

UNEMPLOYMENT INSURANCE **DIRECTORS' GUIDE**

September
2015



UNITED STATES DEPARTMENT OF LABOR

Unemployment Insurance Directors' Guide:
*Essential Elements for the Unemployment
Insurance (UI) Director*

September 2015



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Executive Summary

This Unemployment Insurance (UI) Directors' Guide is a resource of information about the Unemployment Insurance (UI) program that has been developed for UI Directors by the U.S. Department of Labor's (USDOL's) Employment and Training Administration's Office of Unemployment Insurance.

The guide outlines the principles establishing the UI program, including information about the Social Security Act and the Federal Unemployment Tax Act—the foundations upon which states have built their UI systems. It provides information on the requirements states must meet to be in conformity and compliance with Federal law.

Other topics covered in this guide include the administrative funding process; the requirements a state must meet to be eligible to receive grants for the costs of administration; and information about the Resource Justification Model (RJM), base and above-base funding, Supplemental Budget Requests (SBR), and Reed Act funds. Other fiscal-related topics include the methods of financing UI benefits; UI tax provisions; trust fund composition and management; trust fund advances (loans) during high-unemployment periods; administrative funding for program operations; and employer tax account types and related tax calculation methodologies.

UI benefit programs are explained in detail, including information regarding how an individual's monetary entitlement and eligibility are determined; disqualifications and ineligibilities; and descriptions of the claim types available, including intrastate and interstate claims, combined wage claims, Unemployment Compensation for Federal Employees, Unemployment Compensation for Ex-servicemembers, Disaster Unemployment Assistance and Federal-State Extended Benefits, and Short-Time Compensation.

Federal initiatives that affect UI claimants such as the Worker Profiling and Reemployment Services (WPRS), Reemployment Services and Eligibility Assessments (RESEA), and the Workforce Innovation and Opportunity Act (WIOA) are also detailed.

The guide includes information concerning the many program performance and accountability processes for the UI system, including the Benefits Timeliness, and Quality (BTQ) process; Appeals reviews; and the Tax Performance System (TPS). In addition to these reviews, beginning in Federal Fiscal Year (FFY) 2016 a new self-assessment tool will be piloted in several states that will allow each state to review a wide range of its UI operational elements within the UI benefits' functional areas.

The guide also describes integrity and quality initiatives, and the programs that are in place to monitor key performance measures and to inform corrective action when needed, including the State Quality Service Plan (SQSP) process. A point of emphasis regarding program integrity involves the level of improper payments in the state and initiatives that have been implemented



to reduce the improper payment rate and facilitate recovery of those improper payments. Additionally, helpful information is provided regarding staffing regulations, including the use of merit staff.

In many instances, hyperlinks are provided to resource documentation, such as applicable Federal law and other helpful information, including USDOL guidance advisories, the Federal Register, and Code of Federal Regulations. USDOL web pages provide a variety of information such as data on program performance, budget, comparison of state UI laws, and program handbooks. Information is also provided concerning National Association of State Workforce Agencies (NASWA), the Information Technology Support Center (ITSC), and the UI Integrity Center of Excellence, which are organizations that work closely with USDOL providing services and support to states.



Introduction

The Federal-State unemployment compensation (UC) program, (also referred to as the unemployment insurance [UI] program), created by the Social Security Act (SSA) of 1935, offers the first economic line of defense against the effects of unemployment. Through payments made directly to eligible, unemployed workers, it ensures that at least a significant proportion of the necessities of life—most notably food, shelter, and clothing—can be met on a week-to-week basis while a search for work takes place. As temporary, partial wage replacement to the unemployed, UC is of vital importance in maintaining purchasing power and in stabilizing the economy in times of economic downturn. This is evidenced by the numerous studies which have found that during times of high unemployment each dollar of UC benefits paid will result in between \$1.55 to \$2.00 of economic activity*.

In addition to providing workers a much-needed safety net, the UC program provides employers the benefit of maintaining a trained workforce in the local labor market, available to return to work when needed. The UC program operates counter-cyclically, paying out higher levels of benefits during recessionary times and recouping those higher costs during recovery periods.

Most workers are covered by UC under state or Federal UC laws. States are responsible for administering their individual state UC programs, and they act as agents of the Federal government in administering certain Federal UC programs (discussed below) under agreements with the Secretary of Labor.

Unemployment compensation is a social insurance program, but unlike many other safety net programs, eligibility for UC is not means-tested—all qualifying workers regardless of means are entitled to the benefits of this program. Entitlement is established only if the claimant has a sufficient employment history, in accordance with the state's UC law. It is designed to provide benefits to eligible individuals who are unemployed (or partially unemployed) due to non-disqualifying reasons under the state UC law. To qualify for benefits, jobless workers must demonstrate workforce attachment, must be able to work and available for work, and generally must meet other eligibility requirements while they seek work. UC benefits are financed almost wholly through an employer tax that is based upon their experience in the unemployment compensation system; that is, the length of time they have operated in the state, the amount of unemployment tax paid, the amount of unemployment benefits paid to their workers, and the employer's industry.

The regular state UC program is a Federal-State partnership based upon Federal law, but administered by state employees under state law. Because of this structure, the program is

* For example, see **2010 IMPAQ study “The Role of Unemployment Insurance as an Automatic stabilizer During a Recession”** <http://www.dol.gov/opa/media/press/eta/eta20101615fs.htm>



unique among the country's social insurance programs. The UC program is also unique in that it is almost totally funded by employer taxes, either Federal or state. However, three states collect taxes from employees.

The Social Security Act (SSA) (http://www.ssa.gov/OP_Home/ssact/title03/0303.htm) and the Federal Unemployment Tax Act (FUTA) (<http://www.fourmilab.ch/ustax/www/t26-C-23.html>) provide broad coverage provisions, some benefit provisions, the Federal tax base and rate, and administrative requirements.

The following responsibilities are the major functions of the Federal government:

- ensure conformity and substantial compliance of state law, regulations, rules, and operations with Federal law,
- determine administrative fund requirements and provide money to states for proper and efficient administration,
- interpret Federal law, set broad overall policy for administration of the program, develop performance accountability metrics and reporting processes, monitor state performance, and provide technical assistance to states,
- hold and invest all money in the unemployment trust fund (UTF) until drawn down by states for the payment of compensation, and
- provide advances to states whose accounts in the UTF have insufficient funds to pay UC when due.

Conformity:

- The Social Security Act and Federal Unemployment Tax Act provide the provisions that must be met and states must design their UC program within the framework of these Federal requirements. State law, regulations, and judicial decisions must conform to these requirements.
- The state's conformity to Federal laws and regulations is subject to annual certification by the U.S. Department of Labor's Secretary.

Compliance:

- A state must be in substantial compliance with its own law that conforms to the requirements of Federal law for the operation of the state's UC programs.

State law must also be certified before tax credits and administrative funds can be continued. A state's failure to meet conformity and compliance requirements will lead to decertification of the state law and loss of all employer tax credits (see Unemployment Insurance Tax) and loss of grants for costs of administration.

Conformity Requirements for State UC Laws

Federal Law Provisions Relating to Administration

Section 303(a) SSA (http://www.ssa.gov/OP_Home/ssact/title03/0303.htm) provides that, as a condition of a state receiving its UC administrative grant, the Secretary of Labor must certify annually that the law of the state includes certain requirements:

- Section 303(a)(1) requires such methods of administration (including a state merit system) which are found by the Secretary of Labor to be reasonably calculated to ensure full payment of unemployment compensation “when due.”
- Section 303(a)(2) requires payment of benefits through public employment offices or such other agencies as the Secretary of Labor may approve.
- Section 303(a)(3) requires the opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied.
- Section 303(a)(4) requires the immediate deposit of all money received for the unemployment fund with the Secretary of the Treasury to the credit of the state’s account in the fund.
- Section 303(a)(5) requires the expenditure of all moneys withdrawn for the state’s unemployment fund be used only for the payment of unemployment compensation, exclusive of the expenses of administration.
- Section 303(a)(6) requires states to make reports, containing such information and in such form, as the Secretary of Labor may from time to time require.
- Section 303(a)(7) requires states to provide certain claimant information to Federal agencies administering public work programs or assistance through public employment.
- Section 303(a)(8) requires states to limit expenditures to purposes and amounts found necessary by the Secretary of Labor for proper and efficient administration of the state unemployment compensation law.
- Section 303(a)(9) requires states to return amounts which have been lost or expended for purposes which the Secretary of Labor has found not necessary for proper administration of the state law.
- Section 303(a)(10) contains the profiling “participation requirement.” As a condition of UC eligibility, claimants must participate in reemployment services if they have been referred under a "profiling" system established under §303(j), SSA.



Each state designs its own UC program within the framework of the Federal requirements. The state statute sets forth the benefit structure (e.g., eligibility/disqualification provisions, benefit amount) and the state tax structure (e.g., state taxable wage base and tax rates). These responsibilities are the primary functions of the state:

- determine operation methods and directly administer the program,
- take claims from individuals, determine eligibility, and insure timely payment of benefits to eligible workers, and
- determine employer liability, and assess and collect contributions.

Most states currently pay a maximum of 20 to 26 weeks, although Massachusetts pays up to 30 weeks. A few states predicate the maximum number of week's payable on the state's unemployment rate. In periods of very high and rising unemployment in individual states, benefits are payable for up to 13 additional weeks (20 in some cases), up to a maximum of 39 weeks (or 46). These "extended benefits" are funded on a shared basis—half from state funds and half from Federal sources.

In periods of national recession, when all states are impacted by high and sustained unemployment, Congress may enact Federally-funded programs of supplemental benefits. There were two such programs during the 1970s, one during the early 1980s, one during the 1990s, and one during the early 2000s. The most recent extension program was the Emergency Unemployment Compensation program of 2008 (EUC08), which was effective from July 2008, through January 1, 2014.

Financing Unemployment Insurance Benefits

Pursuant to the provisions of the FUTA, a Federal tax is levied on covered employers at a current rate of 6.0 percent on wages up to \$7,000 a year paid to an employee. The rate dropped from 6.2 percent as of July 2011. The law, however, provides a credit against Federal tax liability of up to 5.4 percent to employers who pay state taxes timely under an approved state UC program. This credit is allowed regardless of the amount of the tax paid to the state by the employer. Accordingly, in states meeting the specified requirements, employers pay an effective Federal tax rate of 0.6 percent, or a maximum \$42 per covered employee, per year.

This Federal tax is used to fund a number of UC related expenditures, including the following expenditures:

- all Federal and state administrative costs associated with UC programs (this is the source of your state's administrative grants),
- the Federal share of benefits paid under the Federal-State Extended Unemployment Compensation Act of 1970,



- the loan fund for advances to states under Title XIII of the SSA, from which an individual state may borrow when it lacks funds to pay UC due for any month, and
- benefits under some of the Federal supplemental and emergency programs.

In addition, the FUTA tax is used to fund labor exchange services, employment and training services for veterans and disabled veterans, and some labor market information program activities.

Under FUTA, states must have a taxable wage base of at least \$7000, but most states have a higher taxable wage base.

Unemployment Insurance Tax

Almost all wage and salary workers are now covered by the Federal-State UC program. Railroad workers are covered by a separate Federal program. Ex-servicemembers with recent service in the Armed Forces and civilian Federal employees are covered by separate Federal programs, with the states paying benefits from Federal funds as agents of the Federal government. See *Other Unemployment Insurance Benefits Programs* for more information regarding the Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex-servicemembers for more information regarding these programs.

If a state law meets minimum Federal requirements under FUTA and Title III of the SSA, the state is entitled to the following benefits:

- employers receive up to a 5.4 percent basic and additional tax credit against the 6.0 percent Federal unemployment tax, and
- the state is entitled to Federal grants to cover all the necessary costs of administering the program.

Approval for Tax Credit

Additional conformity requirements are outlined in Sections 3303 (<http://www.gpo.gov/fdsys/pkg/USCODE-2013-title26/pdf/USCODE-2013-title26-subtitleC-chap23-sec3303.pdf>) and 3304 (<http://www.gpo.gov/fdsys/pkg/USCODE-2013-title26/pdf/USCODE-2013-title26-subtitleC-chap23-sec3304.pdf>) of the Internal Revenue Code of 1986 (created by the law known as FUTA). These provisions define some of the minimum Federal requirements for operating a UC program and provide that the Secretary of Labor shall approve a state law for basic and additional tax credit (as noted above) if the state law includes the following provisions:

- Compensation is not denied to anyone who refuses to accept work because the job is vacant as the direct result of a labor dispute; or because the wages, hours, or conditions of work are substandard; or if, as a condition of employment, the individual would have to



join a company union or resign from or refrain from joining any bona fide labor organization.

- Compensation is paid to employees of state and local governments and Indian tribes.
- Compensation is paid to employees of FUTA tax exempt nonprofit organizations, including schools and colleges, who employ 4 or more workers in each of 20 weeks in the calendar year.
- Payment of compensation to certain employees of educational institutions operated by state and local governments, nonprofit organizations, and Indian tribes is limited during periods between and within academic terms.
- State and local governments, nonprofit organizations, and Indian tribes are permitted to elect to pay regular employer contributions or finance benefit costs by the reimbursement method.
- Compensation is not payable in two successive benefit years to an individual who has not worked after the beginning of the first benefit year.
- Compensation is not denied to anyone solely because the individual is taking part in an approved training program.
- Compensation is not denied or reduced because an individual's claim for benefits was filed in another state or Canada and the state participates in arrangements for combining wages earned in more than one state for eligibility and benefit purposes.
- Compensation is not denied by reason of cancellation of wage credits or total benefit rights for any cause other than discharge for work-connected misconduct, fraud in connection with a claim for compensation, or receipt of disqualifying income.
- Extended compensation is payable under the provisions of the Federal-State Extended Unemployment Compensation Act of 1970 (Federal-State extended benefits program).
- Compensation is not denied solely on the basis of pregnancy or termination of pregnancy.
- Compensation is not payable to a professional athlete, between seasons, who has a reasonable assurance of resuming employment when the new season begins.
- Compensation is not payable to an alien unless the alien was in a specified state—such as legally authorized to work—at the time services were performed.
- The benefit amount of an individual is reduced, under certain conditions, by that portion of a pension or other retirement income (including Social Security and Railroad Retirement income) which is funded by a base period employer.



- Wage information in the agency files is made available, upon request and on a reimbursable basis, to the state agency administering Temporary Assistance to Needy Families; and wage and UC information is made available to the Secretary of Health and Human Services for the purposes of the National Directory of New Hires.
- Any interest required to be paid on advances is paid in a timely manner and is not paid, directly or indirectly (by an equivalent tax reduction in such state), from amounts in such state's trust fund account.
- Federal individual income tax is deducted and withheld if a claimant so requests.
- Reduction of an employer's tax rate from the basic rate is permitted only on the basis of their experience with respect to unemployment.

