

<b>EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> Unemployment Insurance
	<b>CORRESPONDENCE SYMBOL</b> OUI/DFAS
	<b>DATE</b> July 26, 2012

**ADVISORY:** UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 26-12

**TO:** STATE WORKFORCE AGENCIES

**FROM:** JANE OATES /s/  
Assistant Secretary

**SUBJECT:** Fiscal Year (FY) 2013 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

**1. Purpose.**

- a. To provide preliminary FY 2013 dollar and staff year base resource planning targets for UI operations to be used in planning and developing State Quality Service Plans (SQSP);
- b. To provide general guidelines for FY 2013 resource planning; and
- c. To explain how base resources were allocated among states.

**2. References.**

- ET Handbook No. 336, 18th Edition, the *Unemployment Insurance State Quality Service Planning and Reporting Guidelines*; and
- ET Handbook No. 410, 4th Edition, *Resource Justification Model (RJM)*.

**3. FY 2013 Base Funding Level.** The total amount for the FY 2013 UI planning targets is \$2,451,240,000. This includes \$2,334,953,000 for base UI administration and \$116,287,000 for postage. These amounts are included in the Administration's FY 2013 appropriations request. If the final appropriation differs significantly from the request, adjustments may be made to the allocations.

**4. Data Inputs.** Minutes Per Unit (MPU) values, annual hours worked, non-workload staff years, personal services/personnel benefits (PS/PB) rates, and non-personal services (NPS) dollars for FY 2013 are drawn from the Resource Justification Model (RJM) data collection submitted in 2012. The RJM data collection methodology is explained in ET Handbook No. 410. Base workloads are developed by the actuarial staff subject to the national limits of base workloads. The following table shows the changes in the data inputs for the planning targets from FY 2012 to FY 2013. These changes are described in more detail in section 7.

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b> July 26, 2013
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DATA INPUTS		
CATEGORY	FY 2012 Targets	FY 2013 Targets
Base Workloads	National Office projections	National Office projections
MPU values	Average of actual for FY 2008, 2009, and 2010 (less state dollars/hours)*	Average of actual for FY 2009, 2010, and 2011 (less state dollars/hours)*
Annual hours worked	FY 2012 projected*	FY 2013 projected*
Non-Workload Staff Years	FY 2010 actual	FY 2011 actual
Systematic Alien Verification for Entitlement (SAVE) Staff Years	Average of quarterly staffing levels reported on the UI3 report during FY 2010	Average of quarterly staffing levels reported on the UI3 report during FY 2011
PS/PB rates	FY 2010 actual, increased annually by 3 percent*	FY 2011 actual, increased annually by 3 percent*
NPS dollars	Average of actual for FY 2008 (inflated to FY 2010), FY 2009 (inflated to FY 2010), and FY 2010; less state dollars and one-time costs; increased annually by 3 percent	Average of actual for FY 2009 (inflated to FY 2011), FY 2010 (inflated to FY 2011), and FY 2011; less state dollars and one-time costs; increased annually by 3 percent

\* Both state supplemental PS/PB expenditures and the hours worked/paid associated with those expenditures were excluded from state RJM inputs, effectively leaving the PS/PB rates intact but reducing annual hours worked and MPU values.

**5. Reduction to Availability.** The data inputs described above produced a national total base state funding request of \$2,675,769,817 for FY 2013. Base administrative funds anticipated to be available for FY 2013, \$2,334,953,000, are about 12.7 percent below the state requested level. 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 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.

**6. Highlights of Base Planning Targets.**

a. Economic Assumptions. The FY 2013 UI planning targets reflect the economic assumptions used in the President's budget request. The key assumptions for FY 2013 affecting workloads and administrative costs are:

	<u>Percent</u>
- Average Civilian Total Unemployment Rate	8.7
- Average Insured Unemployment Rate	3.0

b. Base Workload Level. The FY 2013 national base claims-related workload was formulated at 2.3 million average weekly insured unemployment (AWIU).

- c. Funding Period. The “funding period” is the period during which states may obligate funds. States may obligate FY 2013 UI grant funds through December 31, 2013. However, states may obligate UI grant funds through September 30, 2015, if such obligations are for automation acquisitions or competitive grants awarded to states for improved operations, or reemployment and eligibility assessments and improper payments. States have an additional 90 days after the end of the funding period to expend and liquidate obligations. Should an extension of the expenditure/liquidation period be necessary, a state must seek in writing the approval of the Grant Officer. Requests to extend the expenditure/liquidation period should be submitted to the regional office at least 30 days prior to the end of the existing deadline.

## 7. Allocation Methodologies.

A detailed description of the allocation methodologies follows.

### a. UI Base Staff.

- (1) Workload Functions Allocation Methodology. The FY 2013 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.

#### 1. Data Sources.

1. Time Factors. The MPU values are an average of the data for FY 2009, FY 2010, and FY 2011. The MPUs were calculated from data submitted in the RJM data collection instrument.
2. Work Hours. The hours per staff year are from the FY 2013 data in the RJM data collection instrument.

2. Workload Forecasts. Each state’s total FY 2013 workloads for initial claims, weeks claimed, non-monetary determinations, appeals, subject employers, and wage records were forecasted using statistical models developed by the U.S. Department of Labor’s (Department) actuaries. Each state’s total workload in each category was reduced by the percent that the estimated national total workload exceeds the national total base workload for that category, i.e., each state receives funding for the same percent of its estimated total workload in its base budget allocation. Additional funds are available on a quarterly basis for claims-related workloads actually processed above the base level.

