Unemployment Insurance Administrative Funding

NASWA Webinar
November 13, 2008

Overview

○ Funding Background

○ Formulation for State Administration

○ Resource Justification Model
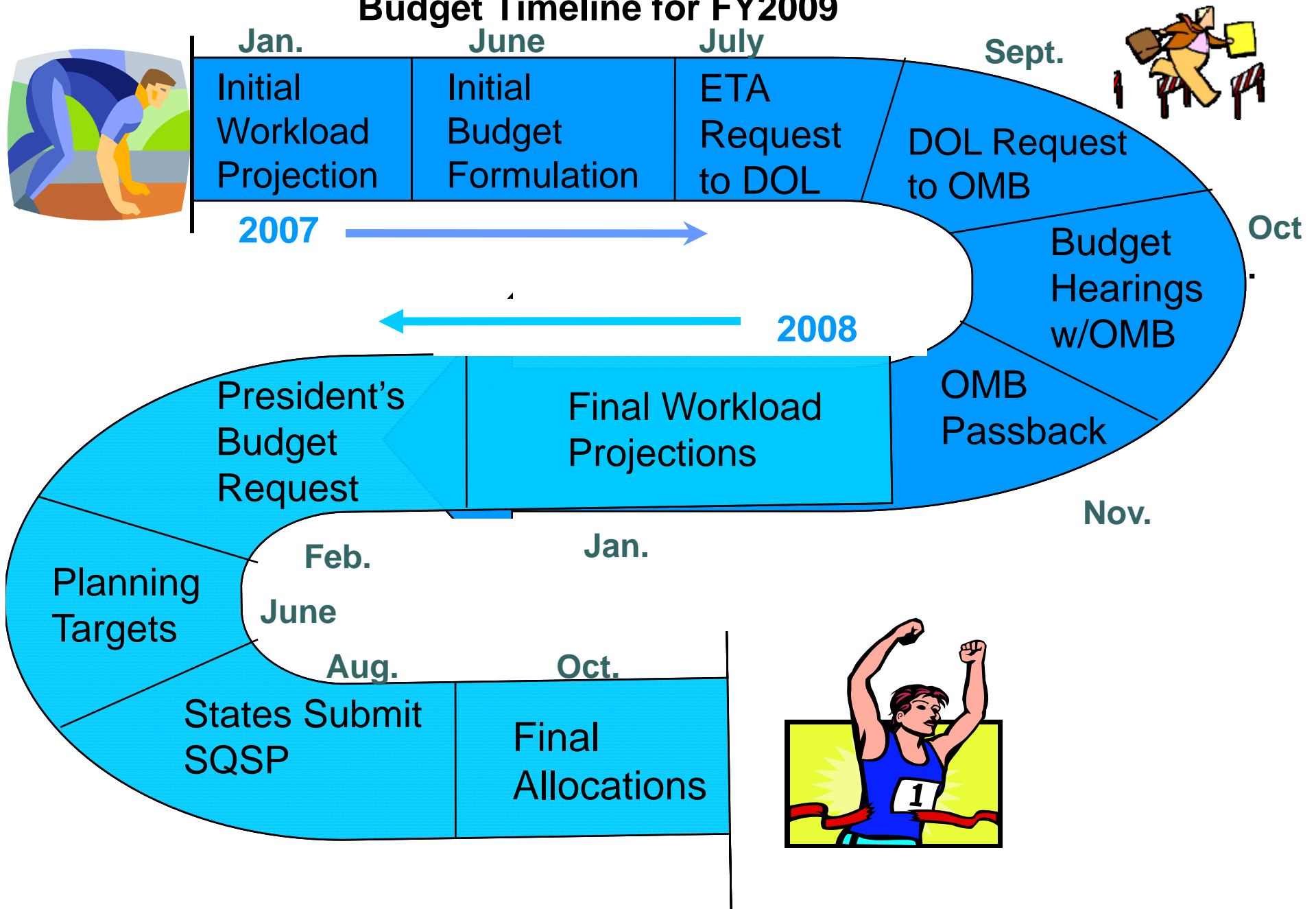
○ Allocation

UI Administrative Funding

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

Overview
Budget Timeline for FY2009

Jan. **June** **July** **Sept.**

Initial Workload Projection	Initial Budget Formulation	ETA Request to DOL	DOL Request to OMB

2007 →

Budget Hearings w/OMB

Oct

← **2008**

President's Budget Request	Final Workload Projections

OMB Passback

Nov.

Feb. **Jan.**

June

Planning Targets

Aug. **Oct.**

States Submit SQSP	Final Allocations

BUDGET FORMULATION

Budget Formulation

- Workload Driven.

- Workloads projected using statistical methods & Administration's economic assumptions

- Key workload item: Continued Claims.

Budget Formulation

- Projected Continued Claims divided by 52 is designated the Average Weekly Insured Unemployment (AWIU) trigger.

- Funding in President's Request considered adequate to process workloads up to the trigger.

- Funds automatically made available for AWIU above the trigger at rate of $28.6 M per 100,000 AWIU & pro-rated.

