

**VOLUME I**  
**Resource Justification Model**  
**Project Report**

**Volume I**

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## ***Work Measurement Assessment for Resource Allocation Report II***

### **PREFACE**

The *Work Measurement Assessment for Resource Allocation Report II* presents an innovative methodology for assessing the administrative resource requirements of State Unemployment Insurance agencies. The methodology differs from the traditional, resource-consuming process of updating minutes per unit (MPU), yet captures the considerable efforts of the States' reporting and management information systems. The methodology also differs from approaches that rely on National-level formulas or factors that are centrally applied to States.

Several important features characterize this methodology. First, each State has direct input to the resource allocation process on an annual basis through detailed submissions to the Department of Labor, Office of Workforce Securities (DOL OWS). From the States' perspective, these submissions not only include sufficient information to justify each State's current use of resources, (linked to performance measures), but also a platform for requesting and justifying fund enhancements. Second, from the DOL OWS perspective, these annual submissions from all States provide an invaluable source of management information on which to base resource allocation decisions on a comparative basis, also linked to performance and measures, where possible.

Third, this methodology represents a reengineered process for Unemployment Insurance (UI) Work Measurement Assessment: all stakeholders are involved, resource allocation is linked to performance, and management information is continuously updated within the process, negating the need for expensive periodic, comprehensive updates of the Cost Model. Fourth, this methodology will generate reliable information that can be used with the Office of Management and Budget (OMB) to justify changes in appropriated funding for the administrative costs of the Unemployment Insurance program.

The practicality of gathering the necessary information to implement this methodology was assessed in Phase I, based on the assistance of three States. The information received from the States was provided for the purpose of testing the model only. The data should not be viewed as authoritative. Lessons learned were applied on a cumulative basis. The assistance and involvement of the UI agencies of Oklahoma, Alabama, Ohio, and representatives of DOL and ICESA are acknowledged and appreciated. The Phase I report, *Work Measurement Assessment for Resource Allocation, Resource Allocation Model* was published and delivered to DOL on January 22, 1999.

This Phase II report builds on Phase I and takes the methodology from a conceptual stage to a demonstration stage with functional computer models and live data.

## RESOURCE JUSTIFICATION MODEL (RJM)

1. **PURPOSE.** The purpose of the Resource Justification Model (RJM) is to provide a methodology and analytical tools to identify and assess the administrative funding requirements for State agencies to operate their respective unemployment insurance (UI) programs.
2. **SCOPE.** The RJM applies to the 53 State Employment Security Agencies (SESAs), the Department of Labor (DOL) OWS Regional Offices, and the DOL Office of Income Support (OIS) National Office.
3. **OVERVIEW.** The RJM methodology is a bottom-up approach in which States annually submit a resource justification package to support their respective budget requests. The National Office provides the instructions, format and scheduling that will support the DOL UI Budget submission to Congress. The Regional Offices review the resource justification packages, and the National Office analyzes and evaluates the packages. The outcome of the collective analysis and evaluation of the States' submissions will become the UI Budget submission. This submission is supported by the requirements submitted by the States, and is refined by review, analysis and evaluation performed by the Regional and National Offices. Once Congress appropriates funds for UI administrative funding, the National Office uses the refined RJM data and the RJM model to allocate funding to the States. Although Regional Offices monitor the use of funds by the States, there is no impact on the States' bottom-line authority to use the funding provided by the National Office during budget allocation.
4. **ORGANIZATION.** The RJM consists of six integrated and interrelated modules, summarized in the table below.

MODULE	TITLE	DESCRIPTION	PRIMARY RESPONSIBILITY
I	Data Collection	Statement of resources required, with justifications; requests for enhancements	National: instructions Individual States: submissions
II	Data Review	Review of States' submissions for compliance, accuracy and validity	Regions
III	Analysis & Evaluation	Comparative analysis and "acceptable range" analysis of States' submissions	National
IV	Budget Formulation	Summation of refined costs of 53 States submissions; preparation of Budget formulation and submission to Congress/OMB	National
V	Allocation	Distribution of appropriated funding to States	National
VI	Monitoring	Review of States' UI administrative expenditures	Regions/National

A detailed description of each Module is provided in Sections I through VI, respectively.

# RJM Process

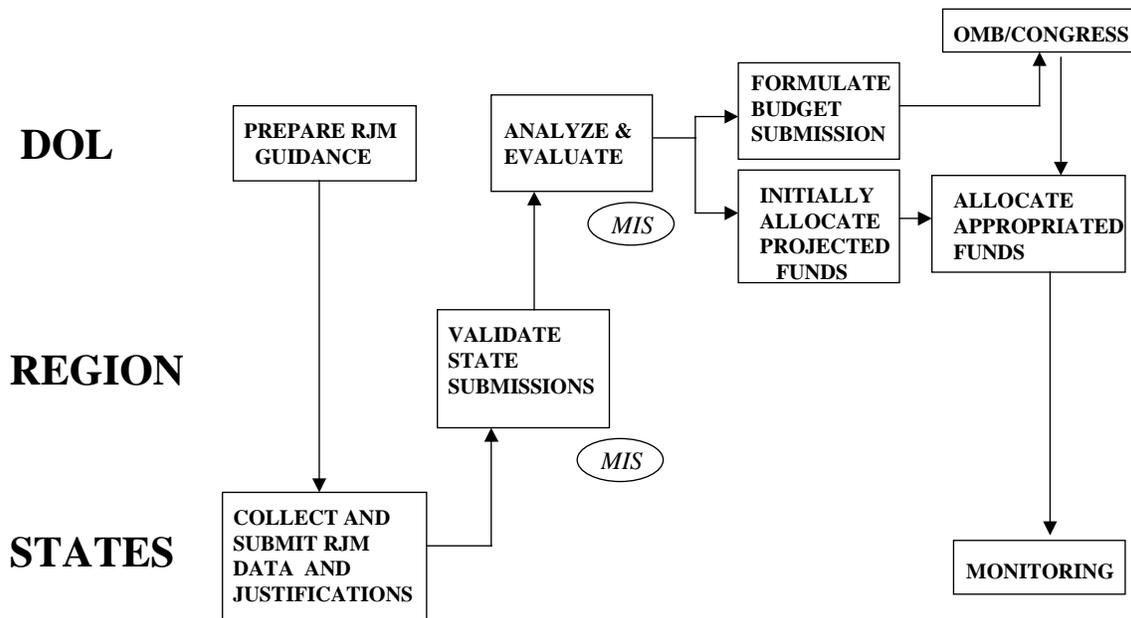


Exhibit 1-1 RJM Process

Phase I of the project was conducted from December 2, 1997 to March 31, 1999. The objectives of this Phase were:

- Develop a methodology to assess resource requirements
- Obtain new and reliable data on administrative funding requirements and apply the methodology developed to assess resource needs in three States.
- Assess the degree to which the current cost model MPU's overstated or understated the actual cost of operating the States UI programs.
- Assess the amount of administrative resources needed for Support and NPS and used for AS&T

Phase II of the project was conducted from October 20, 1999 to June 20, 2000. This Phase consisted of the following objectives.

- Develop a review process for States' Resource Justification Model (RJM) data at the Regional and National Office level.
- Specify how the Regional and National Office could fairly and objectively evaluate States' RJM data.
- Specify how the National Office could allocate resources in a fair manner if appropriations could not fully fund the RJM.
- Develop and test a computer model that automates the recommended methodology.

## **Section 1.0 Introduction**

Under the Social Security Act of 1935, the United States Federal Government is responsible for funding all necessary costs to administer State unemployment insurance programs. The Secretary of Labor is responsible for requesting appropriation of the amounts necessary for proper and efficient administration of the law. Currently, the OIS relies extensively on work measurement factors to allocate resources to the States. These factors, or minutes per unit (MPU), measure the time it takes to perform various tasks required to operate the UI system. However, these factors are recognized as badly outdated, and do not take into account the information technology advances implemented within the last decade. States' Administrative Support and Technical (AS&T) costs, and Non-Personal Service (NPS) costs result from formulas using the MPU workload factors, and are therefore incapable of representing needed capital investment or increased recurring costs. As a result, all partners and stakeholders in the UI program—Congressional, Federal, State, organized labor and employers question the validity and accuracy of the current processes and systems in meeting the true need of administering State UI programs.

## Section 2.0 Background

The UI program is a federally funded program administered entirely by the States. Within this framework, each State has a large degree of latitude to modify the basic UI program to suit its respective needs. States are allowed considerable autonomy in how the program is organized, staffed and operated. Demographic and geographic coverage, and quality of service are the domains of the State UI agencies. Further, the personnel administering the UI program are State employees, not Federal employees. These personnel are paid according to State employee pay scales, which may differ considerably from State to State.

State laws or policy can legitimately change the cost factors of UI administration from one year to the next within a State. This valid disparity in State UI administrative costs, coupled with the diminished value of outdated MPU workload factors, contributes to the ongoing controversy of whether individual States are allocated sufficient Federal funds to meet their UI administrative needs. The last update of MPUs was over thirteen years ago.

More recently, the *Administrative Financing Initiative (AFI)*, a 1992-1997 effort sponsored by UI, developed a replacement for the Cost Model System. The AFI system proposed to fund States according to National measures of the cost of performing benefits and tax activities, while allowing State-specific workload levels and characteristics to influence funding levels. Despite considerable effort, a perceived result of AFI was a set of winner and loser States. Not surprisingly, the perceived loser States opposed the initiative, and in the end, AFI was not implemented as a successor system to the Cost Model System. One of the criticisms of the AFI was that it offered no opportunity for States to present their needs for DOL consideration.

OWS is committed to fulfilling its legislated responsibilities for funding all necessary costs to administer State UI programs. From the OWS perspective, the critical issues are (1) to provide adequate administrative funds to each State, and (2) to provide an equitable distribution of funds among States. In this context, “adequate” means meeting (or exceeding) minimum essential needs. “Equitable” means comparable funding for comparable workload, with equal services to unemployed workers across States. OWS continues to use the best tools available—the Cost Model Studies—even while recognizing their diminishing value. The current Cost Model is not flexible enough to portray both the potential decreased cost share of labor, and the increased cost shares of AS&T and NPS attendant to enhanced information technology.

The current process does not collect, and therefore cannot provide, the management information that OWS requires for accurate assessments of the administrative resources that each State truly needs to operate its UI program.

From the States’ perspective, the current process is equally frustrating. The States are continuously faced with balancing the actual cost of UI operations with an allocation of Federal funds that is based on acknowledged outdated, inaccurate information. At the

operational level, the State UI agencies must comply with State laws, policies and practices. Although the Cost Model continues to capture workload information, it is recognized as inadequate in representing significant changes in the administrative costs of non-workload areas and in translating workload levels to cost. Cost increases that are beyond the control of a State UI agency, such as capital investments, State cost-sharing agreements or salary increases, cannot be represented nor accounted for in the current system. States whose UI programs are actually underfunded have no venue or system in which to claim and justify higher costs. Conversely, OWS has no systematic mechanism to identify State UI programs that may be overfunded.

Notwithstanding the problems and issues with the current UI resource allocation process, the UI program is generally regarded as a successful, competently administered program. Drastic changes are not demanded.

However, the entire UI formulation and community recognizes the need to improve the identification of required resource and resource allocation process. The first challenge is to devise a process or methodology that can accurately assess need for every State. The second challenge is to gain acceptance of such a system from the entire community of UI stakeholders.

