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ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 21-17

TO: STATE WORKFORCE AGENCIES

FROM: BYRON ZUIDEMA /s/
                Deputy Assistant Secretary

SUBJECT: Additional Planning Guidance for the Fiscal Year (FY) 2018
                Unemployment Insurance (UI) State Quality Service Plan (SQSP)

1. **Purpose.** To initiate the SQSP process, provide supplemental instructions, and define additional requirements for the FY 2018 SQSP.

2. **References.**
   - Section 303(a)(1) of the Social Security Act (SSA);
   - Government Performance and Results Act (GPRA) of 1993, Pub. L. 103-62, as amended by GPRA Modernization on Act of 2010, Pub. L. 111-352;
   - Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. L. 111-204 (31 U.S.C. 3301 note and 3321 note);
   - Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Pub. L. 112-248;
   - Section 103 of the Workforce Innovation and Opportunity Act (WIOA), Pub. L. 113-128;
   - 20 CFR Parts 601, 640, 650, 652, and 660;
   - Unemployment Insurance Program Letter (UIPL) No. 14-05, *Changes to UI Performs,* and its Changes 1, 2, and 3;
   - UIPL No. 22-05, *Unemployment Insurance Data Validation (UI DV) Program Software and Policy Guidance,* and its Changes 1 and 2;
   - UIPL No. 3-07, *Use of National Directory of New Hires (NDNH) in Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) Audits,* and its Change 1;
   - UIPL No. 3-10, *Revisions to Employment and Training (ET) Handbook 336, 18th Edition: "Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines"*;
   - UIPL No. 22-10, *Selecting and Monitoring At-Risk States for Continuous Improvement and Compliance with First Payment Timeliness and First Level Appeals Promptness*;
   - UIPL No. 03-11, *Implementation of the Effective Audit Measure*;

| RESCISSIONS None | EXPIRATION DATE December 31, 2018 |

- UIPL No. 19-11, *National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program*;
- UIPL No. 34-11, *Performance Measure for Unemployment Insurance (UI) Integrity*, and its Change 1 and Change 2;
- UIPL No. 09-13, *Integrity Performance Measures for Unemployment Insurance (UI),* and its Change 1;
- UIPL No. 17-14, *Revised Employment and Training (ET) Handbook No. 336, 18th Edition: "Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines"*;
- UIPL No. 13-15, *Fiscal Year (FY) 2015 Unemployment Insurance (UI) Reemployment Services and Eligibility Assessment (RESEA) Grants*;
- UIPL No. 07-16, *Fiscal Year (FY) 2016 Unemployment Insurance (UI) Reemployment Services and Eligibility Assessment (RESEA) Grants*;
- UIPL No. 17-16, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Process: High Priority Designation of States with Sustained Poor Performance*;
- UIPL No. 03-17, F*iscal Year (FY)2017 Unemployment Insurance (UI) Reemployment Services and Eligibility Assessment (RESEA) Grant*;
- Workforce Innovation and Opportunity Act; Notice of Proposed Rulemaking; Proposed Rules, 80 Fed. Reg. 20573-20687 (April 16, 2015);
- Training and Employment Notice (TEN) No. 08-14, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes*;
- TEN No. 03-15, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes: Update on Implementation Progress and State Impacts;*
- ET Handbook No. 336, *Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines,* 18th Edition, Change 3 (April 2014);
- ET Handbook No. 395, *State Operations Handbook for the Unemployment Insurance (UI) Benefit Accuracy Measurement (BAM) Program,* 5th Edition (November 2009); and
- ET Handbook No. 401, 4th Edition, *UI Reports Handbook No. 401.*

3. **Background.** The SQSP is the state's UI performance management and service plan. It represents an approach to the UI performance management and planning process that allows for an exchange of information between Federal and state partners to enhance the UI program's ability to reflect their joint commitment to performance excellence and client-centered services. As part of UI Performs, the comprehensive performance management system for the UI program, the SQSP is the principal vehicle that state UI programs use to plan, record, and manage improvement efforts as they strive for excellence in service.

The SSA authorizes the Secretary of Labor to provide funds to administer the UI program and governs the expenditure of those funds. Therefore, the SQSP is the part of the process by which states receive Federal UI administrative grants.

ET Handbook No. 336 contains general instructions for the SQSP (See UIPL No. 03-10). This Handbook is designed as a permanent instruction for the planning and budget

process and provides states with planning guidelines and instructions for reporting UI financial and staff year information.

ET Handbook No 336 is approved under OMB No. 1205-0132. The Handbook provides that the Employment and Training Administration (ETA), in the U.S. Department of Labor (Department), will issue an SQSP UIPL each year with additional planning guidance that supplements the Handbook and provides direction and instructions specific to the upcoming FY.