Unemployment Trust Fund

The Unemployment Trust Fund (UTF) in the U.S. Treasury consists of 59 accounts:

- **The book account for each state (defined as the 50 states, District of Columbia, Puerto Rico, and the Virgin Islands).** Each state account consists of the contributions and reimbursements collected by the state. Interest earned on these amounts is credited to the state accounts. Money is withdrawn from state accounts for payment of benefits and refunds of contributions erroneously paid.
- **The Employment Security Administration Account (ESAA).** Each year, Congress appropriates from this account the funds necessary for administering the Federal-State UI program, labor exchange services under the Wagner-Peyser Act, employment and training services for veterans and disabled veterans under Chapter 41 of Title 38 of the U.S. Code, and some labor market information program activities.
- **The Extended Unemployment Compensation Account (EUCA).** Funds from this account reimburse states for the Federal share of extended benefits. This fund is also used at times to cover the cost of temporary extensions.
- **The Federal Unemployment Account (FUA).** This fund provides states with repayable advances for paying UC pursuant to Title XII of the SSA.
- **The Federal Employees Compensation Account (FECA).** This fund finances benefit payments to former Federal and military employees.

Under the immediate deposit requirements of Section 3304(a)(3) of FUTA

(<http://www.gpo.gov/fdsys/pkg/USCODE-2011-title26/pdf/USCODE-2011-title26-subtitleC-chap23-sec3304.pdf>) and Section 303(a)(4) of SSA (http://www.ssa.gov/OP_Home/ssact/title03/0303.htm), unemployment taxes are considered deposited in the state's



unemployment fund upon receipt by the state. Subsequently, monies deposited in the state's unemployment fund can only be withdrawn to pay UC benefits. Withdrawal standards in Section 3304(a)(4) of FUTA (<http://www.gpo.gov/fdsys/pkg/USCODE-2011-title26/pdf/USCODE-2011-title26-subtitleC-chap23-sec3304.pdf>) and Section 303(a)(5) of SSA (http://www.ssa.gov/OP_Home/ssact/title03/0303.htm) require states to only draw-down funds in amounts they reasonably expect to need to pay UC benefits (or other use authorized by Federal law). Both the immediate deposit and withdrawal requirements are conditions of certification by the Secretary of Labor for both FUTA tax credits and state administrative funding grants. See page 4 for additional information on conformity and compliance related to these requirements.

Additional information regarding the immediate deposit and withdrawal standards is available in the Unemployment Insurance Program Letter (UIPL) UIPL No. 22 – 96 (<http://wdr.doleta.gov/directives/attach/UIPL22-96.cfm>).

Budget and trust fund information is available through OUI's Division of Fiscal and Actuarial Services (<http://oui.doleta.gov/unemploy/budget.asp>).

Provisions Relating to Trust Fund Advances (Also Known As Loans)

If it is anticipated that the balance in a state's unemployment fund is insufficient to pay expected benefit claims during a specified period of time, the state's Governor may request a loan from the Secretary of Labor. Such loans are made from the Federal Unemployment Account (FUA) in the UTF, in accordance with Title XII of the SSA (http://www.ssa.gov/OP_Home/ssact/title12/1200.htm).

In order to assure that a state will repay any loans it secures from the fund, the law provides that when a state has an outstanding loan balance on January 1 for two consecutive years, the full amount of the loan must be repaid before November 10 of the second year, or the Federal tax on employers in that state will be increased for that year and further increased for each subsequent year that the loan has not been repaid.

Specifically, the 5.4 percent credit is reduced in successive increments of a minimum 0.3 percent for each year in which a loan or loans remain unpaid (reducing the overall credit from 5.4 to 5.1, to 4.8, to 4.5 percent, etc.). Additional offset credit reductions may apply to a state beginning with the third and fifth taxable years if a loan balance is still outstanding and certain criteria are not met.

Interest on Loans

Except for cash flow loans (loans obtained and repaid January through September), interest is charged on all loans. The rate is the lesser of 10 percent or the rate at which interest was paid on the state reserve balance in the Federal UTF for the last quarter of the preceding calendar year. This rate is announced each year, for example see UIPL No. 7 – 15 (http://workforcesecurity.doleta.gov/dmstree/uipl/uipl2k15/uipl_0715.pdf).



Interest paid by states is credited to the FUA in the UTF. Interest is due and payable on the last day (September 30) of the fiscal year in which the loans were made.

A state will lose all offset credit (5.4 percent) for any year in which all interest due under law is not paid by the date on which such interest is required to be paid. The state will also lose all grants for costs of administration until interest due has been paid.

Interest payments may *not* be made from the state UC fund by directly or indirectly diverting some part of UC taxes. Violations of this requirement will lead to decertification of the state law and loss of all employer tax credits and of grants for costs of administration.

More information regarding interest on loans may be found in UIPL No. 05 – 93 (http://www.ows.doleta.gov/dmstree/uipl/uipl93/uipl_0593.htm).

State Administrative Funding

Approval for Grants for Costs of Administration

Title III of the SSA provides payments from the Federal Unemployment Trust Fund (UTF) to the states to meet the necessary costs of administering the UC programs in the states. Under Title III, the UI administrative grants are only available to those states that have a UC law approved under FUTA and that have been certified by the Secretary of Labor as meeting the following conditions:

- Section 303(a)(1), SSA, methods of administration (including a state merit system) which will ensure full payment of UC when due.
- Section 303(a)(2), SSA, all compensation is to be paid through public employment offices or through other approved agencies.
- Section 303(a)(3), SSA, for fair, impartial hearings to individuals whose claims for UC have been denied.
- Section 303(a)(4), SSA, all of the funds collected under the state program are deposited in the Federal UTF (Title IX of the SSA prescribes the distribution of the tax revenue among the various accounts of the trust fund).
- Section 303(a)(5), SSA, all money withdrawn from the state trust fund account will be used either to pay UC, exclusive of administrative expenses, to refund amounts erroneously paid into the fund, or for other specified activities.
- Section 303(a)(6), SSA, reports required by the Secretary of Labor.



- Section 303(a)(7), SSA, information to Federal agencies administering public works programs or assistance through public employment.
- Section 303(a)(8), SSA, for limitation of expenditures to the purpose and amounts found necessary by the Secretary of Labor for proper and efficient administration of the state UC law.
- Section 303(a)(9), SSA, for repayment of any funds the Secretary of Labor determines were not spent for UC purposes or exceeded the amounts necessary for proper administration of the state UC law.
- Section 303(a)(10), SSA, that as a condition of eligibility, any claimant referred to reemployment services pursuant to the profiling system, participate in such services.
- Section 303(c)(1), SSA, information to the Railroad Retirement Board as the Board deems necessary.
- Section 303(c)(2), SSA, reasonable cooperation with every agency of the United States charged with the administration of any UC law.
- Section 303(c)(3), SSA, that any interest on advances be paid by the date on which it is required to be paid or is not paid, directly or indirectly by an equivalent reduction in state unemployment taxes or otherwise, by such state from amounts in the state's trust fund account.
- Section 303(d)(1)(A)(i-iv), SSA, information to the Department of Agriculture and state food stamp agencies with respect to employee wages, UC benefits, home address, and job offers.
- Section 303(e)(1)(A), SSA, information to any state or local child support enforcement agency with respect to employee wages.
- Section 303(d)(2)(B), SSA, that a claimant disclose whether or not he/she owes child support obligations; deductions from benefits shall be made for any such child support obligations, and the amount of such deduction paid by the state UC agency to the appropriate child support agency.
- Section 303(f), SSA, information requested and exchanged for purposes of income and eligibility verification in accordance with a state system meeting the requirements of Title XI of the SSA; the UC wage record system may, but need not, be the required state system.
- Section 303(e)(1)(B), SSA, information to the Secretary of Health and Human Services on a reimbursable basis, with respect to employee wages, UC benefits, and home address for the purpose of establishing a National Directory of New Hires.



- Section 303(i)(1)(A), SSA, information to officers and employees of the Department of Housing and Urban Development and to representatives of public housing agency with respect to employee wages and UC benefits.
- Section 303(j)(1), SSA, for establishment and use of a system of profiling new claimants of regular compensation to identify those likely to exhaust such compensation and need reemployment services.
- Section 303(a)(10), SSA, a requirement that, as a condition of eligibility for regular UC, claimants participate (unless exempt) in reemployment services if referred under the profiling system.
- Section 303(k)(1)(A), SSA, mandatory transfer of unemployment experience whenever there is substantially common ownership, management, or control of two employers, and one of these employers transfers its trade or business (including its workforce), or portion thereof, to the other employer (applies to total and partial transfers); and, under certain conditions, prohibition of transfer when a person who is not an employer acquires the trade or business of an existing employer.
- Section 303(a)(12), SSA, work search requirements for claimants collecting state and Federal UC benefits.
- Section 303(g)(1)(A), SSA, reduction of current state and Federal UC benefits to recover prior overpayments of state and Federal UC benefits (including Federal Additional Compensation) and use of rules for recovering Federal overpayment that are just as aggressive as those states use to recover state UC overpayments.

Administrative Funding Process

Resource Justification Model

The Resource Justification Model (RJM) is an annual report submitted by state workforce agencies containing actual Unemployment Insurance (UI) administrative cost data from their accounting records. The data is initially reviewed by Regional Offices for accuracy and any concerns are resolved before the data are sent to the National Office for further review. The data collection is scheduled to be completed by the last Friday in January, and consists of program expenditures and hours worked by state staff broken out by functional activity for the most recent Federal fiscal year. This information, along with actual workloads reported by states, allows for the calculation of productivity factors, or minutes per units, and salary rates experienced by the state. The productivity factors are then applied to base workloads projected by the National Office to project staffing levels needed to process the workloads, and the resulting staffing levels are multiplied by the salary rates to estimate administrative costs for staff. Non-personnel costs are also collected and factored in projected costs. These estimated



administrative costs are calculated outside the constraints of the Congressional appropriation and do not reflect the actual administrative costs due the state agency.

Detailed budget information can be obtained on the U.S. Department of Labor's Web site (<http://www.dol.gov/dol/budget/index.htm>).

Base and Above-Base Funding

The UI administrative cost data reported through the Resource Justification Model (RJM) process is used by the National Office in the allocation of administrative funding to states. This RJM information, along with base workloads projected by the National Office, is processed through a resource allocation model to determine base allocations for each state for the next fiscal year. Base allocations are typically announced in late June or early July. To the extent that actual workloads exceed those levels allocated in base, states earn above-base administrative funding. The above-base computations are reported on a quarterly basis via the UI3 report. Due to the fact that above-base funding must fit within available appropriated resources, the reimbursement rate per FTE may be less than 100% of the base funding rate.

Special Funding Opportunities

Supplemental Budget Requests

When funds are available, the U.S. Department of Labor may offer states the opportunity to submit supplemental budget requests (SBRs) for performance improvement, integrity, and technology-related projects. SBRs may be awarded on a competitive basis or based upon the merit of the proposed project(s). Also, states can submit proposals individually, or when a project suits the needs of multiple states, they can submit proposals as a consortium.

Each type of SBR award carries with it specific, unique requirements for the obligation and expenditure of the grant funds. Upon award of a grant, the state should become familiar with the specific requirements and develop a monitoring system to ensure funds are expended only for the purpose identified in the SBR and/or any approved modifications as well as full compliance with all obligation and expenditure deadlines. Non-information technology projects such as improved operations, RESEAs, and worker misclassification must be obligated by September 30 of the second fiscal year following the year for which the funds are appropriated. Language enacted in FY 2014 allows states three years to obligate and five years to expend funds for automation/information technology acquisitions used to support benefit and tax systems and reemployment services. For state consortia, the time limits were extended to allow them five years to obligate and six years to expend funds for automation acquisition.

Please note that the state is required to submit financial report ETA 9130 each quarter regarding the SBR project expenditures and completion of project milestones. Also, states with active supplemental budget request (SBR) grants are required to submit ETA 9165 reports each quarter.

The ETA 9165 provides narrative reporting information on SBR quarterly expenditures, the completion of specific project milestones, and additional data necessary to assist ETA in monitoring implementation of SBR projects.

Reed Act Funds

Title IX of the Social Security Act provided, under certain conditions, for the transfer of excess funds in the Employment Security Administration Account (ESAA) in the UTF to the individual state accounts. These transferred funds are commonly referred to as Reed Act funds. The most recent distribution of Reed Act funds occurred in 2002. Each state's share of the amount to be transferred is based on the proportion of wages subject to FUTA attributable to the state during the preceding calendar year to the aggregate amount of wages subject to FUTA during the same year for all states.

A transfer of Reed Act funds will occur if the following conditions exist in the Federal accounts of the UTF at the end of a Federal fiscal year (September 30):

- the balance of funds in the extended unemployment compensation account (EUCA) and the Federal unemployment account (FUA) have reached their statutory ceilings, and all general revenue advances and related interest to these accounts have been repaid, and
- there remains in the employment security administration account (ESAA) an amount in excess of the account's statutory ceiling. The excess amount in the ESAA is then transferred to state accounts in the UTF at the beginning of the following Federal fiscal year.

Under the SSA, the primary purpose of Reed Act funds is the payment of "cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration". However, subject to conditions specified in Section 903(c)(2), SSA (http://www.ssa.gov/OP_Home/ssact/title09/0903.htm), a state is permitted, at its discretion, to use Reed Act funds for "the administration of its unemployment compensation law and public employment offices".

State Trust Funds

Each state maintains its own unemployment trust fund for the purpose of managing unemployment insurance taxes paid by employers, and is the source of funds used to pay unemployment compensation pursuant to the state's law.

- The "immediate deposit" requirement found in Section 303(a)(4), SSA, as a condition for a state receiving administrative grants and Section 3304(a)(3), FUTA, as a condition for certification of a state's UC law, provides that all money received in the unemployment fund shall . . . immediately upon such receipt be paid over to the Secretary of the Treasury



to the credit of the Unemployment Trust Fund established by Section 904 of the Social Security Act.

- The "withdrawal standard" set forth in Section 303(a)(5), SSA, as a condition for a state receiving administrative grants and Section 3304(a)(3), FUTA, as a condition for certification of a state's UC law provides that all money withdrawn from the unemployment fund of the state shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration.
- Section 3306(f), FUTA, defines the term "unemployment fund", in relevant part, as meaning: a special fund established under a state law and administered by a state agency, for the payment of compensation. Any sums standing to the account of the state agency in the Unemployment Trust Fund established by Section 904 of the Social Security Act . . . shall be deemed to be a part of the unemployment fund of the state, and no sums paid out of the Unemployment Trust Fund to such state agency shall cease to be a part of the unemployment fund of the state until expended by such state agency. An unemployment fund shall be deemed to be maintained during a taxable year only if throughout such year . . . no part of the moneys of such fund was expended for any purpose other than the payment of compensation (exclusive of expenses of administration) and for refunds of sums erroneously paid into such fund . . .

The U.S. Department of Labor issues an annual trust fund solvency report for all states. Trust fund reserves normally increase during good economic times when claims workloads are low so that they are available for paying benefits during economic downturns. The measure for the trust fund's "health" is its Average High Cost Multiple (AHCM), which represents the number of years a state's account in the UTF could pay benefits at a rate equivalent to the benefits paid during an average recession, without receiving any additional revenue. An AHCM rate of at least 1.00 is desirable, representing one year's benefits in reserve. The 2015 Trust Fund Solvency Report can be found at (<http://www.ows.doleta.gov/unemploy/docs/trustFundSolvReport.pdf>).

