

<b>EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> UI
	<b>CORRESPONDENCE SYMBOL</b> OUI/DFAS
	<b>DATE</b> August 6, 2018

**ADVISORY:** UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 10-18

**TO:** STATE WORKFORCE AGENCIES

**FROM:** ROSEMARY LAHASKY /s/  
Deputy Assistant Secretary

**SUBJECT:** Fiscal Year (FY) 2019 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. **Purpose.** To provide State Workforce Agencies with:

- a. Preliminary FY 2019 base resource planning targets for UI operations to be used in planning and developing State Quality Service Plans (SQSP);
- b. General guidelines for FY 2019 resource planning; and
- c. An explanation of how the U.S. Department of Labor (Department) allocates base resources among states.

2. **References.**

- a. Division H, Title I, Section 105 of Public Law (P.L.) 115-141, March 23, 2018;
- b. Employment and Training (ET) Handbook No. 336, 18th Edition, Change 3: *“Unemployment Insurance (UI) State Quality Service Planning (SQSP) and Reporting Guidelines”*;
- c. ET Handbook No. 410, 5th Edition, *Resource Justification Model (RJM)*; and
- d. Training and Employment Guidance Letter (TEGL) No. 05-06, *Implementing the Salary and Bonus Limitations in Public Law 109-234, August 15, 2006.*

3. **FY 2019 Base Funding Level.** The amount of state UI administrative resources requested through the Federal budget cycle is closely tied to national UI workloads. As UI workloads have declined during the past several years, the appropriations for state UI administrative costs also have declined. The economic assumptions used to develop the FY 2019 President’s Budget request resulted in an average weekly insured unemployment (AWIU) level of 1.860 million. To allow for a sufficient amount of resources to properly reimburse states for above-base workloads and to lessen the risk of an inefficient distribution of funding, the FY 2019 base administration allocation has been lowered to a 1.7 million AWIU level.

The total amount for the FY 2019 UI planning targets available at a 1.7 million AWIU is \$2,284,981,000. This includes \$2,177,472,000 for base UI administration, and \$107,509,000 for postage. These amounts are included in the President’s FY 2019 Budget Request. If the

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> September 30, 2021
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final appropriation differs significantly from the request, adjustments may be made to the allocations.

4. **Data Inputs.** Minutes Per Unit (MPU), annual hours worked, non-workload staff years, personal services/personnel benefits (PS/PB) rates, and non-personal services (NPS) dollars for FY 2019 are all drawn from the Resource Justification Model (RJM) data collection submitted by states in FY 2018. The RJM data collection methodology is explained in ET Handbook No. 410.

The following table shows the data inputs used for the planning targets for FY 2018 and FY 2019. These inputs are described in more detail in section 7.

<b>DATA INPUTS</b>		
CATEGORY	FY 2018 Targets	FY 2019 Targets
Base Workloads	National Office projections formulated at a 2.0 million AWIU	National Office projections formulated at a 1.7 million AWIU
MPU values	FY 2016 (less state dollars & hours)*	FY 2017 (less state dollars & hours)*
Annual hours worked	FY 2018 projected*	FY 2019 projected*
Non-Workload Staff Years	FY 2016 actual	FY 2017 actual
PS/PB rates	FY 2016 actual, increased annually by 3 percent*	FY 2017 actual, increased annually by 3 percent*
NPS dollars	Actual expenditures in FY 2016, not including state dollars and one-time costs and increased annually by 3 percent	Actual expenditures in FY 2017, 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.

The data inputs from state RJM submissions described above produced a national total base state funding request of \$2,408,330,029 for FY 2019. Base funding anticipated to be available for FY 2019 is \$2,177,472,000. 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.

**5. Highlights of Base Planning Targets.**

- a. Economic Assumptions. The FY 2019 UI planning targets reflect the economic assumptions used in the FY 2019 President's Budget Request.
- b. Base Workload Level. As mentioned above, the FY 2019 national base claims-related workloads were allocated at 1.7 million AWIU.

- c. Funding Period. The “funding period” is the period during which states may obligate funds. The proposed appropriations language included in the FY 2019 President’s Budget for State Unemployment Insurance and Employment Service Operations (SUIESO) provides that states may obligate FY 2019 UI grant funds through December 31, 2019. However, states may obligate FY 2019 UI grant funds through September 30, 2021, if such obligations are for automation acquisitions, for competitive grants awarded to states for improved operations or to conduct in-person reemployment and eligibility assessments, or to provide reemployment services and referrals.