4. **National Priorities.** The SQSP process focuses on promoting state performance and integrity, aligning state UI administration and operations with national policies, paying benefits accurately and timely, and connecting UI claimants with needed reemployment services.

   Each year, after consulting with our stakeholders, ETA establishes national priorities for the UI program. For FY 2018, ETA's top priorities include a continued focus on the prevention, detection, and recovery of improper payments; improved program performance; implementation of the WIOA provisions that relate to the UI program; and robust and innovative reemployment service delivery strategies for UI claimants to speed their return to work.

   ETA provides the following national priorities for FY 2018 to help states develop their SQSP. States should also establish additional state-level priorities for their UI program.

   Improving State Capacity to Administer and Operate the UI Program Effectively

   The UI program acts as an important economic stabilizer when areas experience contractions in their labor markets. It is also a critical safety net for eligible American workers who are unemployed and are able to work, available to work, and actively seeking work. States continue to struggle with administrative and operational challenges, including changes in program leadership in many states; the need to make program improvements to aging technology systems and/or to implement new technology solutions; the need to reduce staffing levels as workloads and funding decline; the loss of key subject matter expertise due to retirements; new staff who are still learning the program; and overall challenges to improving program performance. In developing their SQSPs, states are strongly encouraged to incorporate administrative capacity-building strategies such as:

   - Conducting a business process analysis to identify opportunities for improving program operations, and implementing recommendations from the analysis to improve performance;

   - Using Supplemental Budget Request opportunities to implement strategies to enhance state capacity by using information technology to improve staff productivity, implement new tools and strategies to reduce improper payments, and improve program performance;

- Reviewing staff training strategies to support succession planning and ongoing staff development for new staff; and

- Using technical assistance opportunities offered by the Department, the UI Information Technology Support Center (ITSC), and the UI Integrity Center of Excellence, as well as the peer-to-peer communication platforms and other information sharing tools available through the UI Community of Practice (CoP).

ETA is eager to work with states to make the SQSP process a meaningful management tool to be used by states as a strategic road map to improve program administration and ensure quality service delivery.

Improving Prevention, Detection, and Recovery of UI Improper Payments

ETA recognizes that states have made improving program integrity a major priority in recent years. Nevertheless, the UI program has not met the targets in the Improper Payment Elimination and Recovery Act (IPERA) of 2010. The UI program has been out of compliance since 2012. This is a critical issue given the adverse impact that improper payments have on state UI trust funds. Integrity efforts not only help preserve these unemployment funds and control UI tax rates, but they also maintain the public trust that the program is protected and operated as intended. As such, there will be a continued effort for ETA and the states to work collaboratively to aggressively reduce improper payments.

ETA expects states to continue to implement national integrity strategies that focus on the largest root causes where states have the greatest likelihood of being able to prevent improper payments including:

- Failure of claimants to comply with state work search requirements (Work Search);

- Payments to individuals who continue to claim benefits after they have returned to work (Benefit Year Earnings); and

- Failure of employers or their third-party administrators to provide timely and adequate information on the reason for an individual's separation from employment (Separation).

ETA encourages states to use the resources of the UI Integrity Center operated by the National Association of State Workforce Agencies. The UI Integrity Center continues to develop new products and should be considered a technical assistance resource for states in addressing integrity related matters. Among its offerings to states, the Center compiles best practices for state operation of Benefit Payment Control (BPC) functions, develops training modules for state integrity staff, and responds to individual state's requests for assistance with integrity operations. When identifying potential strategies to address improper payments, states are also encouraged to seek out the Integrity tab on

the UI CoP on the WorkforceGPS website, which is populated with best practices by the Integrity Center (see https://ui.workforcegps.org).

States should continuously assess whether there are other state-specific strategies that will improve their capacity to address the root causes of the state's improper payments and include those strategies in the Integrity Action Plan (IAP), which is a key component of the SQSP submission. For example, states should review their current laws, regulations, policies, procedures, and practices that may have the unintended consequence of creating improper payments.

Improving Program Performance Nationally

ETA has embarked on a multi-pronged strategy designed to significantly bolster program accountability and facilitate performance improvement nationally. For FY 2018, ETA will continue the following strategies to meet this objective:

- Continue to provide intensive technical assistance to support performance improvements for states with sustained poor performance;

- Continue to use the UI performance management system, UI Performs, which includes core measures and Secretary's Standards to monitor state performance; and

- Implement improvements to the SQSP process as part of a broader effort to reengineer UI benefit accountability processes for the program as a whole.

States will also be expected to implement and use the new UI Benefits Operations State Self-Assessment Tool, which will focus on reviewing benefit operations in the various functional and program areas. The states should use the tools and the results of its review to identify and address areas needing improvement in their operations. More information will be provided as this new tool is rolled out to the states.