The state maintains a bank account from which unemployment insurance benefit payments are issued. Each day, the state will "draw-down" a sufficient amount of funds to pay all benefits for each program, including regular UI, Federal claims (UCFE), military claims (UCX) and extended benefits programs that are in effect, if any. Grants for program administration, supplemental grants, and trust fund monies for the payment of benefits must be accounted for individually and cannot be co-mingled.

State Unemployment Insurance Tax

All states finance UC primarily through contributions from subject employers on the wages of their covered workers. In addition, three states (Alaska, New Jersey, and Pennsylvania) collect



contributions from employees. These taxes are deposited by the state into its account in the UTF in the Federal Treasury, and are withdrawn as needed to pay benefits.

Liabile Employers

An employer is subject to the Federal unemployment tax if, during the current or preceding calendar year, the employer employed one or more individuals in each of at least 20 calendar weeks, or if the employer paid wages of \$1,500 or more during any calendar quarter of either such year. Variations on these requirements relate to employers in agriculture and domestic service:

- In agriculture, employers who have at least 10 or more workers in each of at least 20 calendar weeks in the current or preceding calendar year or a cash payroll of at least \$20,000 during any calendar quarter in either such year are subject to the tax.
- In domestic service, employers who have a cash payroll of at least \$1,000 in any calendar quarter in the current or preceding calendar year are subject to the tax.

Taxable wages are defined as all remuneration from employment in cash or in kind with certain exceptions. The exceptions include earnings in excess of the state's earnings maximum in a year, and payments related to retirement, disability, hospital insurance, or similar fringe benefits.

Although the extent of state coverage is greatly influenced by the Federal statute, each state is, with a single exception, free to determine the employers who are liable for contributions and the workers who accrue rights under the laws. The exception is the Federal requirement that states provide coverage for employees of nonprofit organizations, services performed for Indian tribes, and employees of state and local governments, even though such employment is exempt from FUTA.

Experience Rating and the Federal Requirements

The system under which employers are assigned tax rates in accordance with their individual experience with unemployment (and subject to the needs of the state program) is referred to as experience rating. Employers with at least three years of experience must be rated based on experience. The experience rate for all employers must be computed at least once a year and a uniform method of computation must be used ensuring the same factor or factors are used for all employers that are rated during the same period of time so that employers with the same experience with respect to unemployment risk should pay the same tax rate. Within the confines of the general Federal requirements, the experience rating provisions of state laws vary greatly. Though provisions have changed over the years, present Federal law permits:

- reduced rates (rates below the 5.4 standard or basic rate) for employers with at least one year of experience with respect to unemployment or other factors bearing a direct relation to unemployment risk, and

- reduced rates (but not less than 1.0 percent) for newly subject employers on a reasonable basis.

In addition, credit is allowed for the difference between the contributions paid and the amount that would have been paid at the highest rate under the system, up to a cap of 5.4%.

State Requirements for Experience Rating

All state laws provide for a system of experience rating under which individual employers' contribution rates vary from the standard rate on the basis of the amount of unemployment encountered by their employees.

The experience-rating provisions of state laws vary considerably. The most significant variations arise from differences in the formulas used for rate determination. The factor used to measure experience with unemployment is the basic variable which makes it possible to establish the relative incidence of unemployment among the workers of different employers. Differences in such experience represent the major justification for differences in tax rates, either to provide incentives for stabilization of employment or to allocate the cost of unemployment. At present there are four distinct systems, usually identified as reserve-ratio, benefit-ratio, benefit-wage-ratio, and payroll-decline formulas. A few states have combinations of the systems. More detailed information on each system can be found in OUI's annual publication of the *Comparison of State Unemployment Insurance Laws* (<http://workforcesecurity.doleta.gov/unemploy/statelaws.asp#sigprouilaws>).

In spite of significant differences, all systems have certain common characteristics. All formulas are devised to establish the relative experience of individual employers with unemployment or with benefit costs. To this end, all have factors for measuring each employer's experience with unemployment or benefit expenditures, and all compare this experience with a measure of exposure—i.e., payrolls—to establish the relative experience of large and small employers.

Reimbursing Employers

A reimbursing employer is any governmental entity or other organization (or group of governmental entities or any other organizations) which makes reimbursements in lieu of contributions to the state unemployment fund. Reimbursing employers are billed each quarter for UC benefits paid to their former employees in the previous calendar quarter. They reimburse the UC trust fund on a dollar-for-dollar basis for benefits paid that are attributable to service with that employer.

Worker Misclassification

Worker misclassification occurs when an employer incorrectly classifies a worker as a non-employee, such as an independent contractor. Consequently, employers do not remit the appropriate amount of Federal and state employment taxes, and workers may not receive



unemployment insurance benefits or the appropriate protections afforded to them as employees under the Fair Labor Standards Act. Misclassifications can result from erroneous interpretation of the rules or from intentional disregard of the law.

The rules that determine classification for employment at the Federal level follow common law. For the Internal Revenue Service (IRS), the facts that provide evidence of the degree of the right of direction and control and independence fall into three categories:

- **Behavioral:** Does the company control or have the right to control what the worker does and how the worker does his or her job?
- **Financial:** Are the business aspects of the worker's job controlled by the payer?
- **Type of Relationship:** Are there written contracts or employee-type benefits, such as pension plan, insurance, vacation pay, etc.? Will the relationship continue and is the work performed a key aspect of the business?

These factors are evaluated on IRS Form SS-8, which employers and workers can file with the IRS to request a determination of the status of a worker for purposes of Federal employment taxes and income tax withholding. State unemployment insurance agencies use their own rules to determine whether to categorize an activity as employment for state UI purposes.

SUTA Dumping

SUTA (State Unemployment Tax) dumping is a merger, acquisition, or restructuring scheme by which an employer attempts to shift workforce or payroll between entities to avoid established unemployment tax rates or liability. A SUTA Dumping Detection System was developed by the U.S. Department of Labor and has been deployed in many states.

Reference: UIPL No. 30 – 04 (http://www.ows.doleta.gov/dmstree/uipl/uipl2k4/uipl_3004.htm)

Unemployment Insurance Benefits

Benefits Rights

There are no Federal standards for benefits in terms of qualifying requirements, benefit amounts, or duration of regular benefits. Hence, there is no common pattern of benefit provisions comparable to that in coverage and financing.

A worker's benefit rights depend on his/her experience in covered employment in a past period of time, called the base period (generally the first four of the last five completed calendar quarters). The time period during which the weekly rate and the duration of benefits determined for a given worker apply to such worker is called the benefit year.



The qualifying wage or employment provisions attempt to measure the worker's attachment to the labor force. An insured worker must also be free from disqualification for causes which vary among the states. Many states require a claimant to serve a waiting period before his/her unemployment may be compensable.

The amount payable for a week of total unemployment is defined in the state law. Usually a week of total unemployment is a week in which the claimant performs no work and receives no pay. In most states a worker is partially unemployed in a week of less than full-time work when the worker earns less than their weekly benefit amount. The benefit payment for such a week is the difference between the weekly benefit amount and the part-time earnings, usually with a small discrepancy as a financial inducement to take part-time work.

Qualifying Wages and Employment

A claimant must have earned a specified amount of wages or worked a certain number of weeks or calendar quarters in covered employment, or must have met some combination of the wage and employment requirements within his/her base period, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force.

Unemployment Compensation Computation

Unemployment is generally measured in terms of calendar weeks. A “weekly benefit amount” is the amount payable for a week of total unemployment. It varies with the worker's past wages within certain established minimum and maximum limits. A claimant must meet the state requirements for wages earned or time worked during the base period. The base period and the formula for computing benefits from these past wages vary greatly among the states. Many states utilize an alternative base period option when a claimant cannot establish entitlement using the traditional base period.

Thirteen states provide an additional Dependents Allowance above and beyond the basic benefit amount payable if the claimant has qualifying dependents.

Benefit Eligibility and Disqualification

To receive benefits, a claimant must be able to work and available for work, and actively seeking work. Also, the claimant must be free from disqualification for such acts as voluntary leaving without good cause, discharge for misconduct connected with the work, and refusal of suitable work. The purpose of these provisions is to limit payments to workers unemployed primarily as a result of economic causes.

Many states have adopted the definition of misconduct established in the 1941 Wisconsin Supreme Court Case, *Boynton Cab Co. v. Neubeck*, 237 Wis. 249, 296 N.W. 636 (1941): “Misconduct . . . is limited to conduct evincing such willful or wanton disregard of standards of

behavior which the employer has the right to expect of his employee, or in carelessness or negligence of such degree as to manifest an equal culpability, wrongful intent or evil design, or to show an intentional and substantial disregard of the employer's interest or of the employee's duties and obligations to his employer." Further, some states consider the most egregious instances of misconduct, i.e. theft, fraud, or intentional damage to the employer's property, to constitute "gross misconduct" which carries with it greater disqualifications, often including the cancellation of wage credits used for entitlement.

Claimants who are held ineligible for benefits because of inability to work, unavailability for work, refusal of suitable work, or any other disqualification are entitled to a notice of determination and notice of their right to appeal the determination. If a claimant is disqualified/denied benefits, they have the right to file an appeal with the appropriate appeal authority in the state agency. They must do so within an established time frame. An employer may also appeal a determination if the employer does not agree with the state's determination regarding the claimant's eligibility.

Filing a Claim

A claimant should file an initial claim upon becoming unemployed, providing required information concerning their identity and work history. Thereafter, they must file weekly/biweekly continued claims in a timely manner. The initial claim is generally filed with the state in which they worked, and a claim may be established from wages earned in multiple states, if necessary and beneficial to the claimant. A non-payable waiting week is required by some states and is the first week claimed that would otherwise be compensable. Most states take claims remotely by telephone and Internet but they must also provide alternative filing methods for individuals who cannot file remotely.

Continued Eligibility

In addition to filing continued claims, claimants generally must register for work with the state Employment Service, remain able to work, available to seek and accept work, and actively seeking work. They must report any earnings from work earned during any week claimed. They must also report any job offers or refusal of work during the week. These claims are usually filed by mail, telephone, or Internet.

When directed, claimants must contact or report to their local American Job Center (formerly known as One-Stop Center/Employment Service Office) for re-employment assessment services.

Benefits are subject to Federal income taxes and must be reported on a claimant's Federal income tax return. States must allow a claimant to have a portion of their benefit withheld for their Federal income tax obligation and some states also allow claimants to voluntarily elect to have a portion withheld for their state income tax obligation. Benefits may be intercepted on

behalf of the state's child support agency if the claimant is paying child support through the child support enforcement agency in the state or the court.

Appeals

The SSA requires states to offer “opportunity for a fair hearing before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied.” Hence, all state laws provide for such appeal tribunals. Further, most states’ laws provide for a second level of agency appeal review. Individuals who are not satisfied with the outcome of the administrative appeal(s) can appeal their cases in the state court system, Federal courts, and, as a last resort, the U.S. Supreme Court. Employers who have an interest are granted the right to appeal decisions on claims as well.

As a result of the *Java* decision *California Department of Human Resources Development v. Java*, 402 U.S. 121 (1971) (http://workforcesecurity.doleta.gov/dmstree/uipl/uipl_pre75/uipl_1126.htm) once a UI claimant has been found eligible for benefits, such claimant will continue to receive benefits until a decision is issued reversing the determination allowing benefits. Thus, an employer’s appeal will not affect the continuance of payment of benefits unless a decision is subsequently issued denying benefits. The majority of state laws specifically provide for the payment of benefits pending an appeal of a determination or decision allowing benefits while other states have either interpreted their laws or have been required by court order to follow this procedure. This procedure applies to any determination or decision issued allowing benefits.

Most states specify that findings of fact, conclusions of law, or final orders made by a UI hearing officer or board of review are not binding in any separate or subsequent proceeding brought before any court, judicial, administrative, or arbitration proceeding in that state or the U.S. government. Some states’ laws provide that information obtained in connection with the UI law may not be used in certain civil law suits as well.

Appeals at the initial stage are conducted by one person called a referee, hearing officer, examiner, or administrative law judge. The time period for appealing to the first stage appeals body is generally stated in terms of days. The number of days for filing an appeal after notice of the determination varies among the states, ranging from 5 to 30 days, which may be extended if the last day for filing or the date of mailing falls on a Saturday, Sunday, holiday, or any other day the state agency is closed. Many states also extend the time for filing for good cause.

Other Unemployment Insurance Benefits Programs

Federal-State Extended Benefits

Since 1970, Federal law has provided for the extension of the duration of benefits in periods of high and rising unemployment. When the insured unemployment rate in a state reaches certain specified levels, states must extend by 50 percent the benefit duration normally allowed up to a combined overall maximum of 39 weeks. There are also optional provisions for payment of extended benefits (EB); some states have also enacted a voluntary program to pay up to 7 additional weeks (20 weeks maximum) of Extended Benefits during periods of extremely high unemployment. The Federal government finances from Federal revenue approximately half of the cost of EB paid during EB periods, including any state benefits paid in excess of 26 weeks.

When a state begins an Extended Benefit period, it must notify those who have received all of their regular benefits that they may be eligible for Extended Benefits. Not everyone who qualified for regular benefits qualifies for Extended Benefits. Likewise, when the state triggers off EB or experiences a change, such as the start or end of a new tier of benefits, the state must notify all potentially eligible claimants by mail, as well as through the local media outlets.

The insured unemployment rate (IUR) is calculated weekly and is the percentage of individuals in covered employment (covered under the unemployment insurance program) who are claiming UC. It is calculated by dividing the number of individuals filing UC claims by the average number of workers in covered employment.

The total unemployment rate (TUR) is calculated monthly and is the three month average, seasonally adjusted, rate of total unemployment.

It is mandatory that states pay EB (13 week duration) if the insured unemployment rate (IUR) for the previous 13 weeks is at least 5 percent and is 120 percent of the rate for the same 13-week period in the 2 previous years.

At their option, states may pay EB (13 weeks) if the IUR for the previous 13 weeks is at least 6 percent, regardless of the experience in the previous years.

Another option available for states is to pay EB (13 weeks) if the average total unemployment rate (TUR), seasonally adjusted, for the most recent three months is at least 6.5 percent and is 110 percent of the rate for the same three-month period in either of the two previous years. If such rate is at least 8.0 percent and is 110 percent of the rate for the same three-month period in either of the two previous years, the duration increases from 13 to 20 weeks.

More information regarding extended benefits can be found in Section 3304 of the Internal Revenue Code of 1986 (<http://www.gpo.gov/fdsys/pkg/USCODE-2013-title26/pdf/USCODE-2013-title26-subtitleC-chap23-sec3304.pdf>).



Temporary/Episodic Federal Unemployment Compensation Extension Programs

From time-to-time when the economy has taken a serious economic downturn, Congress has passed temporary unemployment compensation extension programs intended to provide additional benefits to unemployed workers beyond the regular state UI benefits. These programs have varied in their length and structure, are generally fully Federal funded, and are administered by the states through an agreement with the Secretary of Labor. The most recent implementation of such temporary program was the Emergency Unemployment Compensation (EUC) program, which was effective the week ending July 12, 2008 through January 1, 2014.

