

TRAINING AND EMPLOYMENT NOTICE	NO. 12-16
	DATE September 27, 2016

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
UNEMPLOYMENT INSURANCE DIRECTORS

FROM: PORTIA WU 
Assistant Secretary

SUBJECT: Unemployment Insurance (UI) State Information Data Exchange System (SIDES)

1. **Purpose.** To inform states of the benefits of using SIDES as the exclusive means to request and receive separation information from employers and third party administrators (TPAs) and to highlight the additional SIDES data exchange formats currently available.

2. **References.**

- Consolidated and Further Continuing Appropriations Act 2015, Division G, Title I, (Public Law (Pub. L.) No. 113-235) enacted December 16, 2014;
- Unemployment Insurance Program Letter (UIPL) No. 26-11, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity, and Performance, and System Improvements*;
- UIPL No. 17-12, *Unemployment Insurance (UI) State Information Data Exchange System (SIDES) Messaging and Communications Toolkit Availability*;
- UIPL No. 18-12, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity, Performance, and System Improvements*;
- UIPL No. 24-13, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity, and Performance, and System Improvements*;
- UIPL No. 13-14, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance, and System Improvements*;
- UIPL No. 16-15, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements*;
- UIPL No. 19-16, *Unemployment Insurance (UI) Supplemental Funding Opportunity for Improved Operations; and*
- Employment and Training Handbook No. 301, 5th Edition, *UI Performs: Benefits Timeliness and Quality Nonmonetary Determinations Quality Review*, (rev. July 2005).

3. **Background.** A primary responsibility of the UI program is to make timely payments to those individuals who qualify for benefits. States face a challenging task to pay UI benefits on time, while assuring payments are made only to those individuals who are entitled to receive those benefits. A reason that contributes to states' inability to pay benefits timely is

the failure to receive timely and complete job separation information from employers and/or their TPAs. Untimely and/or incomplete job separation information also causes states to make incorrect initial eligibility determinations. Incorrect initial eligibility determinations related to the reason for job separation are a leading root cause of improper UI benefit payments. In its 2015 Agency Financial Report, the U.S. Department of Labor reported that an estimated 18.5 percent of UI improper payments were made due to incorrect or inadequate information and requested information not provided in a timely manner.

In 2005, a consortium of states, employers and TPAs, with funding and support from ETA, collaborated to develop SIDES – a web-based system that allows electronic transmission of UI information requests from state workforce agencies (SWAs) to employers and/or TPAs, as well as transmission of responses containing the requested information back to the agencies. Some of the consortium objectives were for SIDES to provide an electronic means to exchange UI separation information between states and employers in a faster, more cost effective manner, and to develop a standardized format for separation requests designed to meet the needs of employers and TPAs who operate in multiple states. By February 2010, the consortium's plans were realized and the Separation Information exchange of SIDES was made available for states' use. As of July 2016, 48 SWAs have adopted SIDES.

SIDES provides two methods by which employers can receive and respond to information requests from states:

- SIDES Web Services is a computer-to-computer system best suited for employers and TPAs that typically deal with a large volume of UI information requests. By participating in SIDES Web Services, employers and TPAs must complete the necessary programming for the data exchange and establish network connectivity with the SIDES Web Services infrastructure prior to exchanging information with a state. Once an employer or TPA has initiated the exchange with a state, they are considered “participating” in SIDES and available to establish the exchange with other states.

To facilitate the necessary technical communications between states, employers, and the TPAs using the SIDES Web Services, the National Association of State Workforce Agencies' (NASWA) UI Information Technology Support Center (ITSC) SIDES Team has developed specialized “model connector” software. States have the option to use the “model connector” software, or develop their own unique connectors to send UI information requests and retrieve responses. The use of the “model connector” by states or employers/TPAs is highly recommended since it will accelerate the SIDES implementation effort.

- For employers with a limited number of UI claims throughout the year, the SIDES E-Response Web site provides an easy and efficient portal for electronically posting responses to information requests from state agencies. The SIDES E-Response Web site is available in participating states to any employer or TPA with Internet access.