### **Section 3.0 Purpose-Phases I and II**

**Phase I.** The purpose of the initial Phase was to develop and test in the States an approach that would effectively establish current UI administrative resource needs

**Phase II.** The purpose of Phase II was

- (1) to develop a review process for States' Resource Justification Model A/RJM, (the model developed in Phase I) data at the Regional and National Office levels
- (2) to specify how the Regional and National Offices could fairly and objectively evaluate States' RJM data
- (3) to specify how the National Office could allocate resources in a fair manner if appropriations did not fully fund the Resource Justification Model budget request
- (4) to develop and test a computer model that automates the recommended methodology.

## **Section 4.0 Approach**

The approach taken by the analysis team evolved based on guidance and assistance from OWS and the three participating State UI agencies during Phase I. In Phase II, the RJM was developed in modules. The stages of the analysis of Phases I and II are represented below and will be discussed in some detail within this section or in following sections.

- Research (Section 4.1)
- Best Practices/Analogies (Section 4.2)
- Concept Development (Section 4.3)
- Methodology Development (overview in Section 4.4, details in Section 5.0)
- Methodology and Process (Section 5.0)
- RJM Module I (Section 6.0)
- RJM Module II (Section 7.0)
- RJM Module III (Section 8.0)
- RJM Module IV (Section 9.0)
- RJM Module V (Section 10.0)
- RJM Module VI (Section 11.0)
- Travel Staff Years (Section 12.0)
- Conclusions (Section 13.0)
- Recommendations (Section 14.0)

### **Section 4.1 Research**

Extensive research was conducted on the current Cost Model system and a recent effort to improve the allocation of UI administrative resources, the *Administrative Financing Initiative (AFI)*.

The current Cost Model system traces its origins back to the 1970s. A value of Minutes Per Unit (MPU) was established for each component of the UI workload activity. The MPU values were based on extensive work measurement studies conducted in each State, and were unique to each State. These MPU values were used as input by DOL to produce staff-year and dollar allocations in major workload categories. DOL's intent to update the data with Cost Model studies every three years or so proved expensive and eventually impractical. DOL discontinued Cost Model studies after 1985, with Cost Model MPU values locked at 1985 levels.

The AFI was initiated after Public Law 102-164, the Emergency Unemployment Compensation Act of 1991, mandated that the Secretary of Labor report to Congress on revisions to the UI administrative funding system. From 1992 until 1994, the AFI contractor worked with DOL, SESAs and ICESA to develop an approach for a new funding methodology. The AFI proposed a system that "funds States according to national measures of the cost of performing benefits and tax activities, while allowing State-specific workload levels and characteristics to determine funding levels." From 1994 to 1997, DOL released a series of bulletins and reports providing

information to the States and opportunities for them to comment. Despite these significant efforts, AFI was severely criticized by some States, particularly those who stood to lose UI administrative resources based on the AFI calculations. These criticisms ultimately prevailed, and AFI was never implemented.

As our research team received guidance at the beginning and throughout this project, it was clear that neither a repeat of the Cost Model approach nor an AFI-type approach was desired. One of the lessons learned was that even a statistically rigorous, mathematically logical approach, in the end must be comprehensible and acceptable to States, OMB and Congress.

## **Section 4.2 Best Practices and Analogies**

Initially, both private industry and governmental agencies were reviewed for Best Practice analysis and for analogous business procedures that could be applicable to the UI relationship between the Federal Government and the individual States.

Research in the private insurance industry proved non-productive for several reasons. First, insurance firms deemed such detailed costing information as proprietary and therefore closely held. Research with academia confirmed that these types of industry costs were not available in the public domain. Equally important was the fact that no insurance industry situations were found that approximated the Congressionally-mandated funding relationship between the US DOL UI service and the individual State UI agencies.

Even the Federal Government offered only a few situations somewhat analogous to the DOL UI resource allocation program. In meeting with the Chief Financial Officer of the U.S. Department of Agriculture (USDA), it was apparent that USDA offered no analogous situations. The Federal Food Stamp Program, which is Federally funded and State administered, was of interest, but no details were made available. However, a visit with the Social Security Administration's Disability Insurance Division proved to be useful.

By law, the Social Security Administration (SSA) provides funding to the States for the purpose of administering the Disability Insurance program. The Disability Insurance program involves case adjudication and determination. Unlike UI, no collection or disbursement functions are performed under this program. The annual budget for Disability Insurance is approximately \$1.4 billion, with an annual case workload of about 3.9 million cases. Disability Insurance involves little direct customer contact except by telephone, and State operations are normally centralized at one site (maximum of two sites).

The allocation of funds by SSA is workload-driven, but is not based on a specific mathematical model. SSA requires detailed budget request and expenditure reports from the States. SSA provides funding based on:

- Justification of needs by State in a formal submission.
- SSA judgment, using visibility and knowledge of States' workload and staffing.
- Relationship to Performance Measures.
- Continuous dialogue with Regions and States.

A sampling of State worker activities is conducted monthly, a State Agency Work (SAW) report, to calculate worker productivity for Performance Measures. The Social Security Administration Office of the Inspector General (OIG) conducts audits of each State at least once every five years, in addition to State-conducted internal audits. SSA uses workload to justify its Disability Insurance budget to OMB. When queried on any difficulties experienced on collecting detailed data from the States, the SSA officials indicated that stringent legislative language compelled the States to comply. This language is apparently much more specific than comparable UI language.

An interview was conducted in one State Disability Insurance office to gain its perspective. Of note was the fact that the State Disability Insurance program has a single role. This is in contrast to UI program, which not only determines who is eligible for benefits, but also is responsible for collecting the taxes to pay UI benefits.

### **Section 4.3 Concept Development**

Through iterative discussions and meetings with OWS staff, State representatives and ICESA, an innovative concept was developed and tested. The concept differs substantially from the status quo Cost Model system, and from the unsuccessful AFI.

The concept is based on an initial State submission of UI-related cost expenditures for previous, current year, next year, and Budget request year, followed by regular annual submissions. In the initial submission, each State will document the budgetary and workload details of how it is spending its allocated UI funds and its State-provided funds, where applicable. This initial declaration of costs is subject to external review (for example, Office of Inspector General review), is linked to performance measures and represents a bottom-up, State-provided statement of need in the first year of RJM use. Although this step may appear to abrogate national level responsibility for determining need, this initial submission in fact provides an economical means to collect reliable data on actual expenditures, by category of workload, and by detailed cost elements.

This initial accumulation of management information represents an unparalleled opportunity to remedy several shortfalls in the current system. Under the RJM, States will collect and report actual workload and costs, thus negating the need for an expensive, centrally directed Cost Model update that predictably will be outdated in a few years. Also, States have a participative means of justifying actual costs, in contrast to the directive top-down formula approach of AFI.

In practice, this concept will allow all partners and stakeholders to achieve their respective goals in the proper funding of UI administrative costs. From the States'

perspectives, they are provided an improved means to match costs to workload, and costs to actual expenses, such as automation maintenance and repair fees. They are provided a means to project costs for recognizable capital expenditures, such as building renovation or hardware replacement, and uncontrollable legitimate expenses, such as State wage increases.

From the DOL National and Regional perspectives, they receive a reliable body of management information that updates itself annually. This body of information will enable DOL to make valid comparisons of State UI costs from year to year, and to compare to the total population of States or within groups of similar States for particular cost elements. From these comparisons, DOL can set ranges of expected costs and expected performance. DOL may adjust budget requests and allocations based on this comparative analysis. If initial submission data are lacking or questionable, then States with such data become leading candidates for external review, another specific feature of this concept. The implementation of external reviews of State UI programs by the DOL Office of the Inspector General (OIG), qualified contractor, or some combination thereof, is desirable to ensure that submissions are accurate and that the system is not manipulated.

From the perspective of Congress, OMB, organized labor and employers, this concept provides the following advantages:

- A platform for a voice and active participation from each State.
- A relatively inexpensive means of collecting accurate workload and cost information on a regular basis.
- An information base from which DOL can make rational budget requests and allocation decisions.
- Finally, a logical, traceable system for determining the need in each State for UI administrative costs.

In developing a methodology to implement this concept several principles were set forth:

- Resource allocation must fundamentally be workload based.
- Workload cost estimation must be updated.
- All costs of UI administration must be captured.
- All partners and stakeholders (DOL, State UI agencies, Congress/OMB) should be involved in the process.
- Budgeting of resource should be linked to performance measures.
- States should have a voice in defining needs from year to year.
- Methodology should not impose a substantial reporting burden on the States.
- Implementation should not threaten traumatic change.
- Methodology should be comprehensible by all parties, and should have utility at the State level in accounting for and forecasting UI administrative costs.

## **Section 4.4 Methodology Development (Overview)**

The methodology envisioned is a process wherein States complete and submit a detailed four-year resource justification document (prior year, current year, next year, and budget request year) to OWS. This document is made up of a series of worksheets, called Resource Justification Methodology (RJM) forms, numbered RJM-1, RJM-2, etc.

The RJM forms will provide cost element level of detail for resources used (prior and current year), resources planned (next year), and resources requested (budget request year) for each State. Submissions will provide MPU workload detail, and equally important, detail on AS&T and NPS costs. Costs will be related to Federal and State performance measures, if available. Additionally, the submission will include a template for States to request fund enhancements, accompanied by a business case or benefit-cost analysis. From the States' perspective, the RJM submission is the platform by which to inform DOL of their current needs, and a means to justify a change in their cost requirements.

This methodology also provides to OWS annual cost data from the 53 State UI agencies that can be incorporated into an OWS management information system (MIS). This body of information will provide a comparative analysis capability in at least two dimensions. The first is a comparison of costs within each State over a four-year window related to performance measures and level of success, using accurate information provided by the States. The second dimension is a comparison at a detailed level across States or groups of States. Neither of these capabilities is available with the current system.

Once the series of RJM forms were developed, the team telephoned Oklahoma, the first test State selected by DOL. Oklahoma was a last minute replacement, and therefore was not allotted the intended full measure of preparation time. The RJM templates were sent to the Oklahoma SESA, allowing only limited time for the State staff to complete the forms. An analysis team also thoroughly reviewed national-level data for Oklahoma prior to a site visit. The analysis team then prepared to visit the State with the following intended outcomes:

- a. To gain the State perspective and opinion of the approach.
- b. To gauge the effectiveness of the RJM forms to collect cost and need information for the Oklahoma UI program.
- c. To assess the availability of input data for RJM worksheets.
- d. To assess the State level of effort required for the RJM approach.
- e. To record any unique issues for the SESA.

## **Section 5.0 Methodology and Process**

### **Section 5.1 Overview**

This section describes how the RJM approach would work in practice, for the States and for the Regional/National Offices. In the first year of implementation (the Base Year), DOL provides guidance and instructions for States to complete the RJM forms. The guidance and RJM forms would incorporate the Performance Measure work recently completed by DOL. The States collect the cost information needed for the RJM forms for four years: actual costs from the previous year, actual and projected costs from the current year, planned costs for the next year, and a budget request for the following year. The mix of actual and projected costs of the current year depends on the submission cycle.

DOL will require the States submissions to arrive early enough in the current year to allow Regional and National Offices sufficient analysis time to incorporate the results into the DOL UI budget submission to Congress. The status quo Cost Model system would remain in use in the Base Year. Only after the first year's submissions have been analyzed would DOL start to adjust budget requests or allocations based on the RJM.

The body of information received through the States' RJM submissions will be the basis for adjustments. The DOL Regional and National Offices will have sufficient management information to perform comparative analysis across all States, and to compare cost and performance among all States, or within selected groups of States. Relational database queries (discussed in detail in Modules II and III below) can be used to formulate acceptable ranges for both cost and performance. DOL will be able to judge whether each State is using the current allocation efficiently to meet its workload needs, based on both cost and performance. This informed judgment is a partial basis for the next year's allocation.