Unemployment Compensation for Federal Civilian Employees

States administer the Unemployment Compensation for Federal Civilian Employees (UCFE) program on behalf of the Federal government under agreements with the U.S. Department of Labor (Department). The UCFE program provides unemployment benefits to Federal civilian workers in the same amount and under the same general conditions as provided to other workers under the state UC law. Costs of UCFE benefits are charged to the Federal agencies where the workers earned their base period wages. Wage assignment, for entitlement purposes, is based upon the worker's last official duty station or their state of residence at the time they file the initial claim depending on whether the Federal employer was the worker's last employer (20 CFR 609.8(b)) (http://www.ecfr.gov/cgi-bin/text-idx?SID=2ef0dc4c0a39e807fe46f58e29ee0807&node=se20.3.609_18&rgn=div8).

Unemployment Compensation for Ex-Servicemembers

States administer the Unemployment Compensation for Ex-servicemembers (UCX) program on behalf of the Federal government under agreements with the U.S. Department of Labor (Department). States must follow the Department's guidance in operating the program, including the use of the Federal Schedule of Remuneration to determine UCX benefit eligibility. The Department issues an updated schedule yearly through an Unemployment Insurance Program Letter (UIPL). Costs of UCX benefits are charged to the military branch with which the ex-servicemember performed military service during the base period of their claim.

In general, ex-servicemembers must be honorably discharged and complete their first full term of service in order to qualify for UCX. However, ex-servicemembers who did not complete their first full term of service and were separated under honorable conditions and were separated for certain "acceptable narrative reasons" may qualify for UCX. Members of the National Guard and Reserves must have 90 days of continuous active service and be separated under honorable conditions in order to qualify for UCX benefits.

Disaster Unemployment Assistance

Disaster Unemployment Assistance (DUA) provides financial assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major disaster and who are not eligible for regular unemployment insurance benefits. The U.S. Department of Labor oversees the DUA program and coordinates with the Federal Emergency Management Agency (FEMA), which is responsible for providing funds to the state UC agencies for payment of DUA benefits and payment of state administration costs. States operate the program on behalf of the Federal government under agreements with the Secretary of Labor.

When a major disaster has been declared by the President, there are different types of disaster declarations and for DUA to be available it must be a declaration for “individual assistance”. The state UC agency is responsible for making determinations of eligibility for individuals applying for DUA. DUA is generally available to an unemployed worker or self-employed individual who lived, worked, or was scheduled to work in the disaster area at the time of the disaster; and due to the disaster:

- no longer has a job or a place to work,
- cannot reach the place of work,
- cannot work due to damage to the place of work, or
- cannot work because of an injury caused by the disaster.

The maximum weekly benefit amount payable is generally determined under the provisions of the state UC law in the state(s) where the disaster occurred. However, the minimum weekly benefit amount payable is half (50%) of the average benefit amount in the state. The minimum weekly benefit is calculated quarterly and published for states through a UIPL issuance. In the event of a disaster, the affected state(s) will publish announcements about the availability of DUA.

Trade Adjustment Assistance / Trade Readjustment Allowances

Trade Adjustment Assistance (TAA) provides reemployment services and benefits to eligible workers who have lost their jobs or suffered a reduction of hours and wages as a result of increased imports or shifts in production outside the United States. Overall, the TAA program aims to help program participants obtain and retain new employment and earn wages comparable to their prior jobs.

TAA benefits and services are available to workers under a certification issued by the Department of Labor. The certification is issued in response to a petition filed by a group of three or more workers, by a company official, by American Job Center operators or partners (including State Workforce Agencies and dislocated worker units), or by a union or other duly



authorized representative of such workers. Workers' employment must be, or have been, related to the production of articles (products) described in the petition, or service sector workers and workers affected by offshoring or outsourcing to other countries.

Workers covered by a certification are eligible to apply for TAA benefits and services and must meet individual eligibility requirements. Applications may be filed at the local American Job Center. TAA benefits and services include reemployment services, job search allowances, relocation allowances, transportation allowances, Trade Readjustment Allowances (TRA), and TAA training.

In general, TAA-certified workers may be eligible for TRA after exhausting UI benefits and provided that they enrolled in and/or are participating in TAA training.

Self-Employment Assistance

States are given the option to establish Self-Employment Assistance (SEA) programs to help unemployed workers create their own jobs by starting small businesses. To be eligible for the program an individual must be eligible for unemployment compensation, identified through the profiling system as likely to exhaust his/her benefits, and must participate in self-employment activities including entrepreneurial training and business counseling. Weekly SEA allowances are funded out of each state's account in the UTF at no additional cost to the UC program. No more than 5 percent of claimants may be part of an SEA program.

For a list of states that have adopted SEA programs, see the *Comparison of State Unemployment Insurance Laws* found on ETA's Web site (<http://workforcesecurity.doleta.gov/unemploy/statelaws.asp#sigprouilaws>).

Helpful suggestion: The Department and the Small Business Administration have a Web site dedication to SEA issues, which can be found at the Self-Employment Assistance Center (<http://sea.workforce3one.org/>).

Short-Time Compensation

States may choose to establish a Short-Time Compensation (STC) program—commonly known as work-sharing. STC provides partial UC benefits to individuals whose usual hours of work are reduced to avert the layoff of workers in the affected unit. STC is a program that allows an employer to request approval from the UC agency of a plan that provides the payment of STC benefits to those workers whose hours are reduced. The approved plan provides STC benefits when the usual hours of work of the affected work unit is reduced within the range of reduction provided in the state STC law (state law may provide STC benefits when the reduction is at least 10% but no more than 60%). The STC weekly benefit amount is the amount of UC the



individual would be entitled to receive if totally unemployed multiplied by the percentage of reduction from the usual hours of work.

For a list of states that have adopted STC programs, see the *Comparison of State Unemployment Insurance Laws* found on ETA's Web site

(<http://workforcesecurity.doleta.gov/unemploy/statelaws.asp#sigprouilaws>).

Helpful suggestion: The Department has a Web site dedicated to STC issues, which can be found at <http://stc.workforce3one.org/>.

Worker Profiling and Reemployment Services

The Worker Profiling and Reemployment Services (WPRS) program created by P.L. 103-152 (http://workforcesecurity.doleta.gov/dmstree/pl/pl_103-152.pdf) requires that UI claimants who are identified through state profiling methods as likely to exhaust benefits and who are in need of reemployment services to transition to new employment participate in reemployment services, such as job search assistance. Participation in the Reemployment Services and Eligibility Assessments (RESEA) program satisfies the WPRS requirements in locations where RESEAs are conducted.

Data elements needed for profiling purposes include claimant characteristics and demographics. Labor market information should be updated in the state's profiling model as needed. Claimants who are on recall or use a union hiring hall are excluded because they are job-attached claimants. The remaining claimants are assigned a probability of benefits exhaustion based upon their profile characteristics. The number of individuals served under the WPRS system depends on the service capacity in the American Job Center(s).

Guidance for the WPRS program can be found in UIPL No. 41 – 94 (http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=363).

Reemployment Services and Eligibility Assessments

The Reemployment Services and Eligibility Assessments (RESEA) program (formerly Reemployment and Eligibility Assessment (REA)) program is an initiative that provides funds for states to better link the unemployed with the overall workforce system by bringing individuals receiving UI benefits into American Job Centers. The goal of this program is to provide UI claimants early access to services that can help get them back into the workforce faster. Studies have shown the program to be highly effective and in most cases, participating in these services can lead to shorter durations of joblessness. Beginning in 2015, states were encouraged to begin selecting claimants most likely to exhaust benefits and also UCX claimants to participate in this program.



States conduct an eligibility review and provide claimants with the following: an orientation to the full range of services in the American Job Centers, customized labor market and career information, and assistance in developing an individual reemployment and work search plan. During each RESEA, the claimant must be referred to at least one reemployment service, and the claimant's failure to report for either the RESEA or the reemployment service(s) may result in a denial of benefits.

Guidance for the RESEA program can be found in UIPL No. 13 – 15 (http://wdr.doleta.gov/directives/attach/UIPL/UIPL_13-15.pdf).

UI and the Workforce Innovation and Opportunity Act

On July 22, 2014, President Barack Obama signed the Workforce Innovation and Opportunity Act (WIOA). WIOA is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. WIOA supersedes the Workforce Investment Act of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973.

The UI program plays a vital role in the comprehensive, integrated workforce system and UI claimants continue to be critical customers of the system. WIOA seeks to modernize the workforce system to provide comprehensive, integrated, and streamlined services and such service delivery requires linking and aligning the different One-stop partners. It is important that each state UI agency works with other workforce partners to ensure unemployed individuals are receiving the necessary services within the Workforce system.

WIOA requires, as a career service provided in One-stop centers, the provision of both information and assistance to individuals regarding the filing of an UI claim. As such, individuals directly seeking career services from the One-stop system should receive meaningful staff-assisted services, as needed. Under WIOA, new language was added to Wagner-Peyser reemphasizing the need to assist unemployed individuals. Wagner-Peyser funds can be used to support reemployment services and other services to assist UI claimants—including labor exchange services; administering the work test; conducting eligibility assessments; referring UI claimants to, and providing application assistance for, training and education resources and programs.

Additionally, UI programs can be leveraged to address the reemployment needs of UI claimants. For example, the Worker Profiling and Reemployment Services (WPRS) program, and the Reemployment Services and Eligibility Assessments (RESEA) program, are programs that are an integral parts of states' strategies for delivering reemployment services.

The integrated workforce system established by WIOA is intended to provide participants with a customer-focused seamless, One-stop experience. To provide a truly integrated system, states

should align multi-program services, collaborate with workforce partners, and integrate data systems.

Administrative Infrastructure

Call Center and Web site Operations

Many states, through modernization projects, have implemented telephone claims systems and call centers to support administration of the program. Many systems are capable of managing call volume through the use of queues and may allow for the routing of calls between locations (virtual call center) when the state operates multiple call center locations.

Interactive Voice Response (IVR) systems allow claimants to initiate initial claims by entering basic personal information through a telephone keypad prior to completing their claim application with the assistance of a customer service representative. IVRs are also used to take continued claims and to collect work search reporting.

In addition to their call centers, many states also have deployed an Internet claims system that furthers self-service claims filing for initial and continued claims.

Information Technology Infrastructure

Unemployment insurance is reliant upon a robust information technology infrastructure. It provides the Tax operation the ability to establish employer accounts and assess unemployment insurance taxes, and provides cash management for Tax and the Fiscal units for managing the state's trust fund. It provides Benefits with the means to set up unemployment insurance claims; track determinations and control payments based upon those determinations; create and track overpayments and subsequent repayment activity; and handle interactions with other states (combined wage claims), other state agencies (DMV, Corrections, etc. for identity verification), and Federal agencies for obtaining wage and separation information and reporting financial and program performance data. For the Appeals unit, it provides the ability to docket hearings, record hearings and implement decisions, including requisite payment adjustments—back pay issuances or creating overpayments. Many states also use integrated imaging and customer relations management (CRM) systems that provide efficiencies in program operations. Many of the ETA required reports are submitted by the state UI agencies through the dedicated USDOL-provided computer system, called the SUN system. It is used for reporting program performance, workload, and financial data. Performance data reported through the SUN system includes information such as first payment and appeals time lapse, BAM, BTQ, and TPS reviews results.

ETA created the Information Technology Support Center (ITSC) in 1994 through a cooperative agreement with the State of Maryland to develop products and services and to support state UI agencies with their IT needs (see UIPL No. 33 – 94). In 2009, the National Association of State



Workforce Agencies' Center for Employment Security Education and Research (NASWA/CESER) became the operator of ITSC. The mission of ITSC in recent years has focused on supporting states' UI IT modernization efforts. More information about ITSC is provided in the *Other Resources* section of this document.

State Information Data Exchange System (SIDES)

The State Information Data Exchange System (SIDES) is a web-based system that allows electronic transmission of UI information requests from UI agencies to employers and/or third party administrators, as well as transmission of replies containing the requested information back to the UI agencies. The current implementation of SIDES allows for the exchange of separation and earnings verification information.

States that utilize the SIDES system have found that it reduces the length of time necessary for employers and their representatives to provide employment and separation information necessary for adjudication and it improves the quality of information received by providing a standardized fact-finding format for all types of claims. The ease of use also encourages employer participation and response. SIDES is currently operated and supported by NASWA's Information Technology Support Center.

Interstate Connection Network

The Interstate Connection Network (ICON) is a telecommunications network that allows states to exchange information between the SWAs that is needed to process Interstate Benefits, Combined Wage Claims, Unemployment Compensation for Federal Employees Wage Transfer (UCFE)/Unemployment Compensation for Ex-Servicemembers (UCX) Query Verification, and other UI-related information. Other ICON applications supporting various non-UI activities include the Wage Record Interchange System (WRIS), which facilitates the interstate exchange of wage data between participating states for the purpose of assessing and reporting on state and local performance for programs authorized under the Workforce Investment Act of 1998 (WIA)—now revised by the Workforce Innovation and Opportunity Act (WIOA), under other statutory provisions authorizing programs identified as One-stop partners in the WIA, and for other purposes allowed under law.

Staffing

Section 303(a)(1) and (2) of the Social Security Act provides the state's methods of administration (including a state merit system) will insure full payment of UC when due and mandates the payment of UC through public employment offices or through other approved agencies.

Administrative grants to states fund UI operations, including both personnel (staff costs) and non-personnel services (communications, facilities, computer services, travel, non-ADP office equipment, supplies, personnel service contracts, state indirect costs, and miscellaneous).

States are allocated base full-time equivalent (FTE) budget/positions to operate all facets of unemployment insurance based upon the state's workloads. In the event of unforeseen workload increases that require additional staffing, above-base funding may be made available to cover the increased staffing costs, as funds are available. Due to the fact that above-base funding is allocated under special grants, the reimbursement rate per FTE may be less than 100% of the base funding rate.

Merit Staffing

A longstanding tenet in the administration of public programs is that the quality of public service is maintained and improved by the development and maintenance of systems of personnel administration consistent with merit principles under 42 U.S.C. 4701 (<http://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap62-sec4701.pdf>). A basic merit principle is that public employees covered by a merit system are able to administer the law in an unbiased, professional manner without undue outside influence. Because many decisions made by public employees affect the rights and property of individuals, these decisions must be made in a fair and unbiased manner that is consistent with the rule and intent of the law. As a result, Congress included a specific merit staffing requirement in Federal UC law.

Section 303(a)(1), SSA, contains the merit staffing requirement for the UC program. This section requires that state law include provision for:

Such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary of Labor shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due.

Enforcement authority for this merit system requirement rests with the U.S. Department of Labor, and this requirement is a condition for receipt of UC administrative grants.

The merit system standards include:

- the recruitment, selection, and advancement of employees on the basis of their relative ability, knowledge, and skills, including the open consideration of qualified applicants for initial appointment
- providing equitable and adequate compensation



- training employees, as needed, to assure high quality performance
- retaining employees on the basis of the adequacy of their performance
- assuring fair treatment of applicants and employees in all aspects of personnel administration without regard to political affiliation, race, color, national origin, sex, religious creed, age, or handicap and with proper regard for their privacy and constitutional rights as citizens, and
- assuring that employees are protected against coercion for partisan political purposes and are prohibited from using their official authority for the purpose of interfering with or affecting the result of an election or nomination for office

Program Performance and Accountability

UI Performs Performance Management System

"UI Performs" is the unemployment insurance program's performance management system. The goal of UI Performs is cooperative management, planning, and oversight leading to increasingly effective, consistent, efficient service for workers and employers.

