

TRAINING AND EMPLOYMENT NOTICE	NO.	25-18
	DATE	April 11, 2019

TO: STATE WORKFORCE AGENCIES

FROM: MOLLY E. CONWAY 
Acting Assistant Secretary

SUBJECT: Changes to the Unemployment Insurance (UI) Performance Excellence Awards and Performance Management Processes

1. **Purpose.** To announce the Employment and Training Administration's (ETA's) creation of two new UI State Performance Excellence Awards to recognize states for program integrity performance and communicate a change to the performance evaluation time period for all future awards.
2. **Action Requested.** ETA requests that state administrators distribute this advisory to appropriate staff.
3. **Summary and Background.**
 - a. **Summary – UI Performs,** the performance management system for the federal-state UI program, includes core measures of performance for key aspects of state UI program administration. The performance management process is designed to ensure that states are effectively administering the UI program and achieving outcomes that reflect the mission of the program. This process includes not only measuring program outcomes and promoting program improvement, but celebrating state successes, such as with non-monetary awards to recognize states that demonstrate top operational performance. In 2006, ETA implemented the UI State Performance Excellence Awards program. The top performing states are recognized with performance excellence awards, which are announced at the National Association of State Workforce Agencies' annual National UI Directors' Conference and posted on ETA's website at <https://oui.doleta.gov/unemploy/performance/awards.asp>.
 - b. **Background –** ETA currently recognizes top performing states nationwide with the UI State Performance Excellence Awards based on their performance in key areas of UI operations. Awardees are recognized annually by ranking state performance of the UI Performs core measures in each of three performance categories:
 - Timely, proper, and high-quality nonmonetary determinations and benefit payments;
 - Timely and high-quality appeals decisions; and
 - High quality tax operations.

In Training and Employment Notice (TEN) No. 10-05, ETA announced that it would assess state performance using the performance period of July 1 – June 30 of the preceding year.

4. Changes to Performance Excellence Awards.

- a. New Program Integrity Awards. To recognize states that are top performers, as well as those that have significantly improved performance in addressing UI improper payments, ETA announces two new UI State Performance Excellence Awards – the “Program Integrity Excellence Award” and the “Significantly Improved Program Integrity Award.”

The methodology for determining the new integrity-related awards will, similar to the existing awards, group states based on size (small, medium, and large). Some of the data for the new integrity awards are derived from a statistical sample survey used in the Benefit Accuracy Measurement (BAM) program, such as data used for the computation of the improper payment rate and overpayment detection measures. To mitigate the effects of relatively small state samples used in the BAM survey, three years of performance data is used to reduce potential volatility and produce more precise estimates.

- i. The Program Integrity Excellence Award will recognize states that have demonstrated top performance in their program integrity operations. State program integrity performance will be evaluated using the Improper Payment Rate, Overpayment Detection Rate, and Overpayment Recovery Rate performance measures. To identify top-performers in this award category, ETA will calculate each state’s composite score, which represents an unweighted average of the three performance measures.

Awardees are determined by:

- Grouping states by size – small, medium and large;
- Eliminating states not meeting the annual acceptable criteria for individual performance measures;
- Calculating the unweighted average state score for the three noted integrity measures; and
- Ranking states by the highest composite scores to identify the top state(s) meeting these criteria in each size category.

- ii. The Significantly Improved Program Integrity Award will recognize states that have made significant improvement in reducing their Improper Payment (IP) Rate even if the state may not yet be meeting the IP target rate. The goal is to encourage states to focus specifically on addressing the IP rate and continue to implement strategies that directly impact the reduction of the IP rate.

Awardees are determined by:

- Grouping states by size – small, medium and large;
- Calculating the difference between the most current three years of data on the state’s IP rate and the prior three years performance on a “rolling” basis to obtain an “improvement” score;
- States will be required to have at least a three percentage point decrease in the IP rate in order to qualify for this award. ETA retains the discretion to increase this threshold based on program need; and
- Ranking states by the highest improvement scores to identify the top state(s) meeting these criteria in each size category.

