

<p style="text-align: center;"><b>EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D. C. 20210</b></p>	<p><b>CLASSIFICATION</b></p> <p>OWS</p>
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**DIRECTIVE : UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 39-97, Change 1**

**TO : ALL STATE WORKFORCE ADMINISTRATORS**

**FROM : GRACE A. KILBANE  
Administrator  
Office of Workforce Security**

**SUBJECT : The Reed Act Provisions of Title IX of the Social Security Act (SSA)**

1. **Purpose.** To clarify "automatic data processing (ADP) installations" in Section H of Attachment I to Unemployment Insurance Program Letter (UIPL) No. 39-97.
2. **Reference.** [UIPL No. 39-97](#), dated September 12, 1997.
3. **Background.** As stated in section H of Attachment I to UIPL No. 39-97, states may use Unemployment Insurance (UI) and Employment Service (ES) administrative grant funds to reimburse Reed Act expenditures "to the extent that the costs meet the requirements for use of funds authorized by the Wagner - Peysen Act and Title III" (of the SSA). Three specific types of capital assets qualify for reimbursement: acquisition of land and buildings for employment security purposes, capital improvements to state-owned office buildings (to the extent they are used for employment security purposes) and ADP installations. Since these are major acquisitions with an expected useful life of several years, reimbursement with UI and ES administrative grant funds (amortization of the cost) is approved over the course of the expected useful life.

Some states have asked whether "ADP installations" permitted to be amortized include software. This Change 1 provides the Department's position.

4. **Policy and Rationale.** Use of information technology has been expanding as innovation has permitted its application to the employment security area. Software applications have substantially improved efficiency and effectiveness of employment security operations and are a necessary component of successful program management. Like buildings and real property which can be amortized, software systems can require a major investment at the time of acquisition and have a useful life over a number of years. Drawing on this parallel, major software acquisitions are considered ADP installations, thus allowing their amortization.

Software with a cost of \$1 million or more may be amortized with ES or UI grant funds subject to the conditions set forth wherein UIPL No. 39-97. The effective date of this policy is September 12, 1997, the date of that UIPL.

5. **Action Required.** Administrators are requested to provide this information to the appropriate staff.
6. **Questions.** Questions should be addressed to your Regional Office.