UI operations are comprised of benefit eligibility determinations, payments or denials, an appeals system, employer wage reporting and tax collection, and trust fund management. The UI Performs system of oversight includes two performance tracking categories. The first category is Core Measures, which encompasses oversight on key performance areas representative of the health of the entire unemployment insurance system. The Core Measures monitor key activities which have uniform national Acceptable Levels of Performance (ALPs). In the second category, the Federal partner also maintains Management Information data to facilitate analysis of performance and to assist in planning corrective activities when necessary. Management Information tracks state performance on subsets of Core Measures and on ancillary activities such as interstate and Federal programs.

Performance deficiencies are addressed through the State Quality Service Plans (SQSP) process. The SQSP serves as the performance document and the grant document through which states receive administrative funding.

State Workforce Agency performance reports can be viewed at <http://workforcesecurity.doleta.gov/unemploy/performance.asp>.



UI PERFORMS Core Measures	Acceptable Levels of Performance
Benefits Measures	
First Payment Promptness: % of all 1st payments made within 14/21 days after the week ending date of the first compensable week in the benefit year (excludes Workshare, episodic claims such as DUA, and retroactive payments for a compensable waiting period).	≥87%
Nonmonetary Determination Time Lapse: % of Nonmonetary Determinations (Separations and Nonseparations) made within 21 days of the date of detection of any nonmonetary issue that had the potential to affect the claimant’s benefit rights.	≥80%
Nonmonetary Determination Quality - Nonseparations: % of Nonseparation Determinations with quality scores equal to or greater than 95 points, based on the evaluation results of quarterly samples selected from the universe of nonseparation determinations.	≥75%
Nonmonetary Determination Quality - Separations: % of Separation Determinations with quality scores equal to or greater than 95 points, based on the evaluation results of quarterly samples selected from the universe of separation determinations.	≥75%
Program Integrity Measures	
Overpayment Measure Detection of Overpayments: % of detectable, recoverable overpayments estimated by the Benefit Accuracy Measurement survey that were established for recovery.	≥50% and ≤95% of detectable/recoverable overpayments are established for recovery
Benefit Year Earnings (BYE) Measure: Percentage of the amount overpaid due to BYE issues divided by the total amount of UI benefits paid.	25% reduction from state’s CY 2010 – CY 2012 baseline BYE rate
Improper Payment Measure: Percentage of UI benefits overpaid, plus UI benefits underpaid minus overpayments recovered divided by the total amount of UI benefits paid.	< 10%
UI Overpayment Recovery Measure: Percentage of amount of overpayments recovered, divided by the amount of overpayments established minus overpayments waived (example IPIA 2013 = July 1, 2012 – June 30, 2013).	IPIA 2013: 55% IPIA 2014: 58% IPIA 2015: 65% IPIA 2016: 68%
Appeals Measures	

UI PERFORMS Core Measures	Acceptable Levels of Performance
Average Age of Pending Lower Authority Appeals: The sum of the ages, in days from filing, of all pending Lower Authority Appeals divided by the number of Lower Authority Appeals.	≤30 Days
Average Age of Pending Higher Authority Appeals: The sum of the ages, in days from filing, of all pending Higher Authority Appeals divided by the number of Higher Authority Appeals.	≤40 Days
Lower Authority Appeals Quality: % of Lower Authority Appeals with quality scores equal to or greater than 85% of potential points, based on the evaluation results of quarterly samples selected from the universe of lower authority benefit appeal hearings.	≥80%
Tax Measures	
New Employer Status Determinations Time Lapse: % of New Employer Status Determinations made within 90 days of the last day in the quarter in which the business became liable.	>70%
Tax Quality: Tax Performance System (TPS) assessment of the accuracy and completeness of the tax program determined by scoring, on a pass/fail basis, samples of the 13 tax functions.	No more than 3 tax functions failing TPS in any year
	No single tax function failing for 3 consecutive years
Effective Audit Measure: Evaluates whether a state’s employer audit program meets or exceeds minimum levels of achievement in the following four factors: Factor 1 - % of Contributory Employers Audited Annually; Factor 2 - % of Total Wages Changed from Audits; Factor 3 - % of Total Wages Audited; Factor 4 – Average Number of Misclassifications Detected per Audit, <u>and</u> meets or exceeds a minimum overall score of the four factors.	Factor 1: ≥ 1% Factor 2: ≥ 2% Factor 3: ≥ 1% Factor 4: ≥ 1%, and Sum of Four Factors: ≥ 7
Reemployment Measure	
Facilitate Reemployment: % of UI claimants who are reemployed within the quarter following the quarter in which they received their first UI payment.	<i>Varies by state</i>
Secretary Standards in Regulation	
First Payment Promptness: % of Intrastate UI 1 st Payments (full weeks only) made within 14/21 days after the week ending date of the first compensable week in the benefit year.	≥87%



UI PERFORMS Core Measures	Acceptable Levels of Performance
First Payment Promptness: % of Intrastate UI 1 st Payments (full weeks only) made within 35 days after the week ending date of the first compensable week in the benefit year.	≥93%
First Payment Promptness: % of Interstate UI 1 st Payments (full weeks only) made within 14/21 days after the week ending date of the first compensable week in the benefit year.	≥70%
First Payment Promptness: % of Interstate UI 1 st Payments (full weeks only) made within 35 days after the week ending date of the first compensable week in the benefit year	≥78%
Lower Authority Appeals: % of Lower Authority Appeals decided within 30 days of filing.	≥60%
Lower Authority Appeals: % of Lower Authority Appeals decided within 45 days of filing.	≥80%

State Quality Service Plan

The State Quality Service Plan (SQSP) is the state UI performance management and service plan. With a focus on continuous improvement, it is also the grant document through which states receive Federal UI administrative funding. General instructions for the SQSP are contained in ETA Handbook No. 336

(http://workforcesecurity.doleta.gov/dmstree/handbooks/336/17th/hb_336_17.htm). The handbook is designed as a permanent instruction for the annual planning and budget process in each state and provides states with planning guidelines and instructions for reporting UI financial and staff year information.

The SQSP is intended to be a dynamic document states use not only to ensure strong program performance, but also to guide key management decisions, such as where to focus resources. The SQSP focuses state efforts to ensure well-balanced performance across the range of UI activities. The SQSP also is designed to be flexible to accommodate, among other things, multi-year planning and significant changes in circumstances during the planning cycle. States can use this flexibility to incorporate the elements from the program strategic plans into the SQSP to address improper payments.

As part of UI Performs, the SQSP is the principal vehicle that the state UI programs use to plan, record, and manage improvement efforts as they strive for excellence in service. ETA has moved to a biennial SQSP cycle beginning with the FY 2015 SQSP. This biennial SQSP planning cycle provides a 24-month window for states to adequately plan and implement performance improvement efforts.



Benefits Timeliness and Quality

The Benefits Timeliness and Quality (BTQ) review serves to assess the overall quality of the nonmonetary determination process using a set of prescribed evaluation criteria. Each sampled determination is measured against federally established minimum criteria, evaluating the quality elements of the determination. It also includes a data validation component to ensure that the state UI agency is reporting its nonmonetary determination activities in accordance with UI reports instructions contained in ETA Handbook No. 401 (http://workforcesecurity.doleta.gov/dmstree/handbooks/401/4th/hb401_4c1.pdf), UIR Handbook.

Evaluation of nonmonetary determinations is necessary to ensure that this component of the UI program is properly administered. Because the determination to pay or deny unemployment compensation is a critical UI program activity, management must be kept informed about how well this function is being performed. Benefits Timeliness and Quality (BTQ) reviews determine whether a state UI agency's performance is meeting the standards which have been set by the Department.

A sampling of separation and non-separation, non-monetary determinations is reviewed each calendar quarter. Three reviews each year are conducted internally with the state's staff trained to conduct BTQ reviews. The fourth review is a cross-regional review where representatives of the Department and other states conduct a coordinated review of each state's case sampling.

ETA Handbook No. 301 (http://wdr.doleta.gov/directives/attach/UIPL/UIPL_1-13_Att.pdf) provides guidance on the conduct of BTQ reviews, including information concerning sampling size, scoring cases and reporting results.

UI Benefit Operational Functional Review—New State Self-Assessment Tool

ETA is developing new processes to support state and Federal operational reviews of UI program administration as it relates to UI benefits. A key feature in the new framework is a design that better supports states' improvements in their benefit operations and processes. Using the Tax Performance Systems review model, the framework includes a new process for independent state self-assessments of operational practices for the various functional areas of benefit operations. Similar to the TPS model, ETA proposes providing states with designated funding to support an independent reviewer to conduct the self-assessment. This approach will support state identification of operational issues that require new strategies to address these issues on a continuous basis, inform ETA's technical assistance efforts both with all states and with individual states, and will enable a more robust and effective collection and dissemination of state best practices.

The self-assessment tool will contain a series of in-depth questions on functional areas within UI benefits operations. The tool will have questions for the following fifteen functional areas within UI benefits:



- Overarching Operational Matters
- Initial UI Claims Intake – Intrastate/Interstate
- Combined Wage Claims Intake
- Unemployment Compensation for Federal Employees Intake
- Unemployment Compensation for Ex-Servicemembers Intake
- Monetary Determinations
- Adjudications
- Continued Claims and Eligibility Reviews
- Appeals
- Benefit Payment Control
- Internal Security
- Disaster Unemployment Assistance
- Reemployment
- Data Validation
- Short-Time Compensation

Following a pilot of the self-assessment tool in some states early in Federal fiscal year (FFY) 2016, ETA will gather feedback and comments from the pilot states on the use of the self-assessment tool, which will guide additional revisions and refinements prior to full scale implementation of the tool in FFY 2017.

Tax Performance System

The Tax Performance System (TPS) is intended to assist state administrators in improving their UI programs by providing objective information on the quality of existing revenue operations. TPS also serves to help the Department carry out its oversight, technical assistance, and policy development responsibilities. One staff year per state has been allocated in the grants to states to perform the TPS review. Guidance for conducting TPS reviews is provided in ETA Handbook No. 407 (http://workforcesecurity.doleta.gov/dmstree/handbooks/407/hb_407_toc.htm).

The TPS program is a part of “UI Performs”, a comprehensive performance system in which the states and the Federal government work together as partners to strengthen the UI system. One of



the primary goals of the system is to achieve continuous improvement of overall performance quality.

TPS reviews cover status determination, cashiering, report delinquency, collections, field audit, and account maintenance. The dimensions of quality in UI tax operations are accuracy, timeliness, and (in some instances) completeness. Two methodologies are utilized.

- **Computed Measures**—which report the data about UI tax operations. These measures, based on reported aggregate information, are indicators of timeliness and completeness with which UI tax transactions occur. States report a quarterly series of data elements, which the TPS data system uses to automatically calculate the computed measures. Data are provided to the TPS reviewers so that they may factor them as part of the assessment of each tax function.
- **Program Reviews**—which consist of systems reviews that examine tax systems for the existence of internal controls, and acceptance samples that examine small numbers of transactions to verify the effectiveness of the internal controls in producing accurate output. If more extensive review is deemed necessary, a second small sample may be used as well as large, representative samples ("expanded samples") to determine a specific error rate.

Regional Office staff support the TPS reviewer in assessing the quality and performance of state tax operations. The Regional Office works with the TPS reviewer during all phases of the review process to answer questions and offer technical assistance.

During ongoing TPS reviews, Regional Office staff will:

- Request TPS review work plans and monitor, as appropriate, conformity with the work plans to ensure the conduct of a TPS review
- Review any requests for waivers in conducting all or part of any TPS review, and forward to the National Office for consideration
- Review any requests for modifying or adjusting established timeframes for TPS sampling, and forward to the National Office for consideration
- Ensure proper use of “Not Applicable” responses and “Other” responses (compensating controls)
- Ensure timely entry of TPS review data into the SUN system
- Ensure timely and appropriate completion of TPS annual reports

Regional Office staff is responsible for conducting an in-person Federal team review at least once every four years in each state to ensure the state's TPS program is being conducted properly.

Lower Authority Appeals Quality Reviews

The Department of Labor has responsibility for the oversight of the quality of states' unemployment compensation (UC) appellate processes. Section 303(a)(1), SSA, requires states to have “such methods of administration . . . as are found by the Secretary of Labor to be reasonably calculated to ensure full payment of unemployment compensation when due.” Section 303(a)(3), SSA, conditions this certification on state law providing “an opportunity for a fair hearing, before an impartial tribunal, for all persons whose claims for UC have been denied.”

The need to conduct quality hearings while also disposing of them in a timely manner is reflected in the measures established to evaluate states' appeals performance. Examining state performance using the three measures below, when considered together, provides a good overview of a state's lower authority appeals performance:

- Time Lapse is a measure of how old cases are when decided,
- Case Aging is a measure of how old the cases are that have not been decided, and
- Lower authority quality is a measure of whether a “fair hearing” was provided.

The state conducts a review of a sampling of lower authority appeal cases each calendar quarter. The sampling size is either 20 or 40 per quarter and is determined by whether the state has an annual workload of 40,000 decisions, where fewer decisions would require a sampling size of 20 cases while a workload of more than 40,000 decisions would require a sampling size of 40 cases per quarter.

Every three years, Federal staff and state staff review random samples of the cases evaluated by the states in the previous calendar year. Regional Office staff and state appeals staff support and participate in this review.

Program Reporting & Data

Financial Reporting

All grants activities for all ETA programs are reported via the ETA - 9130 report. All quarterly reports are filed online and must be submitted no later than 45 calendar days after the end of each specified reporting period. A report must be submitted for each subaccount listed in the award document. All financial data must be reported cumulatively from grant inception, through the end of each reporting period. Expenditure data is required to be reported on an accrual basis.



The reporting quarter end dates are: March 31, June 30, September 30, and December 31.

The reporting due dates are: May 15, August 14, November 14, and February 14.

ETA grants require adherence to regulations in *29 CFR Part 97* for governmental grants, which establish administrative requirements, including financial management standards and close-out standards.

Close-out is a process by which USDOL determines that all financial requirements and applicable administrative actions have been completed by the recipient. The close-out process includes expired or terminated contracts and grants. Within 90 days after the expiration/termination of the contract/grant; all financial, performance, and other required documents must be received.

Additional References

- Federal Financial Management and Reporting Definitions - TEGL No. 28 – 10 (<http://wdr.doleta.gov/directives/attach/TEGL/TEGL28-10ACC.pdf>)
- Quarterly USDOL Employment and Training Financial Report Instructions - TEGL No. 13 – 12 (http://wdr.doleta.gov/directives/attach/TEGL/TEGL_13_12_Acc.pdf)

Federal ETA Performance Reports

UI program performance data are available at <http://workforcesecurity.doleta.gov/unemploy/performance.asp>. The following list denotes the various reports that state UI agencies are required to submit to ETA.

