



# NASWA ANNUAL CONFERENCE

## UI ADMINISTRATIVE FUNDING

Ron Wilus

[wilus.ronald@dol.gov](mailto:wilus.ronald@dol.gov)

202-693-2931

Rapid City, SD

September 14, 2005



# UI Administrative Funding

- Federal government responsible for UI program administrative funding by design.
  - Federal-State partnership



## UI Administrative Funding

- Title III Section 302(a) of the Social Security Act says the Secretary of Labor shall certify to the Secretary of Treasury such amounts as necessary for “proper and efficient administration” of each State’s law.



# UI Administrative Funding

- How much is necessary ?
- How can it be determined?
- Historically Controversial
- Different methodologies used
  - Basic feature: Information provided by states



# UI Administrative Funding

- Two key features of allocation:
  - Based on cost of doing business
  - Goal: provide funding that allows roughly equal level of service across all states



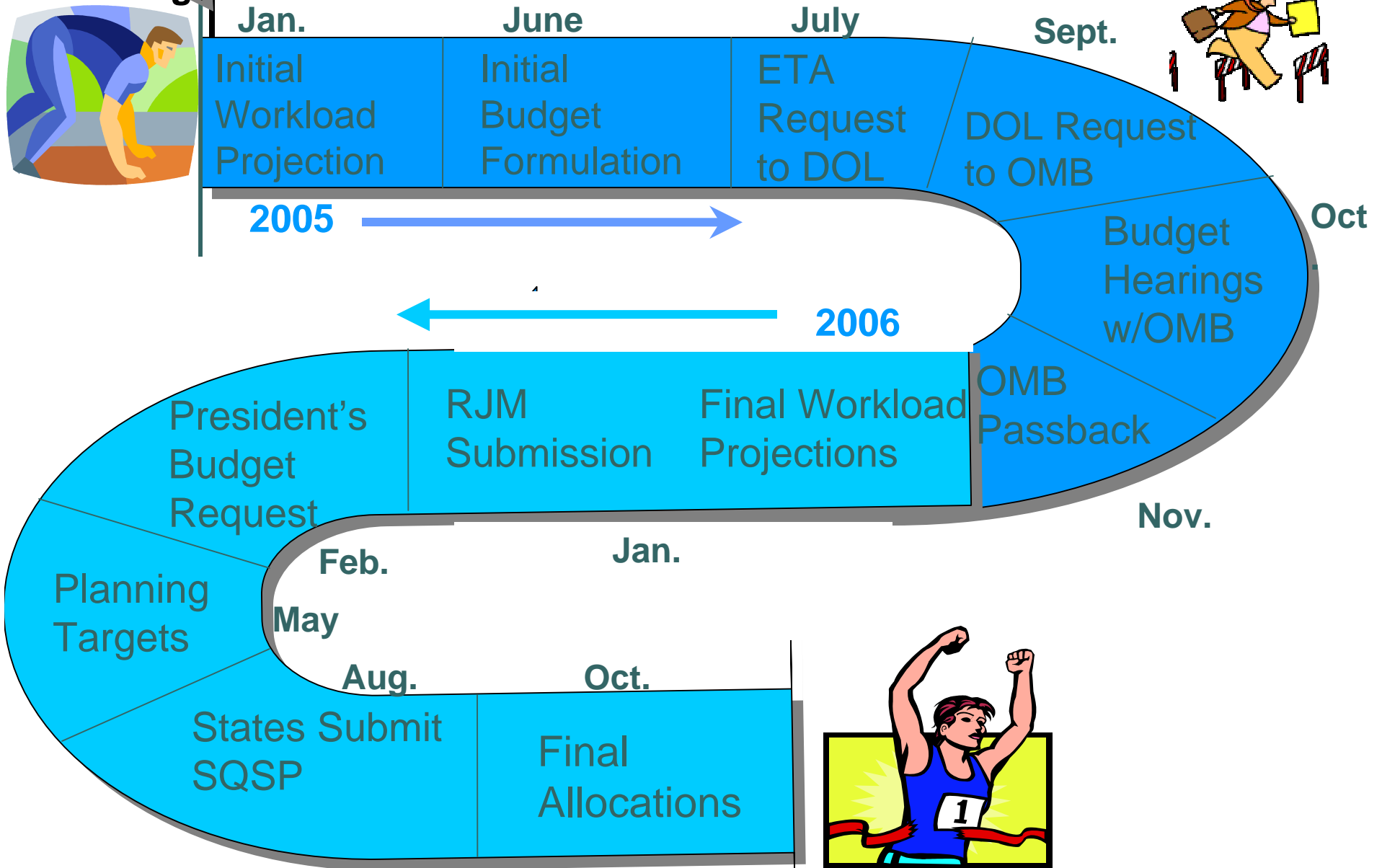
# UI Administrative Funding

- Issues and Challenges:

- Size of Budget
  - Budget Deficit/National Debt
- Agreement on Allocation Method
  - Ultimately Federal Decision
  - Mechanics, e.g., Block Grant, AFI
  - Data Used for Allocation

# Overview

## Budget Timeline for FY2007





# Budget Formulation

- Process determines what is in the President's request.
- Claims and subject employer activity workloads are derived from the Administration's December economic assumptions.
  - Administration provides Total Unemployment Rate (TUR).
  - DOL calculates workloads from TUR.



# Budget Formulation

- UI budget formulation is generally workload-driven.
  - Claims & Tax activities (roughly two-thirds)
  - Non-personal services (roughly one-third)





# Budget Formulation

- UI budget is divided into two parts:
  - Base – about 80 – 90 % of claims activity and all subject employer activities
  - Above-base – claims activity above 2.3M average weekly insured unemployment (AWIU)

IC 17.588 m    NM 7.384 m    AP 0.978 m



# Budget Formulation

- Staff years are calculated from workload by using historical workload per staff year figures.
- Personal service and personnel benefit costs are calculated from staff years by using average rates for base, AS&T, and above-base that were set in 1995.



# Budget Formulation

- NPS and postage dollars are calculated from staff years by using historical rates.