Budget Formulation

- Congress obligated to use CBO's economic assumptions for scoring.

- CBO AWIU projections typically different due primarily to different economic assumptions and projecting methodology.

Budget Formulation

- Funding gap created when CBO's AWIU projection higher than Administration's .

- For FY 2008, dollars funded AWIU of 2.4M while trigger was set at 2.786M.

Budget Formulation

○ Number of staff computed using fixed workload per staff-year factors.

$$SY = (WL \text{ projected}) / (WL/SY \text{ factor})$$

○ Staff costs = (SY) X Cost per SY

○ Note: inflation not included (since 1995).

Budget Formulation

- Other activities, e.g., non-personal services (utilities, facilities, etc.), overhead, support, & postage, are established percentages of staff costs.

Data Source for Allocation

Data Source for Allocation

○ Resource Justification Model

- **RJM is a data collection instrument.**

  - **States submit data from cost accounting records.**
    - **Expenditures, Hours by functional activity, personnel costs**

  - **Data is subject to review + verification**

RJM - Objectives

- Demonstrate true funding need.

- Use data to allow for fair and equitable allocation of available funds.

RJM – Use of Data

- Actual cost data for most recent year available are the starting point for determining base allocations.

- Shows how much and on what activities states spent money.

- Supplements to the federal grant not considered in allocation formula.

Allocating Base Funds

Allocating Base Funds

- **Two key features of allocation**:

  - **Based on cost of doing business and appropriation.**

  - **Goal: provide funding that allows roughly equal level of service across all states and recognize need for productivity incentives.**

Allocating Base Funds

- **Funding provided in two parts:**
  - **1. Base – costs associated with processing an AWIU of 2.3M**

  Initial Claims   16.75M
  Weeks Claimed   119.6M
  Non-monetary determinations   7.000M
  Appeals   1.128 M
  All subject employers (2009)   7.674M
  All wage records (2009)   641.146M

Allocating Base Funds

- **1. Base funding determined by applying formulation methodology to base workloads.**

- **2. Above-base – claims activity above 2.3M AWIU**

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

○ **Availability by activity**

- **Allocated base funds assigned to functional activities according to proportions reflected in RJM data.**

  - **Claims activities**
  - **Non-personal services**
  - **Tax/Wage Records**
  - **Others**

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Allocations

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

- Cost = Staff Years × PS/PB rates

- MPU reduction algorithm

Allocations

- **PS/PB rates and NPS $ (most recent 3 years adjusted as appropriate to prior year) are increased by 3% annually from the most recent actual data, after subtracting state $.**

    - NPS is decreased across-the-board to equal availability.

Allocations

- **Support and AS&T percentages are reduced by the same algorithm used for MPU values.**

- **BAM, BPC staff years taken after adjustment for state dollars.**

Allocations

- Stop-loss is -5% of total dollars from previous year's base allocation.

- Stop-gain is not pre-determined.

- For FY 2009: 7.05%

Bottom Line Authority

○ States have authority to move allocated resources among activities.

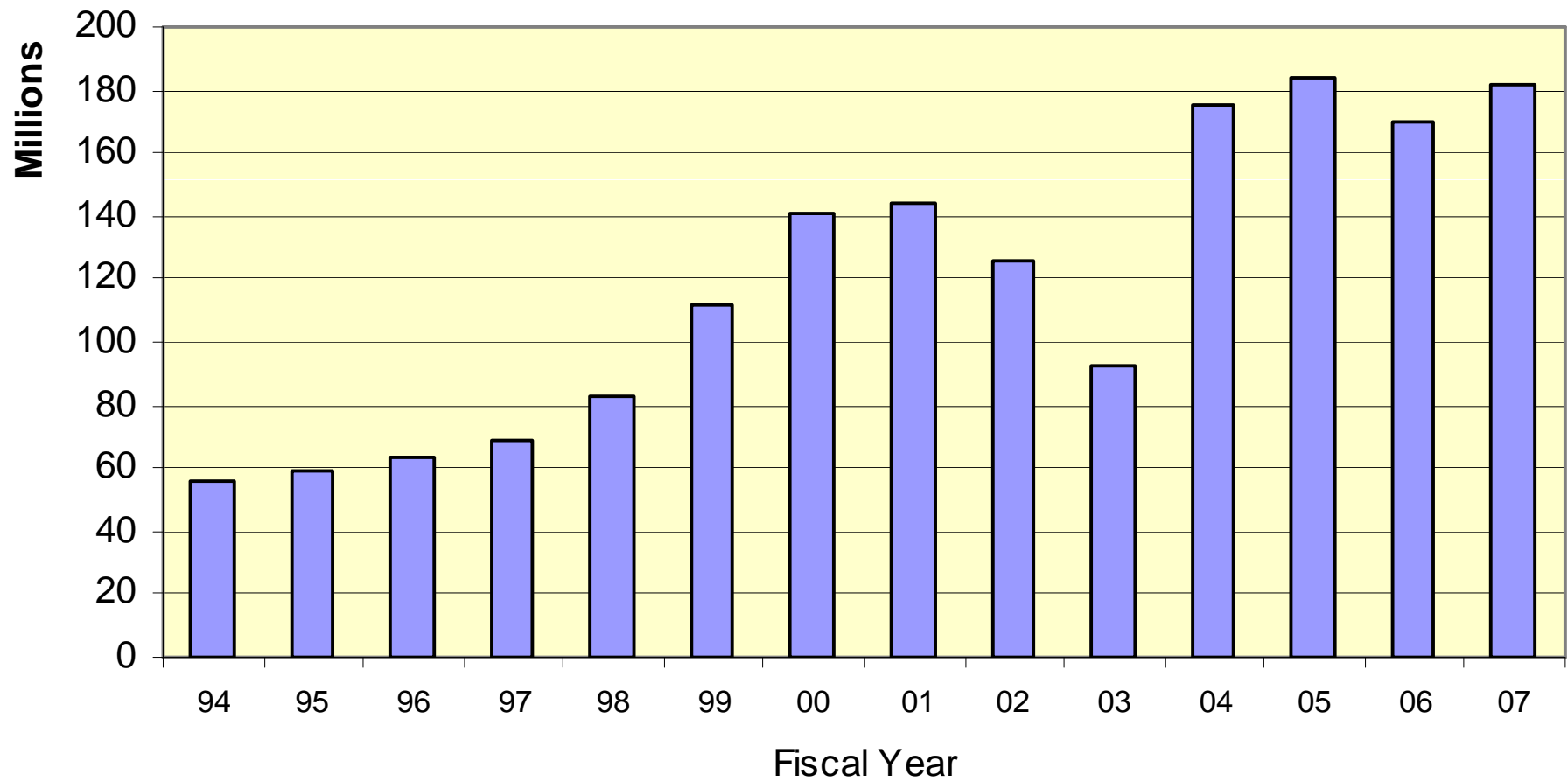○ Cannot move resources in such a way as to increase above base payment.

