

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL OUI/DFAS
	DATE August 19, 2019

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 16-19

TO: STATE WORKFORCE AGENCIES

FROM: JOHN PALLASCH /s/
Assistant Secretary

SUBJECT: Fiscal Year (FY) 2020 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. **Purpose.** To provide states information about preliminary FY 2020 UI State Administration base resource planning targets, general guidelines for resource planning, and an explanation of how the U.S. Department of Labor (Department) allocates base resources among the states.

2. **Action Requested.** The Employment and Training Administration (ETA) requests that State Administrators:

- a. Provide to the appropriate staff the FY 2020 planning targets and the following instructions as soon as possible after receiving this Unemployment Insurance Program Letter (UIPL);
- b. Review closely the attached tables and notify the appropriate ETA regional office of any questions or concerns as soon as possible after receiving this UIPL, but no later than September 3, 2019;
- c. Submit the FY 2020 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 ETA regional office as part of the State Quality Service Plan (SQSP); and
- d. Submit the FY 2020 UI-1 report (OMB Approval No. 1205-0132) via the UI Required Reports system before October 1, 2019.

3. **Summary and Background.**

- a. Summary – The total amount of resources available for the FY 2020 State UI administration planning targets at a 1.6 million average weekly insured unemployment (AWIU) level is \$2,243,649,000. This includes \$2,137,945,000 for base UI administration, and \$105,704,000 for postage. These amounts are a subset of the total State UI administrative funding requested in the President’s FY 2020 Budget Request. If

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

- b. Background – Prior to the beginning of each fiscal year, ETA’s Office of Unemployment Insurance announces preliminary dollars and staff year base administration resource planning targets for UI operations to be used in planning and developing State Quality Service Plans. The amount of state UI administrative resources requested through the Federal budget cycle is closely tied to national UI workloads. For FY 2020, the economic assumptions underlying the President’s Budget resulted in a projected national AWIU of 1.758 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, ETA has lowered the FY 2020 base administration allocation to a 1.6 million AWIU level.

4. Details.

- a. 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 2020 are all drawn from the Resource Justification Model (RJM) data collection submitted by states in FY 2019. The RJM data collection methodology is explained in ET Handbook No. 410, 5th Edition, Resource Justification Model.

The following table shows the data inputs used for the planning targets for FY 2019 and FY 2020. These inputs are described in more detail below.

DATA INPUTS		
CATEGORY	FY 2019 Targets	FY 2020 Targets
Base workloads	National Office projections formulated at a 1.7 million AWIU	National Office projections formulated at a 1.6 million AWIU
MPU values	FY 2017 (less state dollars & hours)*	FY 2018 (less state dollars & hours)*
Annual hours worked	FY 2019 projected*	FY 2020 projected*
Non-workload staff years	FY 2017 actual	FY 2018 actual
PS/PB rates	FY 2017 actual, increased annually by 3 percent*	FY 2018 actual, increased annually by 3 percent*
NPS dollars	Actual expenditures in FY 2017, not including state dollars and one-time costs and increased annually by 3 percent	Actual expenditures in FY 2018, not including state dollars and one-time costs

* Both state supplemental PS/PB expenditures and the hours worked/paid associated with those expenditures are 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 \$2,320,662,458 for FY 2020. Base funding anticipated to be available for FY 2020 is \$2,137,945,000. 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.

b. Highlights of Base Planning Targets.

1. Economic Assumptions. The FY 2020 UI planning targets reflect the economic assumptions used in the FY 2020 President's Budget Request.
2. Base Workload Level. As mentioned above, the FY 2020 national base claims-related workloads are allocated at 1.6 million AWIU.
3. Funding Period. The “funding period” is the period during which states may obligate funds. The proposed appropriations language included in the FY 2020 President’s Budget for State Unemployment Insurance and Employment Service Operations (SUIESO) provides that states may obligate FY 2020 UI grant funds through December 31, 2020. However, states may obligate FY 2020 UI grant funds through September 30, 2022, if such funds are used for automation, or for competitive grants awarded to states for improved operations, or to conduct in-person reemployment and eligibility assessments, or for unemployment insurance improper payment reviews, or to provide reemployment services and referrals to training, as appropriate. In addition, if the automation is being carried out through consortia of states, the funds are available for obligation by the states through September 30, 2026.

Funding obligated for automation projects being carried out through a consortia of states must be expended by September 30, 2027. For all other grant funds described above, states have an additional 90 days after the end of the funding period to liquidate the obligations. If an extension of the liquidation period is necessary, a state must seek the approval of ETA’s Grant Officer. States should submit requests to extend the liquidation period in writing to the appropriate ETA regional office at least 30 days before the existing deadline.

c. Allocation Methodologies. A detailed description of the allocation methodologies follows.

