk” for performance, as defined in UIPL No. 22-10, or “High Priority” for improper payments, as defined in UIPL No. 33-11, may propose a strategy designed to prevent improper payments or improve state performance. These strategies must be directly tied to Corrective Action Plans included in the state’s SQSP and may not be requested for general process improvements. At Risk or High Priority states that propose these strategies must provide a detailed description of the project design, expected outcomes, and the impact of the strategy on the state’s improper payment rate or performance. States may only submit one state-specific strategy as part of the SBR request.

7. **Consortium Projects.** Due to the limited availability of funds for all FY 2016 SBR requests, states may only submit proposals for UI IT modernization projects as part of an existing consortium of states and only for the limited circumstances outlined below. Funding is not available to support any new consortia. An existing consortium planning to submit a proposal must comply with the requirements provided below and those established in Section 5 and in Section 9 of this UIPL.

In recent years, a few individual states have used innovative approaches to cost-effectively modernize their IT systems. These approaches include modernization of specific subsystems, modules or components that support critical business functions and integrates them within their existing system. For the consortium system, a subsystem, module or component that is proposed for development must use open source components to the extent feasible, be transferable, and be available to be shared by multiple SWAs without the need for significant customization, and/or be hosted in one state, which will provide automated services to other states. This is the first time ETA is offering existing state consortia the opportunity to use funds for the development of a subsystem, module, or component of a UI Benefits and/or Tax system.

The purposes for which a consortium of states may submit a proposal are outlined below:

- An existing consortium, whether funded by ETA or using state funds, may submit a proposal for the design, development and implementation of subsystems, modules or components that support critical business functions of an UI Benefits and/or Tax system.
- An existing consortium, whether funded by ETA or using state funds, that has substantially completed development of its system may submit a proposal to conduct a fit-gap analysis to enable on-boarding a new state. The proposal must demonstrate a commitment by the consortium and the state to be on-boarded to integrate the new state into the consortium and reflect an agreement to revise the existing consortium agreement, governance structure, and operating model to accommodate the inclusion of the new state agency.
- In very limited circumstances, such as unanticipated costs for additional subject matter experts (SMEs) to assist with the project, ETA may provide additional funding to an

existing consortium that received IT modernization funding under an earlier SBR. The rationale for a request must be compelling and demonstrate that changes in circumstances or situations that were unforeseeable are the cause for the need for additional funding.

Consortia are reminded that the project planned by a state consortium must specifically address the following requirements that may be applicable for their specific SBR proposal:

- Data outputs that meet UI Required Reporting requirements in ETA Handbook No. 401;
- UI Data Validation requirements as referenced in ETA Handbook No. 361;
- System interfaces with the ICON network applications;
- System interfaces with SIDES;
- Compliance with appropriate assurances as referenced in ETA Handbook No. 336, Chapter VII, including the requirements for Contingency Planning and Automated Information Systems Security;
- Compliance with the final rule for Data Exchange Standardization published in TEN No. 34-13, to designate data exchange standards for UI administration; and
- If the project includes an integrated UI Tax system, it must provide for the continued reporting of wage records, monthly employment, and any other factors required under the Quarterly Census of Employment and Wages program.

All consortium proposals must identify a lead state agency, identify the states participating in the consortium, and explain the projected allocation of and fiscal responsibility for expenditures. Additionally, the proposals must include a copy of the signed agreement(s) by all participating states. A cover letter must be included and signed by the Administrator of the lead state agency and it must explain the roles of the participating state(s) in the project as described in the consortium agreement.

- 8. Quarterly Reporting Requirements.** Each state recipient of SBR funds must submit a narrative Quarterly Progress Report (ETA 9165) and Quarterly Financial Report (ETA 9130) containing updates on the progress and implementation of each grant project as listed in the award letter. For SBRs provided to state consortia for IT modernization projects, the lead state is expected to provide the status report on behalf of the partner states. Please refer to UIPL No. 19-15 for additional guidance on the submission of quarterly progress reports to meet the reporting and record keeping requirements of these grants.
- 9. Application and Award of Supplemental Funds.** To apply for supplemental funds, a state must submit an SBR package (see Attachment A) consisting of an individual application for the SIDES Implementation Requirement and/or any optional Additional Strategies for which the state seeks funding. Each project application will be evaluated separately. When the same expenditures are requested in two different individual applications and would be duplicated if both were funded, the state must provide a brief explanation in both applications where the costs are duplicated to ensure that the same costs are not funded twice. States must use the application document provided in Attachment A to prepare an SBR package. An electronic version of Attachment A will be made available to states through the Regional Offices. States must also submit both the form SF-424 (OMB No. 4040-0004) [http://apply07.grants.gov/apply/forms/sample/SF424\\_2\\_1-V2.1.pdf](http://apply07.grants.gov/apply/forms/sample/SF424_2_1-V2.1.pdf) and SF-424A

(OMB No. 4040-0006) <http://apply07.grants.gov/apply/forms/sample/SF424A-V1.0.pdf> covering all projects in the SBR.