- Formulation process provides base staff years for base workload activities, total workloads, AS&T, NPS, BAM, total dollars.



# Budget Formulation

- National Activities

- Funds activities that support the system as a whole.
- FY 2005: \$10.416 m

- Issue Papers

- Request increases over prior year for specific projects or law changes.



# Resource Justification Model

## ○ Background

- RJM is a data collection instrument.
  - States submit cost data from accounting records in a structured format.
    - Expenditures, Hours by functional activity
  - Data is subject to review.
- Full implementation began in 2002; states' FY 2001 data were first used for FY 2003 base allocations.



# RJM - Objectives

- Demonstrate true funding need.
- Obtain data to allow for fair and equitable allocation of available funds.
- Replace Cost Model data from 1985 and include cost data for Support/AS&T, PS/PB rates, and NPS.



# RJM – Regional Office Role

- Liaison between National Office and States.
- Data Review:
  - Regional Offices ensure submitted data is accurate through comparisons with cost accounting data and states' submissions are treated equitably .



## RJM – State Review

- State volunteers review data for consistency across states.
- Data consistent with financial reports.



# Allocating Base Funds

- Overview

- **Primary drivers of base allocation levels:**
  - **Each state's share of national UI workloads (claims, appeals, wage records, tax accounts)**
  - **Each state's PS/PB rates**
  - **Time allowed for processing each budgeted workload item (MPUs, which are calculated from RJM data)**
  - **Non-personal services spending**



# Allocating Base Funds

- Overview Cont'd
  - **Objective of current allocation method is to fund an equitable level of service to workers and employers across states, and recognize need for productivity incentives.**



# Allocating Base Funds

- Overview Cont'd

- **In response to NASWA RJM workgroup recommendation, all state funds are extracted from inputs to the base allocation.**



# Allocations

- Staff years = 
$$\frac{\text{Workload} \times \text{MPU}}{\text{Minutes Worked Per Year Per Staff}}$$

- Cost = 
$$\text{Staff Years} \times \text{PS/PB rates}$$



# Allocations

- MPU values are an average of the most recent three years of actual data.
- PS/PB rates and NPS \$ are increased by 3% annually from the most recent actual data, after subtracting state \$.
- NPS is then decreased across-the-board to availability.