- b. **Computation of State UI Performance Excellence Awards.** ETA recognizes that state size is a critical factor in evaluating and comparing states’ performance and the selection method allows states to compete within groups based on size. ETA’s website provides the methodology used to categorize state by size and a listing of each state and its current size category. This information is located at <https://oui.doleta.gov/unemploy/performance/awards.asp>

States that fail to meet an Acceptable Level of Performance (ALP), fail to submit a required ETA report, or submit an untimely ETA report are not eligible for consideration to receive these awards. Furthermore, to remain eligible for an award, states are required to submit and pass Data Validation (DV) populations related to the award category that were due during the performance period to ensure data quality and validate the reporting process. The formula that ETA uses in determining the selection of awardees is set out in Attachment I.

- c. **New Performance Evaluation Period.** ETA is aligning the performance awards evaluation period with the State Quality Service Plan (SQSP) performance year. Effective with the 2019 Awards, ETA will use the 12-month period from April 1 to March 31 as the performance evaluation period to determine state recipients for all awards. For the 2019 awards, the evaluation period will be April 1, 2018, through March 31, 2019.

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

6. **References.**

- TEN No. 10-05, *Unemployment Insurance (UI) Performance Recognition System; and*
- TEN No. 2-08, *Changes to Unemployment Insurance (UI) Performance Recognition System.*

7. **Attachment.**

Attachment I - Computation of State Unemployment Insurance (UI) Performance Excellence Awards.

**COMPUTATION OF STATE UNEMPLOYMENT INSURANCE (UI) PERFORMANCE
RECOGNITION AWARDS**

Introduction.

UI Performs, the performance management system for the federal-state UI program, includes core measures of performance for key aspects of state UI program administration. Awardees are determined by ranking performance in four groupings of UI Performs Core Measures:

1. Benefits (which includes performance in nonmonetary determinations, integrity, and data validation (DV));
2. Appeals;
3. Tax; and
4. Integrity.

Because state size is a critical factor in assessing performance, states are placed in one of three size groups (small, medium, large). These three size groups are based on the 12-month average of UI covered employment (cell c26) from the Employment and Training Administration (ETA) ar202 report for the fourth quarter of the preceding calendar year. Data from this report is not cumulative and is generated by quarter-ending date. This data is derived from a report published by the Bureau of Labor Statistics (BLS).

Size groups are calculated as follows:

- Small: covered employment under 1 million employees
- Medium: covered employment between 1 million and 2 million employees
- Large: covered employment greater than 2 million employees

SECTION 1

Recognition Award Categories and Measures.

The UI Performance Recognition Awards categories are reflected in Tables 1 through 3 below (UI Benefits, UI Appeals, and UI Tax). Performance measures and Acceptable Levels of Performance (ALP) are listed in these Tables. For the purposes of determining award recipients, ETA will assess these measures using an annual performance period of April 1 to March 31:

Table 1

BENEFITS		
Measures	Acceptable Level of Performance (ALP)	Applicable ETA Report
Time Lapse		
All First Payments in 14/21 days	87 Percent	ETA 9050
First Payments Intrastate within 14/21 days	87 Percent	ETA 9050
First Payments Interstate within 14/21 days	70 Percent	ETA 9050
First Payments Intrastate within 35 days	93 Percent	ETA 9050
First Payments Interstate within 35 days	78 Percent	ETA 9050
Determinations in 21 days	80 Percent	ETA 9052
Non-Monetary Quality		
Separation Quality	75 Percent Passing (≥95 Points)	ETA 9056
Nonseparation Quality	75 Percent Passing (≥95 Points)	ETA 9056
Program Integrity		
Detection of Overpayments	Ratio is ≥ 50% and ≤ 95%	ETA 227
Improper Payment Measure	<10 Percent	Benefits Accuracy Measurement Program
UI Overpayment Recovery Measure	65 Percent	ETA 227

Table 2

APPEALS		
Measures	Acceptable Level of Performance (ALP)	Applicable ETA Report
Average Age of Pending Lower Authority Appeals	≤30 Days	ETA 9055
Average Age of Pending Higher Authority Appeals ¹	≤40 Days	ETA 9055
Quality of Lower Authority Appeals	80 Percent of evaluated appeals have ≥85 Percent of Potential Points	ETA 9057
Lower Authority Appeals decisions within 30 days	60 Percent	ETA 9054
Lower Authority Appeals decisions within 45 days	80 Percent	ETA 9054
¹ For the 5 states that do not conduct higher authority appeals (DC, HI, MN, NE, and VI), the overall Appeals score is based only on lower appeals measures.		