As states develop their SQSPs, they should consider including strategies that will significantly enhance program accountability and performance improvement, and seek technical assistance through ETA's regional offices (ROs).

Workforce Innovation and Opportunity Act (WIOA)

The enactment of WIOA on July 22, 2014, has a number of impacts for the UI program including, but not limited to: provisions related to the requirements for mandatory one-stop partners, which includes UI; the type of UI career services that must be provided in one-stop centers; and amendments to the Wagner-Peyser Act that speak to the types of employment services that should be available to UI claimants. WIOA seeks to modernize the workforce system to provide comprehensive, integrated, and streamlined services, which requires linking and aligning the different one-stop partners.

As a mandatory one-stop partner, the UI program continues to be a vital program within the workforce system and UI claimants continue to be critical customers for the system. As such, UI state agencies play an important role in the implementation of WIOA and must work collaboratively with other workforce system partners to fully connect UI claimants to the full range of reemployment services delivered through the American Job Centers (AJCs), on-line systems, and through the states' rapid response programs.

States are strongly encouraged as they develop their SQSPs to address implementation of the WIOA provisions as they relate to the operations of the UI program, which include:

- Integrating the delivery of services to UI claimants;

- Ensuring meaningful assistance to UI claimants is provided in the AJCs; and

- Partnering with the Wagner-Peyser Act-funded Employment Service (ES) program to ensure employment services are available to UI claimants.

Reemployment of UI Claimants

Reemployment of UI claimants remains a top priority for the entire workforce system, including UI, and, as stated above, is reinforced with the enactment of WIOA. In FY 2015, ETA made important changes to the Reemployment and Eligibility Assessments (REA) program, now called the Reemployment Services and Eligibility Assessments (RESEA) program. Funding for this program may now be used for the delivery of career services in addition to conducting eligibility assessments. With RESEAs, there is a focus on targeting claimants that are most likely to exhaust their UI benefits and recipients of Unemployment Compensation for Ex-Servicemembers (UCX) benefits. The goal is to provide these populations with a range of services to facilitate enrollment in other workforce programs given they are more likely to have more barriers to reemployment. For more information on the RESEA program, please see
UIPL No. 13-15 (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4482);
UIPL No. 07-16 (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6312); and
UIPL No. 03-17 (httpss://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5218).

As states develop their SQSPs, they should consider including innovative and robust reemployment strategies that are jointly developed in collaboration with workforce system partners, including, but not limited to, the WIOA Adult and Dislocated Worker programs, the Wagner-Peyser Act-funded ES program, and the Trade Adjustment Assistance program. ETA recommends that UI program staff collaborate with these partners to ensure the strategies reflect the agreement(s) made as part of the WIOA state planning process and as part of the local WIOA Memorandum of Understanding process.

Strategies to consider include:

- Developing integrated registration processes that produce a more complete profile of UI claimants so that AJCs may better serve them by more efficiently targeting reemployment services and job referrals;

- Connecting UI and UCX claimants as quickly as possible to the public labor exchange systems so that they may start receiving job referrals immediately, and consider periodically "pushing" jobs to claimants throughout the claim cycle;

- Integrating information technology systems to support improved reemployment service delivery; and

- Using ongoing assessments to determine whether UI and UCX claimants are having a difficult time finding a job and need additional services. This may include periodic reviews and adjustments to the state's worker profiling model to ensure it is still properly identifying claimants most likely to exhaust and be in need of reemployment services.

Improving Data Validation and Federal Reporting

Data Validation (DV) is a systematic procedure for assessing the accuracy of UI reports required by ETA and is a critical part of guaranteeing the integrity of the UI program as a whole. DV informs several essential government functions including performance assessment, budget formulation, and economic management. By ensuring states are reporting accurate counts and storing key data points correctly, the performance and workload of a state UI program is more accurate. The Department uses UI DV results to evaluate the accuracy of the data states report on selected UI required reports. Accurately reported data are essential for properly assessing state performance, for ensuring that states are treated equitably when administrative funds are distributed, and for providing a basis for many statistical research analyses.

Because performance measures are intended to guide and assist states in improving their performance and service to their ultimate customers (workers and employers), states also have an interest in ensuring that the data from reports, upon which these measures are based, are correct. The DV system includes detailed guidance to state programmers for correctly constructing various report elements. This not only ensures they will construct the DV extract files accurately, but also will simplify their tasks when new tax or benefit system software is installed.

Addressing Worker Misclassification

States should monitor their performance under the Effective Audit Measure (See UIPL No. 03-11 (https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2971)) to determine whether they are effectively detecting and preventing worker misclassification.