The other basis is an analysis of the RJM forms that request increased funding. These requests, described in some detail below, provide the opportunity for each State to describe and justify two different types of legitimate needs. The first is an uncontrollable cost increase that will be incurred by a State's UI program, such as a cost of living salary increase for all State employees. This type of increase is projected in advance, is easily audited, and will withstand scrutiny by OMB and Congress. Additionally, a State projected growth in workload will be compared to National workload projections for that State.

The second type of request for increased funding is in terms of a performance enhancement for the requestor State. The State must justify any increased cost on a benefit-cost basis that is subject to review. This feature of the RJM approach permits a State to make the case for a one-year spike in costs (for investments in hardware or software, for example), that will reduce costs or increase performance in future years.

If approved by DOL, the subsequent annual submissions provide the means to enforce expected cost reductions or to monitor expected performance improvements.

Using the RJM methodology, DOL will have the capability, rationale and supporting data, to adjust both budget requests and allocations. In formulating budget requests, the National Office conducts a detailed analysis of the validated data to determine what the acceptable norms will be for the formulation process, as well as determining which requests for special requirements and enhancements will be incorporated in the budget request to Congress. Using Access queries and report-generating capabilities, the RJM system provides reports in the required format for submission to Congress. In addition to the required reports, a set of detailed reports will be produced showing the requested funding for each State.

In the RJM allocation process available funds are distributed based on specific rules and criteria that have been formulated in advance of Congressional approval of the budget. Pre-determination of these rules will ensure that all States are treated fairly. These rules will include the step by step process that will be employed if the allocated funds are less than the requested funds. Obviously, these rules will be critical to all States; a Committee of State, Regional and National Office staff should be involved in their establishment.

A monitoring and review process should be sustained with a focus on data integrity.

This methodology has the advantage of continually involving the States in providing actual information to define need, while providing DOL Regional and National Offices the information needed to make equitable funds distribution decisions. The RJM approach also has the flexibility to extend into more than two future years.

## **Section 6.0 RJM Module I Data Collection**

**6.1 Purpose.** The purpose of the Data Collection Module is to provide (1) the States a means to articulate and justify their respective needs to administer the UI program, and (2) the Regional and National Offices comparable cost data from each State to review, analyze and evaluate.

**6.2 Responsibilities.** The over-all responsibility for the RJM and all modules rests with the National UI office. For Module I specifically, the National Office is responsible for developing and disseminating the instructions, format and schedule for State RJM submissions. States are responsible for completing the forms in the RJM submission package in compliance with instructions, and within the required suspense dates.

### **6.3 Overview.**

**6.3.1** The National Office distributes RJM submission package templates and instructions, both electronically and by diskette. The RJM forms will be Microsoft Office Excel spreadsheets, with input fields to be completed by each State. Justifications for enhancements are to be completed in Microsoft Word.

**6.3.2** The States complete the RJM forms and maintain back-up and supporting documentation. Enhancements must be justified on a cost-benefit basis in accordance with instructions. Request for enhancements will utilize the basic procedures that have been in effect in the past for requesting automation support account grants and remote claims grants. Detailed instructions of format and requirements will be developed. The review process will follow the same procedures that have been used in the past.

### **6.4 RJM Collection Package Description.**

**6.4.1** Cover Letter. Includes general instructions, comments, areas of emphasis, and suspense.

**6.4.2** RJM Data Collection Procedures Manual. An up-to-date manual that provides user-level instructions for each RJM form. The manual includes cost element definitions, text descriptions of entries, potential sources for entry data and a methodology that identifies the operations within pertinent cells of each RJM form.

**6.4.3** Electronic and diskette versions of RJM forms. States will be provided an electronic file and an identical file on a diskette, containing the RJM forms. The specific version will be identified (version control and management are responsibilities of the National Office).

## **6.5 RJM Data Collection Forms**

The RJM data collection forms are Excel templates which are documented fully in Volume I. Flowcharts which portray the relationships among RJM data collection forms are included in Appendix B.

## Section 7.0 Module II Data Review

In Module I of the Resource Justification Model (RJM), State agencies document the amount of funds that they need to operate their UI program. In Module II, Data Review, the submissions of the States are reviewed for compliance, accuracy and validity. The review process is structured so that Regional Office staff or other personnel can perform the function. The review process not only ensures the accuracy and validity of the state-submitted data, but also provides explanations for unique State costs (Special Requirements). The review can also assist States in presenting the most credible request for their respective needs.

The flowchart in Figures 7-1 and 7-2 illustrate the steps that comprise Module II, Data Review.

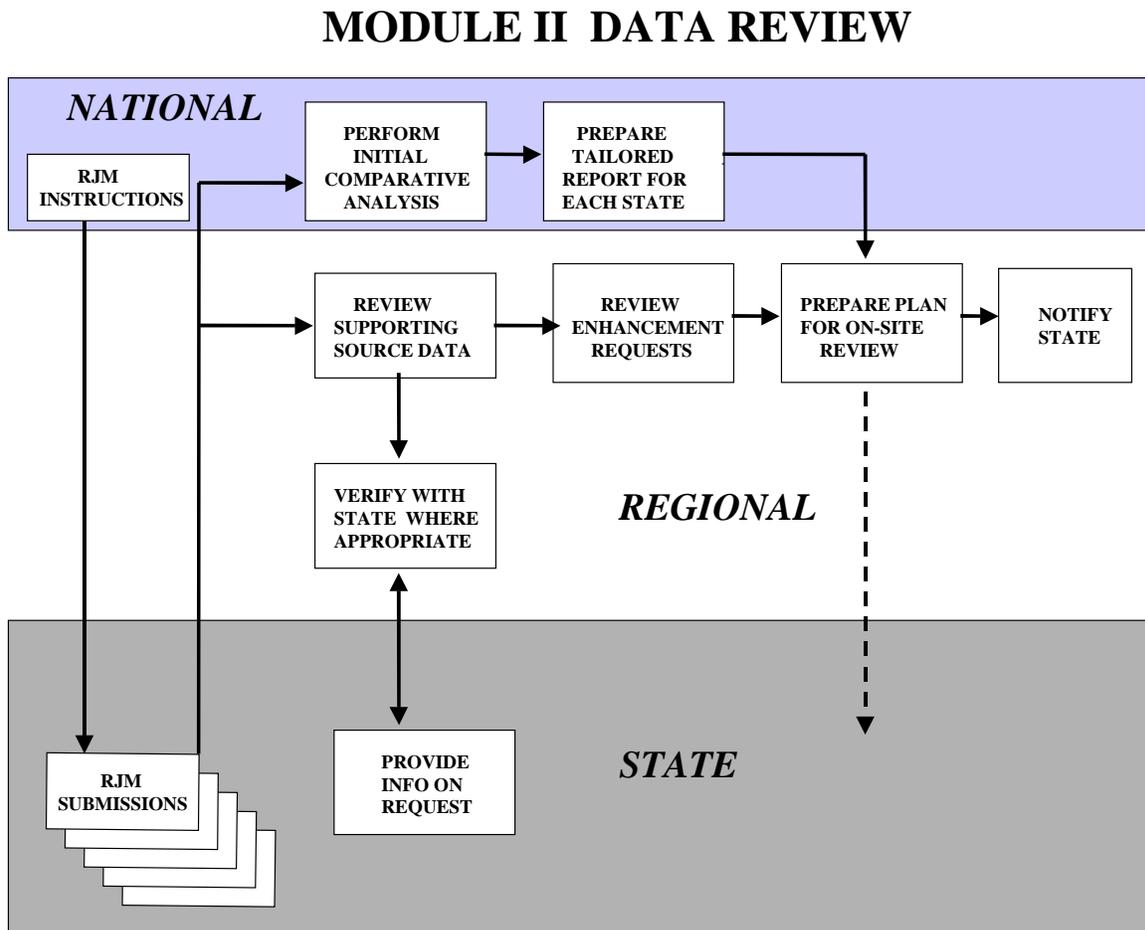


Figure 7-1

## MODULE II DATA REVIEW

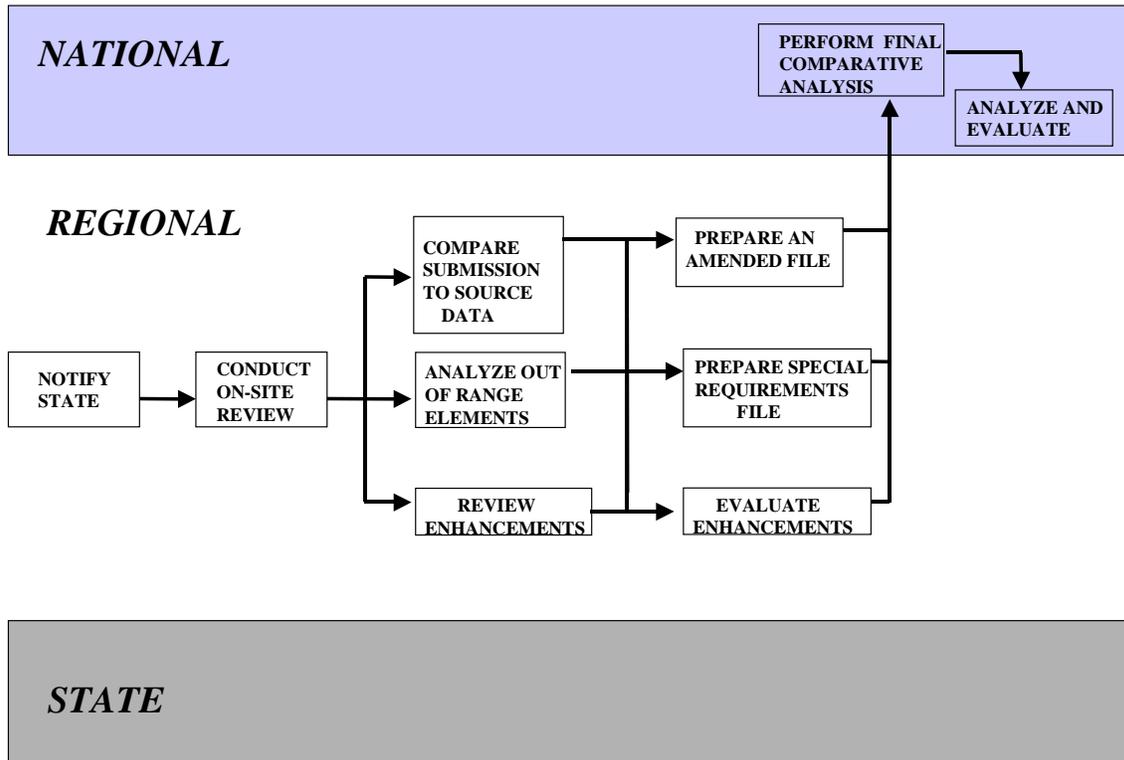


Figure 7-2

As stated above, this module begins with output of Module I, the States' RJM submissions. Each State sends its RJM submission both to the National Office and to its respective Regional Office. At the National Office, these data sets are added to a national database. The National Office performs an initial comparative analysis, which will be described in detail below. Subsequent to that initial analysis, the National Office prepares a tailored review report for each State and sends it to the respective Region, with pertinent State information provided to the respective States.

Concurrently, the Regional Office begins its review of the States' RJM submissions. This initial review concentrates on the supporting documentation that is required in the RJM submission instructions. Specific areas that require supporting documentation are:

- RJM 1 Cost per Staff year.
- Documented increase in Personal Service cost per staff year
- Documented increase in Personnel Benefit cost per staff year
- RJM 3 MPU Requirements. Documentation to support enhancements.
- RJM 4 Leave Summary. Documented increases or decreases in leave hours.
- RJM 6 Non Workload Activity Codes Requirements. Documentation to support enhancements.
- RJM 10-20 NPS Item Summaries. Documentation to support enhancements.

