

**Q's & A's
on the Revised Methodology
for Determining Areas of Substantial Unemployment (ASUs)**

1. Why is there a problem with the current method of computing ASUs?

ETA has been notified by the Bureau of Labor Statistics (BLS) that there will be a problem with the census share method used by states to identify Areas of Substantial Unemployment (ASU) – a factor in WIA Title I allocation formula for the Adults and Youth programs. The problem is due to Census 2000 processing errors of group quarters (such as college dormitories) data and may cause extreme errors in unemployment rates. For example, Princeton Borough in New Jersey would have an unemployment rate of 1.7 percent for March-April 2000 based on 1990 census share, but 21.0 percent based on 2000 census share, due to the erroneous rate from the 2000 census of 42.3 percent. The issue will first affect PY 2006 allotments that will be made early next year, since these would be the first allotments based on 2000 Census data. In order to have BLS certification of the data, the method of computing ASUs must be revised beginning with PY 06 to avoid use of erroneous census data. These changes in the ASU methodology are considered of a technical nature only and not substantive changes to the WIA statutory requirements.

2. Why is the new method for computing ASUs based on combinations of LAUS areas only, and not some other area configurations?

An ETA working group was formed to review options for the ASU methodology and 4 options were examined: (1) individual counties as ASUs, (2) WIA local workforce investment areas as ASUs, (3) combinations of contiguous counties as ASUs, and (4) combinations of any available LAUS areas as ASUs. After a review and analysis of these options and consultation with BLS, the workgroup recommended the use of LAUS area combinations because this would give states the greatest geographic flexibility and also most closely approximate results using the previously used methodology.

3. Will there be any special adjustments in the formula allotment calculations to accommodate states adversely affected by the new methodology?

The Adult and Youth allotment formulas are statutory formulas which use the concept of states' relative shares of the data factors and contain stop-loss and stop-gain provisions to mitigate large changes in a state's allotments from one year to another. Any large swings in funding in a state due to the ASU methodology changes will be constrained by these provisions. No additional adjustments beyond these provisions will be applied in the formula calculations.

4. Will the new methodology be used for calculating future years' formula allotments, or just PY 2006?

Because of the 2000 Census problem with processing of group quarters data, subsequent years' formula allotments will continue to use the new ASU methodology. At the time the 2010 decennial Census data become available, the decision will be revisited, in the context of requirements for the formula funding and quality of the data.

5. Is the use of Census tracts to do within state allocations still allowed?

Census tracts may be used for within state allocations. States that do so should be prepared, if questions arise, to show that their allocations are based on valid data and a reasonable methodology. Specifically, if a state uses the Census share method to create Census tract-based areas for formula allocations, the resulting unemployment figures may still be affected by the 2000 Census processing errors of group quarters data and thus could not be used. If a state can show that its Census tract data, as well as the Census data for the LAUS areas from which they are derived, are not affected by the problem, Census tracts may be used for within state allocations.

7. Can a state make special adjustments in the formula allocation calculations to accommodate local areas adversely affected by the new methodology?

No further adjustments to the statutory formulas for within-State allocations are allowed. The formulas already contain stop-loss/stop gain provisions which address this issue.

8. Are states required to file an amendment to their State plan regarding this change?

The change in ASU identification methodology is considered a technical change. Therefore, it does not impact state plans. However, it should be noted that, for any state using the 30% discretionary formulas to distribute funds to local areas, any changes in those formulas as specified in the approved state plan must comply with ETA requirements regarding changes in discretionary formulas.