

## **UI ADMINISTRATIVE FUNDING: COSTS FOR INFLATION AND INFRASTRUCTURE**

### **Inflation:**

**History:** Inflation has not been included in the budget request for UI administrative grants to states since 1995.

**-Why?** It was one of the many variables the federal government eliminated from the budget formulation process in an attempt to account for increased efficiency and productivity in state performance.

**Currently:** For the first time since 1995 inflation was accounted for in the FY 2010 budget request for UI administrative grants to states.

**-How was it calculated in this year's budget request?** Unknown. (Activity for the A&F Committee?)

**-Will this process remain in place?** Unknown.

**-How much does the increase account for in the FY 2010 budget request?** 1%

### **Infrastructure Costs:**

**History:** Infrastructure costs, a.k.a. Performance and Capital Investments (PCI), were included in the original budget formulation process recommended by the RJM Workgroup (See Attachments). Unfortunately, PCI's were left out of the mix when the government adopted other recommendations by the Workgroup.

**-How do states currently fund infrastructure projects?** A major way states fund infrastructure is by using available Reed Act funds. In some instances, other state funds may be used to fund projects, e.g., penalty and interest money. States may also carry over administrative grant money from year to year using the fifth quarter as a tool to accumulate funds for infrastructure acquisition. There is nothing specific in the budget for major infrastructure – that was to be the function of the Performance and Capital Improvements exercise that the RJM Workgroup had envisioned. There is a modest amount of money that has been used from above base funds to fund telephone claims taking and internet claims taking and other items. However, there are no funds for major acquisitions like new tax and benefit systems.