Report	Frequency	Content
191	Quarterly	Statement of Expenditures and Financial Adjustments for Federal Funds for Unemployment Compensation for Federal Employees and Ex-Servicemembers
203	Monthly	Characteristics of the Insured Unemployed
204	Annual	Experience Rating Report
205	Annual	Preliminary Estimates of Average Employer Contribution Rates
207	Quarterly	Non-Monetary Determination Activities
218	Quarterly	Benefits Rights - Monetary Determinations; Potential Durations
227	Quarterly	Overpayment Detection & Recovery Activities
538	Weekly	Advance Weekly Initial and Continued Claims Report
539	Weekly	Weekly Claims and Extended Benefits Trigger Data
581	Quarterly	Contribution Operations
586	Quarterly	Interstate Arrangement for Combining Employment and Wages
902	Monthly	Disaster Unemployment Assistance Activities
2112	Monthly	UI Financial Transaction Summary



Report	Frequency	Content
5130	Monthly	Benefits Appeals Report - # appeals by program, by type, by appellant
5159	Monthly	Claims & Payment Activity - Initial, Weekly, # Weeks Paid, First Payments, Final Payments
5159W	Monthly	Claims & Payment Activity - Workshare; Initial, Weekly
8401	Monthly	Monthly Analysis of Benefit Payment Account
8403	Monthly	Summary of Financial Transactions - Title IX Funds
8405	Monthly	Monthly Analysis of Clearing Account
8412	Monthly	Income-Expense Analysis of UC Fund Benefit Payment Account
8414	Monthly	Income-Expense Analysis UC Fund Clearing Account
9016	Quarterly	Alien Claims Activity Report
9048	Quarterly	Worker Profiling and Reemployment Services Activity
9049	Quarterly	Worker Profiling and Reemployment Services Outcomes
9050	Monthly	Time Lapse of All First Payments, except Workshare
9050P	Monthly	Time Lapse of All Partial First Payments
9050W	Monthly	Time Lapse of All Workshare First Payments
9051	Monthly	Time Lapse Counts for All Continued Weeks Compensated
9051P	Monthly	Time Lapse Counts for All Partial Continued Weeks Compensated
9051W	Monthly	Time Lapse Counts for All Workshare Continued Weeks Compensated
9052	Monthly	Non-monetary Determination Time Lapse - Detection Date to Determination Date
9053	Monthly	Non-monetary Determination Time Lapse - Week Ending Date to Detection Date
9054L	Monthly	Lower Authority Appeals Time Lapse
9054H	Monthly	Higher Authority Appeals Time Lapse
9128	Quarterly	UI REA Workloads Report
9129	Quarterly	UI REA Outcomes Report
9165	Quarterly	UI Supplemental Budget Request Activities

UI Program Integrity

Everyone Owns Integrity

UI Integrity is a top priority for the USDOL and state agencies that administer the UI programs. Through UIPL No. 19 – 11 (<http://wdr.doleta.gov/directives/attach/UIPL/UIPL19-11ACC.pdf>) the Department issued a call to action to all states to implement strategies to reduce improper UI payments. The Department has undertaken a number of measures to ensure that states have the necessary information to identify program areas with unacceptable improper payment rates and identify remedial actions that have an immediate impact to bring the improper payment rate down.



The level of improper payments has created a critical situation that demands focused attention by the Department and by states; in particular, those states with chronic integrity issues and high improper UI benefit payments. If the UI system as a whole fails to reduce the UI improper payment rate below 10 percent, the Department will be required to consider additional actions to bring the program into compliance, as required under IPERA Guidance, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, which includes the following:

For agencies that are not compliant for three consecutive fiscal years for the same program or activity, within 30 days of the determination of non-compliance, the agency will submit either of the following documents to Congress:

- reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years; or
- proposed statutory changes necessary to bring the mandatory program or activity into compliance.

Federal Improper Payment Laws

- Improper Payment Information Act of 2002 (IPIA)
(<http://www.gpo.gov/fdsys/pkg/PLAW-107publ300/pdf/PLAW-107publ300.pdf>)
- Improper Payment Elimination and Recovery Act of 2010 (IPERA)
(<http://www.gpo.gov/fdsys/pkg/BILLS-111s1508enr/pdf/BILLS-111s1508enr.pdf>)
- Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA)
(<http://www.ssa.gov/improperpayments/documents/IPERIA--PLAW-112publ248.pdf>)

The Improper Payments Information Act (IPIA) of 2002 and subsequent amendments in the Improper Payments Elimination and Recovery Act (IPERA) of 2010 require State Workforce Agencies (SWA) to examine the risk of erroneous payments in all programs and activities they administer. An improper payment is defined as any payment that was made to an ineligible recipient, duplicate payments, and payments that are for the incorrect amount—both overpayments and underpayments, including inappropriate denials of payment. IPERA codifies the requirement for valid statistical estimates of improper payments such as those generated by BAM and compels actions to reduce improper payments. The U.S. Department of Labor requires SWAs to review their BAM improper payment data and report their planned activities to prevent, detect, reduce, and recover improper payments in an UI Integrity Action Plan, as outlined in UIPL No. 21 – 11 (<http://wdr.doleta.gov/directives/attach/UIPL/UIPL21-11ACC.pdf>).



The Improper Payments Elimination and Recovery Improvement Act of 2012 (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.

Benefits Accuracy Measures

The Benefits Accuracy Measures (BAM) is a quality control statistical survey used by Federal and State Workforce Agency staff to identify errors and their causes, and in correcting and tracking solutions to these problems. It is also used to estimate Federal and state UI improper payment rates. The study sample comes from a random sampling of weekly UI benefit paid and denied claims. BAM staff investigates the samples to determine whether the claimant was properly paid or properly denied eligibility.

The major objectives of the BAM program are to:

- assess the accuracy of UI payments and denials of benefits,
- assess improvements in program accuracy and integrity, and
- encourage more efficient administration of the UI program.

The BAM system is designed to be comprehensive by including all areas of the claims process where errors could occur.

Intensive investigations are conducted on the sampled cases to determine whether payments were made to eligible claimants, and in the proper amount. The benefit entitlement (weekly and total benefit amounts), work registration, work search and claimant eligibility are all examined for the “key week” under review. A BAM claimant questionnaire is used as a data collection tool and must be completed by each UI claimant whose claim is investigated by BAM staff. During this review process, the claimant questionnaire becomes a focal point of the investigation, and provides information relative to the propriety of the payment as well as identifying other eligibility issues. Issues that are identified in the review are adjudicated. Improper payment findings by BAM are the primary factor in determining the state’s overpayment rate and are the basis for the national rate.

Use of BAM Data for Program Improvement

BAM data has identified the top four types of overpayments that result in the highest dollar amounts and lend themselves to targeted prevention efforts. Monitoring BAM data and focusing on these areas to identify system and process improvements can dramatically improve improper payment activity.

Work Search Errors: The primary cause of these overpayments is due to the failure of claimants to comply with the state’s work search requirements. It has become increasingly difficult for agencies to verify claimant work search contacts with potential employers given the



more pervasive role of tools such as employment search engines, large employment application databases, and online social networks in the modern job search process. Conducting random audits of claimants' work search activities, providing an electronic log for claimants to record their work search activities as part of their weekly certification and messaging to claimants regarding the work search requirements are considered to be strategies for addressing this root cause.

Benefit Year Earnings: The primary cause of overpayments is due to unreported or underreported earnings by claimants while they claim benefits. Cross-matching with State Directory of New Hires (SDNH) and National Directory of New Hires (NDNH), followed by immediate contact with the claimant when there is a match to let the claimant know there is a potential overpayment, is considered to be one of the most effective strategies for addressing this root cause.

Separation Issues: Overpayments attributable to separation issues are another leading cause of overpayments. To address this issue, the State Information Data Exchange System (SIDES) was developed, which enables more rapid and accurate communications between state agencies and employers or employers' third party administrators. The timely exchange of accurate claimant separation information results in better determinations and reduces the number of improper payments to claimants who are ultimately determined to be ineligible for UI due to disqualifying job separations such as quitting a job without good cause or being discharged for misconduct under the state UI law.

Employment Service Registration: Improper payment errors due to a claimant's failure to meet Employment Service registration requirements are a significant root cause of improper payments in some states. Good communication between UI and American Job Center staff is needed to ensure the integrity and effectiveness of the programs, including Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessment (RESEA). States that have automated their work registration process as part of the UC claims filing generally experience shorter payment durations and eliminate this potential source of improper payment findings.

Overpayment Detection Core Measure Ranking Report

The three-year Overpayment Detection Ranking Report (http://workforcesecurity.doleta.gov/unemploy/3yr_overpay.asp) is used to measure state performance for the UI Performs Core Measure. The report covers the three-year benefit payment control period (12 quarters) ending with selected quarter-ending date. BAM data cover the three-year period ending six months prior to the selected quarter-ending date. Data is based on data extracted from the UI database and is available from 1997 to the most current quarter-ending date.



Unemployment Insurance Recovery Core Measures

The recovery rate is the ratio of the amount of improper overpayments recovered to the amount of improper overpayments established.

The measure is computed using data provided on the ETA Overpayment Detection and Recovery reports (ETA 227 and ETA 227 Emergency Unemployment Compensation (EUC)).

$$\text{Recovery Rate} = \frac{\text{Amount of UI Overpayments Recovered}}{\text{Amt. of (UI Overpayments Established - Waived)}} \times 100$$

Benefit Payment Control

Benefit Payment Control (BPC) is the part of UI program operations responsible for the establishment and collection of benefit overpayments. Staff conducts quarterly cross-matches between wages reported by employers and weeks claimed to detect unreported employment, earnings, and separations that have the potential of affecting the claimant's eligibility for benefits. Unreported earnings are investigated and adjudicated, with authority to impose more-stringent penalties for fraud, when warranted. A similar cross-match is conducted with the state and national directories of new hires to identify claimants that returned to work but continued claiming unemployment compensation.

BPC has collection authority to initiate legal proceedings to recover improperly paid benefits. This authority varies by state, and is limited to overpayments that were the result of fraudulent activity in some states. Overpayment collection includes withholding future benefit payments and the intercept of state and Federal income tax refunds. Many states participate in the Treasury Offset Program (TOP) for recovery of Federal income tax refund monies.

Treasury Offset Program

Section 303(m) of the Social Security Act requires states, as a condition for receipt of grants to administer their UC programs, to use the Treasury Offset Program (TOP) to recover covered UC debt that remains uncollected as of the date that is one year after the debt was finally determined to be due and collected.

Covered unemployment compensation debt means: (1) a past-due debt for erroneous payment of UC due to fraud or the person's failure to report earnings, which has become final under the law of the state and which remains uncollected; (2) employer contributions due to the unemployment fund of a state for which the state has determined the person to be liable and which remain uncollected; and (3) any penalties and interest assessed on such debt.



To participate in TOP, a state must complete and submit to the Internal Revenue Service, a Debt Certification Agreement; an Agency Profile form, and a Safeguard Security Report prior to implementation.

Additional References

- Recovery of UC Debts Due to Fraud from Federal Income Tax Refunds - UIPL No. 02 – 09 (http://workforcsecurity.doleta.gov/dmstree/uipl/uipl2k9/uipl_0209.pdf)
- Recovery of UC Debts Due to Fraud from Federal Income Tax Refunds - UIPL No. 02 – 09, Change 1 (http://workforcsecurity.doleta.gov/dmstree/uipl/uipl2k9/uipl_0209c1.pdf)
- Recovery of Unemployment Compensation Debts Due to Fraud or to Working while Claiming Benefits from Federal Income Tax Refunds - UIPL No. 02 – 09, Change 2 (http://workforcsecurity.doleta.gov/dmstree/uipl/uipl2k9/uipl_0209c2.pdf)
- Recovery of Unpaid Unemployment Insurance Employer Tax Debt Under the Treasury Offset Program - UIPL No. 02 – 09, Change 3 (http://wdr.doleta.gov/directives/attach/UIPL/UIPL-2-09_Change-3.pdf)

Penalty and Interest Funds

States are authorized to assess interest and penalty fees on employers that fail to submit their unemployment insurance tax reports and payments in a timely manner and on claimants that fail to repay unemployment insurance benefit overpayments as scheduled. The use of penalty and interest can be used to repay Title XII advances per UIPL No. 29 – 11 (http://www.ows.doleta.gov/dmstree/uipl/uipl2k11/uipl_2911.pdf).

States must impose a monetary penalty (an amount not less than 15 percent of the erroneous payment) on claimants whose fraudulent acts resulted in overpayments. This penalty, mandated under the Trade Adjustment Assistance Extension Act (TAAEA) of 2011, must be deposited into the state’s account in the Unemployment Trust Fund (UTF) and used for the payment of UC. Section 303(a)(11) of SSA has no provision allowing for a waiver of this penalty; however, if the state has a fraud penalty in its statute greater than the 15 percent Federally-mandated penalty, any amount above the 15 percent may be waived in accordance with the state UC law. A state’s failure to implement this penalty would be grounds for initiating conformity proceedings to deny certifying the state for grants for the administration of the state UC law until such time as the law conformed to the requirements of Section 303(a)(11), SSA.

Confidentiality

The Department of Labor interprets Section 303(a)(1), SSA, to mean that “methods of administration” that are reasonably calculated to insure the full payment of UC when due must



include provisions for maintaining the confidentiality of any UC information which reveals the name or any identifying information about any individual or any past or present employer or employing unit, or which could foreseeably be combined with other publicly available information to reveal any such particulars, and must include provision for barring the disclosure of any such information. Federal regulations set out requirements concerning the confidentiality and disclosure of UC information. See 20 CFR § 603 et seq (<http://www.gpo.gov/fdsys/pkg/CFR-2012-title20-vol3/xml/CFR-2012-title20-vol3-part603.xml>).

Disclosure of confidential UC information is permissible under certain exceptions, if authorized by state law.

- Disclosure of appeals records and decisions, and precedential determinations on coverage of employers, employment, and wages, is permissible provided all social security account numbers have been removed and such disclosure is otherwise consistent with Federal and state law UIPL No. 03 – 15 (http://wdr.doleta.gov/directives/attach/UIPL/UIPL_03-15.pdf).
- Disclosure of confidential UC information on the basis of informed consent is permissible to an agent of the claimant or an employer by the authority of that individual or employer if: (A) the agent presents a written release (which may include an electronically submitted release that the state determines is authentic) from the individual or employer being represented, or (B) when a written release is impossible or impracticable to obtain, the agent presents such other form of consent as is permitted by the state UC agency in accordance with state law. Disclosures to a third party that is not acting as an agent are also permissible, provided the third party obtains a written release from the individual or employer whose information is being sought.
- Disclosure to a public official for use in the performance of his or her official duties is permissible. “Performance of official duties” means administration or enforcement of law or the execution of the official responsibilities of a Federal, state, or local elected official. Disclosure to an agent or contractor of a public official is also permissible.
- The confidentiality requirement does not apply to information collected exclusively for statistical purposes under a cooperative agreement with the Bureau of Labor Statistics (BLS). Further, this part does not restrict or impose any condition on the transfer of any other information to the BLS under an agreement, or the BLS's disclosure or use of such information.
- Disclosure of confidential UC information in response to a court order or to an official with subpoena authority is permissible as specified in 20 CFR §603.7(b).