States may deploy a wide array of strategies to address worker misclassification. ETA encourages states to develop and implement state-driven strategies to address the misclassification of workers and to include those strategies in the state's SQSP. ETA will continue to identify state "best practices" in this area and share them broadly. The UI CoP provides states the ability to review and select best practices from other states that they can implement to address the issue of worker misclassification.

Government Performance and Results Act (GPRA) UI Performance Measures (Federal Emphasis)

The Government Performance and Results Act of 1993 requires a commitment from all Department programs to attain expressed goals and objectives. Achieving these objectives requires the combined efforts of the Federal and state partners.

In recognition of the national priorities, attention continues to be focused on the following GPRA goals for FY 2018, with targets that the system as a whole is expected to meet. States should continue to strive to reach or exceed these GPRA goals and targets. See https://oui.doleta.gov/unemploy/docs/GPRA_Summary_Report.asp for the FY 2018 GPRA goals and targets.

- *Percent of Intrastate Payments Made Timely* (*Make Timely Benefit Payments*)

  o **Target:** 87.0 percent of intrastate first payments for full weeks of unemployment compensation will be made within 14/21 days from the week ending date of the first compensable week.

- *Detection of Recoverable Overpayments* (*Detect Benefit Overpayments*)

  o **Target:** Overpayments established will be at least 61.9 percent of the estimated detectable, recoverable overpayments.

- *Percent of Employer Tax Liability Determinations Made Timely* (*Establish Tax Accounts Promptly)*

  o **Target:** 89.0 percent of status determinations for new employers will be made within 90 days of the end of the first quarter in which liability occurred.

- *UI Re-employment Rate.* A measure of the reemployment rate at the second quarter after exit for all UI claimants registered with the Wagner-Peyser Act-funded ES system includes all participants receiving UI benefits, regardless of whether or not they came into the program employed (an example of which would be a claimant with part-time employment and earnings below the state's earning allowance). The data for the implementation of this UI measure will require new reporting by the states. The new data collection process began in November

2016, with first reports to ETA due in July 2017. A target will be implemented upon availability of adequate data to conduct analysis and to establish an annual national target for this measure. ETA expects to establish a national target for this measure in FY 2019.

5. **WIOA Combined State Plans.**

WIOA provides the option for states to include program plans for mandatory one-stop partners and other programs to submit a Combined Plan. Given that the UI program is a mandatory one-stop partner, states have the option of including the UI program as part of the WIOA Combined State Plan. However, each state must participate in the UI Performs SQSP process, whether or not the state decides to include UI as part of its WIOA Combined State Plan.

States electing to include UI in a Combined Plan must incorporate the SQSP in its entirety into the Combined Plan through the Combined State Plan process. Subsequent SQSPs are to be incorporated into the Combined Plan upon approval of the SQSP, but no later than October 31, 2017.

For the states that choose to include UI in a Combined Plan, these states must cut-and-paste the SQSP documents into the WIOA State Plan Portal. However, the Portal has limitations, and not all approved SQSP documents can be incorporated into the Portal. Below are specific instructions for including SQSP documents into the Portal:

a) **Transmittal Letter**: The Portal does not support Adobe Portable Document Format (PDF); therefore, states including UI in a Combined Plan must include the unsigned Microsoft Word version of the transmittal letter into the Portal. States are to add a note at the end of this section in the Portal that the signed copy of the transmittal letter is maintained with the state agency and the RO.

b) **SQSP Narrative, Corrective Action Plans (CAPs), and IAP**: The CAP and Quarterly Reporting Workbook documents are Excel documents with multiple rows in a single column, which is not supported by the Portal. Therefore, states including UI in a Combined Plan must use the Microsoft Word version of the CAP, IAP, and Narrative forms.

c) **Budget Worksheets/Forms:** The Portal does not support Adobe PDF; therefore, states including UI in a Combined Plan must add a note at the end of the section that includes information from the SF 424: the title, description, funding total, project start and end date, and the name of the authorizing representative. The note also must include a statement that the signed copy of the SF 424 and other appropriate budget-related forms are maintained with the state agency and the RO.

d) **Organization Chart:** These charts are to be converted to Microsoft Word and cut-and-pasted into the Portal. If the state cannot convert the chart into Microsoft Word

format, the state must add a note at the end of this section in the Portal that the Organization Chart is maintained with the state agency and the RO.

e) **SQSP Signature Page:** The Portal does not support Adobe PDF format; therefore, states including UI in a Combined Plan must include the unsigned version of the Signature Page. The approving official's name must be typed on the form that is submitted into the Portal. States must include a note at the end of this section in the portal that the signed copy of the "SQSP Signature Page" is maintained with the state agency and the RO.