Currently, the NASWA/ITSC SIDES Team provides the necessary services for the maintenance and operations of SIDES. For Fiscal Year (FY) 2015, the State Unemployment Insurance and Employment Service Operations (SUIESO) appropriation, reflected in the Consolidated and Further Continuing Appropriation Act, 2015, Pub. L. 113-235, provided that the “. . . Secretary may use funds appropriated for grants to states under Title III of the Social Security Act to make payments on behalf of states to the entity operating the State Information Data Exchange System” Beginning in FY 2015, ETA began using this new authority to provide NASWA the funding necessary for SIDES operations, on behalf of the state UI agencies.

The NASWA/ITSC SIDES Team includes staff with both UI program and technology expertise. They are available to states for technical assistance in implementing SIDES and in troubleshooting and resolving issues that arise during SIDES operations. The SIDES Operations Committee, made up of representatives from participating states and participating employers/TPAs, guides development of new functionality and features as well as supporting improvement of current formats. For states to participate in SIDES, the NASWA/ITSC SIDES Team requires a signed “Agreement to Participate.”

Participation in SIDES provides states with the potential to reach all employers and exchange complete and valid information in an established consistent format. When fully implemented, SIDES Web Services and SIDES E-Response are expected to improve the timeliness and quality of the job separation information that is needed in order to adjudicate non-monetary determinations, thereby improving improper payment rates. SIDES offers many administrative efficiencies, which are further discussed in Section 5 of this TEN.

To support states’ efforts to reduce improper payments and improve performance, ETA announced supplemental budget request (SBR) opportunities with incentives in FY 2011 (UIPL No. 26-11), FY 2012 (UIPL No. 18-12), FY 2013 (UIPL No. 24-13), FY 2014 (UIPL No. 13-14), FY 2015 (UIPL No. 16-15) and FY 2016 (UIPL No. 19-16). As a condition of eligibility, these funding opportunities required states to implement specific program integrity-related strategies in order to qualify for additional funding. Implementation and use of SIDES Web Services and SIDES E-Response to exchange separation information with employers and TPAs has consistently been one of the criteria to receive funding. For SBRs in FYs 2011 through 2016, the receipt of supplemental grant funds for any other purpose was conditioned upon states agreeing to implement and/or expand and use SIDES Web Services and SIDES E-Response. In UIPL No. 19-16, ETA provided additional clarification on the definition of “full implementation” with regards to SIDES. Beginning with FY 2016, grant funding, states’ implementation of SIDES will be evaluated based on this definition.

4. **SIDES Implementation and Operations (Exclusive Use)**. This TEN is intended to provide states with clear guidance on the implementation and operation of SIDES.

As states adopt SIDES Web Services, continuing to operate a parallel or dual system, or using some other method for obtaining job separation information, diminishes the efficiency of the information gathering process and will require state staff, employers, and TPAs to be

trained in and to use multiple methods for data exchange. We know that a number of states operate centralized business communication hubs for a variety of business interactions across multiple state agencies. States with centralized employer/business communication hubs should contact NASWA's ITSC for technical assistance to support using SIDES in a centralized environment using a single-sign-on option.

SIDES offers significant efficiencies to employers and their TPAs, especially those that operate in more than one state. Providing standard formats for employer use for information exchanges with state agencies eliminates the need for inefficient manual processes, the need to develop systems to handle each state's forms and processes, and the need to train staff on those different forms and processes. States may use one or more of the SIDES messaging tools included in the SIDES marketing toolkit as outlined in UIPL No. 17-12, or other state developed messaging tools to ensure that employers are fully aware of the benefits that SIDES offers them.

ETA carefully reviewed the SIDES electronic format for requesting job separation information from employers to ensure that its use meets ETA's requirements for making a reasonable attempt to obtain information from employers in connection with adjudication of job separation issues.

Although the use of SIDES Separation Information exchange ensures more complete responses than manual methods, there are instances when states must contact the employer or TPA for clarifying information. We note that when employers or TPAs respond using the SIDES Separation Information format code 99, it means that the employer/TPA has no information and/or is unwilling to provide any information and will not participate in the adjudication process. In those instances, where a format code 99 response is received by the state, the minimum requirements of ET Handbook No. 301 will be deemed to have been met without additional attempts to contact the employer or TPA.

5. **Administrative Efficiencies.** Although reducing improper payments and improving performance are two of the primary goals for SIDES implementation, SIDES offers considerable administrative advantages to states.
 - A. **Higher Quality.** SIDES has been designed to ensure that only complete and valid information is exchanged between states and employers and that the exchange is completed in a timely manner. The edit checks and validations that each transmission must pass before delivery ensure that replies to state information requests are not incomplete or non-responsive as they might be on paper or through a less rigorous system. In addition to extensive edit checks and validations, SIDES also provides opportunities for states to customize their information requests. Certain fields in standard SIDES formats can be customized for state specific reasons. States also have the ability to attach supplemental information to the standard formats; however, supplemental documents should not replicate the information, questions, (etc.) already contained in the SIDES formats.