The documentation needed to support increases in costs per staff year or changes in leave hours must be authoritative and verifiable. The documentation to support enhancements must be in the Benefit Cost format that is prescribed in the RJM instructions. (Instructions and required formats for Benefit Cost analyses are included in the initial RJM instructions provided by the National Office to the States.) Special provisions will be made for other requests for enhancements where a determination has been made for program improvements such as alternative base periods. If documentation is not complete or requires additional information, the Region contacts the State directly. In the case of enhancement requests, Regions begin the process of evaluating enhancements, using standard criteria provided by the National Office, such as return on investment (ROI), net present value (NPV) or payback period.

### **Comparative Analysis**

At the National level, each State's RJM submission is processed into a relational database, Microsoft Access. Analysts use the data to perform three general types of comparisons. These type-comparisons are described and characterized below, and then are described in the context of how they are used with data from RJM submission forms. The type-comparisons can be modified from year to year, as long as the data needed to support the comparisons are collected in RJM Module I.

**State Internal Comparisons (SIC).** Many RJM forms collect data for the previous year, the current year, the next year and the budget request year. For brevity, these years are hereafter referred to as P, C, N and R, respectively. A standard SIC for a specific data element includes the following calculations:

$$\frac{C-P}{P} = x\% \text{ the per cent variance between the current and previous years}$$

$$\frac{N-C}{C} = x\% \text{ the per cent variance between the current and next years}$$

$$\frac{R-N}{N} = x\% \text{ the per cent variance between the budget request and next years}$$

The per cent variance,  $x$ , is then compared to a variable parameter (VP Year to Year) that is set by the analyst. For example, if the VP Yr. to Yr. is set at 10%, Access queries are constructed to determine if any of variances described above equal or exceed 10%. If the result does equal or exceed 10%, the data element is flagged as out of range (OOR).

**State External Comparisons (SEC).** Several RJM forms collect data that are compared to externally generated data. An example is workload projection data. State RJM submissions use State-generated workload projection. At the National level, these data are compared to National projections. Using I to represent internal data and E to

represent external data, a standard SEC for a specific data element includes the following calculations:

$$\frac{E-I}{I} = x\% \text{ the per cent variance between the external and internal data}$$

The per cent variance,  $x$ , is then compared to a variable that is set by the analyst. For example, if the variable parameter for Workload (VP Workload) is set at 10%, Access queries are constructed to determine if any of variances described above equal or exceed 10%. If the result does equal or exceed 10%, the data element is flagged as out of range (OOR).

**Acceptable Range Comparisons (ARC).** As data for multiple States are collected, comparisons of specific data elements among States are important for analysis and evaluation. The comparison technique used arrays the States' values for the subject data element from highest to lowest, calculates a statistical measure (average), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter ARC (VP ARC) that can be set by the analyst. For example, if the average is used with an acceptable per cent variance of 25%, an acceptable range is calculated. The Top of Range is the average value plus 25%; the Bottom of Range is the average value less 25%. The ARC will identify those States who are "out of range" (OOR). Those States that exceed the acceptable range are flagged as OOR-high. Those that are below the acceptable range are flagged as OOR-low.

**Performance Correlation Comparisons (PCC).** More complex comparisons involve both performance data and MPU data. Recognizing the performance measures do not correlate exactly with MPU, the potential for useful analysis of this type is included in RJM Module II. The analyst can use a variance for both performance data related to a specific MPU, and to the subject MPU to correlate performance to minutes per unit requirements. By constructing a conditional Access query, an MPU can be assessed OOR, or within an acceptable range. For example, for a given MPU, if the MPU is less than a specified variance from the average, AND performance is greater than a specified level, then the MPU is within range for performance. If the MPU exceeds the variance on the positive (high) side, AND performance is greater than a specified level, then the MPU is OOR for performance, that is, the MPU cost is too high. If the MPU exceeds the variance on the negative (low) side, AND performance is greater than a specified level, then the MPU is not only within range for performance, it is a candidate for Best Practices. However, if performance is less than a specified level, then the MPU is OOR regardless of its variance.

**Other Comparisons.** In addition to the standard comparisons described above, the comparative analysis includes other analysis such as identifying State fund expenditures for UI, identifying unusual carry-over instances, and characteristics of State UI operations. The MPU's developed and used in the RJM process include all sources of funding.

The tailored report for each State will identify information that is OOR or otherwise of interest. Once the Regions receive the tailored report for a State from the National Office, the Region develops and prepares a plan for a State on-site review. States are provided a copy of their respective tailored report. Planning considerations for the on-site review include:

- Progress to date in RJM documentation review and verification
- Data indicated as OOR
- Results of previous reviews
- Resources available to perform the on-site review, including time.

Based on these considerations, the Region can tailor the extent of the reviews for each of the States for which the Region is responsible. In other words, some States may be reviewed more extensively than others. As the plan for each State is completed, the Region notifies the State of the time, duration, agenda and areas of interest on which the review will focus. States should be provided adequate time to prepare for the review. All data that is presented by the States is subject to review. The National Office will provide general guidelines to the Regional Offices on specific data that should be reviewed, but the Regional Offices can expand their scope of review if they determine additional data should be reviewed

The on-site review will consist of three major elements. The first element is to compare selected major data components on each of the RJM worksheets to the State source documents. The procedures and sampling methodology will be standard for all States. Step by step instructions for each form will assist in the review of the raw data and ensure validity. On some of the worksheets, a random sample of charges will be verified. The review package includes procedures that will be the basis for selecting the sample, and will be in accordance with sampling procedures described in UI Reports Handbook No. 401, Appendix A. This will ensure that the States have included all of the data elements that are required, and that only legitimate charges to the UI program have been included in State submissions. Based on the results of the sampling performed during the on-site review, the Regional Director will determine if major problems were discovered, and if a subsequent audit is required.

The second element of the review process is based on the tailored report provided by the National Office. The review team will follow a principle that the burden of explaining OOR or other unusual data is on the States. An explanation is required for high cost and low cost items. High cost items have to be justified. Low cost items have to be examined to see if they are candidates for Best Practices. Furthermore, even if a cost item is in range, if it has increased compared to the previous year (flagged as OOR), an explanation is required.

Highlighting out of range or increasing cost items will provide insight into problem areas, will help determine causes to problems and, in the case of low cost, will provide information on Best Practices.

The third element of the review process is to complete the collection of all information and documentation needed to review each request for enhancements. During the on-site review, States will have a final opportunity to present evidence to support their enhancement requests.

The Regions perform the final stage of the Module II, Data Review, after the on-site review has been accomplished. The Region is responsible for preparing and forwarding an Amended File for each State. The Amended File contains changed data elements from the State's RJM submission. These changes reflect the results of the Region's evaluation of Year to Year OOR variances. The Region can amend a data element to a different value that it considers substantiated. If the Region assesses that submitted data are not sufficiently substantiated, it can change data to a substantiated historical amount. For example, if an increase in Personal Services/Personal Benefits (PS/PB) is not sufficiently substantiated for the Request (R) Year, the Region can change the value to a historically documented amount for that State. It is important to note that any State-submitted year to year OOR value left unchanged by the Region is considered substantiated and the Region bears the burden of defending its evaluation. The Amended File is submitted in the Excel Summary Data format.

The Region is also responsible for forwarding to the National Office a Special Requirements File. This file differs from the Amended File in that it reflects the Region's evaluation of ARC OOR variances. For each ARC OOR variance identified by the Initial Comparative Analysis, the Region evaluates whether conditions specific to that State warrant Special Requirements. For example, Travel costs in Alaska may justify OOR-High numbers compared to other States. If the Region assesses that submitted data are not sufficiently substantiated, it can change data to a substantiated amount. The Special Requirements File is also submitted in Excel Summary Data format. Included with the special requirements file will be a detailed explanation by the Regional Office defining the special requirement in relation to other States, i.e., why the State should receive additional funding and other States should not.

Additionally, the Region provides a documented evaluation of the enhancements requested by each State. All of this information is forwarded to the National Office on a predetermined schedule.

Based on the results of the sampling used in the review process, the Regional Director will determine if the findings warrant a follow-up audit of relevant State charges.

An example of the recommended review process is found in Volume III, Section I.

## Section 8.0 Module III Analysis and Evaluation

Module III of the Resource Justification Model is comprised of analytical review procedures performed at the National level. The source data used for these procedures are the collective RJM submissions, arrayed in a relational database (Access). Several principles frame the analysis and evaluation:

- SESAs are the best sources of State needs
- State submissions reflect actual historic costs
- External review is necessary to ensure equity and consistency of submission
- State submissions for increases in costs require verifiable supporting rationale
- Regional Offices have the expertise and management oversight to review State submissions
- DOL UI Performance Measures are valid
- Comparative analysis using “Acceptable Ranges” identifies cost and workload areas that require explanation or documentation review by the Regional Offices
- All Variable Parameters are flexible and are set by the National Office
- Lack of verifiable supporting rationale or substantiation results in “Out of Range” costs or workload to be moved within range
- Special Requirements are considered for specific State characteristics, such as size, geography, and demographics

In the simplest terms, a State’s submission is used as a valid statement of need and is only modified if a Review procedure in Module II or an analytical procedure in Module III indicates otherwise. The following section describes both the principle and the procedure for the Module III analysis of each State’s submission. The forms of these procedures are Access database queries, with variable parameters that are set by the National Office.

### 8.1 State Salary and Benefits

**Principle.** State UI employee salary and benefits are bona fide administrative costs of operating the UI program. Increases in salary or benefits should be offset by increases in Federal funding. Such increases should be readily verifiable and documented.

**Procedure.** A State identifies expected increases in UI employee salary and benefits, effective dates, target employees, and enters this data on the appropriate RJM 1 Form, and includes supporting documentation. An Access Query (AQ) determines whether the salary costs or benefits costs exceed a Variable Parameter (VP Year to Year) when the Current Year is compared to the Prior Year. Another AQ determines whether the salary costs or benefits costs exceed a Variable Parameter (VP Year to Year) when the Next Year or Request Year is compared to the Current Year. If any of these queries exceed the VP (indicated by “OOR”), then the analyst determines if the Regional Office review in Module II substantiates the increase. The source of the Regional Office Review is the Amended File submitted by the Region. If the RO review substantiates the increase, the State submission remains unchanged. If an increase in

the Current Year is not substantiated, the RJM 1 entry for the Current Year is changed to reflect the Prior Year entry. If an increase in the Next Year is not substantiated, the RJM 1 entry for the Next Year is changed to reflect the Current Year entry.

**Expected Outcome.** In the State submission derived from Module III, every increase in Salary and Benefits has been documented by the State, and reviewed and substantiated by the RO.

## 8.2 Workload Items

**Principle.** Workload items in the six broad bands are fundamental elements of the projections of State costs. Prior Year counts are matters of record for each State and are easily verifiable. Projections of workload can be made at the individual State level by State SESAs, or at the National level by DOL UI analysts. State estimates of projected workload items include local and area-specific information that may not be identifiable or available at the National level. State projections should be substantiated and documented. The National Office will be responsible for the final determination of the amount of base and contingency workload assigned to each state.