States have an additional 90 days after the end of the funding period to liquidate obligations. If an extension of the liquidation period is necessary, a state must seek the approval of the Employment and Training Administration’s Grant Officer. States should submit requests to extend the liquidation period in writing to the regional office at least 30 days before the existing deadline.

## 6. 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 reflect FY 2017 activity. The MPUs were calculated from data submitted in the RJM data collection instrument.
    - Work Hours. The hours per staff year are the FY 2019 projected hours reported in the January 2018 RJM submission.
  - Workload Forecasts. Each state’s base FY 2019 workloads for the six workload activities – initial claims, weeks claimed, nonmonetary determinations, appeals, subject employers, and wage records – were developed by applying each state’s proportion of actual FY 2017 activity to the total base workload funded in FY 2019 for each activity. Additional funds are available on a quarterly basis for claims-related workloads processed above the base level.
  - Determination of Allowable MPU Values. For FY 2019, the calculation using states’ unreduced MPU values from the RJM data collection yielded 15,741 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 13,939 staff years for which funds are projected to be 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 anticipated 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 2017 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 2017.
- b. Personnel Compensation Costs. The FY 2019 PS/PB rates were determined by using each state's FY 2017 PS/PB rate for each functional activity and increasing the result by 3 percent annually. As provided in P.L. 115-141, March 23, 2018 (Division H, Title I, Section 105) and TEGL No. 05-06, no PS/PB rates were permitted to exceed the latest enacted Executive Level II rate, which is currently \$189,600. See: <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2018/EX.pdf>
- c. Non-Personal Services. The FY 2019 NPS allocation was based on the states' 2017 NPS expenditures reported in the RJM, less any state supplemental NPS dollars and one-time expenditures. Each state's proportion of the FY 2017 actual expenditures was applied to the aggregate amount available for FY 2019. Attachment I shows a breakout of each state's NPS base planning level.

- d. Hold-Harmless Provisions. There is one hold-harmless provision for the FY 2019 planning targets.
- Total Dollars. In previous years, a “stop-loss” of 5 percent was imposed on base allocations, thus preventing any state from receiving less than 95 percent of its previous year’s base allocation. However, the total resources available for the FY 2019 base allocations are less than 95 percent of what the FY 2018 base resources were, rendering a 5 percent “stop-loss” infeasible. Therefore, a “stop-loss” of 10 percent is imposed on states that would have lost more in total base dollars compared to the FY 2018 level, meaning no state will receive less than 90 percent of its FY 2018 base allocations. This adjustment is shown on a separate line in Attachment I.
- e. Postage. For FY 2019, the Department will allocate \$107,509,000 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.

**7. 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 2019 above-base certification process. States should submit the UI-1 (OMB Approval No. 1205-0132) report by October 1, 2018; the annual hours on the report must agree with the annual work hours used for each state’s FY 2019 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, after enactment of appropriation, in an Unemployment Insurance Program Letter (UIPL) promulgating the final FY 2019 UI allocations.

**8. Standard Form (SF) 424.** All states must submit an SF-424 (OMB Approval No. 4040-0004) for FY 2019 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/FormsMenu> (select “SF424 Family”). When completing the form, states must 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 must submit the SF-

424A (OMB Approval No. 4040-0006) and show the quarterly distribution in item 23 (Remarks) of the form. All states must submit the SF-424B (OMB Approval No. 4040-0007).

**9. Bottom-Line Authority.** All state UI administrative grant funds must be used in accordance with Section 303(a)(8) of the Social Security Act and the cost principles contained in 2 CFR Part 200, and 2 CFR Part 2900. The allocation methodology is a detailed process that determines the funding level for each state; however, as provided in ET 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. Bottom-line authority does not apply to funding issued for special projects or supplemental budget requests: funding for these purposes must be spent in accordance with the spending plans approved for these respective projects.

**10. Nationally Funded Activities.** As provided in the SUIESO appropriation, the Department will, on behalf of the states, make payments to the entities operating the National Directory of New Hires and the State Information Data Exchange System for use by the states.

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

- a. Provide to the appropriate staff the FY 2019 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 September 3, 2018;
- c. Submit the FY 2019 SF-424 (OMB Approval No. 4040-0004), 424A (OMB Approval No. 4040-0006), if applicable, and 424B (OMB Approval No. 4040-0007) to the appropriate regional office as part of the SQSP; and
- d. Submit the FY 2019 UI-1 (OMB Approval No. 1205-0132) report via the UI Required Reports system before October 1, 2018.

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

**13. Attachments.**

- I. FY 2019 Detailed State Base Staff Planning Levels
- II. Back-up Material for Allocation of FY 2019 UI Base Staff
- III. FY 2019 Base Postage Allocation