EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
	CORRESPONDENCE SYMBOL OUI/DFAS
	DATE August 21, 2025

ADVISORY: **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 15-25**

TO: STATE WORKFORCE AGENCIES

FROM: LORI FRAZIER BEARDEN /s/
Acting Assistant Secretary

SUBJECT: Fiscal Year (FY) 2026 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. **Purpose.** To provide states with information about preliminary FY 2026 UI State Administration base resource planning targets, with 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 2026 planning targets and the instructions herein 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 5, 2025;

   c. Submit the FY 2026 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 2026 UI-1 report (OMB Approval No. 1205-0132) via the UI Required Reports system by October 1, 2025.

3. **Summary and Background.**

   a. Summary – The total amount of resources included in the FY 2026 President's Budget request for UI base administration is $2,625,444,000, determined at a 1.8 million average weekly insured unemployment (AWIU) level. This includes $2,502,237,000 for base UI administration and $123,207,000 for postage. It reflects a decrease of $1,446,202 from the FY 2025 final base allocations, which were also determined at an AWIU level of 1.8 million. The state data was run through the allocation methodology described in Section 4.c. of this UIPL.

RESCISSIONS	EXPIRATION DATE
None	September 30, 2026

The state allocations reflected in these planning targets assume that Congress appropriates the amounts reflected in the FY 2026 President's Budget request. In the event Congress appropriates amounts other than what is requested, the UI administration planning targets may be revised to reflect the actual appropriation.

b. Background – Before 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 allocated through the Federal budget cycle is closely tied to national UI workloads. For FY 2026, the economic assumptions underlying the President's Budget resulted in a projected national AWIU of 1.903 million. As a result, the FY 2026 base administration allocation remains at a 1.8 million AWIU level.

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 2026 are all drawn from the Resource Justification Model (RJM) data collection submitted by states in FY 2025. 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 2025 and the planning targets for FY 2026. These inputs are described in more detail below.

DATA INPUTS

CATEGORY	FY 2025 Allocations	FY 2026 Targets
Base Workloads	National Office projections formulated at a 1.8 million AWIU	National Office projections formulated at a 1.8 million AWIU
MPU values	Average of actuals for FYs 2021, 2022 and 2023 (less state dollars & hours)*	Average of actuals for FYs 2022, 2023 and 2024 (less state dollars & hours)*
Annual hours worked	FY 2025 projected*	FY 2026 projected*
Non-Workload Staff Years	FY 2023 actual	FY 2024 actual
PS/PB rates	FY 2023 actual, increased annually by 3 percent*	FY 2024 actual, increased annually by 3 percent*
NPS dollars	Actual expenditures in FY 2023, not including state dollars and one-time costs and increased annually by 3 percent	Actual expenditures in FY 2024, 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 $3,088,407,717 for FY 2026. Base funding anticipated to be available for FY 2026 is $2,502,237,000. 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. Highlights of Base Planning Targets.

i. Economic Assumptions. The FY 2026 UI planning targets reflect the economic assumptions used in the FY 2026 President's Budget request.

ii. Base Workload Level. As noted above, the FY 2026 national base claims-related workloads are allocated at a 1.8 million AWIU.

iii. Funding Period. The "funding period" is the period during which states may obligate funds. The proposed appropriations language included in the FY 2026 President's Budget for State Unemployment Insurance and Employment Service Operations (SUIESO) provides that states may obligate FY 2026 UI grant funds through December 31, 2026. However, states may obligate FY 2026 UI grant funds through September 30, 2028, 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 allocation methodologies follows.

i. UI Base Staff.

- Workload Functions Allocation Methodology. The allocation methodology seeks to achieve four objectives to the greatest extent possible: 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 are an average of the data for FY 2022, FY 2023, and FY 2024. The MPUs were calculated from data submitted in the RJM data collection instrument.

- Work Hours. The hours per staff year are the FY 2026 projected hours states reported in the FY 2025 RJM submission.