**Procedure.** A State identifies projected workload items in the Next Year or Request Year column of the RJM 2 Form, and includes supporting documentation. An Access Query (AQ) determines whether each workload item exceeds the corresponding projection from the National workload file (an external file provided by the National Office). If the State projection is greater than the National workload projection, the National workload projection is used unless otherwise substantiated by the Regional Office. If the State projection for a workload item is less than the National workload projection, the Regional Office reviews, and may change the submission upward to reflect the National workload projection (in the Amended File).

**Expected Outcome.** In the State submission derived from Module III, projected workload items have been documented by the State and compared to national level workload projections, possibly resulting in increases to State projections to the level of a national workload projections.

## 8.3 MPU Per Workload Item

**Principle.** The MPU value per workload item for a State is based on historic data, specifically, the employee hours worked and charged to a functional activity code divided by the recorded workload, converted to minutes. The historic MPU per workload item, then, is an accurate measure of the time required to perform UI work, by workload item category, in a State. These measures should be readily verifiable by State cost accounting systems, payroll/timesheet systems and workload reporting systems. Absent explanatory rationale, MPU per workload item should be comparable, within an acceptable range, among States.

**Procedure.** A State identifies the historic MPU per workload item, and enters this data on the appropriate RJM 3 Form. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access queries. The ARC arrays the States' MPU values for the workload item from highest to lowest, calculates a statistical measure (average), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter (VP ARC) that can be set by the analyst. For example, if a midpoint is used with an acceptable per cent variance VP (ARC) of 25%, then the comparative analysis will identify those States who are "out of range" (OOR). Those States that exceed the acceptable range are flagged as OOR-high. Those that are below the acceptable range are flagged as OOR-low. An MPU per workload item that is not OOR, i.e., within range, is not changed. The within-range MPU value is considered acceptable.

**Expected Outcome.** In the State submission derived from Module III, the MPUs per workload item are evaluated as within-range or out-of-range, based on comparative analysis. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

#### **8.4 Hours Worked Per Staff Year**

**Principle.** The hours worked per staff year are determined by the annual leave, sick leave, and holiday leave policies of individual States. Increases or decreases caused by changes in existing policies directly affect the calculation UI staff year requirements. Changes in hours worked per staff year should be offset by adjustments in Federal funding. Such changes should be readily verifiable and documented.

**Procedure.** A State identifies expected changes in UI employee hours worked per year, enters this data on the RJM 4 Form, and includes supporting documentation. An Access Query (AQ) determines whether the hours worked per staff year exceed a Variable Parameter (VP Year to Year) when the Current Year is compared to the Prior Year. Other AQs determine whether the hours worked per staff year exceed VP Year to Year when the Next Year is compared to the Current Year, and when the Request year is compared to the Next Year. Out of Range information is identified for use by the Regions.

**Expected Outcome.** In the State submission derived from Module III, any change in hours worked per staff year has been documented by the State, and reviewed and substantiated by the RO. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

## **8.5 Staff Year Requirements Per Non-workload Functional Activity Codes - Travel**

**Principle.** The staff year requirements per non-workload functional activity codes Benefit-Travel, Appeals-Travel and Tax-Travel (called Travel hereafter) for a State are based on historic data, specifically, the employee hours worked and charged to each functional activity code divided by the hours worked per staff year. The historic staff year requirements, then, are accurate measures of the time required to perform the non-workload functional activities in a State. These measures should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. Any substantial change from historic requirements should be supported by credible substantiation.

**Procedure.** A State identifies the historic staff year requirements for Travel, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. An Access Query (AQ) determines whether staff year requirements for Travel exceed a Variable Parameter (VP) when the Current Year is compared to the Prior Year. Other AQs determine whether staff year requirements exceed a VP when the Next Year is compared to the Current Year and when the Request year is compared to the Next Year. Out of Range information is identified for use by the Regions.

**Expected Outcome.** In the State submission derived from Module III, changes in staff year requirements for the Travel functional activity codes from historic levels are reviewed and substantiated. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

## **8.6 Staff Year Requirements Per Non-workload Functional Activity Codes – Benefits Payment Control**

**Principle.** The staff year requirements for the Benefits Payment Control (BPC) non-workload functional activity code for a State are based on historic data, specifically, the employee hours worked and charged to BPC divided by the hours worked per staff year. The historic staff year requirement, then, is an accurate measure of the time required to perform the BPC function in a State. This measure should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. BPC staff year requirements, as a percentage of Weeks Claimed staff year requirements, ARE valid measure for comparative analysis. Absent explanatory rationale, the percentage of BPC staff year requirements as a function of Weeks Claimed staff year requirements should be comparable, within an acceptable range, among States. The BPC staff year requirements should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed.

**Procedure.** A State identifies the historic BPC staff year requirements, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. Staff year requirements for BPC should be related to the staff year requirements of the Weeks Claimed workload functional activity code in the RJM 5 Form. BPC staff year

requirements are calculated as a percentage of Weeks Claimed staff year requirements. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access Queries. The ARC arrays the States' percentage BPC staff year requirements from highest to lowest, calculates a statistical measure (average), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter (VP) that can be set by the analyst. Out of Range information is identified for use by the Regions.

**Expected Outcome.** In the State submission derived from Module III, BPC staff year requirements are evaluated as within-range or out-of-range (OOR), based on comparative analysis. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

### **8.7 Staff Year Requirements Per Non-workload Functional Activity Codes – Internal Security**

**Principle.** The staff year requirements for the Internal Security for a State are based on historic data, specifically, the employee hours worked and charged to Internal Security divided by the hours worked per staff year. The historic staff year requirement, then, is an accurate measure of the time required to perform the Internal Security function in a State. This measure should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. Internal Security staff year requirements, as a percentage of total UI staff year requirements, is a valid measure for comparative analysis. Absent explanatory rationale, the percentage of Internal Security staff year requirements as a function of Total UI staff year requirements should be comparable, within an acceptable range, among States. The Internal Security staff year requirements should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed.

**Procedure.** A State identifies the historic Internal Security staff year requirements, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. Staff year requirements for Internal Security should be related to the staff year requirements of the Total UI staff year requirement in the RJM 7 Form. Internal Security staff year requirements, less one staff year, are calculated as a percentage of Total UI staff year requirements. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access queries. The ARC arrays the States' percentage Internal Security staff year requirements from highest to lowest, calculates a statistical measure (average), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter (VP) that can be set by the analyst.

**Expected Outcome.** In the State submission derived from Module III, Internal Security staff year requirements are evaluated as within-range or out-of-range (OOR) based on comparative analysis. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes

that information on the Special Requirements File, with appropriate supporting rationale.

### **8.8 Staff Year Requirements Per Non-workload Functional Activity Codes – UI Performs**

*The National Office has been assigning UI Performs positions based on the number of cases that they desire a specific State to review. Guidelines will be provided annually to States on the number of cases that they will be responsible for reviewing and they will base their request for UI Performs positions on those estimates.*

### **8.9 Staff Year Requirements Per Non-workload Functional Activity Codes – Interstate**

**Principle.** The staff year requirements for the Interstate functional activity for a State are based on historic data, specifically, the employee hours worked and charged to Interstate divided by the hours worked per staff year. The historic staff year requirement, then, is an accurate measure of the time required to perform the Interstate function in a State. This measure should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. The Interstate staff year requirement, as a percentage of total UI staff year requirements, is a valid measure for comparative analysis. Absent explanatory rationale, the percentage of Interstate staff year requirements as a function of Total UI staff year requirements should be comparable, within an acceptable range, among States. The Interstate staff year requirements should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed.

**Procedure.** A State identifies the historic Interstate staff year requirements, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. Staff year requirements for Interstate should be related to the staff year requirements of the Total UI staff year requirement in the RJM 7 Form. The Interstate staff year requirement, less two staff years, is calculated as a percentage of Total UI staff year requirements. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access queries. The ARC arrays the States' percentage Interstate staff year requirements from highest to lowest, calculates a statistical measure (midpoint, average, mean, mode), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter (VP) that can be set by the analyst.

**Expected Outcome.** In the State submission derived from Module III, Interstate staff year requirements are evaluated as within-range or out-of-range (OOR), based on comparative analysis. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

## **8.10 Staff Year Requirements Per Non-workload Functional Activity Codes – Support**

**Principle.** The current staff year requirements for the Support functional activity for a State are based on historic data, specifically, the employee hours worked and charged to Support divided by the hours worked per staff year. . States calculate this utilization using their accounting reports. The historic staff year requirement, then, is an accurate measure of the time required to perform the Support function in a State. This measure should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. The Support staff year requirement, as a percentage of total UI staff year requirements, is a valid measure for comparative analysis. Absent explanatory rationale, the percentage of Support staff year requirements as a function of Total UI staff year requirements should be comparable, within an acceptable range, among States. The Support staff year requirements should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed.

**Procedure.** A State identifies the historic Support staff year requirements, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. Staff year requirements for Support should be related to the staff year requirements of the Total UI staff year requirement in the RJM 7 Form. The Support staff year requirement, less thirteen staff years, is calculated as a percentage of Total UI staff year requirements. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access queries. The ARC arrays the States' percentage Support staff year requirements from highest to lowest, calculates a statistical measure (midpoint, average, mean, mode), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter (VP) that can be set by the analyst.

**Expected Outcome.** In the State submission derived from Module III, Support staff year requirements are evaluated as within-range or out-of-range (OOR), based on comparative analysis. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

## **8.11 Staff Year Requirements Per Non-workload Functional Activity Codes – Trade Coordinator**

**Principle.** The staff year requirements Trade Coordinator for a State are based on historic data, specifically, the employee hours worked and charged to Trade Coordinator functional activity code divided by the hours worked per staff year. The historic staff year requirements, then, are accurate measures of the time required to perform the Trade Coordinator activities, in a State. These measures should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. Normally, there is one Trade Coordinator staff year required per State. Any substantial change from historic requirements should be supported by credible substantiation. These staff

year requirements should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed.

**Procedure.** A State identifies the historic staff year requirements for Trade Coordinator, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. An Access Query (AQ) determines whether staff year requirements for Trade Coordinator exceed a Variable Parameter (VP) when the Current Year is compared to the Prior Year. Other AQs determine whether staff year requirements exceed a VP when the Next Year is compared to the Current Year, and when the Request year is compared to the Next Year.

**Expected Outcome.** In the State submission derived from Module III, changes in staff year requirements for the Trade Coordinator functional activity codes from historic levels are reviewed and substantiated. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

## **8.12 Staff Year Requirements Per Non-workload Functional Activity Codes – AS&T**

**Principle.** The staff year requirements for the AS&T functional activity for a State are based on historic data, specifically, the employee hours worked and charged to AS&T divided by the hours worked per staff year. The historic staff year requirement, then, is an accurate measure of the time required to perform the AS&T function in a State. This measure should be readily verifiable by State cost accounting systems, and payroll/timesheet systems. The AS&T staff year requirement, as a percentage of total UI staff year requirements, is a valid measure for comparative analysis. Absent explanatory rationale, the percentage of AS&T staff year requirements as a function of Total UI staff year requirements should be comparable, within an acceptable range, among States. The AS&T staff year requirements should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed.

**Procedure.** A State identifies the historic AS&T staff years requirements, and enters this data on the appropriate RJM 6 Form. Projections for the Next Year are also entered. Staff year requirements for AS&T should be related to the staff year requirements of the Total UI staff year requirement in the RJM 7 Form. The AS&T staff year requirement, less seven staff years, is calculated as a percentage of Total UI staff year requirements. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access queries. The ARC arrays the States' percentage AS&T staff years requirements from highest to lowest, calculates a statistical measure (midpoint, average, mean, mode), and identifies an acceptable range around that measure. The range is dependent on a Variable Parameter (VP) that can be set by the analyst.