- The Department has interpreted Section 303(a)(1), SSA, as requiring disclosure of all information necessary for the proper administration of the UC program. This includes disclosures to claimants, employers, the Internal Revenue Service (for purposes of UC tax administration), and the U.S. Citizenship and Immigration Services (for purposes of verifying a claimant's immigration status).
- Federal UC law also specifically requires disclosure of state UC information to any agency of the United States charged with the administration of public works or assistance through public employment.
- Records must make available to the Railroad Retirement Board such copies of its UC records to the Railroad Retirement Board as the Board deems necessary for its purposes.
- Section 303(d)(1), SSA, requires each state UC agency, for purposes of determining an individual's eligibility benefits, or the amount of benefits, under a food stamp program established under the Food Stamp Act of 1977, to disclose, upon request, to officers and employees of the Department of Agriculture, and to officers or employees of any state food stamp agency, any of the following information contained in the records of the state UC agency.
- UI claimants and employers must be informed that personally identifiable information that they provide will be shared with other governmental entities, as prescribed by law, including wage record data.
- Most disclosures of confidential UC information require the state UC agency to enter into a written, enforceable agreement with any agency or entity requesting disclosure of such information. The agreement must be terminable if the state UC agency determines that the provisions of the agreement are not being adhered to. In the case of disclosures to an agent or contractor of a public official, the state UC agency must enter into an agreement with the public official on whose behalf the agent or contractor will obtain information. The agreement must hold the public official responsible for ensuring that the agent or contractor complies with the agreement.
- The agreement must contain provisions for paying or reimbursing the state UC agency for the costs of disclosure as required by 20 CFR 603.8, provisions for safeguarding the information as required by 20 CFR 603.9, and provisions for on-site inspections of the recipient of the information to ensure that the requirements of the agreement are being met.
- The state UC agency must require recipients of confidential UC information to instruct all personnel having access to the disclosed information about confidentiality requirements, safeguards, and the sanctions specified in state law for unauthorized disclosure or misuse of the information. In the event of a breach of the agreement, the state UC agency must undertake any action under the agreement, or under any state or Federal law, to enforce the



agreement and secure satisfactory corrective action. This includes seeking damages, penalties, and restitution as permitted under state or Federal law.

- States may not permit direct access to the state UI database or a mirror database, but they may permit access to a subset of the data contained in, or originating from, a state's database. Allowing unfettered access to confidential UC information is contrary to the requirements of 20 CFR part 603. In addition, such broad access makes it difficult, if not impossible, for the state UC agency to maintain control of the system and perform required audits.

Additional References

- Disclosure of Confidential UI Information to state Health Insurance Exchanges - UIPL No. 04 – 15 (http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6695)
- Disclosure of Confidential UI Information to Private Entities - UIPL No. 19 – 12 (<http://wdr.doleta.gov/directives/attach/UIPL/UIPL19-12.pdf>)

Helpful suggestion: When your agency receives a request from another entity or person seeking access to UC information, check with your agency's legal counsel on how to properly respond to the request.

The U.S. Department of Labor

The U.S. Department of Labor oversees a wide variety of workforce and labor related programs, including:

- Bureau of Labor Statistics (BLS) (<http://www.bls.gov/home.htm>)
- Employment and Training Administration (ETA) (<http://www.doleta.gov/>)
- Occupational Safety & Health Administration (OSHA) (<https://www.osha.gov/>)
- Mine Safety & Health Administration (MSHA) (<http://www.msha.gov/>)
- Office of Disability Employment Policy (ODEP) (<http://www.dol.gov/odep/>)
- Office of Inspector General (OIG) (<http://www.oig.dol.gov/>)
- Office of Labor-Management Standards (OLMS) (<http://www.dol.gov/olms/>)
- Office of Workers' Compensation Programs (OWCP) (<http://www.dol.gov/owcp/>)
- Veterans' Employment & Training Service (VETS) (<http://www.dol.gov/vets/>)



- Wage and Hour Division (WHD) (<http://www.dol.gov/whd/>)

Department of Labor Unemployment Insurance Structure

The Employment and Training Administration (ETA) is an agency within the Department of Labor that oversees UI. The following are major organizational divisions within ETA of interest to state UI agencies:

Office of Unemployment Insurance

The Office of Unemployment Insurance (OUI) (<http://oui.doleta.gov/unemploy/index.asp>) is responsible for the following tasks:

- Providing leadership, direction, and assistance to State Workforce Agencies in the implementation and administration of state unemployment insurance (UI) programs, Federal unemployment compensation programs, and other wage-loss, worker dislocation and adjustment assistance compensation programs.
- Strategic management to ensure high performance, greater public accountability, service quality, and customer satisfaction.
- Working collaboratively with partners and stakeholders in business, labor, and state governments by providing oversight, guidance, and technical assistance for the federal-state unemployment compensation system and providing budget and legislative support to State Workforce Agencies to administer their UI programs and assist individuals to return quickly to suitable work.

OUI is responsible for Federal oversight of state unemployment insurance (UI) and related wage loss programs. OUI is responsible for providing state unemployment insurance programs with administrative funding; ensuring that state UI laws and practices meet Federal requirements; issuing instructions for operation of Federal UI programs; setting state UI performance measures and criteria; monitoring state performance and requiring corrective action, when necessary; providing states with policy guidance and technical assistance related to state operations, performance, trust fund solvency, and legislation; collecting, reporting, and publishing UI related data; and facilitating Federal loans to states with insolvent trust funds.

Helpful suggestion: The OUI Web site is a resource of information about the federal-state UI program. It is found at <http://workforcesecurity.doleta.gov/unemploy>.

OUI has four divisions: the Division of UI Operations, the Division of Performance Management, the Division of Legislation, and the Division of Fiscal and Actuarial Services.



Division of Unemployment Insurance Operations

The Division of Unemployment Insurance Operations (DUIO) (<http://oui.doleta.gov/unemploy/aboutui.asp>) provides leadership and guidance on state UC programs including regular state UI, combined wage claims (for individuals who worked in more than one state), the interstate benefit system (for individuals who worked in a different state than the one in which they live), UI tax administration, and Federal UC programs (including Unemployment Compensation for Ex-Servicemembers, Unemployment Compensation for Federal Employees, Disaster Unemployment Assistance, and Trade Readjustment Allowances).

DUIO formulates policy, interprets laws, promulgates program requirements, develops implementation strategies for UI programs and services, provides technical assistance for program implementation and program improvement, develops Handbooks and Technical Assistance Guides, and develops advisories to State Workforce Agencies regarding UI program operations.

Division of Performance Management

The Division of Performance Management (DPM) (<http://oui.doleta.gov/unemploy/performance.asp>) develops, monitors, analyzes, validates, and reports performance measures under the Government Performance and Results Act and UI Performs (the performance management system for the UI program). The goal of UI Performs is cooperative management, planning, and oversight leading to increasingly effective, consistent, efficient service to workers and employers.

DPM also develops standard methods for validating reported data by states, determines the methodology for improper payment rate measurement, reports on the accuracy of benefits paid at the national and state levels, and delivers training to states on these methods.

Other endeavors include performance and improper payment initiatives, state UI information technology security and audits, and facilitating the development of tools for program improvement. DPM's work supports such activities and initiatives as the reporting required under the Executive Order 13520; Improper Payments Information Act, Improper Payments Elimination and Recovery Act, and Improper Payments Elimination and Recovery Improvement Act; the Department's Annual Financial Report; and the annual budget formulation.

Division of Legislation

The Division of Legislation (DL) (<http://oui.doleta.gov/unemploy/laws.asp>) is divided into a State Conformity and Compliance Team and a Federal Legislation Team.

The State Conformity and Compliance Team is responsible for assuring that state laws conform to the requirements of Federal unemployment compensation law, which is necessary for the states to receive grants to administer their UI programs and for employers in the state to receive



Federal Unemployment Tax Act credits. This team is also responsible for developing guidance that interprets Federal UI law about Federal conformity requirements.

The Federal Legislation Team is responsible for developing UI legislative initiatives for the Department of Labor; monitoring and commenting on other Federal UI legislation; and issuing the “Comparison of State Unemployment Insurance Laws,” “Significant Provisions of State UI Laws,” “Reports on State Legislation,” and other publications.

Division of Fiscal and Actuarial Services

The Division of Fiscal and Actuarial Services (DFAS) (<http://oui.doleta.gov/unemploy/budget.asp>) is responsible for actuarial projections, state UI program budgeting, and reporting. DFAS assists states in the establishment and maintenance of actuarially-sound benefit financing systems by providing consultative and supportive services in the field of actuarial analyses and special studies. It provides technical assistance to states in the development and maintenance of a simulation model that allows state analysts the ability to assess the impact on state UI accounts of changes to a state’s UI system, e.g., increasing the taxable wage base, changing tax rates, or increasing the maximum benefit amount.

In addition, DFAS assists states with updating profiling models. It also plays a critical role in developing budget projections and estimates of the financial impact of proposed legislation. DFAS is charged with budget formulation, allocation, and execution for state UI programs. It is responsible for the Resource Justification Model (RJM), the data collection instrument that provides the information used in the allocation of administrative funding to states.

DFAS also collects, analyzes, and disseminates UI program data reported by states to the Department, including the weekly release of initial claims, a leading economic indicator. Publications include the quarterly UI Data Summary, the bi-annual UI Outlook, the annual State Unemployment Insurance Solvency Report, and the annual Significant Measures of State UI Tax Systems.

ETA’s Regional Offices

There are six (6) regional offices located in Boston, Philadelphia, Atlanta, Dallas, Chicago, and San Francisco, each with oversight responsibilities for their assigned states. The regional offices are charged with grant oversight of ETA-administered programs, including UI. They routinely monitor state performance through desk audits, hosting UI reviews of program performance (discussed later), and doing on-site reviews. They also serve as a resource for states that can provide technical assistance regarding program implementations, performance questions and issues, and that perform regular program audits to ensure compliance with Federal and state law and regulations. A directory of the regional offices is at the end of this document. In the context of the UI program, ETA’s Regional Offices include a Regional Administrator, a lead for State Programs, a UI Director, and additional UI staff that support UI monitoring and oversight



functions. Additional information on ETA's Regional Offices may be found at http://www.doleta.gov/regions/regoffices/Pages/eta_default.cfm?CFID=483916948&CFTOKEN=79372444. Also, contact information for each Regional Office is provided at the end of this document.

Helpful suggestion: The state agency should keep its Regional Office informed of the current leadership for the state UI program. Important information is often shared by the Regional Office with state program leaders. Make sure they have contact information for your state's UI program leadership.

Office of Inspector General

The Office of Inspector General (OIG) at the U.S. Department of Labor conducts audits to review the effectiveness, efficiency, economy, and integrity of all of the Department's programs and operations, including those performed by its contractors and grantees (such as individual state UI agencies).

This work is conducted in order to determine whether:

- programs and operations are in compliance with the applicable laws and regulations,
- resources are efficiently and economically being utilized,
- programs achieve their intended results.

The OIG also conducts criminal, civil, and administrative investigations relating to violations of Federal laws, rules, or regulations, including those performed by the Department's contractors and grantees; as well as investigations of allegations of misconduct on the part of the Department's employees. The OIG reports problems and corrective action taken with respect to the administration of Department operations and programs to the U.S. Secretary of Labor and Congress.

In addition, the OIG investigates schemes in which stolen identities are used to file for and obtain unauthorized UI benefits, bribes or illegal payments made to UI employees to influence their decisions regarding claims, and the creation of fictitious employers through which unauthorized UI benefits are filed for and received. OIG investigations have disclosed abuse of the UI Program by non-traditional organized crime groups. Several states have formed close working relationships with the OIG to combat UI fraud.



Key State Agency Personnel With Whom You Will Interact Regularly

A state's UI Director will need to interact with many other leaders in the state agency. Some of the state agency's leadership with whom the UI Director will frequently interact includes the following.

Fiscal Director

This individual is responsible for managing the state's administrative grant and for tracking expenditures by program, and may assist with preparation of supplemental grant requests, and daily draw-down of trust fund monies for benefit payments.

Information Technology (IT) Director

This individual is responsible for the development and maintenance of all IT systems, including mainframe legacy system; telephony systems, including IVR; Internet claims systems; SUN system; Interstate Connection Network (ICON) system; interfaces with state and Federal agencies for wage and separation information, and identity verification; all fiscal systems for tracking unemployment taxes collected, unemployment compensation paid, and overpayment tracking and collection activities; reporting systems for all performance and activity reports.

Procurement Director

This individual is responsible for procurement and maintenance of physical facilities; purchase of computer and telephony hardware and software; and purchase of printed materials for all programs.

Personnel Director

This individual is responsible for assisting with recruitment and staffing needs; and enforcement of state and agency personnel policies.

General Counsel's Office

This office is responsible for providing legal guidance to the agency, handles Freedom of Information Act requests and EEO and civil rights issues, and may represent the agency in legislative hearings.

Unemployment Insurance Advisory Council

Many states have advisory councils that provide advice to the state agency on state UC laws and regulations and UI Trust Fund solvency matters. The members of the council are usually members of the public, including employer and worker advocates.



UI and the State's Workforce System

Under the Workforce Innovation and Opportunity Act (WIOA), the UI program is considered to be a key program, among other workforce programs, that broadly make up the workforce system. UI is a mandatory One-stop partner in the One-stop delivery system. As such, the state UI agency needs to be actively involved in workforce development planning conducted by the state's workforce board and is responsible for developing Memoranda of Understanding with local workforce boards. Issues that require UI engagement in both state and local planning processes include how UI is delivered through the One-stop system, how UI claimants are provided reemployment services through the One-stop system, and how other UI programs (WPRS, RESEA, STC, SEA) are delivered and/or leveraged through the One-stop system. In addition, UI wage records are required to be used in the calculation of core workforce program performance measures and UI agencies (except in states where wage record data is collected by a different agency) must coordinate with the workforce programs to put processes in place to make the data available, subject to the confidentiality provisions in 20 CFR 603 that govern the confidentiality of UI data.

U.S. Department of Labor Resources

The following are links to helpful web sites pertaining to the unemployment insurance program:

- Employment and Training Administration (ETA) (<http://www.doleta.gov/>)
- ETA Library – Legislation, Regulations, Advisories, etc. (<http://www.doleta.gov/reports/>)
- OUI Document Management System – UI Program Letters, ETA Handbooks, etc. (<http://workforcesecurity.doleta.gov/unemploy/dms.asp>)
- UI Performance Management Page (<http://workforcesecurity.doleta.gov/unemploy/performance.asp>)
- U.S. Department of Labor's YouTube channel – Webinar archive (<https://www.youtube.com/user/USDepartmentofLabor>)
- Grant Application and Award Database (<http://www.dol.gov/dol/grants/>)
- UI Program Statistics Page (<http://workforcesecurity.doleta.gov/unemploy/finance.asp>)
- UI Program Overview Page – Legislation, Regulations, Conformity, State Law (<http://www.workforcesecurity.doleta.gov/unemploy/laws.asp> - modern)
- Comparison of State UI Laws (<http://workforcesecurity.doleta.gov/unemploy/statelaws.asp#sigprouilaws>)
- UI Budget Page (<http://www.ows.doleta.gov/unemploy/budget.asp>)



- Federal Unemployment Tax Act (<http://www.law.cornell.edu/uscode/text/26/subtitle-C/chapter-23>)
- Social Security Act (http://www.socialsecurity.gov/OP_Home/ssact/title03/0300.htm)

Other Resources

National Association of State Workforce Agencies

The National Association of State Workforce Agencies (NASWA) (<http://www.naswa.org/>) is an organization of state administrators of unemployment insurance laws, employment services, training programs, employment statistics and labor market information. NASWA has strengthened the workforce system through information exchange, liaison, and advocacy. Its guiding principles are to advance the state role in the workforce system; invest in training and professional development; and lead in coordinating local, state, and Federal roles. In addition, NASWA conducts an annual conference for State Workforce Agency administrators to provide them a forum to share innovative ideas, policies, and best practices for program administration and information technology implementations. NASWA also has a UI Committee made up of UI directors from many states. This committee usually hosts a UI Directors Conference each year. Also, NASWA periodically publishes electronic reports/newsletters. These reports are a good source of information regarding current UI related news and events.