Note: Since the Portal has limitations and does not support PDF documents, signed signature pages cannot be loaded. Therefore, all approved/signed SQSP documents must also reside in the RO

6. **UI Program Performance and Criteria for FY 2018.**

The attachment lists the performance criteria for the Core Measures, Secretary's Standards, and other program requirements where CAPs and/or Narratives may be expected if annual performance is not acceptable.

A. **Core Measures**. Performance below the ALPs for Core Measures is expected to be addressed in a CAP unless otherwise indicated. Core Measures are listed in Attachment A.

Additional instructions for Core Measures are as follows:

- *UI Re-employment Rate*. A measure of the reemployment rate at the second quarter after exit for all UI claimants registered with the Wagner-Peyser system includes all participants receiving UI benefits, regardless of whether or not they came into the program employed. The data for the implementation of this UI measure will require new reporting by the states. The new data collection process began in November 2016, with first reports to ETA due in July 2017. A target will be implemented upon availability of adequate data to conduct analysis and to establish an annual national target for this measure. ETA expects to establish a national target for this measure in FY 2019.

- *The Detection of Overpayments Measure*. This measure is the percentage of detectable/recoverable overpayments established for recovery. States reporting an overpayment detection rate below 50 percent are expected to address the deficiency in a CAP. Also, because states mostly cannot cost-effectively detect and establish more than 90 percent of estimated overpayments, an upper limit of 95 percent has been established for monitoring purposes. States reporting ratios over 95 percent are expected to explain in the Narrative section the reasons for the higher-than-expected ratios. If an overpayment rate above 95 percent is the result of improper administration of BAM or BPC activities or misreporting of data on the ETA 227 (Overpayment Detection and Recovery Activities) report, the state is

expected to submit a CAP (for BAM/Overpayment Detection or BPC/Overpayment Detection). The CAP is to be designed to produce valid data for the Overpayment Detection Measure. The performance period for the BPC component is the three-year period ending March 31, 2017; the performance period for the BAM component is the three-year period ending September 30, 2016.

- *UI Integrity Measure - Benefit Year Earnings (BYE)*. This measure has been discontinued. ETA is currently developing a management information measure (Average Amount of UI Overpayment (AUO)) that will assist states in capturing and analyzing their overpayments levels. More information regarding the AUO will be provided in future guidance.

- *Effective Audit Measure*. The Effective Audit Measure, as noted in UIPL No. 03-11, is a blended measure of the following four factors: 1) *Percent of Contributory Employers Audited Annually*, 2) *Percent of Total Wage Change From Audit*, 3) *Percent of Total Wages Audited*, and 4) *Average Number of Misclassifications Detected Per Audit*. Each of the four factors has a minimum standard score that states must attain to pass the Effective Audit Measure, as well as an overall combined score that must be met. The measure also requires states to direct additional emphasis to the factor(s) that they deem important to their state. An additional two points must be earned among any of the four factors to attain the overall passing score of at least 7.0. States that do not meet this measure will be expected to develop a CAP based on CY 2016 data.

- *Improper Payments Measure*. The Improper Payments Measure is defined as UI benefits overpaid and underpaid, estimated from the results of the BAM survey of paid UI claims in the State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX) programs.

Before the enactment of IPERIA, ETA used a methodology which subtracted UI overpayment recoveries for the computation of the estimated improper payment rate. However, IPERIA requires agencies to include all identified improper payments in the reported estimate, regardless of whether the improper payment in question has been or is being recovered. ETA's revised methodology, consistent with IPERIA, no longer nets out recoveries for the computation of the improper payment rate. Please refer to UIPL No. 09-13, Change 1, for a detailed discussion on the changed methodology.

In accordance with requirements in section 3(a)(3)(F), IPERA, an ALP of less than 10 percent has been established for the improper payment measure. That is, states must maintain an improper payment rate of less than 10 percent for covered programs. This ALP is applicable to the 2016 (Improper Payments Information Act) IPIA performance period (June 28, 2015 to June 25, 2016). States failing to

meet the ALP for the 2016 IPIA performance period will be expected to develop a CAP as part of the FY 2018 SQSP.

- *UI Overpayment Recovery Measure*. As explained in UIPL No. 09-13, the recovery rate is "the amount of improper overpayments recovered divided by the amount of improper overpayments identified." The ALP for the recovery rate measure is 68 percent for the 2016 IPIA performance period. The Department will compute future recovery targets based on the most recent recovery and other performance data available.

  The performance period will be based on data from the ETA 227, Overpayment Detection and Recovery Activity (Regular), and ETA 227, Overpayment Detection and Recovery Activity (Emergency Unemployment Compensation) (EUC), for the IPIA period (July 1, 2015 to June 30, 2016 of the IPIA reporting year). Pursuant to the UI Reports Handbook (ET Handbook No. 401, 4th edition), the June quarter ETA 227 reports are due August 1st. States failing to meet the ALP for the 2016 IPIA performance period will be expected to develop a CAP as part of the FY 2018 SQSP.

