EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI CORRESPONDENCE SYMBOL OUI/DFAS DATE October 26, 2020

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 2-21**

TO: STATE WORKFORCE AGENCIES

FROM: JOHN PALLASCH /s/
Assistant Secretary

SUBJECT: Fiscal Year (FY) 2021 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. **Purpose.** To provide states information about preliminary FY 2021 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 Department's Employment and Training Administration (ETA) requests that State Administrators:

   a. Provide to the appropriate staff the FY 2021 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;

   c. Submit the FY 2021 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 2021 UI-1 report (OMB Approval No. 1205-0132) via the UI Required Reports system.

3. **Summary and Background.**

   a. Summary – The unemployment insurance (UI) planning targets are based on the total amount of resources included in the FY 2021 President's Budget request for UI administration, which is $2,251,732,000 at a 1.6 million average weekly insured unemployment (AWIU) level. This includes $2,145,637,000 for base UI administration, and $106,095,000 for postage. The FY 2021 Budget was submitted to Congress prior to the increased workloads resulting from the economic impacts of the Coronavirus Disease 2019 (COVID-19) pandemic. Thus, the 1.6 million AWIU base level included in the

RESCISSIONS None	EXPIRATION DATE September 30, 2022

President's Budget request will apply in FY 2021, and similar to FY 2020, the additional administrative resources states need to support the costs associated with increase in workloads will be obtained through the above-base earnings process.

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. States use this information 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 2021, the economic assumptions underlying the President's Budget resulted in a projected national AWIU of 1.728 million.

4. <u>Details</u>.

a. <u>Data Inputs</u>. 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 2021 are all drawn from the Resource Justification Model (RJM) data collection submitted by states in FY 2020. The RJM data collection methodology is explained in ET Handbook No. 410, 6th Edition, Resource Justification Model.

The following table shows the data inputs used for the base allocations for FY 2020 and the planning targets FY 2021. These inputs are described in more detail below.

DATA INPUTS		
CATEGORY	FY 2020 Allocations	FY 2021 Targets
Base Workloads	National Office projections formulated at a 1.6 million AWIU	National Office projections formulated at a 1.6 million AWIU
MPU values	FY 2018 (less state dollars & hours)*	FY 2019 (less state dollars & hours)*
Annual hours worked	FY 2020 projected*	FY 2021 projected*
Non-Workload Staff Years	FY 2018 actual	FY 2019 actual
PS/PB rates	FY 2018 actual, increased annually by 3 percent*	FY 2019 actual, increased annually by 3 percent*
NPS dollars	Actual expenditures in FY 2018, not including state dollars and one-time costs and increased annually by 3 percent	Actual expenditures in FY 2019, 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 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 $2,335,638,581 for FY 2021. Base funding anticipated to be available for FY 2021 is $2,145,637,000. 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 2021 UI planning targets reflected the economic assumptions used in the FY 2021 President's Budget Request.

2. Base Workload Level. As mentioned above, the FY 2021 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 2021 President’s Budget for State Unemployment Insurance and Employment Service Operations (SUIESO) provides that states may obligate FY 2021 UI grant funds through December 31, 2021. However, states may obligate FY 2021 UI grant funds through September 30, 2023, 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 a consortium of states, the funds are available for obligation by the states through September 30, 2027.

   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 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 allocations 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 2019 activity. The MPUs were calculated from data states submitted in the RJM data collection instrument.

    - Work Hours. The hours per staff year are the FY 2021 projected hours states reported in the January 2020 RJM submission.

  - Workload Forecasts. The state's base FY 2021 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 2019 activity to the total base workload funded in FY 2021 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 2021, the calculation using states' unreduced MPU values from the RJM data collection yielded 13,931 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 12,520 staff years since that is the level 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 2019 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.

  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 2019.

2. Personnel Compensation Costs. The FY 2021 PS/PB rates were determined by using each state's FY 2019 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 Training and Employment Guidance Letter (TEGL) No. 05-06, no FY 2019 PS/PB rates were permitted to exceed the latest enacted Executive Level II rate, which was $192,300. See: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2019/EX.pdf

3. Non-Personal Services. The FY 2021 NPS allocation was determined by using each state's 2019 NPS expenditures reported in the RJM, less any state-funded supplemental NPS dollars and one-time expenditures. Each state's proportion of the FY 2019 actual expenditures was applied to the aggregate amount and then increased by 3 percent annually to calculate the available amount for FY 2021. 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 2021 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 2020, with a resulting "stop-gain" of 6.70 percent for states that would have gained more in total base dollars in FY 2020. These adjustments are shown on a separate line in Attachment I.

5. Postage. For FY 2021, the Department will allocate $106,095,000 in base postage resources directly to states. The Department's 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 individual 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 2021 above-base certification process. States should submit the UI-1 report (OMB Approval No. 1205-0132) by October 1, 2020; the annual hours on the report must agree with the annual work hours used for each state's FY 2021 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. After enactment of the FY 2021 appropriation, the Department will issue specific implementation procedures for the above-base certification process in a UIPL promulgating the final FY 2021 UI allocations.

e. Standard Form (SF) 424. All states must submit an SF-424 (OMB Approval No. 4040-0004) for FY 2021 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. States must use all state UI administrative grant funds 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. The flexibility of using funds among UI program categories 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. Section 303(a)(8) of the Social Security Act (42 U.S.C. §503(a)(8));

b. 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards);
c. 2 CFR Part 2900 (Department of Labor's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards);
d. Consolidated Appropriations Act, 2018, P.L. 115-141, Division H, Title I, Section 105, enacted March 23, 2018;
e. Employment and Training (ET) Handbook No. 336, 18th Edition, Change 4: *"Unemployment Insurance (UI) State Quality Service Planning (SQSP) and Reporting Guidelines"*;
f. ET Handbook No. 410, 6th Edition, *Resource Justification Model (RJM)*; and
g. 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 2021 Detailed State Base Staff Planning Levels

II. Back-up Material for Allocation of FY 2021 UI Base Staff

III. FY 2021 Base Postage Allocation