Information Technology Support Center

The Information Technology Support Center (ITSC) (<http://www.itsc.org/Pages/default.aspx>) is a national resource established by the U.S. Department of Labor to assist all state unemployment insurance agencies in the area of UI information technology. ETA created ITSC in 1994 through a cooperative agreement with the State of Maryland to develop products and services and to support state UI agencies with their IT needs (see UIPL No. 33-94). In 2009, the National Association of State Workforce Agencies' Center for Employment Security Education and Research (NASWA/CESER) became ITSC's operator. ITSC plays an important role in increasing communication and content sharing between states, helping them keep abreast of current IT related issues and needs within the UI community. Through the years, the ITSC has developed numerous software programs for the unemployment insurance and workforce systems which are made available at no cost to the states.

The mission of ITSC in recent years has focused on supporting states' UI IT modernization efforts. To support states with their UI IT Modernization efforts, the ITSC has developed a repository of UI IT modernization artifacts and resources that may be used by individual states and state consortia for modernizing UI IT systems. To promote and share best practices, ITSC has developed a resource titled "The UI Business Process and IT Modernization Guidebook" that provides an in-depth overview of UI IT modernization projects. Additionally, ITSC has



developed and hosts training for states on the business analysis function as it relates to developing UI IT Modernization solutions. These training modules are based on practical approaches and on UI-specific successful practices of states and consortiums for eliciting and managing requirements. State staff attending these training sessions may be able to apply these skills to UI IT Modernization efforts within their state UI agencies.

Helpful suggestion: UI Directors and state UI staff can request access to ITSC’s “members only” Web site. You can do so by contacting the ITSC webmaster by going to the ITSC Web site.

Code of Federal Regulations

The Code of Federal Regulations (<http://www.dol.gov/dol/cfr/>) is a source for labor-related Federal regulations.

Federal Register

The Federal Register (<https://www.federalregister.gov/>) is the official publication in which Federal government agencies publish rules and regulations, proposed rules including petitions for rulemaking and notices of hearings, grant applications, administrative orders, and other announcements of government actions.

Community of Practice

Launched in the summer of 2011, the Unemployment Insurance Community of Practice (UI CoP) is a private community available exclusively to state and Federal UI practitioners. The UI CoP is intended to expand opportunities for states to communicate and collaborate with each other, and to help the UI community in creating, building, and sharing knowledge.

To join the UI CoP, please register at <https://ui.workforce3one.org/member/register>.

Helpful suggestion: Once you have registered as a member of the UI CoP, you should subscribe to receive a weekly digest of hot topics and conversations on the UI CoP.

UI Integrity Center of Excellence

The UI Integrity Center of Excellence was initially developed by New York State, through a cooperative agreement with the U.S. Department of Labor, with the goal of promoting the development and implementation of innovative integrity strategies in the UI program by employers and claimants, including the prevention and detection of fraud. One of the key goals for the Center is to actively explore the use of new technologies and new data sources to enable sophisticated data analytics and predictive modeling to improve prevention and detection of improper payments.



The Center's mission also includes offering states technical assistance and collecting and disseminating best practices among the states. Center activities supplement and support, but do not duplicate, activities that states are already implementing to reduce UI improper payments by 1) providing states with sophisticated data analytics tools to rapidly alert them of fraud schemes; 2) supporting ongoing knowledge-sharing among states through the identification and dissemination of integrity practices across the UI program; and 3) increasing state staff capacity by developing and providing centralized training on fraud solutions and integrity strategies. Efforts include identifying model integrity state operations and providing on-site technical assistance to support state improvements.

Conferences and Webinars

The U.S. Department of Labor conducts numerous professional development and training conferences each year on a variety of topics, including a National UI Tax Conference, Integrity Conference, and BAM training. The Department also participates in various training opportunities conducted by NASWA and ITSC, such as the UI Directors' Conference and the Interstate Benefits Conference.

In addition, webinars are commonly conducted for states when new laws, regulations and programs are implemented. Announcement of upcoming conferences and webinars is commonly made through UI Program Letters, Training and Employment Notices, and Training and Employment Guidance Letters, as well as email messages from national and regional Department of Labor staff.

There is a repository of OUI developed training modules on the ITSC Web site called the UI Training Center.

UI Program Training

The UI Training Center contains several modules focusing on UI program processes. Each of these modules provides a basic overview of program processes and an introduction to USDOL reports and handbooks. Some training modules include the following:

- Benefits Timeliness, and Quality
- Federal Resource Justification Module
- Interstate Benefits
- Nonmonetary Determination
- Pretexting

UI Technical Training Notes

The UI Training Center also provides training to users of the UI SUN system, data validation



processes, reporting, and other technologies. This technical training is hosted by ITSC. This section contains technical training notes that are used for in-person training courses. Some topics covered in the technical training section include:

- SUN System Administration
- BAM Investigator Training
- Intro to SQL for Data Validation
- Data Mining / Program Improvement
- Intro to Database Reports

Federal-State Unemployment Compensation Legislative Seminar

In order to make this training available to more Federal and state UI agency staff, OUI developed a self-paced online training course available to the UI community beginning in December 2014. The online course has 11 lessons: Introduction to UC, History of the Federal-State UC Program, Federal Conformity and Compliance Process, Coverage and the FUTA Tax, Experience Rating, Benefit Standards, Immediate Deposit and Withdrawal Standards, Title XII Advances, Administration and Payment When Due, Appeals, and Confidentiality and Disclosure. The lessons are self-paced and will take approximately 25 hours to complete. This training will be available on the members' only portion of the ITSC UI Learning Center Web site (<http://www.itsc.org>).

USDOL Advisories and Guidance

- **Unemployment Insurance Program Letters (UIPL):** Transmit policy and guidance specific to the UI program. Issued by Fiscal Year (October 1 - September 30).
- **Training and Employment Guidance Letters (TEGL):** Transmit policy and operational guidance about the Workforce Investment Act/Workforce Innovation and Opportunity Act to state and local workforce systems. Issued by Program Year (July 1 - June 30).
- **Training and Employment Notices (TENs):** Communicate announcements of meetings, publications, or general information. Issued by Program Year (July 1 - June 30).
- **Handbooks and Technical Assistance Guides:** Issued to assist State Workforce Agencies by covering technical instructions, information, or guidance concerning either (1) a specific program or administrative area, or (2) a group of related activities or functions pertaining to a single program or administrative area.



- **Bulletins:** Used by special targeted programs, such as the Migrant and Seasonal Farmworker Program, Indian and Native American Program, and Senior Community Service Employment Program to communicate to their field structure.
- **Changes:** Changes to an advisory are issued as a change to the original document and located in the same year as the original document even if the change is issued in a later year. The advisory and all changes to it are found under the year in which it was first issued. This may be Program Year or Fiscal Year. Please check the above paragraphs to determine under what type of year your selection is listed.

All ETA advisories, including UIPLs, TEGs, TENs, and Handbooks and issuances are accessible at <http://wdr.doleta.gov/directives/>.

Directory of U.S. Department of Labor National and Regional Offices

U.S. Department of Labor
Employment and Training Administration
Office of Unemployment Insurance

Frances Perkins Building
200 Constitution Avenue, N.W.
Washington, DC 20210

Employment and Training Administration (ETA) Regional Offices

Region 1

U.S. Department of Labor
Employment and Training Administration
John F. Kennedy Federal Building

25 New Sudbury Street, Room E350
Boston, Massachusetts 02203

(617) 788-0170

Web site (<http://www.doleta.gov/regions/reg01bos/>)

States/territories served: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Puerto Rico, Rhode Island, Vermont, and the Virgin Islands



Region 2

U.S. Department of Labor
Employment and Training Administration
The Curtis Center

170 South Independence Mall West, Suite 825 East

Philadelphia, Pennsylvania 19106

(215) 861-5200

Web site (<http://www.doleta.gov/regions/reg02>)

States served: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia

Region 3

U.S. Department of Labor
Employment and Training Administration
Atlanta Federal Center

61 Forsyth Street, S.W., Room 6M12

Atlanta, Georgia 30303

(404) 302-5300

Web site (<http://www.doleta.gov/regions/reg03>)

States served: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee

Region 4

U.S. Department of Labor
Employment and Training Administration

525 Griffin Street, Room 317

Dallas, Texas 75202

(972) 850-4600

Web site (<http://www.doleta.gov/regions/reg04>)

States served: Arkansas, Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, and Wyoming



Region 5

U.S. Department of Labor
Employment and Training Administration
Kluczynski Federal Building

230 South Dearborn Street, 6th Floor
Chicago, Illinois 60604

(312) 353-5400

Web site (<http://www.doleta.gov/regions/reg05>)

States served: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Ohio, Missouri, Nebraska and Wisconsin

Region 6

U.S. Department of Labor
Employment and Training Administration

90 7th Street, Suite 17-300
San Francisco, California 94103

(415) 625-7900

Web site

(http://www.doleta.gov/regions/Reg06/Pages/eta_default.cfm?CFID=676085560&CFTOKEN=27091764)

States/territories served: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon and Washington

Unemployment Insurance Acronyms

AAW	Average Annual Wage
ABP	Alternative Base Period
AHCM	Average High Cost Multiple
ALJ	Administrative Law Judge
ALP	Acceptable Levels of Performance
ATAA	Alternative Trade Adjustment Assistance
AW	Annual Wage



AWW	Average Weekly Wage
BAM	Benefit Accuracy Measures
BLS	Bureau of Labor Statistics
BP	Base Period
BPC	Benefit Payment Control
BPW	Base Period Wages
BTQ	Benefits Timeliness and Quality
BY	Benefit Year
CAP	Corrective Action Plan
CESER	Center for Employment Security Education and Research
CFR	Code of Federal Regulations
CQ	Calendar Quarter
CRM	Customer Relations Management
CWC	Combined Wage Claim
CY	Calendar Year
DA	Dependents Allowance
DL	OUI's Division of Legislation
DFAS	OUI's Division of Fiscal & Actuarial Services
DOL	Department of Labor
DPM	OUI's Division of Performance Management
DQ	Disqualification
DUA	Disaster Unemployment Assistance
DUIO	OUI's Division of Unemployment Operations
DV	Data Validation
EB	Extended Benefits



EBP	Extended Base Period
EE	Employee
EEO	Equal Employment Opportunity
EFT	Electronic Funds Transfer (Direct Deposit)
ER	Employer
ER	Eligibility Review
ESAA	Employment Security Administration Account
ETA	USDOL's Employment and Training Administration
EUC	Emergency Unemployment Compensation
EUCA	Extended Unemployment Compensation Account
FECA	Federal Employees Compensation Act
FEDES	Federal Employer Data Exchange System
FEIN	Federal Employer Identification Number
FEMA	Federal Emergency Management Agency
FLSA	Fair Labor Standards Act
FSC	Federal Supplemental Compensation
FTE	Full-Time Equivalent
FR	Federal Register
FUA	Federal Unemployment Account
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GPRA	Government Performance and Results Act
HAA	Higher Authority Appeal
HCM	High Cost Multiple
HQ	High Quarter



HQW	High Quarter Wage
IB	Interstate Benefits
ICON	Interstate Connection Network
IPIA	Improper Payment Information Act
IPERA	Improper Payment Elimination & Recovery Act
IPERIA	Improper Payment Elimination & Recovery Improvement Act
IT	Information Technology
ITSC	Information Technology Support Center
IUR	Insured Unemployment Rate
IVR	Interactive Voice Response
LAA	Lower Authority Appeal
LMI	Labor Market Information
MBA	Maximum Benefit Amount
MOU	Memorandum of Understanding
MQ	Multi-Quarter
MSDES	Military-State Data Exchange System
MSHA	USDOL's Mine Safety & Health Administration
MWBA	Maximum Weekly Benefit Amount
NAFTA	North American Free Trade Agreement
NAICS	North American Industry Classification System
NASWA	National Association of State Workforce Agencies
NC	Non-charge
NDNH	National Directory of New Hires
NO	ETA's National Office (USDOL)
NPRM	Notice of Proposed Rulemaking



OA	ETA's Office of Apprenticeship
ODEP	USDOL's Office of Disability Employment Policy
OIG	USDOL's Office of Inspector General
OLMS	USDOL's Office of Labor-Management Standards
OMAS	ETA's Office of Management and Administrative Services
OMB	Office of Management and Budget
OP	Overpayment
ORM	ETA's Office of Regional Management
OSHA	USDOL's Occupational Safety & Health Administration
OUI	ETA's Office of Unemployment Insurance
OWCP	USDOL's Office of Worker's Compensation Program
PII	Personally identifiable information
PIN	Personal Identification Number
QC	Quality Control
RA	ETA's Regional Administrator
RESEA	Reemployment Services and Eligibility Assessment
RJM	Resource Justification Mode
RO	ETA's Regional Office (USDOL)
SBR	Supplemental Budget Request
SDNH	State Directory of New Hires
SEA	Self Employment Assistance
SEIN	State Employer Identification Number
SESA	State Employment Security Agency
SF	Standard Form
SIDES	State Information Data Exchange System



SMSA	State Metropolitan Statistical Area
SOC	Standard Occupational Classification
SQSP	State Quality Service Plan
SSA	Social Security Act
STC	Short-Time Compensation
SUIESO	State Unemployment Insurance and Employment Service Operation
SUTA	State Unemployment Tax Act
SWA	State Workforce Agency
TAA	Trade Adjustment Assistance
TDI	Temporary Disability Insurance
TEGL	Training and Employment Guidance Letter
TEN	Training and Employment Notice
TOP	Treasury Offset Program
TPS	Tax Performance System
TRA	Trade Readjustment Allowance
TUR	Total Unemployment Rate
UC	Unemployment Compensation
UCFE	Unemployment Compensation for Federal Employees
UCX	Unemployment Compensation for Ex-Servicemembers
UI	Unemployment Insurance
UI CoP	Unemployment Insurance Community of Practice
UIPL	Unemployment Insurance Program Letter
UIR	Unemployment Insurance Report
U.S.C.	United States Code
USDOL	United States Department of Labor



UTF	Unemployment Trust Fund
VETS	USDOL's Veteran's Employment and Training Services
WARN	Worker Adjustment and Retraining Notification
WBA	Weekly Benefit Amount
WC	Worker's Compensation
WHD	DOL's Wage and Hour Division
WIA	Workforce Investment Act of 1998
WIB	Workforce Investment Board
WIOA	Workforce Innovation and Opportunity Act of 2014
WPRS	Worker Profiling and Reemployment Services
WRIS	Wage Record Interchange System
WW	Weekly Wage