Appropriations for State UI Administration
per 2.0 Million AWIU
Adjusted into constant 2000 dollars
Dashed Line dispays inclusion of Y2K funds in FY98 and FY99
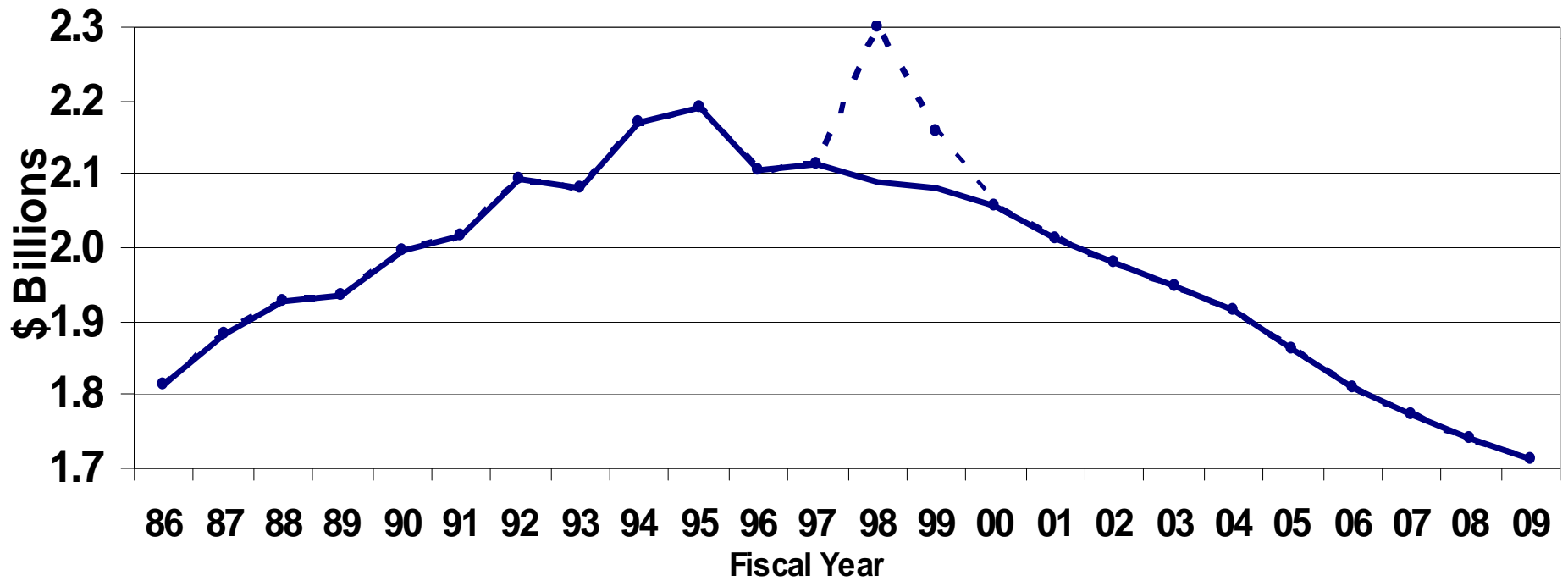
State Supplemental Funding for UI

*Source: National Association of State Workforce Agencies