Table 3

TAX		
Measures	Acceptable Level of Performance (ALP)	Applicable ETA Report
New Employer Status Determinations in 90 days	80 Percent	ETA 581
Tax Quality	No more than 3 of the 13 Tax Performance System (TPS) acceptance samples fail in a year; and no acceptance sample fails 3 consecutive years.	Tax Performance System (TPS)
Effective Audit Measure	Factor 1: ≥ 1 Percent, Factor 2: ≥ 2 Percent, Factor 3: ≥ 1 Percent, Factor 4: ≥ 1 Percent and Sum of Four Factors: ≥ 7	ETA 202 and ETA 581

SECTION 2

Awards Calculation Methods. ETA will determine award recipients using the methodologies discussed below.

ETA will categorize the data for the performance measures according to the guidance in **Training and Employment Notice (TEN) No. 10-05**, dated November 9, 2005. Data submitted after report due dates result in a zero score for the applicable performance measure within the award calculation.

Benefits, Appeals, and Program Integrity Excellence Award

- **Elimination Rules.**

Apply rules for elimination from a category if a state:

- a) Fails to meet a measure's ALP;
- b) Fails to submit the applicable report timely;
- c) Fails to submit the applicable required reports; or
- d) Fails to submit or does not pass a DV population for any applicable section under Benefits, Appeals, or Integrity by the June 10th deadline of the Performance Awards year.

- **Additional Elimination Rules for the Detection of Overpayments Measure.**

- a) Every state with a value outside the ALP criteria of ≥ 50 percent and ≤ 95 percent is eliminated for this measure and from consideration for the Benefits award. The remaining states are ranked in order of their Detection of Overpayments measure value, with the highest receiving a rank score of 53 (lowest being 1).
- b) A state having either of these reporting issues:
 - failing to submit one or more ETA 227 reports during the three years used in computing the measure; or

- failing to sample a sufficient number of Benefit Accuracy Measurement (BAM) payments without prior permission from ETA to reduce its mandated sample size.
- **Additional Elimination Rule for the Significantly Improved Program Integrity Award.**
 - a) A state failing to sample a sufficient number of BAM payments without prior permission from ETA to reduce its mandated sample size.

Tax

- **Elimination Rules.** A state is eliminated or “not ranked” for UI Tax awards if more than three TPS functions (as listed in Table 4. below) fail acceptance samples in the current year or the same function fails acceptance samples for three consecutive years. For awards calculation purposes, samples are considered as **Fails** if they are marked F (fail), D (discarded), I (incomplete), NS (not submitted for reasons other than a universe too small to warrant an acceptance sample) or U (undeterminable — but only for the cashing function).

A state is also eliminated if it does not submit or fails a data validation population for any section under the Tax category submitted for the June 10th deadline of the Performance Awards year.

The following are the computation steps for states that are not eliminated according to the above elimination rules:

1. Divide the number of tax functions passing in the current year by 13 (which is the number of tax functions) and multiply by 100 for a percentage (e.g., $11/13 * 100 = 84.6\%$). An “E” (exemption) is counted as a **Pass** for the 13th submitted sample (Tax Rates).
2. After all calculations are complete and there is a quantitative number, ETA will rank states according to the ranking rules outlined below.

In the examples in Table 4 below:

1. State A received one “E” and passed 11 of the other 12 reported samples. In this example, the score is computed as: $12/13 * 100 = 92.3\%$.
2. State B was eliminated (not ranked) because in the current year it had one “Failed”, one “Discarded”, one “Undeterminable” and one “Not-submitted” sample, which are all considered fails. According to the elimination rule, a state is eliminated if more than three functions in the current year failed acceptance samples.
3. State C was eliminated (not ranked), because it failed the same tax function (credits/refunds) for three consecutive years. It also failed report delinquency, but failing two functions in the current year is not sufficient for elimination.

Table 4.