B. **Secretary's Standards**

Performance below the criteria for the Secretary's Standards established in regulation at 20 CFR Parts 640 and 650 is expected to be addressed in a CAP. Secretary's Standards are listed in the attachment.

C. **UI Programs**

The following UI Programs must be addressed as described below:

- *National Directory of New Hires (NDNH)*

  State BAM operations that, based on the BAM Administrative Determination, are not compliant with the NDNH matching requirements in ET Handbook No. 395, 5th Edition, chapter VI, UIPL No. 03-07, and UIPL No. 03-07, Change 1, must be addressed in a CAP for FY 2018.

- *Benefit Accuracy Measurement (BAM)*

  State BAM operations or operational components that, based on the BAM Administrative Determination, are not compliant with investigative and/or method and procedure requirements established in ET Handbook No. 395, 5th Edition, and through findings established through ET Handbook No. 396, 4th Edition monitoring reviews (based on the annual determination letter issued May 1, 2017), must be addressed in a CAP. This includes paid and denied claim population variances outside established control limits.

- *Tax Performance System (TPS)*

To ensure that UI tax operations are in compliance with Federal reporting and oversight requirements, failure to conduct one or more TPS sample reviews will be subject to a CAP. Additionally, a tax function that is not sampled will be included in the number of total failing functions as measured by Tax Quality Part A (no more than three tax functions may fail TPS review), and Part B (a tax function cannot fail for three consecutive years).   Exceptions include universes that are too small to support a sample ("S"), an Experience Rate sample that was not scheduled for review during the performance year ("E"), or the granting of a temporary waiver by the RO ("W"). Program Review Findings Charts should be noted accordingly.

- *Data Validation (DV)*

The deadline for submitting DV results is June 10, 2017. DV items that fail to pass validation or that are due but not submitted are expected to be addressed in the state's FY 2018 SQSP. Non-submitted items include failures to certify that Module 3 of the DV Benefits and Tax Handbooks are up-to-date during the April 1 – June 10, 2017, certification window.

Any DV items due for Validation Year (VY) 2017 that do not pass or are not submitted by the June 10, 2017, deadline must be addressed in a CAP for FY 2018.

ROs will monitor states every three years on cycles coinciding with the DV validation year. They will assess the accuracy of the state's DV results considered passing or not due as of the time of the monitoring review to verify that the states are properly implementing the DV program. DV items submitted as passing but which a monitoring review determined to have failed must also be addressed in the SQSP. The FY 2018 SQSP CAP will include DV items failing after review in the VY 2017 monitoring cycle (monitored between June 11, 2016 and June 10, 2017). All subsequent SQSP cycles will address items changed from pass to fail in the previous year's monitoring review.

- *UI Program Integrity*

States are required to report their planned activities to prevent, detect, reduce, and recover improper UI payments in their IAP, which should be submitted as part of their SQSP submission. States should convene their previously established cross-functional integrity task force to update their IAP. States must analyze their BAM data to identify the top root causes for improper payments and develop strategies that will be effective in reducing or recovering improper payments. The most recent state data are available at the Department's Web site at https://www.dol.gov/general/maps/data.

ETA will continue to provide technical assistance to states to support their integrity activities through webinars, individual state technical assistance, and in partnership with the UI Integrity Center. States are strongly encouraged to review and consider the use of the Integrity Center's products and tools as part of their own state-specific work search strategies. These products and tools are posted on the "Integrity" tab at https://ui.workforcegps.org/. In addition, ETA will work with states to expand participation in the Treasury Offset Program for the recovery of overpayments, to implement and use the State Information Data Exchange System for obtaining timely and complete separation information, and to more effectively use the NDNH and other overpayment prevention tools for BPC.

The format and instructions for the UI Program Integrity Action Plan are in ET Handbook 336, 18th Edition, Appendix I.

D. **Other UI Performance**

States are expected to address the following performance deficiencies in the SQSP Narrative, unless otherwise indicated:

- Failure to conduct required program reviews;

- Deficiencies identified during required program reviews;

- Failure to meet reporting requirements; and

- Invalid recording of the Issue Detection Date (IDD) and Determination Date (DD). The validity of the UI Performs nonmonetary determination timeliness measure depends on the accuracy of the state's IDD and DD data. IDD and DD data are considered accurate if dates were correct in at least 95 percent of the nonmonetary determinations evaluated in the quarterly quality samples (obtained from the ETA 9056 report). Since the accuracy of IDD and DD data is based on sample results, sampling variation will be taken into account in setting the percentage below which a state's data will be considered inaccurate. States with invalid IDD or DD data are expected to address the steps they will take to record the IDD and DD correctly in the SQSP Narrative.

