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| EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U. S. DEPARTMENT OF LABOR Washington, D.C. 20210 | CLASSIFICATION UI |
| | CORRESPONDENCE SYMBOL OWS |
| | DATE February 15, 2006 |

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 14-06
TO: ALL STATE WORKFORCE AGENCIES
FROM: CHERYL ATKINSON *Cheryl Atkinson*
Administrator
Office of Workforce Security
SUBJECT: Guidelines for Fiscal Year (FY) 2006 State Agency Unemployment Insurance (UI) Resource Allocations, Supplemental Budget Requests (SBRs), and Above-Base Funding

- Purpose. To provide the following information for FY 2006: UI State Administration base resource allocations, general guidelines for resource planning, above-base funding and SBRs.
- References. ET Handbook No. 336, 17th Edition, Unemployment Insurance State Quality Service Plan (SQSP), Planning and Reporting Guidelines; Field Memorandum (FM) No. 14-05, Fiscal Year (FY) 2006 State Agency Unemployment Insurance Resource Planning Targets and Guidelines; FM No. 15-05, Fiscal Year (FY) 2006 Unemployment Insurance (UI) State Quality Service Plan Process and State Plan Review Instructions; and Unemployment Insurance Program Letter (UIPL) No. 25-05, "Call Memo" for the Fiscal Year 2006 Unemployment Insurance State Quality Service Plan.
- Appropriation. The FY 2006 Labor-HHS spending bill that included appropriations for UI operations (Public Law 109-149) was enacted on December 30, 2005. Congressional action included an across-the-board cut of 1.0 percent. The table below shows the amounts of the President's Budget request, the appropriation, and the difference.

| | Budget Request | Appropriation | Difference |
|----------------------|-----------------|-----------------|----------------|
| State Administration | \$2,622,499,000 | \$2,497,770,000 | -\$124,729,000 |
| National Activities | 10,416,000 | 9,900,000 | -516,000 |
| Total | 2,632,915,000 | 2,507,670,000 | -125,245,000 |

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| RESCISSIONS None | EXPIRATION DATE February 28, 2007 |
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4. Average Weekly Insured Unemployment (AWIU) and Contingency Reserve. The appropriation provides for an apportionment of contingency reserve funds should the AWIU level exceed 2.800 million. \$28.6 million will be made available for every increase of 100,000 (including a pro rata amount for any increment less than 100,000) in the AWIU above the 2.800 million level. Based on the Administration's November 2005 economic assumptions, we project that a contingency reserve amount of \$42,328,000 will be available in FY 2006. These funds will be apportioned in addition to appropriated funds if the additional above base workload is experienced.
5. Impact of the Reduction in the Appropriation. The FY 2006 appropriation before the 1% cut would have fully funded the base planning target allocations and above base workloads up to 2.800 million AWIU. The 1% reduction, which amounts to \$25.2 million, will be taken entirely from above base funds. Therefore, the final base allocations remain unchanged from the planning targets. We estimate that the \$25.2 million reduction in above base funds will require a reduction of 17 percent to what otherwise would be each state's above-base entitlement. Should actual workloads vary substantially from current estimates, the above base reimbursement rate will be adjusted, either up or down, later in the year.
6. Other Above-Base Funding Information
 - a. Support. The above-base overhead percentage remains at 19 percent. Although Trade Adjustment Assistance (TAA) administration is not an above-base function, its overhead percentage is also 19 percent.
 - b. Trade Redeterminations. Currently, there are no court decisions regarding the TAA program that would require the states to make monetary redeterminations. If one occurs, states should follow the UI-3 reporting instructions in ET Handbook No. 336, 17th Edition.
7. Supplemental Budget Requests (SBRs). The SQSP Handbook contains SBR instructions and procedures that remain in place each year unless states are instructed otherwise. FM No. 15-05 contains additional guidelines for Regional Office review of SBRs. States may submit a Standard Form (SF) 424 for additional funds for certain types of administrative costs (listed below) that are not funded within the states' base and above-base grants.
 - a. Special Projects. Proposals for states that received reemployment and eligibility assessments grants in FY 2005 to continue those initiatives in FY 2006 have been solicited. In addition, states will have the opportunity to apply for funds to improve information technology security, and for other purposes that improve integrity and efficiency. Specific instructions will be provided to states in separate advisories.
 - b. UI Performs Travel. Travel dollars are available for Benefit Accuracy Measurement Peer Reviews, Benefits Timeliness and Quality nonmonetary determinations tripartite reviews, appeals reviews, and Tax Performance System integrity reviews. States should provide

travel plans and reimbursement requests to the Regional Office rather than submitting an SF 424 for these travel dollars.

- c. Postage SBRs. States must submit UI postage SBRs for the first three quarters to the National Office no later than 30 days after each quarter has ended. Because the National Office must obligate base postage funds by September 30, states should include estimated fourth quarter UI postage costs, based on historical data, with the third quarter SBR. Additionally, states that submit UI postage SBRs should include an annual estimate with the first quarter SBR.
8. State Flexibility. States have full authority to shift UI resources among program categories as deemed appropriate and necessary to manage and operate their UI programs to meet established goals and requirements. The only caveat is that states must use the annual allocated staff year level for claims activities for above-base reporting purposes. This ensures that states do not earn more above-base resources than they otherwise would have been entitled to earn.
9. Action Required. State Administrators are requested to provide copies of this information to the appropriate staff.
10. Inquiries. Questions should be addressed to the appropriate Regional Office.