APPENDIX

Example 1

Thirty years ago, $1 million of Reed Act funds and $1 million of other non-Federal funds were used to acquire real property for employment security activities in real property that cost $2 million. Seventy percent (70%) of the Reed Act funds were amortized with AS&T funds (pre-1983) and the specific program distribution (ES vs. UI) of the amortization payments cannot be identified. The real property is being sold today for $6 million. The distribution of the respective equities would be based on the following calculations:

GAL Ref.	Cost Basis/Share of Each Fund Source in Vacated Building (Based on Adjusted Contributions to Cost)		
7.b.(5) 4.c. 4.d.			
	DOL Grants (allocable to AS&T Funds - 70% x $1,000,000)	$ 700,000	35.0%
	Reed Act ($1,000,000 less $700,000)	$ 300,000	15.0%
	Other Funds ($2,000,000 less $1,000,000)	$ 1,000,000	50.0%
	Total Cost	$ 2,000,000	100%

	Equity in Vacated Building by Fund Source	
	DOL equity (share allocable to UI and ES Grant Funds - 35% x $6,000,000)	$2,100,000
	Reed Act equity (share allocable to Reed Act Funds - 15% x $6,000,000)	$ 900,000
	Other Funds equity (50% x $6,000,000)	$3,000,000
	Total Sale Proceeds	$6,000,000

Ref.	Distribution of the Reed Act Share of Sale Proceeds	
	Reed Act contribution to acquisition cost of building	$1,000,000
7.b.(5)	Less: Adjusted UI and ES Grants contribution to (amortization of) acquisition cost	$ 700,000
	Adjusted Reed Act Contribution	$ 300,000

9.a.	Reed Act equity in sale proceeds	$ 900,000
	Less: Adjusted Reed Act contribution (credited Reed Act funds)	$ 300,000
9.e.(1)	Balance of Reed Act Equity (must be used solely for unemployment benefits)	$ 600,000

9.d.(1) **Note:** In the example above, only the DOL equity ($2,100,000) would be available to finance a replacement building. The $900,000 of Reed Act equity

9.e.(1) must be deposited in the State's UTF account and is subject to the immediate deposit requirement. Of this amount, only the $300,000 of credited Reed Act funds may be used again for employment security administration, including real property, with the proper appropriation. The $600,000 balance produced in the last step may be used only for unemployment benefits.

Example 2.

Twenty years ago, $1 million of Reed Act funds were used to acquire real property for employment security activities (100% of total cost of the property). The Reed Act funds were fully amortized with ES and UI grant funds. Fifty-five percent (55%) of the amortization was with AS&T funds (pre-1983) and the specific program distribution (ES vs. UI) of those amortization payments cannot be identified. The remaining 45% was amortized 60% UI and 40% ES. The real property is being sold today for $6 million and the proceeds will be used for replacement property. The replacement property will cost $20 million and the planned occupancy is 30% UI, 20% ES, and 50% other program(s). The distribution of the respective equities would be based on the following calculations:

Ref.
7.b.(5) Cost Basis of Each Fund Source in Vacated
4.c. Property (Based on Adjusted Contributions to Cost)

AS&T funds	$ 550,000	55.0%
UI funds (60% of 45%)	$ 270,000	27.0%
ES funds (40% of 45%)	$ 180,000	18.0%
Total Cost	$1,000,000	100%

Equity in Vacated Building by Fund Source	
DOL equity allocable to AS&T (55% x $6,000,000)	$3,300,000
DOL equity allocable to UI (27% x $6,000,000)	$1,620,000
DOL equity allocable to ES (18% x $6,000,000)	$1,080,000
Total Sale Proceeds	$6,000,000

Ref.

8.a. Transfer of Proceeds to Replacement Property by Fund Source

Maximum DOL share/equity allocable to UI (30% of $20,000,000)	$6,000,000	30%
Maximum DOL share/equity allocable to ES (20% of $20,000,000)	$4,000,000	20%

In this example, both the $1,620,000 of DOL equity allocable to UI and the $1,080,000 of DOL equity allocable to ES may be transferred to the replacement property. In addition, the $3,300,000 of DOL equity allocable to AS&T may be transferred:

1) to UI;
2) $2,920,000 ($4,000,000 less $1,080,000) to ES and the remaining $380,000 to UI; or
3) any other combination of UI and ES specified by the State.

After this initial transfer, the DOL equity allocable to AS&T loses its separate identity.
The remaining $14 million of acquisition cost must be financed with other funds; however, four million dollars of additional acquisition cost of the replacement property may be amortized with a combination of UI and ES funds.

Example 3.

Twenty years ago, $1 million of Reed Act funds were used to acquire real property for employment security activities (100% of total cost of the property). The Reed Act funds were fully amortized with ES and UI grant funds. Fifty-five percent (55%) of the amortization was with AS&T funds (pre-1983) and the specific program distribution (ES vs. UI) of those amortization payments cannot be identified. the remaining 45% was amortized 60% UI and 40% ES. A significant reduction in the need for employment security space in this property has occurred and the reduction appears permanent. The current occupancy is 30% UI, 20% ES, and 50% other program(s) and the current fair market value is $6 million.

The distribution of the respective equities would be based on the following calculations:

Ref.

7.b.(5) Cost Basis of Each Fund Source in Property
4.c. (Based on Adjusted Contributions to Cost)

AS&T funds	$ 550,000	55.0%
UI funds (60% of 45%)	$ 270,000	27.0%
ES funds (40% of 45%)	$ 180,000	18.0%
Total Cost	$1,000,000	100%

9.a. Share/Equity of Each Fund Source in Building Today -Before Utilization Adjustments

DOL equity - AS&T funds	$3,300,000	55%
DOL equity - UI funds	$1,620,000	27%
DOL equity - ES funds	$1,080,000	18%
Total	$6,000,000	100%

8.a. Target Distribution of Share/Equity by Fund Source After Utilization Adjustments

DOL equity - UI funds	$1,800,000	30%
DOL equity - ES funds	$1,200,000	20%
Other funds	$3,000,000	50%
Total	$6,000,000	100%

In this example, the significant and permanent reduction in the need for employment security space requires a long term plan to bring SESA equity and occupancy into balance. Some alternatives include the remission of $3,000,000 to the Department of Labor as a miscellaneous receipt or the acquisition of replacement property.

Example 4.
Real property was acquired in 1984 for employment security purposes for $1 million using $400,000 and $600,000 from the proceeds of the sale of real property previously used for employment security purposes. The proceeds are attributable to ES and UI grants, respectively. In 1985, an addition to the property was constructed with $120,000 of Reed Act funds. In 1988, Penalty and Interest money was used to install a $70,000 air conditioning system. Finally, major roof repairs were done in 1990 using $50,000 of Penalty and Interest money. The current distribution of each fund's share would be based on the following calculations:

Ref.

Current Share of Each Fund Source in Property

Ref.	Fund Source	Amount	Share
9.d.(c)	ES (transferred in 1984) ($400,000 of $1,240,000)	$ 400,000	32.2%
9.d.(c)	UI (transferred in 1984) ($600,000 of $1,240,000)	$ 600,000	48.4%
7.a.	Reed Act (1985 imp.) ($120,000 of $1,240,000)	$120,000	9.7%
	Penalty and Interest (($70,000('88)+$50,000('90)) of $1,240,000)	$120,000	9.7%
	Total cost	$1,240,000	100.0%

7.b.(8) Note: DOL reserves the right to have the fair market value of the property established as of the time the capital improvements are made and to establish revised shares based on current fair market value.