1. 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 2018 activity. The MPUs were calculated from data submitted in the RJM data collection instrument.
 - Work Hours. The hours per staff year are the FY 2020 projected hours reported in the January 2019 RJM submission.
- Workload Forecasts. Each state’s base FY 2020 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 2018 activity to the total base workload funded in FY 2020 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 2020, the calculation using states’ unreduced MPU values from the RJM data collection yielded 14,229 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 12,852 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 2018 data in the RJM data collection. Other than adjusting for any state supplemental funding and adjusting for changes in BAM sampling requirements, no reduction was applied to BPC and UI Performs staff years. To reflect an increase in BAM sample size requirements from 360 annual cases to 480 cases, the UI Performs staffing level was increased by one for the District of Columbia and Hawaii. To reflect a decrease in BAM sample size requirements from 480 annual

cases to 360 cases, the UI Performs staffing level was reduced by one for Idaho and Maine.

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 or the number of actual Support staff years used in FY 2018.

2. Personnel Compensation Costs. The FY 2020 PS/PB rates were determined by using each state's FY 2018 PS/PB rate for each functional activity and increasing the result by 3 percent annually. As provided in P.L. 115-141, Division H, Title I, Section 105 (March 23, 2018) and TEGL No. 05-06, no FY 2018 PS/PB rates were permitted to exceed the latest enacted Executive Level II rate, which was \$189,600. See: <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2018/EX.pdf>
 3. Non-Personal Services. The FY 2020 NPS allocation was determined by using each state's 2018 NPS expenditures reported in the RJM, less any state-funded supplemental NPS dollars and one-time expenditures. Each state's proportion of the FY 2018 actual expenditures was applied to the aggregate amount of NPS available for FY 2020 base resources. Attachment I shows a breakout of each state's NPS base planning level.
 4. Hold-Harmless Provisions. There is one hold-harmless provision for the FY 2020 planning targets.
 - Total Dollars. A "stop-loss" of 5 percent is imposed on states that would have lost more than 5 percent in total base dollars compared to FY 2019, with a resulting "stop-gain" of 1.21 percent for states that would have gained more in total base dollars in FY 2019. This adjustment is shown on a separate line in Attachment I.
 5. Postage. For FY 2020, the Department will allocate \$105,704,000 in base postage resources directly to states. The postage allocation methodology uses projected base weeks claimed and subject employer workloads. These figures are totaled for each state, and then base postage resources are calculated pro rata based on each state's share of the total workload. Attachment III displays the state-level details regarding this allocation.
- d. 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 report (OMB Approval No. 1205-0132), the allocated claims activity staff years paid, and the allocated annual MPU

values in the FY 2020 above-base certification process. States should submit the UI-1 report (OMB Approval No. 1205-0132) by October 1, 2019; the annual hours on the report must agree with the annual work hours used for each state's FY 2020 target allocation.

1. Above-Base Overhead. The above-base overhead percentage will remain at 19 percent.
 2. 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.
 3. Above-Base Instructions. General instructions for completing UI-3 reports (OMB Approval No. 1205-0132) are in ET Handbook No. 336, Chapter II. Specific implementation procedures for the above-base certification process will be issued, after enactment of the FY 2020 appropriation, in a UIPL promulgating the final FY 2020 UI allocations.
- e. Standard Form (SF) 424. All states must submit an SF-424 (OMB Approval No. 4040-0004) for FY 2020 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 <https://www.grants.gov/web/grants/forms.html> (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).
- f. State Flexibility. All state UI administrative grant funds must be used in accordance with the applicable Federal law, including section 303(a)(8) of the Social Security Act (42 U.S.C. § 503(a)(8)), the cost principles contained in 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards); 2 CFR Part 2900 (Department of Labor's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), and the annual appropriation. States have the flexibility to use the funding approved by ETA among the various UI program categories as they deem appropriate, within the parameters of the applicable Federal law. However, for the purposes of determining certification of above-base funding for workload above the base, the base staff year levels for claims activities as allocated by ETA will be used. This ensures that states do not earn more above-base resources than they otherwise would have been entitled to earn. This flexibility does not apply to funding provided for special projects, supplemental budget requests, or special allocations, which are identified on a case-by-case basis. Funding for these purposes must be spent in accordance with the spending plans approved for these respective projects.

g. 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.

5. **Inquiries**. Please direct questions to the appropriate ETA regional office.

6. **References**.

- a. P.L. 115-141, Division H, Title I, Section 105, March 23, 2018;
- b. Employment and Training (ET) Handbook No. 336, 18th Edition, Change 4: *“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*.

7. **Attachments**.

- I. FY 2020 Detailed State Base Staff Planning Levels
- II. Back-up Material for Allocation of FY 2020 UI Base Staff
- III. FY 2020 Base Postage Allocation