U.S. Department of Labor

Employment and Training Administration
Sam Nunn Atlanta Federal Center
Room 6M12 - 61 Forsyth Street, S.W.
Atlanta, Georgia 30303

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SUBJECT: Fiscal Year (FY) 2004 State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines

1. Purpose.

a. To provide preliminary FY 2004 dollar and staff year base resource planning targets for UI operations to be used in planning and developing State Quality Service Plans;

b. To provide general guidelines for FY 2004 resource planning; and

c. To explain how base resources were allocated among states.

2. References. ET Handbook No. 336, 17th Edition, *State Quality Service Plans Planning and Reporting Guidelines*; ET Handbook No. 410, 2nd Edition, Resource Justification Model.

3. FY 2004 Base Funding Level. The total for the FY 2004 UI planning targets is $2,251,631,672, an increase of $24,503,555 over the FY 2003 level due to workload growth in the number of subject employers and wage records.

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 2004 are drawn from the RJM data collection submitted in 2003. The RJM methodology is explained in ET Handbook No. 410. The following table shows the changes in the data inputs for the planning targets from FY 2003 to FY 2004. These changes are described in more detail in paragraph 7.

DATA INPUTS		
CATEGORY	FY 2003 Targets	FY 2004 Targets
MPU values	FY 2001 actual	Average of FY 2001 actual and FY 2002 actual
Annual hours worked	FY 2001 increased by one day	FY 2004 projected
BPC & UI PERFORMS SY	FY 2001 actual	FY 2002 actual
Support & AS&T SY	FY 2001 actual	FY 2002 actual

PS/PB rates	FY 2003 projected	FY 2002 actual increased annually by 3 percent
NPS dollars	FY 2003 projected	FY 2002 actual less state $ and one-time costs, increased annually by 3 percent

5. Reduction to Availability**.** In FY 2003, only MPU values and NPS dollars were reduced to match the planning targets with available funds. For the FY 2004 planning targets, the Workload staff years, Support staff years, Administrative Staff and Technical Services (AS&T) staff years, and NPS dollars from the RJM data collection were reduced from the $2,566,937,250 need determined by RJM to the budget request level of $2,251,631,672. The reduction for each category was determined by multiplying each category's relative share of the total RJM submissions by the difference between the total RJM request and availability. Workload staff years represented 49.69 percent, Support staff years represented 12.76 percent, AS&T staff years represented 9.42 percent, and NPS dollars represented 28.13 percent of the total. Benefit Payment Control and UI PERFORMS staff years were not reduced. See also paragraphs 7.a.(1)(c), 7.a.(2), and 7.c.

6. Highlights of Base Planning Targets.

a. UI Economic Assumptions**.** The FY 2004 UI planning targets reflect the economic assumptions used in the President's budget request. The key assumptions for FY 2004 affecting workloads and administrative costs are:

	Percent
- Average Civilian Total Unemployment Rate	5.5
- Average Insured Unemployment Rate	2.4

b. UI Base Workload Level**.** The FY 2004 national base claims-related workload was formulated at 2.3 million average weekly insured unemployment (AWIU).

c. Funding Period**.** States may obligate FY 2004 UI grant funds through December 31, 2004, except that states may obligate UI funds through September 30, 2006, if such obligations are for automation acquisitions. States have an additional ninety days after the end of the funding period to liquidate obligations.

d. Postage**.** The FY 2004 UI targets identify a separate UI postage allocation. A separate line on Attachment I displays the amount withheld for federal payments to the U.S. Postal Service (USPS). This UI postage allocation is for information only. The current methodology uses projected base weeks claimed and subject employer workloads, which are totaled for each state; proxy base postage resources are calculated on a pro rata basis based on each state's share of the total workload. States will continue to use the penalty mail system during FY 2004, and the Department will continue to pay the state postage costs directly to USPS.

States should continue to use commercial mail methods for mailings that pertain to both employment security and non-employment security business. In such instances, the Department will reimburse states via supplemental budget requests for the employment security share of the cost.

7. Allocation Methodologies.

a. UI Base Staff**.**

(1) Workload Functions Allocation Methodology. The FY 2004 methodology seeks to achieve three objectives to the greatest extent possible: equitably allocate resources; enable resources to shift with workloads; and avoid abrupt shifts of resources among states from year to year.

(a) Data Sources.

1. Time Factors. The MPU values are an average of the FY 2001 data submitted in 2002 and FY 2002 data submitted in 2003.

2. Work Hours. The hours per staff year are from the FY 2004 data in the RJM data collection.

(b) Workload Forecasts. Using historical data, the National Office built statistical models that forecasted total workloads for the four claims workload items (initial claims, weeks claimed, nonmonetary determinations, and appeals) and two employer workload items (subject employers and wage records) for each state.