**Expected Outcome.** In the State submission derived from Module III, AS&T staff year requirements are evaluated as within-range or out-of-range (OOR), based on comparative analysis. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

### **8.13 Non Personal Services Cost Per Staff Year**

**Principle.** The cost per staff year for non-personal services (NPS) is based on historic data, specifically, the total costs charged to NPS divided by the number of UI staff years in a State. At the aggregate NPS level, the historic cost per staff year, then, is an accurate measure that can be used in comparative analysis. NPS costs, stratified into distinct NPS categories, provide more detail and visibility, and can also be measured as a cost per staff year. Both the aggregate NPS and categories of NPS measures should be readily verifiable by State cost accounting systems, and other financial accounting systems. Absent explanatory rationale, NPS cost per staff year should be comparable, within an acceptable range, among States. These NPS costs should relate to Performance Measures, recognizing that linkage to Tier I Quality Measures may not be developed. Any substantial change from historic NPS costs should be supported by credible substantiation.

**Procedure.** In Module I of the RJM methodology, a State enters NPS costs in defined NPS categories (RJM Forms 10-20). Historic NPS costs are entered for the Prior Year and are used for the Current Year straight-line projection. NPS costs for the Next Year and Request Year are entered, with changes supported by documentation. In RJM Form 26, a cost per staff year for each NPS category and for total NPS is derived. As data for multiple States are collected at the National level, Acceptable Range Comparisons (ARC) are performed using Access queries. Within-range NPS costs per staff year are considered acceptable unless they exceed a VP threshold change from one year to the next.

An Access Query (AQ) determines whether NPS costs per staff year exceed a Variable Parameter (VP) when the Current Year is compared to the Prior Year. Other AQ determines whether NPS costs per staff year exceed a VP when the Next Year is compared to the Current Year, and when the Request year is compared to the Next Year.

**Expected Outcome.** In the State submission derived from Module III, changes in NPS costs per staff year, both at the aggregate and category levels, from historic levels are reviewed and substantiated. The Regions use this information to perform their analysis and review. If a Region considers an OOR value as valid, the Region includes that information on the Special Requirements File, with appropriate supporting rationale.

## 8.14 Special Requirements

The Regional Offices submit a Special Requirements File that recommends that certain States receive special funding for specific items in their budget request. This recommendation includes the amount of funding that the Region deems appropriate and a narrative justification of the reason for the Special Requirement. A review panel will be established at the National level to determine which of the States should be funded for the Special Requirements that were recommended by the Regional Offices.

## 8.15 Flow Charts

The flowcharts in Appendix C include an Overview of Module III, Analysis and Evaluation, and logic flows used in the formulation of Module Reports.

## Section 9.0 MOD IV Budget Formulation

### 9.1 General.

The budget formulation stage of the RJM process uses the results of the previous three Modules and presents a series of Module IV Reports that culminate in a DOL-level budget request. The Access model at the National level uses the same type of comparative analysis procedures that were described in Module III, namely Year-to-Year internal State comparisons, comparisons to external national workloads, and Allowable Range Comparisons (ARC). Variable Parameters can be adjusted by DOL analysts in this Module. The critical input information that must be available for full functionality of this Module is as follows:

- Amended Files for each State, prepared by the respective Region
- Special Requirements Files for each State, prepared by the respective Region
- National Workload File for National level Request File, prepared by the National Office
- Performance Files for each State, prepared by the National Office
- Enhancement Files for each State, prepared by the respective Region

The following sections describe the Module IV Reports. The reports are titled consistent with the RJM submission forms from the States used in Module I, e.g., RJM IV-1 Report is drawn principally from information that originated in RJM-1 forms submitted by the States. Examples of the Module IV Reports are included in Volume III, with documentation for the user.

### 9.2 RJM IV-1 Reports

**Principle.** The State request for employee salary and benefits in the budget request year qualify as bona fide administrative expenses of operating the UI program. Regions are required to review increases from current levels. Once reviewed, these requests are incorporated into the DOL budget request to Congress.

**Procedure.** There are seventeen RJM IV-1 Reports (UI Program, AS&T, Initial Claims, Weeks Claimed, Non monetary Determinations, Appeals, Wage Records, Tax, Tax-Travel, Benefits-Travel, Appeals-Travel, Benefits Payments Control, Internal Security, and UI Performs, Interstate, Support, TRA Coordinator.) Each RJM IV-1 Report is titled and indicates the subject budget request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The STATE REQUEST column shows the submission from the State. The AMENDED FILE represents the results of the review performed by the Region in Module II. The CURRENT column shows current level of funding (historic). The BUDGET REQUEST is equal to the AMENDED FILE.

**Expected Outcome.** The budget request for each State is either based on historic levels or increased levels that have been reviewed and verified by Regions. Therefore, the National level budget request is based on audit-quality, traceable information on salary and benefits.

### 9.3 RJM IV-2 Reports

**Principle.** States have internal means of projecting workload, and the National Office uses its own methodology to project workload for each State for the budget request year. The budget request uses the National workload if there is significant variance between the two projections. The National Office will provide States with workload forecasts.

**Procedure.** There are six RJM IV-2 Reports, one for each broad band workload items (Initial Claims, Weeks Claimed, Non monetary Determinations, Appeals, Wage records, and Tax). Each RJM IV-2 Report is titled and indicates the subject National level request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The STATE REQUEST column shows the submission from the State. The AMENDED FILE represents the results of the review performed by the Region in Module II. The Variable Parameter Workload (VP WORKLOAD) is variable set by the national analyst to represent the tolerance that is allowed between projections. The NATIONAL WORKLOAD is the projection from the National Office. The BASE REQUEST is the result of a conditional query. If the value in the AMENDED FILE is out of range (OOR) compared to the NATIONAL WORKLOAD, the NATIONAL WORKLOAD value is used for the BASE REQUEST. If the value is not OOR, i.e., in range, the value in the AMENDED FILE is used in the BASE REQUEST.

**Expected Outcome.** The budget request for each State is either the National workload estimate or an estimate from the State that varies within an acceptable tolerance. Therefore, the National level budget request is based on a review of both State and National estimates.

### 9.4 RJM IV-3 Reports

**Principle.** The minutes per unit (MPU) per workload item for a State are subject to review by the Regions and further analysis at the National Office. MPU per workload item should be comparable among States, within an acceptable range. Provisions for recognizing Special Requirements for a State are provided.

**Procedure.** There are six RJM IV-3 Reports, one for each broad band workload item (Initial Claims, Weeks Claimed, Non monetary Determinations, Appeals, Wage records, and Tax). Each RJM IV-3 Report is titled and indicates the subject budget request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The STATE REQUEST column shows the submission from the State. The AMENDED FILE

represents the results of the review performed by the Region in Module II. The Variable Parameter ARC (VP ARC) is set by the national analyst. Those States that are OOR HIGH are indicated, as are those that are OOR LOW. All other States are within the acceptable range. The values for the TOP OF RANGE and BOTTOM OF RANGE are shown. Any Special Requirements recommended by the Regions are shown in the RO SPEC REQ column. Performance is shown as 0 or 1 in the PERFORMANCE column (0=Not adequate, 1=adequate). The National level Request is the result of conditional queries. If the AMENDED FILE value is within range (not OOR), the BUDGET REQUEST equals the AMENDED FILE value.

If an OOR-HIGH is shown AND there is no entry for Special Requirements, the BUDGET REQUEST equals the TOP OF RANGE value.

If an OOR-HIGH is shown AND there is an entry for Special Requirements, the BUDGET REQUEST equals the Special Requirements value

If an OOR-LOW is shown AND performance is adequate, the BUDGET REQUEST equals the AMENDED FILE value.

If an OOR-LOW is shown AND performance is not adequate, the BUDGET REQUEST equals the BOTTOM OF RANGE value.

**Expected Outcome.** The budget request for each State for MPU either within an acceptable range, based on a comparative analysis, or it is supported by documented Special Requirements that are approved by both the Region and National Offices.

## 9.5 RJM IV-4 Report

**Principle.** The hours worked per staff year for each State are determined by the leave policies of each State. Calculation of actual need for a State is very sensitive to any changes to this value in hours worked per staff year. Changes should be offset by adjustments in UI funding. Regions are required to review increases from current levels. Once reviewed, these requests are incorporated into the DOL National budget request to Congress.

**Procedure.** There is only one RJM IV-4 Report per State. Each RJM IV-4 Report is titled and indicates the subject budget request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The STATE REQUEST column shows the submission from the State. The AMENDED FILE represents the results of the review performed by the Region in Module II. The BUDGET REQUEST is equal to the AMENDED FILE.

**Expected Outcome.** The budget request for each State is either based on historic levels or increased levels that have been reviewed and verified by Regions. Therefore, the DOL budget request is based on audit-quality, traceable information on hours worked per staff year for each State.

## 9.6 RJM IV-5 Reports

**Principle.** This report uses the results of previous reports to calculate the staff required for each State. Because the previous reports are reviewed, the resultant budget request in RJM IV-5 is valid.

**Procedure.** There are six RJM IV-5 Reports, one for each broad band workload items (Initial Claims, Weeks Claimed, Non monetary Determinations, Appeals, Wage records, and Tax). Each RJM IV-5 Report is titled and indicates the subject budget request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The value for the MPU column is taken from the respective BUDGET REQUEST column of the RJM IV-3 Report. The value for the WORKLOAD column is taken from the respective BUDGET REQUEST column of the RJM IV-2 Report. The value for the WORK HOURS column is taken from the respective BUDGET REQUEST column of the RJM IV-4 Report.

The BUDGET REQUEST value for the RJM IV-5 is the result of the following calculation:

$$\text{BUDGET REQUEST} = \text{MPU} * \text{WORKLOAD} / (\text{WORK HOURS} * 60).$$

**Expected Outcome.** This Report provides the Budget Request for the six workload items in terms of staff required.

## 9.7 RJM IV-6 Reports

**Principle.** The staff year requirements for non-workload functional activity codes are based on historic data, specifically the employee hours worked and charged to each functional activity code divided by the hours worked per staff year. These staff year requirements should be comparable among States, within an acceptable range. Provisions for recognizing Special Requirements for a State are provided.

**Procedure.** There are ten RJM IV-6 Reports (Tax-Travel, Benefits-Travel, Appeals-Travel, Benefits Payments Control, Internal Security, UI Performs, Interstate, Support, TRA Coordinator, AS&T.) Each RJM IV-6 Report is titled and indicates the subject National level request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The STATE REQUEST column shows the submission from the State. The AMENDED FILE represents the results of the review performed by the Region in Module II. The Variable Parameter ARC (VP ARC) is set by National Office analyst. Those States that are OOR HIGH are indicated, as are those that are OOR LOW. All other States are within the acceptable range. The values for the TOP OF RANGE and BOTTOM OF RANGE are shown. Any Special Requirements recommended by the Regions are shown in the RO SPEC REQ column. Performance is shown as 0 or 1 in the

PERFORMANCE column (0=Not adequate, 1=adequate). The budget request is the result of conditional queries. If the AMENDED FILE value is within range (not OOR), the BUDGET REQUEST equals the AMENDED FILE value.

If an OOR-HIGH is shown AND there is no entry for Special Requirements, the BUDGET REQUEST equals the TOP OF RANGE value.

If an OOR-HIGH is shown AND there is an entry for Special Requirements, the BUDGET REQUEST equals the Special Requirements value

If an OOR-LOW is shown AND performance is adequate, the BUDGET REQUEST equals the AMENDED FILE value.

If an OOR-LOW is shown AND performance is not adequate, the BUDGET REQUEST equals the BOTTOM OF RANGE value.