3. Determination of Allowable MPU Values. For FY 2013, the calculation using states' unreduced MPU values from the RJM data collection yielded 18,406 workload staff years. 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 15,954 staff years for which funds are available. MPU reductions in each of the six activities were made as follows:

1. MPUs were arrayed from the highest to the lowest MPU value.
2. The lowest ten MPU values were not reduced.
3. 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 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.

(2) Non-Workload Staff Years Allocation Methodology. Staff years for non-workload functions are drawn from the FY 2011 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 and AS&T staff years were reduced by using the MPU reduction algorithm. The algorithm 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 2011.

- b. Personnel Compensation Costs. The FY 2013 PS/PB rates were determined by using each state's FY 2011 PS/PB rate for each functional activity and increasing the result by 3 percent annually.
- c. Non-Personal Services. The FY 2013 NPS allocation was based on an average of the states' FY 2009, 2010, and 2011 NPS expenditures reported in the RJM, less any state supplemental NPS dollars and one-time expenditures. Before calculating the 3-year average, the FY 2009 and FY 2010 expenditures were inflated to FY 2011

dollars by using the Gross Domestic Product deflators; 0.9 percent in FY 2009 and 2.0 percent in FY 2010. The resulting 3-year average was then increased by 3 percent annually to arrive at the FY 2013 level which was reduced across-the-board to equal the NPS funding availability of \$562,421,106.

- d. Hold-Harmless Provisions. There is one hold-harmless provision for the FY 2013 planning targets.

- (1) Total Dollars. A “stop-loss” of 5 percent was imposed on states that would have lost more in total base dollars from FY 2012, with a resulting “stop-gain” of 3.52 percent on states that would have gained more in total base dollars. This adjustment is shown on a separate line in Attachment I.

- e. Postage. For FY 2013, the Department will allocate \$116,287,000 base postage resources directly to states. The postage allocation methodology uses projected base weeks claimed and subject employer workloads which are totaled for each state; base postage resources are then calculated pro rata based on each state's share of the total workload. Attachment III displays the state level detail regarding this allocation.

- 8. 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, the allocated claims activity staff years paid, and the allocated annual MPU values in the FY 2013 above-base certification process. States should submit the UI-1 report by October 1, 2012; the annual hours on the report should agree with the FY 2013 annual work hours used for each state's target allocation.

- a. Above-Base Overhead. The above-base overhead percentage will remain at 19 percent.
- b. Above-Base Resources. State agencies are reminded that above-base resources are tied directly to above-base workloads. As 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.
- c. Above-Base Instructions. General instructions for completing UI-3 reports are in ET Handbook No. 336, Chapter II. Specific implementation procedures for the above-base certification process will be issued later this year in an Unemployment Insurance Program Letter (UIPL) promulgating the final FY 2013 UI allocations.

- 9. Standard Form (SF) 424**. Instructions for completing these forms are in ET Handbook No. 336, Chapter I. The forms are available in Portable Document Format (PDF) at [http://www.grants.gov/agencies/aforms\\_repository\\_information.jsp](http://www.grants.gov/agencies/aforms_repository_information.jsp) (select “Active Forms” then, “SF424 Family”). Ensure that total UI dollars are the same as the allocated levels. Only states that vary the quarterly number of claims activity staff years paid should submit

the SF-424A (OMB Approval No. 4040-0006) and show the quarterly distribution in item 23 (Remarks) of the form. All states should submit the SF-424B (OMB Approval No. 4040-0007).

**10. Bottom-Line Authority.** The allocation methodology is a very detailed process that determines the funding level for each state; however, the assignment of resources by categories resulting from the methodology is not binding on state agencies' management. Since FY 1987, states have had full authority to shift resources among UI program categories as they deem appropriate and necessary to manage their UI programs to meet established program goals and requirements. Thus, states have the flexibility to move UI resources among UI program categories, among quarters within a fiscal year, and among specific cost categories. States are held accountable on a bottom-line basis, giving states the discretion to use UI administrative resources to meet their assessment of needs and to meet UI performance requirements. The only exception to bottom-line authority is that states may not change the staff year level in the claims activities category from the allocated staff year level for purposes of computing above-base resources. This is to ensure that states do not earn more above-base resources than they would otherwise have been entitled to earn.

**11. Action Requested.** State Administrators are requested to:

- a. Provide to the appropriate staff the FY 2013 planning targets and above instructions as soon as possible after receiving this UIPL.
- b. Review closely the attached tables and notify the appropriate regional office of any questions or concerns as soon as possible after receiving this UIPL, but no later than August 1, 2012.
- c. Submit to the appropriate regional office as part of the SQSP, the FY 2013 SF-424 (OMB Approval No. 4040-0004), 424A (if applicable), and 424B.
- d. Submit the FY 2013 UI-1 report via the UI Required Reports system by October 1, 2012.

**12. Inquiries.** Questions should be directed to the appropriate regional office.

**13. Attachments.**

- I. FY 2013 Detailed State Base Staff Planning Levels
- II. Back-up Material for Allocation of FY 2013 UI Base Staff
- III. FY 2013 Base Postage Allocation