The FY 2004 base claims workloads for each state were derived using the annual average concept. Under this approach, the total annual workloads were projected for each state for each item, and then were reduced to budgeted national total base workloads using a straight proportional reduction. This method, as opposed to the low-quarter method, does not penalize states with wide seasonal swings in workload.

(c) Determination of Allowable MPU Factors. For FY 2004, the calculation using states' unreduced MPUs from the RJM data collection yielded 23,023 workload staff years. To fit the targets within the budget request, the allocated MPUs were developed for the six base workload activities by reducing the RJM MPUs for most states so that the number of targeted workload staff years equaled 19,490 staff years. 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 five MPU values were not reduced.

3. Within each of the six workload categories, the difference was calculated between each of the top 48 MPUs and the fifth lowest MPU. Differences were then reduced by a percent determined by available resources. 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 2002 data in the RJM data collection. No reduction was applied to BPC and UI PERFORMS staff years. Support and AS&T staff years were reduced in the same proportion as workload staff years; however, no state's Support staff years were reduced below the lesser of 15 staff years or the number of actual Support staff years used in FY 2002. Prior to FY 2003, each state was provided a fixed level of 13 Support staff years. This number has been increased to 15 staff years to include one staff year each for Internal

Security and Interstate Connection programmer. In addition, the lowest AS&T staff year request was not reduced.

b. Personnel Compensation Costs. The FY 2004 PS/PB rates were determined by using each state's FY 2002 PS/PB rate for each functional activity from the RJM data collection and increasing it by 3 percent annually.

c. Non-Personal Services. The FY 2004 NPS allocation was based on the states' FY 2002 data in the RJM data collection, less any state supplemental NPS dollars and one-time NPS increases. This amount was increased by 3 percent annually and reduced across-the-board to equal the NPS funding availability of $602,024,919.

d. State Retirement Funds. These resources provide funding for the UI share of the annual amortization cost of the unfunded liability for state agencies with independent retirement plans. The dollar levels are based on the most recent actuarial studies from each agency involved.

e. Hold-Harmless Provisions. There are two hold-harmless provisions for the FY 2004 planning targets.

(1) Claims Activity Staff Years. The "stop-loss" for claims activity staff years is 15 percent; however, no state lost more than 15 percent in FY 2004. Therefore, no "stop-loss" for claims activity staff years was imposed.

(2) Total Dollars. A "stop-loss" of 5 percent was imposed on states that would have lost more in total base dollars from FY 2003, with a resulting "stop-gain" of 5.65 percent on states that would have gained more in total base dollars. This adjustment is shown on a separate line in Attachment I.

8. General Guidelines for Above-Base Workload Resource Levels. The State Administration budget activity includes a reserve for above-base workloads and law changes; however, the President's budget request does not specifically include funds for law changes.

The National Office will use the quarterly hours data on the UI-1, the allocated claims activity staff years paid, and the allocated annual MPU values in the FY 2004 above-base certification process. States should submit the UI-1 report by October 1, 2003; the annual hours on the report should agree with the FY 2004 annual hours in the states' RJM submission.

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

b. Above-Base Instructions. General instructions for completing UI-3 reports are in ET Handbook No. 336, Chapter II. Specific implementation procedures concerning the above-base certification process will be issued later this year in a field memorandum promulgating the final FY 2004 UI allocations.

9. Standard Form (SF) 424. Instructions for completing these forms are in ET Handbook No. 336, Chapter I. The forms may be filled out online at www.sba.gov/library/forms.html. The national and regional offices will review the SF 424 only to 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 and show the quarterly distribution in item 23 (Remarks) of the form. All states should submit the SF 424B.

10. Bottom-Line Authority. The allocation methodology is a very detailed process that determines the funding level for each state; however, the assumptions made in the methodology to determine that level are not binding on the 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. This is to ensure that states do not earn more above-base resources than they would otherwise have been entitled to earn.

11. Action Required. State Administrators are requested to:

a. Provide to your appropriate budget staff the FY 2004 planning targets and above instructions as soon as possible.

b. Closely review the attached tables and notify the regional office of any problems.

c. Submit to this office (Attn: OWS/UIS) the FY 2004 SF 424, 424A, and 424B.

d. Submit to this office the FY 2004 UI-1 via UIRR by October 1, 2003.

12. Inquiries. Questions may be directed to Lloyd E. Fleming or Stephen J. Dean at 9404) 562-2122.

13. Expiration Date. September 30, 2004.

Helen N. Parker
HELEN N. PARKER
Regional Administrator

Attachments

I. State Agency Planning Targets (standard format)

II. FY 2004 Detail State Base Staff Planning Levels

III. Back-up Material for Allocation of FY 2004 UI Base Staff