EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL OUI/DFAS
	DATE September 2, 2021

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 25-21**

TO: STATE WORKFORCE AGENCIES

FROM: LENITA JACOBS-SIMMONS /s/
Acting Assistant Secretary

SUBJECT: Fiscal Year (FY) 2022 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. **Purpose.** To provide states information about preliminary FY 2022 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 2022 planning targets and the following instructions as soon as possible after receiving this Unemployment Insurance Program Letter (UIPL);

   b. Notify the appropriate ETA regional office of any questions or concerns as soon as possible after receiving this UIPL, but no later than September 24, 2021;

   c. Submit the FY 2022 SF-424 (OMB Approval No. 4040-0004), 424A (OMB Approval No. 4040-0006), if applicable, and 424B (OMB Approval No. 4040-0007) via www.grants.gov; and

   d. Submit the FY 2022 UI-1 report (OMB Approval No. 1205-0132) via the UI Required Reports system before October 1, 2021.

3. **Summary and Background.**

   Summary - The total amount of resources included in the FY 2022 President's Budget request for UI base administration is $2,699,441,000, determined at a 1.8 million average weekly insured unemployment (AWIU) level. This includes $2,574,348,000 for base UI administration and $125,093,000 for postage, and reflects an increase of $447,709,000 from the FY 2021 base allocations, which were determined at an AWIU level of 1.6 million. The state data was run through the allocation methodology described below in section 4(c). However, because the FY 2020 data, which serves as a basis for much of the allocation, was so volatile the outputs from the allocation model were volatile as well. A determination was

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made to distribute the increase in funding equitably across all states. To achieve that, a "stop-gain" parameter was set such that all states receive the same percentage increase above their FY 2021 allocation.

The state allocations reflected in these planning targets assume that Congress appropriates the amounts reflected in the FY 2022 Budget request. In the event Congress appropriates amounts other than what is requested, the UI administration planning targets will need to be revised to reflect the actual appropriation.

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. Typically, the only inputs that changed from year to year in the equation used to determine the amount of state UI administrative resources to be requested through the Federal budget cycle were the projected national UI workloads. However, for the FY 2022 state UI administration estimate used in the President's FY 2022 Budget, several other inputs in the budget formulation equation were updated as well to reflect current cost and processing information. The equation used to develop the State UI Administration funding estimate is based on unit costs (workload per staff year), salary rates, projected workloads, and add-on percentages for overhead and non-personal services (e.g., rents, equipment, technology). In many prior years, the unit costs, salary rates, and add-on percentages had not been updated. The equation used to develop the FY 2022 Budget request reflects updates to each of these components to reflect automation efficiencies and salary rate increases. The updates to these factors results in an overall increase to the requested amount of State UI Administrative funding.

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 2022 are all drawn from the Resource Justification Model (RJM) data collection submitted by states in FY 2021. 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 2021 and the planning targets for FY 2022. These inputs are described in more detail below.

DATA INPUTS		
CATEGORY	FY 2021 Allocations	FY 2022 Targets
Base Workloads	National Office projections formulated at a 1.6 million AWIU	National Office projections formulated at a 1.8 million AWIU
MPU values	FY 2019 (less state dollars & hours)*	Average of actuals for FYs 2018, 2019 and 2020 (less state dollars & hours)*
Annual hours worked	FY 2021 projected*	FY 2022 projected*
Non-Workload Staff Years	FY 2019 actual	FY 2020 actual

PS/PB rates	FY 2019 actual, increased annually by 3 percent*	FY 2020 actual, increased annually by 3 percent*
NPS dollars	Actual expenditures in FY 2019, not including state dollars and one-time costs and increased annually by 3 percent	Actual expenditures in FY 2020, 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 described above produced a national total base state funding request of $2,661,380,553 for FY 2022. Base funding anticipated to be available for FY 2022 is $2,574,348,000. 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 budget 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. <u>Highlights of Base Planning Targets</u>.

1. <u>State Allocations</u>. The equation used to generate the FY 2022 Budget request reflects updated claims processing factors and updated state staff salary rate information. Updating these processing and salary rate factors increases the estimate of state administrative costs to better reflect state expenses. As a result, the amount available for FY 2022 state administration is 19.98 percent higher than the FY 2021 level, and the amount available for FY 2022 base postage is 17.91 percent higher than FY 2021 level.

   The unprecedented volume of claims processed during FY 2020 as a result of COVID-19 pandemic-related layoffs, and the challenges states experienced in administering the UI program during that period, resulted in significant volatility in state specific factors that serve as input to the allocation methodology. In an effort to most equitably distribute the increase in state UI administrative funds, a "stop-gain" factor was set such that all states will receive the same percentage increases from their FY 2021 base awards. All states' FY 2022 UI state base administration award will be 19.98 percent greater than the FY 2021 award, and all states' FY 2022 base postage will increase 17.91 percent from the FY 2021 level.