# Allocations

- Support and AS&T percentages are reduced by the same algorithm used for MPU values.
- BAM, BPC staff years taken as given are added in.
- Travel/other added in.



# Allocations

- Funds for ongoing remote claims, integrity activities, and tax automation taken from targeted funds.
- Hold harmless:
  - Lowest 10 MPU values in each workload category.
  - Lowest 10 Support and AS&T percentages.

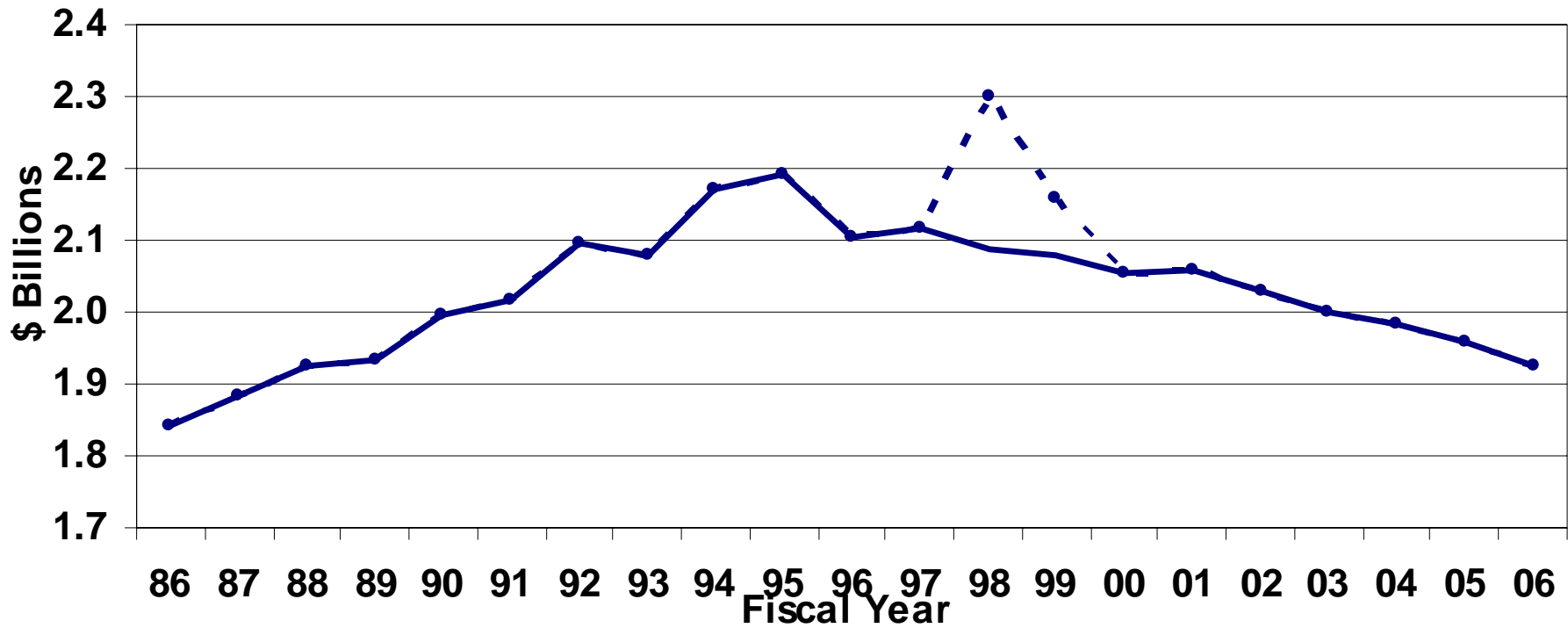


# Allocations

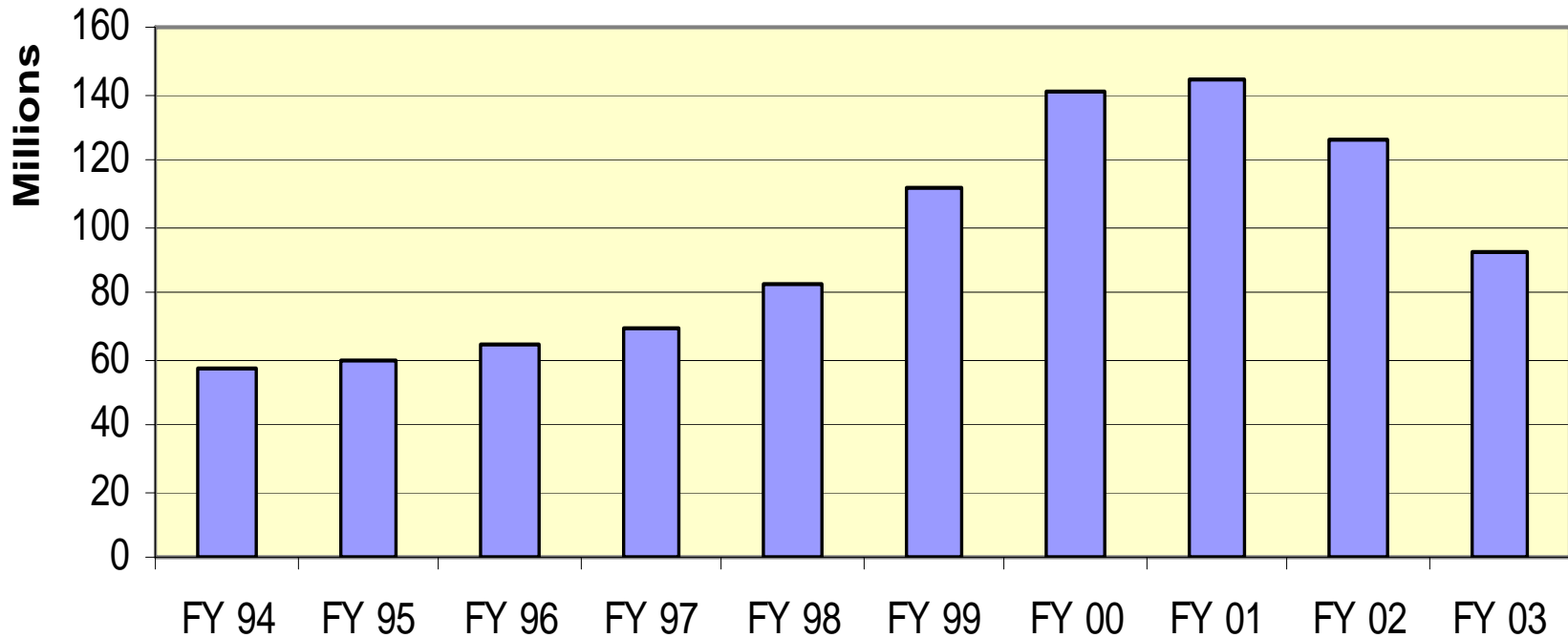
- Stop-loss is -5% of total dollars from previous year's base allocation. Stop-gain is not pre-determined.

# Appropriations for State UI Administration per 2.0 Million AWIU Adjusted into constant 2000 dollars

Dashed Line displays inclusion of Y2K funds in FY98 and FY99



# State Supplemental Funding for UI



\*FY 2003 Reed Act: \$287,398,937



# UI Reform

- The Administration remains committed to UI tax and administrative reform although no legislative proposal is offered this year.