SIDES provides additional benefits to ensure timeliness and accuracy, including:

- Reduced time spent on fact-finding interviews as the detailed employer information is submitted electronically;
- Easier/better control and management of UI information request workload;
- Improved employer timeliness for returning UI information;
- Increased number of earnings verification cases can be processed;
- Elimination of mail transit time;
- Information receipt confirmation, allowing for better audit control;
- Re-send capability;
- Easier ability to anticipate needed information and prepare replies due to standard questions across all participating SWAs;
- Reduced staff time to handle paper responses;
- Reduced follow-up calls to obtain complete and accurate information; and
- Increased time to review information by eliminating return mail time.

B. Cost Savings. Communication with employers is required for a wide array of UI functions, such as: obtaining job separation information, providing notices of initial claim filing/monetary determinations and potential charges to the employer's UI account, providing non-monetary determinations and appeals decisions, and verifying the earnings of beneficiaries during periods when they were paid benefits. While SIDES Web Services and SIDES E-Response address the exchange of job separation information, other data exchange formats have been developed in the SIDES system to provide information exchange formats for these additional UI functions. SIDES provides an electronic means of communication for these purposes that can save considerable administrative funds in postage and mail handling costs compared to paper-based systems. In addition, states that use SIDES rather than developing their own unique systems save the cost of system development and ongoing maintenance. Other SIDES exchanges are discussed in detail below (Section 6).

SIDES offers other cost-saving benefits by minimizing the following:

- The need for staff to conduct follow-up efforts to obtain complete and correct employer separation information and earnings information;
- Improper benefit payments (improved quality because of standardized questions, and in some cases a more detailed request for UI information);
- The number of claimants who work and do not report their earnings while receiving UI benefits;
- The number of improper benefit payments; and
- The number of appeals filed due to lack of quality information for original determination.

6. **Other SIDES Data Exchange Formats.** In addition to SIDES Web Services and SIDES E-Response for exchanging separation information with employers and TPAs, there are several

other SIDES data exchange formats currently available for states to use. These formats are a) Earnings Verification, b) Monetary and Potential Charges, c) Nonmonetary Determinations and Appeals Decisions, and d) Billing and Charge Notices.

A. Earnings Verification is a data exchange that is used to identify claimants who have returned to work and continue to claim benefits. The Earnings Verification occurs as a result of comparing UI benefits paid against the National Directory of New Hires, State Directory of New Hires, and other types of wage audits. The state requests the first day of work and earnings information from the employer and the employer responds to a standard set of questions. This data exchange helps reduce overpayments by verifying earnings and providing early detection of claimants returning to work.

B. Monetary and Potential Charges is an exchange of information regarding claimants' monetary eligibility for UI benefits and employers' potential charges. This data exchange allows a state to notify employers when claims are filed, shows the wages the employer paid that were used to establish a claim, identifies each claimant's potential weekly and total benefit amounts, and calculates the potential charges to employers' UI accounts. This data exchange promptly notifies employers of the initial application for UI benefits and gives employers the opportunity to immediately respond to any discrepancies.

C. The Nonmonetary Determinations and Appeals Decisions exchange communicates the outcome of an individual application to receive UI benefits. This is an exchange of information on determinations and appeals decisions made regarding a claimant's UI eligibility resulting from a separation or non-separation issue. States electronically provide decisions regarding claimant eligibility, and employers can respond by filing a protest or appeal to those decisions. The Nonmonetary Determinations and Appeals Decisions exchange streamlines this essential step in the UI claim resolution process and eliminates any potential mail delays.

D. The Billing and Charge Notices exchange provides periodic account statements showing the details of all charges to an employer's UI account, including specific claimant information that affects the employer's account. This exchange offers employers convenient and easy access to recurring information in a paper-free environment.

7. **Action Requested.** State Administrators are requested to review their state's current SIDES operations to ensure that your agency is taking full advantage of the administrative efficiencies that SIDES can provide.

8. **Inquiries.** Inquiries should be directed to the appropriate ETA Regional Office.