

PROCEDURES FOR CLASSIFYING LABOR SURPLUS AREAS

I. GEOGRAPHIC AREAS ELIGIBLE FOR CLASSIFICATION UNDER LSA BASIC CRITERIA. Labor surplus areas (LSA) are classified on a civil jurisdiction basis. Civil jurisdictions are defined as follows:

A. A city of at least 25,000 population on the basis of the most recently available estimates from the Bureau of the Census; or

B. A town or township in the States of Michigan, New Jersey, New York, or Pennsylvania of 25,000 or more population and which possess powers and functions similar to those of cities; or

C. A county, except those counties which contain any type of civil jurisdictions defined in A or B above; or

D. A "balance of county" consisting of a county less any component cities and townships identified in paragraphs A or B above; or

E. A county equivalent which is a town in the States of Connecticut, Massachusetts, and Rhode Island, or a municipio in the Commonwealth of Puerto Rico.

II. BASIC LSA CLASSIFICATION CRITERIA. To be classified as an LSA and included on the annual listing when it takes effect on October 1 of each year, an area must have had a civilian unemployment rate during the previous two calendar years which was 20 percent or more above the average civilian unemployment rate for all States during the same 24-month reference period. Only official unemployment estimates provided to ETA by the Bureau of Labor Statistics are used in making these classifications. The average unemployment rate for all States includes data for the Commonwealth of Puerto Rico.

The basic LSA classification criteria include a "floor unemployment rate" and a "ceiling unemployment rate." These two unemployment rates are defined as follows:

A. The "floor unemployment rate" during the 2-year reference period necessary for an area to be classified as an LSA is 6.0 percent. The "floor" was established to assure that

during a period when the 2-year average unemployment rate for all States is very low, only those areas with relatively high unemployment will be eligible for LSA classification. The "floor" becomes operative whenever the average unemployment rate

for all States during the 2-year reference period falls below 5.0 percent, i.e., 5.0 times the 1.20 ratio equals the "floor" rate of 6.0 percent.

This means that if the average unemployment rate for all States during the 2-year reference period should fall below 5.0 percent, the 1.20 ratio is no longer used and only areas with an unemployment rate of 6.0 percent or above are classified as LSAs.

B. The "ceiling unemployment rate" during the 2-year reference period necessary for an area to be classified as an LSA is 10.0 percent. The "ceiling" was established to assure that during a period when the 2-year average unemployment rate for all States is very high, areas with relatively high unemployment are still eligible for LSA classification. The "ceiling" becomes operative whenever the average unemployment rate for all States during the 2-year reference period is 8.3 percent or above, i.e., 8.3 times the 1.20 ratio is not used and any area with an unemployment rate during this period of 10.0 percent or more will be classified as an LSA.

III. GEOGRAPHIC AREAS ELIGIBLE FOR CLASSIFICATION UNDER LSA EXCEPTIONAL CIRCUMSTANCE CRITERIA. Under labor surplus area exceptional circumstance criteria, the Assistant Secretary of Labor may classify civil jurisdictions, as defined under Part I above, as well as Metropolitan Statistical Areas and Primary Metropolitan Statistical Areas as labor surplus areas.

IV. EXCEPTIONAL CIRCUMSTANCE CLASSIFICATION CRITERIA. Besides the basic LSA classification criteria described in Part II, the LSA regulations permit the Department to waive these criteria when an area's unemployment increases significantly due to "exceptional circumstance." Such "exceptional circumstance" result from major plant closings or cutbacks, contract cancellations, or such catastrophic events as fires, floods, and other major disasters.

For an area to be classified as an LSA under the exceptional circumstance criteria, a petition must be received from a State employment security agency (SESA) indicating that the civil jurisdiction has had an increase in unemployment which is not temporary or seasonal and which was not adequately shown in the unemployment data for the 2-year reference period used in preparing the annual LSA listing. The SESAs are responsible for initiating the preparation and submittal of petitions requesting LSA classification under the exceptional circumstance criteria. Before preparing a petition, the SESA should first ascertain that:

A. The geographic area corresponds to a civil jurisdiction, as defined above in Part I or a Metropolitan Statistical Area or Primary Metropolitan Statistical Area as defined by the Office of Management and Budget;

B. The area has had an increase in unemployment that was not adequately shown in the area's unemployment data for the 2-year reference period;

C. The event responsible for the area's rise in unemployment has increased the unemployment rate in the area high enough to meet the basic classification requirement cited in Part II for each of the three latest months; and

D. The impact on the area's level of unemployment is not due to temporary or seasonal factors and is expected to remain at that high level during each of the next 12 months.

If these requirements are met, the responsible SESA may send a petition to ETA requesting that the area be classified as an LSA under the exceptional circumstance criteria. In the case of Primary Metropolitan Statistical Areas, the petition should be filed by the SESA responsible for developing and publishing the labor force data for the multi-state area. The petition should include:

1. Name of the civil jurisdiction, Metropolitan Statistical Area or Primary Metropolitan Statistical Area;

2. Description of the event which caused the area's increased level of unemployment;

3. Information which shows that the rise in unemployment is long-term and not due to temporary or seasonal factors;

4. Official monthly estimates of the area's labor force, employment, unemployment, and unemployment rate (prepared by the SESA following BLS procedures) for each month after the 2-year reference period;

5. Monthly projections prepared by the SESA of the area's labor force, employment, unemployment, and unemployment rate for each of the next 12 months; and

6. Supporting information to show that the long-term impact of the event is expected to keep the level of unemployment high enough to meet the basic classification criteria described in Part II of these procedures. Such supporting information can

include: narrative describing the magnitude of the major plant closing, cutback, contract cancellation, catastrophic event or major disaster; newspaper clippings, etc.

Petitions may be in narrative form with appropriate tables and documentation. The SESA should send two copies directly to the Employment and Training Administration, United States Employment Service, 200 Constitution Avenue, N.W., Attn. TEES, Room N4470, Washington, D.C. 20210, with one copy to the ETA Regional Office and one copy to the BLS Regional Office. If the petition is complete and no further information is needed, ETA will determine within 60 days whether the area is eligible for LSA classification under the exceptional circumstance criteria. The ETA will advise the SESA of this determination through the ETA Regional Office. If the area is approved for LSA classification, it will be published in the Federal Register and in Area Trends in Employment and Unemployment.

Once an area is added to the LSA listing under the exceptional circumstance criteria, the area will stay on the listing until the next annual listing becomes effective. If the area does not meet the basic classification criteria necessary for inclusion on the next annual listing, it will be dropped from the listing unless a new petition is received from the SESA and approved by ETA. In the case of Metropolitan Statistical Areas or Primary Metropolitan Statistical Areas, a new petition must be submitted and approved each fiscal year for the area to retain its LSA classification.