7. **SQSP Planning Guidance and Requirements.** ET Handbook No. 336, 18th Edition, Change 3, and this UIPL, provide guidelines for the completion and submission of the SQSP for FY 2018.

The Department's strategic approach to UI Performs is to focus efforts on improving the performance of states where performance is below minimum criteria while promoting overall excellence. To that end, CAPs and/or Narratives are expected whenever a state's performance does not meet established criteria for the SQSP measurement period and remains uncorrected before the preparation of the SQSP.

The measurement period for the FY 2018 SQSP is April 1, 2016 – March 31, 2017, unless otherwise indicated (see attachment). CAPs and Narratives addressing performance deficiencies are components of the state's formal plan and schedule for improving performance; therefore, the causes of performance shortfalls should be thoroughly analyzed before the development of the state's SQSP.

A. **SQSP Submittal**

The SQSP process provides a 24-month window for states to adequately plan and implement performance improvement efforts. The process provides for two types of submittals: a Formal two-year (biennial) plan and an *Alternate* year plan.

1) SQSP Formal Submittal: The Formal submittal consists of a complete SQSP package. It must contain a transmittal letter, the State Plan Narrative, CAPs, the IAP, budget worksheets/forms, assurances, organizational charts, a Signature Page, and other required administrative documents as requested. For the two-year planning cycle, states must submit quarterly targets and milestones for both years.

   States may also develop extended multi-year CAPs so that efforts that must extend beyond the two-year planning cycle due to their size, scope, or complexity can be realistically portrayed. Out-year portions of such multi-year plans do not need to provide quarterly targets or milestones (as required for the two-year SQSP planning cycle) but should provide enough information to explain anticipated progress and results.

2) SQSP *Alternate* Year Submittal: The SQSP *Alternate* year submittal consists of items included in the state's request for Federal UI administrative funding, as well as modifications to SQSPs. It must contain at the least, a transmittal letter, budget worksheets, organizational chart (if changed), SQSP Signature Page, CAPs for new performance deficiencies, and required modifications to existing CAPs.

   Since states and ROs will continue to review reported performance data, monitor program performance, and initiate corrective actions when warranted, the SQSP *Alternate* year submittal will require states to submit new CAPs to describe, for example:

   - Corrective actions the state will take based on findings made in RO performance reviews; and

   - New performance deficiencies identified in RO reviews of state performance data during the most recent performance year.

   States will be informed by their RO if modifications are required to the State Plan Narrative, existing CAPs, and IAPs to include, for example:

- Missed milestones; and

- New strategies for performance improvement.

Budget worksheets and various assurances will continue to be submitted annually since funds for UI operations are appropriated each FY. These and other required documents related to the Federal UI administrative funding process are to be submitted with both the Formal (biennial) SQSP and the *Alternate* year submittals.
Additional descriptions of the Formal and *Alternate* year submittal, SQSP cycle schedule, significant activities, and dates relating to the submittal and approval of the SQSP are outlined in ET Handbook No. 336, 18th Edition, Change 3.

B. <u>SQSP Preparation</u>

States must use the Excel CAP Workbook to develop their CAPs and IAPs for the SQSP submissions. States must use the CAP Workbook also for reporting updates to the specific milestones and performance each quarter. The RO will provide states with the Excel Workbook and specific instructions at the beginning of each SQSP planning cycle.

C. <u>The "At-Risk" Process</u>

ETA had previously identified persistently low performing states as "At-Risk" since FY 2011, because of consistently significant low performance for the first payment and appeals timeliness measures. States that have been identified as "At-Risk" in previous years will continue to work collaboratively with ETA to achieve performance improvement. The action strategies and technical assistance activities are to be included in the state's SQSP CAP for those measures that have caused the state to be designated "At-Risk."

The "At-Risk" designation will continue until each of the remaining states designated as "At-Risk" meets the ALP for the identified performance measure for six consecutive months, and is likely to continue to sustain this performance improvement. These states will also continue to receive enhanced technical assistance as needed.

The ROs must schedule and conduct quarterly status calls with each "At-Risk" state to discuss the state's progress in implementing the activities and strategies identified in the SQSP, and the state's progress towards achieving the performance standards.

D. <u>High Priority States</u>

As part of the reengineering of its program oversight and accountability processes, ETA developed a new process for identifying states that are considered to be "High Priority" and in need of more intensive technical assistance. Please refer to TEN Nos. 08-14 and 3-15 for details. The High Priority model is designed to take a variety of important program performance measures relating to UI benefit payment performance, integrity, and operations, and to produce a score for each state. The methodology was developed to

include integral parts of UI Performs core measures, DV results, and program integrity-related data.