**Expected Outcome.** The budget request for each State for staff year requirements per non-workload functional activity codes are either within an acceptable range, based on a comparative analysis, or it is supported by documented Special Requirements that are approved by both the Region and National Offices.

## **9.8 RJM IV-7 Reports**

**Principle.** The staff requested per State is derived from preceding RJM IV reports. The total requirements for a State's staffing for base can be traced to previous analysis and review.

**Procedures.** There are 53 RJM IV-7 reports, one for each SESA. Rows are numbered. The values for the STAFF YEARS column for Rows 1-6 (Initial Claims, Weeks Claimed, Non monetary Determinations, Appeals, Wage records, and Tax) are taken from information on the corresponding RJM IV-5 Reports. The values for the STAFF YEARS column for Rows 7-17 (Tax-Travel, Benefits-Travel, Appeals-Travel, Benefits Payments Control, Internal Security, UI Performs, Interstate, Support, and TRA Coordinator) are taken from information on the corresponding RJM IV-6 Reports. The value for the STAFF YEARS for the UI PROGRAM Row is the sum of all the values in Rows 1-15. The value for the STAFF YEARS for the AS&T Row is taken from the respective RJM IV-6 Report. The value for the STAFF YEARS in the TOTAL REQUIREMENTS Row is the sum of the STAFF YEARS values for UI PROGRAM and AS&T.

The values for the COST PER STAFF YEAR column are taken from the RJM IV-1 Reports. The value for the COSTS PER STAFF YEAR in the TOTAL REQUIREMENTS Row is the sum of the COSTS PER STAFF YEAR values for UI PROGRAM and AS&T.

The values for the DOLLARS REQUESTED Column are calculated by row by multiplying the corresponding STAFF YEARS times COSTS PER STAFF YEAR.

**Expected Outcome.** This Report provides the Staff Cost Summary for each State.

### 9.9 RJM IV –8 Report

**Principle.** This report re-formats the results of the 53 RJM IV-7 reports to provide a total at the National level.

**Procedure.** There is only one RJM IV-8 Report. Rows are numbered and States are listed alphabetically in the second Column. Values for each State are taken from respective RJM IV-7 Reports and arrayed on the proper lines. At the bottom of the Report, in the Row TOTAL, the values in the STAFF YEARS Column are summed. Also in the Row TOTAL, the values in the BUDGET REQUEST Column are summed. In the Row TOTAL, the value for COSTS PER STAFF YEAR is equal to the TOTAL BUDGET REQUEST divided by the TOTAL STAFF YEARS.

**Expected Outcome.** This Report provides the amount requested in the UI Base, by State and in total.

### 9.10 RJM IV-10 through 20 Reports

**Principle.** The cost per staff year for NPS in distinct categories is based on historic data, with the total costs charged to NPS divided by the number of UI staff years in a State. These staff year requirements should be comparable among States, within an acceptable range. Provisions for recognizing Special Requirements for a State are provided. Even though no Performance Measures relate to NPS, the RJM queries have the capability to include performance in budget formulation.

**Procedure.** There are ten NPS Reports, RJM IV-10 through RJM IV-20 (Communications, Facilities, Computer Services, Travel, Office Equipment, Supplies, Utilities, Personal Services Contracts, Miscellaneous, and Indirect Costs.) Each RJM IV NPS Report is titled and indicates the subject budget request year. States are listed alphabetically in the first column, with the next column indicating the RJM Form number worksheet category reference. The STATE REQUEST column shows the submission from the State. The AMENDED FILE represents the results of the review performed by the Region in Module II. The Variable Parameter ARC (VP ARC) is set by national analyst. Those States that are OOR HIGH are indicated, as are those that are OOR LOW. All other States are within the acceptable range. The values for the TOP OF RANGE and BOTTOM OF RANGE are shown. Any Special Requirements recommended by the Regions are shown in the RO SPEC REQ column. Performance is shown as 0 or 1 in the PERFORMANCE column (0=Not adequate, 1=adequate). The National level Request is the result of conditional queries. If the AMENDED FILE value is within range (not OOR), the BUDGET REQUEST equals the AMENDED FILE value.

If an OOR-HIGH is shown AND there is no entry for Special Requirements, the BUDGET REQUEST equals the TOP OF RANGE value.

If an OOR-HIGH is shown AND there is an entry for Special Requirements, the BUDGET REQUEST equals the Special Requirements value

If an OOR-LOW is shown AND performance is adequate, the BUDGET REQUEST equals the AMENDED FILE value.

If an OOR-LOW is shown AND performance is not adequate, the BUDGET REQUEST equals the BOTTOM OF RANGE value.

**Expected Outcome.** The budget request for each State for staff year requirements for NPS categories are either within an acceptable range, based on a comparative analysis, or are supported by documented Special Requirements that are approved by both the Regional and National Offices.

### **9.11 RJM IV-25 Reports**

**Principle.** This Report is a summary report of the NPS cost information for each State.

**Procedures.** There are 53 RJM IV-25 reports, one for each SESA. The numbered Rows 1 through 11 correspond to the NPS categories in RJM IV-10 through RJM IV-20, respectively. The value for the STAFF YEARS Column is the same for each Row and is taken from the TOTAL REQUIREMENTS entry from the RJM IV-7 for the respective State. The values for the COST PER STAFF YEAR Column are taken from BUDGET REQUEST entry of the respective RJM IV-10 through RJM IV-20. The DOLLARS REQUESTED Column is a calculated value by Row, the product of multiplying the value in STAFF YEARS by the value in COST PER STAFF YEAR.

In Line 14, TOTAL, the STAFF YEARS Column is the same as all values in that Column. The DOLLARS REQUESTED Column value is the sum of the values in the DOLLARS REQUESTED Column, Rows 1-11. Dividing the TOTAL DOLLARS REQUESTED by the TOTAL STAFF YEARS derives the TOTAL COST PER STAFF YEAR Column, Line 14.

**Expected Outcome.** This report provides the NPS Summary for each State.

### **9.12 RJM IV-26 Report**

**Principle.** This report re-formats the results of the 53 RJM IV-25 Reports to provide a total at the National level and a basis for the National level Request.

**Procedure.** There is only one RJM IV-26 Report. Rows are numbered and States are listed alphabetically in the second column. Values for each State are taken from

respective RJM IV-25 Reports and arrayed on the proper lines. At the bottom of the report, in the row TOTAL, the values in the STAFF YEARS column are summed. Also in the row TOTAL, the values in the BUDGET REQUEST column are summed. In the row TOTAL, the value for COST PER STAFF YEAR is equal to the TOTAL BUDGET REQUEST divided by the TOTAL STAFF YEARS.

**Expected Outcome.** This Report provides the amount requested for NPS, by State and in total.

### 9.13 RJM IV-32 Reports

**Principle.** This Report arrays Base Workload budget requests for each State into Workload Item Reports.

**Procedure.** There are six RJM IV-32 Reports, one for each Workload Item. Rows are numbered and States are listed alphabetically in the second Column. Values for each State in the BASE WORKLOAD column are taken from the same entry in the respective RJM IV-2 Reports and arrayed on the proper Lines. Values for each State in the BASE ALLOCATED Column are taken from the BASE WORKLOAD REQUEST entry in the respective RJM IV-2 Reports and arrayed on the proper Lines. At the bottom of the Report, in the Row TOTAL, the values from each Column are summed.

**Expected Outcome.** These Reports reflect the Base Workload, the Base Allocated, and the Contingency Workload for all six Workload Items.

### 9.14 RJM IV-35 Reports

**Principle.** This Report calculates the Budget Requests for Contingency for four Workload Items.

**Procedure.** There are four RJM IV-35 Reports, one for each of the four Workload Items included in RJM IV-32. Rows are numbered and States are listed alphabetically in the second column. The values for the MPU column are taken from the RJM IV-3 Reports for each State. Values for the CONTINGENCY WORKLOAD Column is taken from the RJM IV-32 for each State. The values for the WORK HOURS Column are taken from the RJM IV-4 BUDGET REQUEST Column for each State. The BUDGET REQUEST Column is a calculated entry by Row:  $BUDGET REQUEST = MPU * CONTINGENCY WORKLOAD / (WORK HOURS * 60)$ .

The TOTAL row at the bottom of each report sums each column to provide National level information.

**Expected Outcome.** These Reports reflect the Staff required for Contingency for the four indicated workload Items, at the National level and by State.

## 9.15 RJM IV-36 Report

**Principle.** This Report calculates the Budget Request for Contingency for Support staff years required.

**Procedure.** There is only one RJM IV-36 Report. Rows are numbered and States are listed alphabetically in the second Column. The CONTINGENCY WORKLOAD STAFF YEARS Column is the sum of the four staff years calculated in the RJM IV-32 Reports for each State. The SUPPORT RATE Column is input by the National Office analyst and is the same for every State. Default setting is 19%.

The value in the PER FORMULA Column is calculated by Row, with PER FORMULA = CONTINGENCY WORKLOAD STAFF YEARS \* SUPPORT RATE.

SPECIAL REQUIREMENTS are taken from the Special Requirements for the respective States.

The value for the BUDGET REQUEST Column is the result of a conditional query, by row. If there is a non-zero value in the SPECIAL REQUIREMENTS Column, then BUDGET REQUEST = the value from the SPECIAL REQUIREMENTS Column.

If there is a zero value in the SPECIAL REQUIREMENTS Column, then BUDGET REQUEST = the value from the PER FORMULA Column.

The TOTAL Row at the bottom of the Report sums the Budget Request Column to provide National level information.

**Expected Outcome.** This Report provides the Staff required for Contingency, Support, at the National level and by State.

## 9.16 Flow Charts Module IV

The flowcharts in Appendix D provide the logic flows used in the formulation of Module IV Reports.

## **Section 10.0 Module V Budget Allocation**

After the DOL budget request is submitted to Congress, a DOL UI appropriation is ultimately enacted. Historically, the appropriation has been less than the budget request, and the National Office is responsible for allocating the appropriated funds to the States. The RJM provides a robust capability for the National Office to use informed judgment to make this allocation.

The flowchart below is a general illustration of what can be done rapidly and iteratively using the RJM. Using the query capabilities of Access, the analyst can decide to fund fully some portions of all or some States' requests (as represented in the budget request submitted to Congress). For example, in the flowchart, the first decision point is whether to retain all Salary and Benefits requests. The analyst may choose to fund fully all the Salary and Benefits as the highest priority, and to absorb shortages elsewhere.