For consortium projects, the lead state will be responsible for submitting a joint application (see discussion in Section 7) on behalf of the participating states. The proposal must clearly indicate total project costs including a breakdown of individual state costs. States must indicate the minimum funds necessary to complete the proposed project(s). Depending on the availability of funding and number of proposals deemed eligible for funding, it may be necessary to negotiate project funding. The FY 2016 Appropriation provides the authority for states to provide subgrants to other states within the consortium for activities in accordance with the purpose and conditions of the grant.

Applications that do not follow the format prescribed in this section will be judged as non-responsive and will not be considered for funding. ETA also reserves the right to negotiate grant amounts with each applicant. States will be required to submit revised forms SF-424 and SF-424A if the final award amount is different from the initial request. New grant agreements will be executed for supplemental funds awarded under this UIPL.

The one-time funds available for automation acquisitions and competitive grants for improved operations and improper payment activities **must be obligated by states by September 30, 2018**, and liquidated within 90 days of that date. Upon written request, the Grant Officer may extend the liquidation period. Funds obligated by a state by September 30, 2018, to an outside entity allows for work supported by these funds to continue for 90 days beyond that date. Any work beyond that date would require an approved liquidation extension beyond the 90-day period. Funds obligated for state staff and services related to automation acquisitions/projects such as SMEs, application developers, or project management oversight must be obligated by September 30, 2018, and liquidated within 90 days thereafter.

By applying for any of these funds for individual state projects, the state agrees that the proposed projects will be completed with no additional federal funding. For consortium projects, ETA may allocate additional funding to ensure successful completion of projects, on a case-by-case basis if funding is available. When projects have been approved, a Letter of Award will be issued to the state(s) listing the proposals that are being funded by the SBR. It will include the funding level for each proposal, the total funding level for the state's SBR, and the allocation among states for any consortium projects. Additionally, the state will also receive a grant award package that includes a Notice of Obligation.

- 10. Project Modifications.** If, during the performance period, a state wishes to reallocate funds among categories/projects within its SBR, it must submit a new SF-424A (OMB No. 4040-0006) to the appropriate Regional Office for approval, with a copy to the National Office if the amount to be moved is equal to or exceeds 10 percent of the total grant award received under this UIPL. The state must also submit a request for modification of the grant signed by the state's signatory authority. This information will be submitted to the Grants Officer with a request for modification of the SBR grant to reflect the requested changes. For consortium

grants, this request must be provided to the National Office by the lead state. **Also, all future modification requests to the grant should be sent by email to [OUI.IntegritySBRs@dol.gov](mailto:OUI.IntegritySBRs@dol.gov) with a copy to the appropriate Regional Office.**

By accepting these funds, each state agrees to meet the commitment(s) made in its application. States may not elect to abandon an approved (single) project and move funds to a different project. State progress in achieving the timelines and completing the deliverables established in the grant's statement of work will be monitored on a quarterly basis using the reporting format discussed in Section 8 of this UIPL. A state's failure to meet these performance requirements could result in questioned costs that would need to be repaid.

**11. OMB Information Collection.** OMB Information Collection No 1225-0086, expires May 31, 2019. According to the Paperwork Reduction Act of 1995, no person is required to respond to a collection of information unless such collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average **20** hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments about the burden estimated or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, to the attention of the Departmental Clearance Officer, 200 Constitution Avenue NW, Room N1301, Washington, D.C. 20210. Comments may also be emailed to [DOL\\_PRA\\_PUBLIC@dol.gov](mailto:DOL_PRA_PUBLIC@dol.gov). **PLEASE DO NOT RETURN THE COMPLETED APPLICATION TO THIS ADDRESS. SEND IT TO THE SPONSORING AGENCY AS SPECIFIED IN THIS ANNOUNCEMENT.**

**12. Action Requested.** State Administrators are requested to:

- a) Review the funding opportunities and determine whether the state will apply for any funds under this solicitation;
- b) Coordinate with UI program and IT staff to develop a proposal(s) under this solicitation;
- c) Work with the appropriate Regional Office to develop an SBR that will best serve the needs of the state. An electronic version of Attachment A will be made available to states through the Regional Offices; and
- d) Submit the SBR application by e-mail to [OUI.IntegritySBRs@dol.gov](mailto:OUI.IntegritySBRs@dol.gov) by the close of business on **Wednesday, August 31, 2016**, with an electronic copy provided to the appropriate Regional Office. Late applications will not be accepted. **The subject line of the e-mail should include the name of the state and the title "Integrity-Related SBR 2016."**

**13. Inquiries.** Questions should be directed to the appropriate Regional Office.

**14. Attachments.**

Attachment A: 2016 Supplemental Budget Request (SBR) Application  
Attachment B: Grant Terms and Conditions