The selected "High Priority" state(s) will be formally notified by ETA with information on the specific focus areas that caused their selection under this initiative. One of the key aspects of this process is an on-site review with each "High Priority" state by a select expert team of program specialists. The expert team will include National, Regional, and state subject matter experts on the issue areas identified as needing improvement. ETA will work collaboratively with each state to identify strategies and action steps to enable the state to improve its performance in the areas identified by the on-site review. The High Priority designation framework and process are outlined in UIPL No. 17-16.

The High Priority designation will continue until the state completes corrective actions resulting from the state's on-site review; meets the standards for the core measures related to the areas of concerns during the initial designation process for six consecutive months, and is likely to continue to sustain this performance improvement; and maintains performance in other program areas without any diminution of performance.

ROs must schedule and conduct quarterly status calls with each High Priority state to discuss the state's progress in implementing the activities and strategies identified during the on-site review and in the state's SQSP. The quarterly calls will include the High Priority state, the RO, and the National Office.

E. **SQSP Assurances**

By signing the SQSP Signature Page, a state certifies that it will comply with the assurances listed in ET Handbook No. 336, 18th Edition, and institute plans or measures to comply with the requirements for each of the assurances.

States will continue to provide information for the Assurance of Contingency Planning and the Assurance of Automated Information Systems Security. In the State Plan Narrative, Section H, states are expected to provide the dates that their Information Technology (IT) Contingency Plan, System Security Plan, and Risk Assessment were implemented, tested, and reviewed/updated.

States must:

1) Review and, if necessary, update, and test its IT Contingency Plan annually;

2) Review and/or update its System Security Plan annually; and

3) Conduct a Risk Assessment once every three years.

If a state does not have an IT Contingency Plan, System Security Plan, and Risk Assessment procedures in place or if these documents are incomplete, then the state is expected to address the actions it plans to take to meet these requirements in a CAP.

These plans and procedures must meet the minimum controls listed in the Chapter I, Section VII-H and Section VII-J of the ET Handbook No. 336, 18th Edition, Change 3.

8. **Funding Period.** The Department's proposed FY 2018 appropriation language allows for obligation of UI allocations by states through December 31, 2018, with 90 additional days to liquidate the obligations and complete the expenditure of funds. Under this proposed language, states would be able to obligate FY 2018 UI funds through September 30, 2020, if such obligations are for automation acquisitions or competitive grants awarded to states for improved operations; reemployment and eligibility assessments and improper payments; or activities to address worker misclassification, and states would be able to obligate FY 2018 UI funds through September 30, 2023, if such obligations are for automation acquisitions being carried out through a consortia of states. Therefore, if Congress adopts the proposed FY 2018 appropriations language, the end of the obligation period for regular state UI administrative funds will be December 31, 2018, for all funds except automation acquisitions, improved operations, reemployment and eligibility assessments, and improper payments or misclassification activities, which have an obligation deadline of September 30, 2020. ETA will notify state agencies if Congress adopts this language.

9. **Data Availability.** The ROs will provide states with data showing their performance measured against the Core Measures, Secretary's Standards, and other information relevant to the SQSP (*e.g*., reporting deficiencies).

10. **Deadline for State SQSP Submittal**. Each RO will set a deadline for states to submit their SQSPs for FY 2018. States electing to include UI in a Combined Plan must incorporate the SQSP into the Combined Plan upon approval of the SQSP, but no later than October 31, 2017.

11. **Electronic Submission of the SQSP.** States must submit the SQSP electronically and should contact their RO SQSP Coordinator before submittal to coordinate specific details. Standard forms required as part of the budget reporting process (Chapter II of ET Handbook No. 336, 18th Edition, Change 3) are available in PDF and may be downloaded from the OMB Web site at: http://apply07.grants.gov/apply/FormLinks?family=15.

    States may submit the SQSP signature page electronically if the state law permits. States that do not submit the signature page electronically (which includes by fax or scan) must submit the signature page by mail by the deadline set by the RO.

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

    - Make this information available to appropriate staff;
    - Prepare their SQSPs in accordance with instructions in this UIPL and the planning and reporting instructions contained in ET Handbook No. 336, 18th Edition, Change 3;

- Coordinate specifics, as appropriate, with the RO for electronic submission of the plan; and

- Submit the FY 2018 SQSP to the appropriate RO by the deadline set by that RO.

13. **Inquiries.** Questions should be directed to the appropriate RO.

14. **Attachment.** Measures/Programs to be addressed in the Fiscal Year (FY) 2018 State Quality Service Plan (SQSP)