Tax Quality Examples										
No.	Tax Functions	Years								
		State A			State B			State C		
		Current year (Y)	Y - 1	Y - 2	Current year (Y)	Y - 1	Y - 2	Current year (Y)	Y - 1	Y - 2
1.	Status - New Determination	P	F/3	F/4	P	P	P	P	P	P
2.	Status - Successor Determination	P	P	P	NS	P	P	P	P	P
3.	Status - Inactive Determination	P	P	P	P	P	P	P	P	P
4.	Cashiering	P	P	P	U	P	P	P	P	P
5.	Report Delinquency	P	P	P	D	P	P	F	P	P
6.	Collections	F/6	P	F/3	P	P	P	P	P	P
7.	Field Audit	P	F/6	F/16	P	P	P	P	P	P
8.	Report Processing	P	P	P	P	P	P	P	P	P
9.	Debits/Billing Contributory	P	P	P	P	P	P	P	P	P
10.	Debits/Billing Reimbursing	P	P	P	F/4	P	P	P	P	P
11.	Credits/Refunds	P	P	P	P	P	P	U	F	U
12.	Benefit Charging	P	P	P	P	NS	P	P	P	P
13.	Tax Rates	E	E	P	P	P	P	P	P	P
Score for Ranking Purposes		12/13*100 = 92.3%			NR			NR		
LEGEND		P= pass; F=fail; U=undeterminable; D=discarded; N=incomplete; NS=not submitted; E=exempt; NR=not ranked (eliminated)								

- **Ranking Rules.** Every state is ranked relative to all other states based on its score for each performance measure using the following steps:
 1. Divide states into groups by size using the state size computation to determine the top performers for each category;
 2. Sort state scores in each category in descending order; and
 3. Assign points based on state's score with the highest scores receiving 53 points to the lowest score receiving 1 point.

A state's ranking depends on whether or not more than one state has the same performance result for a measure.

Ranking with no ties. Table 5 depicts an example of ranking states when there are no ties.

Table 5.

Nonmonetary Separation Quality	Ranking Order	
State	Pct.	Points
A	98.2	53
B	97.9	52
C	97.3	51
D	96.9	50

Ranking with ties. States having the same percentage are assigned the same point value, and the states with next percentage level are assigned the point levels to which they would be assigned if there was no tie, as shown in Table 6. In the Table 6 example, three states have the same percentage and all will have the same rank of 52. The state with the next lower percentage will have the point rank value it would have been assigned if there was no tie. In this case State E is assigned 49 points instead of 51.

Table 6.

Nonmonetary Separation Quality	Ranking Order	
State	Pct.	Points
A	100	53
B	96.5	52
C	96.5	52
D	96.5	52
E	96.3	49

SECTION 3

Integrity Awards Calculation Methods. ETA will determine award recipients using the following methodologies:

1) Program Integrity Excellence Award.

The Program Integrity Excellence Award will recognize states that have demonstrated top performance in their program integrity operations. The UI program currently has three measures to evaluate a state's program integrity performance:

- Improper Payment (IP) Rate – the sum of the overpayment rate and underpayment rate, including all root causes of improper payments;
- Overpayment Detection Rate – the percent of detectable, recoverable overpayments estimated by the Benefit Accuracy Measurement survey that were established for recovery through regular UI program operations; and
- Overpayment Recovery Rate – the ratio of the amount of overpayments recovered to the amount of overpayments established, expressed as a percentage.

To identify top-performers in this award category, ETA will calculate each state's composite score, which represents an unweighted average of the above three performance measures.

The Program Integrity Excellence awardees are determined by:

- Grouping states by size – small, medium, and large;
- Eliminating states not meeting the annual acceptable criteria for individual performance measures;
- Calculating the unweighted average state score for the three integrity measures discussed above; and
- Ranking states by the highest composite score to identify the three top-performers in each size category.

2) Significantly Improved Program Integrity Award.

The Significantly Improved Program Integrity Award will recognize states that have made significant improvement in reducing their Improper Payment (IP) Rate even if the state may not yet be meeting the IP target rate. The goal is to encourage states to focus specifically on the IP rate and continue to implement strategies that directly impact the reduction of the IP rate.

The Significantly Improved Program Integrity awardees are determined by:

- Grouping states by size – small, medium and large;

- Calculating the difference between the most current three years of data and the prior three years performance on a “rolling” basis for the state’s IP rate to obtain an “improvement” score;
- Requiring at least a three percentage point decrease in the IP rate and below an IP rate threshold for states to qualify for this award. Each year ETA will determine the IP rate threshold to qualify for this award. For FYs 2019 and 2020, the IP rate threshold for this award is set at 20 percent. For future years, the IP rate threshold will be communicated through the annual advisory issued by ETA to provide additional planning guidance for the Fiscal Year State Quality Service Plan; and
- Ranking states by the highest improvement scores to identify the top state meeting these criteria in each size category.