2. <u>Funding Period</u>. The "funding period" is the period during which states may obligate funds. The proposed appropriations language included in the FY 2022 President's Budget for State Unemployment Insurance and Employment Service Operations (SUIESO) provides that states may obligate FY 2022 UI grant funds through December 31, 2022. However, states may obligate FY 2022 UI grant funds through September 30, 2024, 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.

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 unprecedented UI claims volumes that were experienced during fiscal year 2020 resulted in significantly skewed MPUs as excessively high workloads resulted in excessively low MPUs. In an attempt to normalize the time factors, a three-year average was computed and used as input to the allocation. The MPU values are an average of the data for FY 2018, FY 2019 and FY 2020. The MPUs were calculated from data states submitted in the RJM data collection instrument.

        - Work Hours. The hours per staff year are the FY 2022 projected hours states reported in the January 2021 RJM submission.

    - Workload Forecasts. The state's base FY 2022 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 2020 activity to the total base workload funded in FY 2022 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 2022, the calculation using states' unreduced three-year average MPU values from the RJM data collection yielded 13,874 workload staff years. A three-year average was used because the unprecedented volume of workload processed in FY 2020 resulted in significantly lower MPU values than states' normal operations. 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 13,309 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.

- <u>Non-Workload Staff Years Allocation Methodology</u>. Staff years for non-workload functions are drawn from the FY 2020 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 algorithm similar to the MPU reduction algorithm. The algorithm for Support and AS&T 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 2020.

2. <u>Personnel Compensation Costs</u>. The FY 2022 PS/PB rates were determined by using each state's FY 2020 PS/PB rate for each functional activity and increasing the result by three percent annually. As provided in P.L. 116-260, Division H, Title I, Section 105 (December 27, 2020) and Training and Employment Guidance Letter (TEGL) No. 05-06, no FY 2020 PS/PB rates were permitted to exceed the latest enacted Executive Level II rate, which was $197,300. See: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2020/EX.pdf

3. <u>Non-Personal Services</u>. The FY 2022 NPS allocation was determined by using each state's 2020 NPS expenditures reported in the RJM, less any state-funded supplemental NPS dollars and one-time expenditures. Each state's proportion of the FY 2020 actual expenditures was applied to the aggregate amount and then increased by three percent

annually to calculate the available amount for FY 2022. Attachment I shows a breakout of each state's NPS base planning level.

4. "Stop-Gain" Provision. Stop-loss and stop-gain rules are used to ease the budgetary impacts of fundamental year over year changes in funding. Because FY 2020 serves as the base year for much of the state specific FY 2022 allocation factors, and FY 2020 was so extremely volatile in terms of workload and staffing due to pandemic-related claims volume, and because the FY 2022 dollar amount requested for state UI administration reflected a significant increase from the previous year, a stop-gain is set at 19.98 percent for FY 2022 base allocations.

    - State UI Base Administration Dollars. The "stop-gain" provision is set to guarantee that each state will receive an increase of 19.98 percent in total base administration dollars compared to FY 2021. The funding needed to bring states that would have received less than a 19.98 percent increase will be obtained from the states that would have received more than a 19.98 percent increase in total base administration dollars in FY 2022. These adjustments are shown on a separate line in Attachment I.

5. Postage. For FY 2022, the Department will allocate $125,093,000 in base postage resources directly to states, an increase of $18,998,000 from FY 2021 postage amounts. Each state's allocation will reflect a 17.91 percent increase from their FY 2021 base postage award. 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 2022 above-base certification process. States should submit the UI-1 report (OMB Approval No. 1205-0132) by October 1, 2021; the annual hours on the report must agree with the annual work hours used for each state's FY 2022 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 2022 appropriation, the Department will issue specific implementation

procedures for the above-base certification process in a UIPL promulgating the final FY 2022 UI allocations.

e. Standard Form (SF) 424. All states must submit an SF-424 (OMB Approval No. 4040-0004) for FY 2022 base resources via www.grants.gov. Instructions for completing these forms are attached. When completing the form, states must ensure that total UI dollars are the same as the allocated levels, and each state should enter “FY 2022 Base allocations” in the opportunity number field of the application. 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, 2021, P.L. 116-260, Division H, Title I, Section 105, enacted December 27, 2020;

e. Employment and Training (ET) Handbook No. 336, 18th Edition, Change 4: *Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning 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 2022 Detailed State Base Staff Planning Levels

II. Back-up Material for Allocation of FY 2022 UI Base Staff

III. FY 2022 Base Postage Allocation

IV. Additional Grants.gov Submission Instructions

V. Additional Guidance for Completing the SF-424 and SF-424A