- Workload Forecasts. The state base FY 2026 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 2024 activity to the total base workload funded in FY 2026 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 2026, the workload-based calculation (excluding Systematic Alien Verification Enterprise, BPC, UI Performs, AS&T and Support) using states' unreduced three-year average MPU values from the RJM data collection, yielded 16,228 workload staff years. The level of base funding anticipated to be available for FY 2026 supports a lower number of workload staff years at 12,558. To fit the targets within available funds, the allocated MPU values were developed for the six base workload activities by slightly reducing the MPU values for most states, so that the number of targeted workload staff years equaled the 12,558 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 highest 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 2024 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 staff years were unreduced while the AS&T staff years were reduced by using an algorithm similar to the MPU reduction algorithm. The algorithm for AS&T used the percentages that AS&T staff represented of each state's total requested staff. The ten states with the lowest percentages were not reduced. In general, the higher the percentage AS&T staff represented of the total, the larger the reduction in AS&T staff years.

ii. Personnel Compensation Costs. The FY 2026 PS/PB rates were determined by using each state's FY 2024 PS/PB rate for each functional activity and increasing the result by three percent annually. As provided in Division D, Title I, Section 105 of the Further Consolidated Appropriations Act, 2024 (Pub. L. 118-47 (March 23, 2024)), no FY 2024 PS/PB rates were permitted to exceed the latest enacted Executive Level II rate, which was $221,900. See: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2024/EX.pdf.

iii. Non-Personal Services. The FY 2026 NPS allocation was determined by using each state's 2024 NPS expenditures reported in the RJM, less any state-funded supplemental NPS dollars and one-time expenditures. Each state's proportion of the FY 2024 actual expenditures was applied to the aggregate amount and then increased by three percent annually to calculate the available amount for FY 2026. Attachment I shows a breakout of each state's NPS base planning level.

iv. Hold Harmless or "Stop-Loss" Provision. Stop-loss and stop-gain rules are used to ease the budgetary impacts of fundamental year-over-year changes in funding.

- State UI Base Administration 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 2025, with a resulting "stop-gain" of 6.08 percent for states that would have gained more in total base dollars relative to FY 2025. These adjustments are shown on a separate line in Attachment I.

v. Postage. For FY 2026, the Department will allocate $123,207,000 in base postage resources directly to states, a decrease of $1,689,870 from FY 2025 postage amounts. For FY 2026, 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 2026 above-base certification process. States should submit the UI-1 report (OMB Approval No. 1205-0132) by October 1, 2025; the annual hours on the report must be consistent with the annual work hours used for each state's FY 2026 target allocation.

i. Above-Base Overhead. The above-base overhead percentage will remain at 19 percent.

ii. 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, adjustments to staffing levels may be necessary. Reductions to states' above-base funding awards will be required if available funding under the enacted appropriation is insufficient to cover the full amount of states' above-base earnings.

iii. Above-Base Instructions. General instructions for completing UI-3 reports (OMB Approval No. 1205-0132) are in ET Handbook No. 336, 18th Edition, Change 4, Chapter II. Dependent on the timing of enactment of the FY 2026 appropriation, the Department may issue specific implementation procedures for the above-base certification process in a UIPL promulgating the final FY 2026 UI allocations.

e. Standard Form (SF) 424. All states must submit a SF-424 (OMB Approval No. 4040-0004) for FY 2026 base resources via www.grants.gov. When completing the form, states must ensure that total UI dollars are the same as the allocated levels, and each state should enter "FY 2026 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). Instructions for completing these forms are attached.

f. State Flexibility. States must use all state UI administrative grant funds in accordance with 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 C.F.R. Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards); 2 C.F.R. Part 2900 (Department of Labor's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards); and the annual enacted 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 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 Federal appropriation for SUIESO, 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**.

- Full-Year Continuing Appropriations and Extensions Act, 2025, Pub. L. 119-4, Title IX, Section 1902, enacted March 15, 2025;
- Further Consolidated Appropriations Act, 2024, Pub. L. 118-47, Division D, Title I, enacted March 23, 2024;
- Section 303(a)(8) of the Social Security Act (42 U.S.C. § 503(a)(8));
- 2 C.F.R. Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards);
- 2 C.F.R. Part 2900 (Department of Labor's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards);
- UIPL No. 19-24, *Fiscal Year (FY) 2025 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines*, issued September 16, 2024, https://www.dol.gov/agencies/eta/advisories/uipl-19-24;
- Employment and Training (ET) Handbook No. 410, 6th Edition, *Resource Justification Model (RJM)*, https://www.dol.gov/agencies/eta/advisories/handbooks/et-handbook-no-410-6th-edition; and
- ET Handbook No. 336, 18th Edition, Change 4, *Unemployment Insurance State Quality Service Plan Planning and Reporting Guidelines*, https://www.dol.gov/agencies/eta/advisories/handbooks/et-handbook-no-336.

7. **Attachments**.

- Attachment I: FY 2026 Detailed State Base Staff Planning Levels
- Attachment II: Back-up Material for Workload Allocation of FY 2026 UI Base Staff
- Attachment III: FY 2026 Base Postage Allocation
- Attachment IV: Additional Grants.gov Submission Instructions
- Attachment V: Additional Guidance for Completing the SF-424 and SF-424A