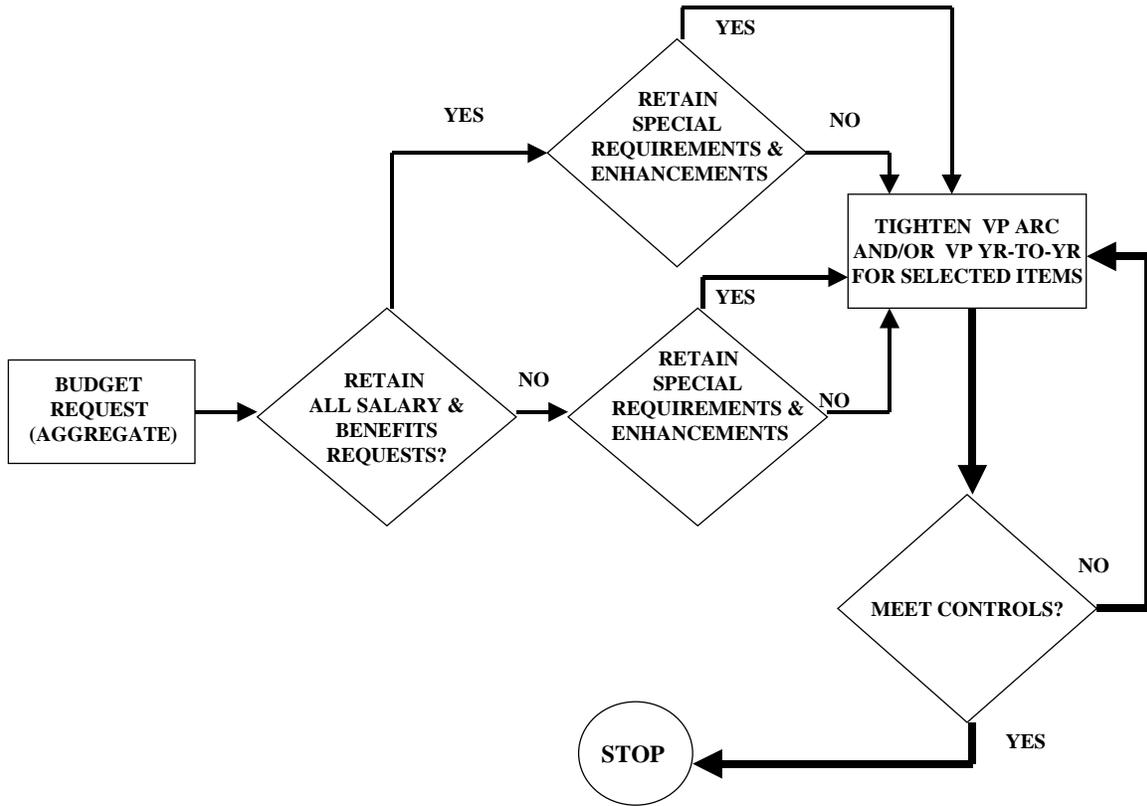
The next step is the decision to retain all Special Requirements that are contained in the DOL budget request. If DOL reduces or disallows some Special Requirements, then the DOL allocation begins to approach the Controls amount (the amount appropriated by Congress). The Variable Parameters features of RJM can be used to reduce incrementally the budget request by "tightening" parameters for selected cost elements, and running the model iteratively until Controls are met.

While this "trial and error" technique may appear arbitrary and subjective in application, there are ways to apply discipline and accountability in the allocation procedures for use with the RJM. An Expert Group, consisting of all UI stakeholders (States, Regions, National Office, ICESA, and OMB), should be chartered to determine National level allocation Decision Rules before they are applied. A hierarchy of sequenced rules, developed and agreed upon beforehand by an Expert Group would be ideal. Queries would be constructed in RJM, and the budget allocation could be accomplished rapidly, with a clear audit trail of what was done and why. Using skilled facilitators in a groupware facility can mitigate the difficulty of development and consensus agreement to these Decision Rules.

The RJM application of these Decision Rules permits subjective decisions made by the expert stakeholders to be implemented in the model, with visibility into resultant reductions of the DOL National level request amounts, at both the aggregate and individual State levels.

Obviously, the RJM can use broad methods of allocation, such as across-the-board percentage reductions to all States, to meet controls.

# MODULE V ALLOCATION



## **Section 11.0 Module VI Monitoring**

The purpose of the Monitoring Module in the RJM process is to ensure data integrity. The credibility and ultimately the success of the RJM are dependent on the accuracy and credibility of the source data received from the States. Periodic monitoring, in terms of an on-site, external review of States data is an important management or internal control of the RJM process.

The review of State RJM submissions performed by the Regional Offices in Module II of the RJM process is the first line of monitoring and is cyclical with the annual Budget submission process. However, it is constrained by Regional Office resources and provides management only limited assurance that review across regions is consistent and performed to an equitable standard.

The Monitoring Module is a centrally organized and directed external review process, with standards and schedules established by the National Office. All UI partners and stakeholders will contribute to the development of review criteria and the formulation of Review Teams. The frequency of external reviews is the decision of the National Office, but a review of each State every three to four years is a reasonable goal. The most obvious issue is the resourcing and staffing of the Review Teams. There are several workable approaches, with different resource implications. Members from the following organizations and entities could staff Review Teams:

- Inspector General (lead), Regional Office
- Inspector General (lead), Regional Office, impartial State Offices
- Contractor auditors, Regional Office
- Any combination of Inspector General, Regional Office, impartial State Offices, and Contractor auditors

In summary, one of the long-term sustainment benefits of the RJM process is the annual refreshment and updating of data embodied in the States RJM submissions. The cost associated with this valuable benefit is an effective external monitoring process.

## Section 12.0 Travel Staff Years

The Department of Labor currently provides funds to States for three distinct travel areas; benefits travel, appeals travel and tax travel. These staff years are allocated based on historical data and an annual request on the UI-1. Over the past several years these staff years have remained relatively the same for each State. According to ETA Handbook No. 362 (SESA Accounting Manual), Volume II, Chapter IV, these activities are assigned functional activity code 235 for Benefit and Appeals Travel. Field Enforcement –Field Travel is a part of code 300. Those States that account for the travel activity using additional functional activities generally uses 225 for benefit travel 245 for appeals travel and 325 for tax travel. These activities were excluded from the MPU values that were developed during the cost model studies.

Even though these staff years are directly related to other functional activities, they have never been a part of those activities nor has there been an MPU developed for these activities.

During the first phase of the Resource Justification Model project we made on site visits to three States. The three States that were involved in the project indicated that they did not make a conscientious effort in accounting for these staff years because they considered them part of the associated functional activity- tax to tax travel etc. One State does not use any of the travel codes. It was suggested by most of the participants in the study that we develop a way to incorporate travel codes with their other associated functional activities. They did not advocate eliminating these functional activities for the coding structure for those States who wished to utilize them, but felt that they should be eliminated for budgetary purposes. By combining the travel codes with another functional activity this would put all States on an equal basis.

Several other States were informally contacted to determine if they were accurately charging to the travel functional activity codes. Most of those individuals stated that they felt that the travel functional activity codes were not being correctly charged.

The FY-2000 budget provided only a total of 617.5 staff years for all three of the travel functions. These were 87.1 staff years distributed for benefits travel, 121.3 for appeals travel and 409.1 for tax travel. The table below reflects those travel staff years in relation to the major associated functional activity, which represents less than 5 percent of any of the activities. Regardless of whether travel staff years are budgeted separately or they are combined with the major functional activity, the same total staff years would be allocated.

FUNCTION	STAFF YEARS OF MAJOR FUNCTION	ASSOCIATED TRAVEL STAFF YEARS	PERCENT TRAVEL VS. MAJOR FUNCTION
INITIAL CLAIMS	4908.0	87.1	1.8
APPEALS	2465.1	121.3	4.9
TAX	9951.9	409.1	4.1
TOTAL	17325.0	617.5	3.6

Detailed tables are located in Volume III, Section II

Several analytical steps were taken to determine if it would be feasible to combine codes and if there would be any significant impact on any individual State. The following tables demonstrate the series of calculations that were used to study the impact of combining the major functional activity with the associated travel code. The steps outlined below were applied to all three of the travel codes.

#### Step 1-TABLE I

States were arrayed and sorted highest to lowest by the budgeted MPU for the major activity.

#### Step 2-TABLE II

Travel staff years were converted to a MPU using the workload count of the associated major activity for each State. The formula used is as follows:

Travel staff years \* hours worked \* 60 minutes/workload =  
MPU in terms of States workload for major activity

Example:

$$\frac{3.1 \text{ staff years} * 1,750 \text{ hours worked} * 60}{150,000 \text{ workload}} = 2.170 \text{ MPU}$$

#### Step 3 Table III

States were arrayed and sorted highest to lowest by the calculated MPU

## **Section 13.0 Conclusions**

The current methodology for determining the allocation of funds to administer the State UI programs, the Cost Model, is universally regarded as outdated and not representative of actual needs. Cost factors such as salary and Non-Personal Services rates do not accurately reflect costs incurred by States.

An approach such as AFI, based on centrally calculated national measures modified by State-specific factors, was unsuccessful and should not be repeated.

An innovative approach that provides States a recurring opportunity to describe and justify respective needs, and provides DOL sufficient accurate information to validate those State-defined needs, is feasible. A Resource Justification Model (RJM) was constructed and tested in three States. RJM submissions from these three States included actual historical information that updated MPU calculations, updated PS/PB rates, updated work hours, updated information on staff years required for Support and AS&T, and provided cost element level of detail for Non-Personal Services. The RJM submissions provide State input on projected (National level request year) cost fluctuations and workload forecasts, and finally, a method for requesting and justifying funding increases for enhancements.

The three States that participated in the RJM submission process favored the approach because it made them active partners with DOL in developing future budgets. The RJM submissions provided these States an opportunity to present a level of detail to support unique needs, and an opportunity to justify funding enhancements.

Based on the experience of three States, the administrative burden of preparing annual RJM submissions is not excessive. In all three States, the workload was estimated at about 300-400 work hours.

The RJM was developed with Microsoft Excel and Access and demonstrated on a Personal Computer as functional with the three States' data and three test data sets. The basic model combines ease of use and transparency to the users, with powerful and flexible data query capabilities for National Office analysts. State and Region users need only basic computer skills to provide information, receive information, and use the RJM.

The RJM can produce tailored reports that support budget formulation and budget allocation. The embedded methodology of comparative analysis and Allowable Range Comparisons (ARC) provides a mechanism to review and analyze States' submissions rapidly at the cost element and workload element levels. The model also provides multiple means for manual entries and over-rides.

The criteria for setting the Variable Parameters of the RJM and the methodology selected for using the model in the budget allocation phase are not built-in features to

the model. Different means can be used to develop Variable Parameter settings and analysis steps for budget allocation.

The RJM has a robust capability to add features, queries and reports as requirements evolve. Mid-level programming skills in Excel and Access are required to program changes.

RJM submissions will provide Regional and National Offices a significant and unprecedented amount of management information with which to evaluate each State's need. A modern management information system can greatly assist in quantitative analysis, but additional staff resources at Regional or National level will be required for validation of States' needs.

External review is required to ensure accuracy, reliability and consistency of RJM submission information. An active program of external review coupled with the self-refreshing nature of annual submissions that include actual costs will provide the budget justification information demanded by OMB and Congress.

The RJM approach provides a framework for linking performance to budget allocations in accordance with the Government Performance Results Act (GPRA) of 1993 and OMB Circular A-10.

DOL comparative analysis results can provide a source of Best Practices, based on cost and performance, which can be disseminated to all States.

The RJM approach can be implemented incrementally and does not threaten rapid or traumatic change to the States.

## **Section 14.0 Recommendations**

The RJM should be implemented in an expanded test immediately. The RJM methodology and processes should be tested in parallel with the current budget formulation and allocation system throughout one entire cycle to gain lessons learned and to test the model with a full load of 53 SESAs.

Expert Groups consisting of all UI stakeholders (States, Regions, National Office, ICESA, OMB) should be used to develop criteria for setting Variable Parameters and to develop budget allocation decision rules for use in the RJM.

Expand and develop further the RJM Review Module, the enhancements process and the standards and criteria for Special Requirements.

DOL should develop an implementation plan to test and field the RJM approach. The plan should include development of:

- Milestones and Objectives
- Working Group to oversee and manage the project
- Test Plan
- Training Plan
- RJM Quality Control
- Configuration Management and System Plan
- Project Management and Evaluation Plans
- Definitions of functional activity code and non personal service code

## **Section 15.0 Appendices**

- A. Project References
- B. Flow Charts - Module I
- C. Flow Charts - Module III
- D. Flow Charts - Module IV
- E. Abbreviations

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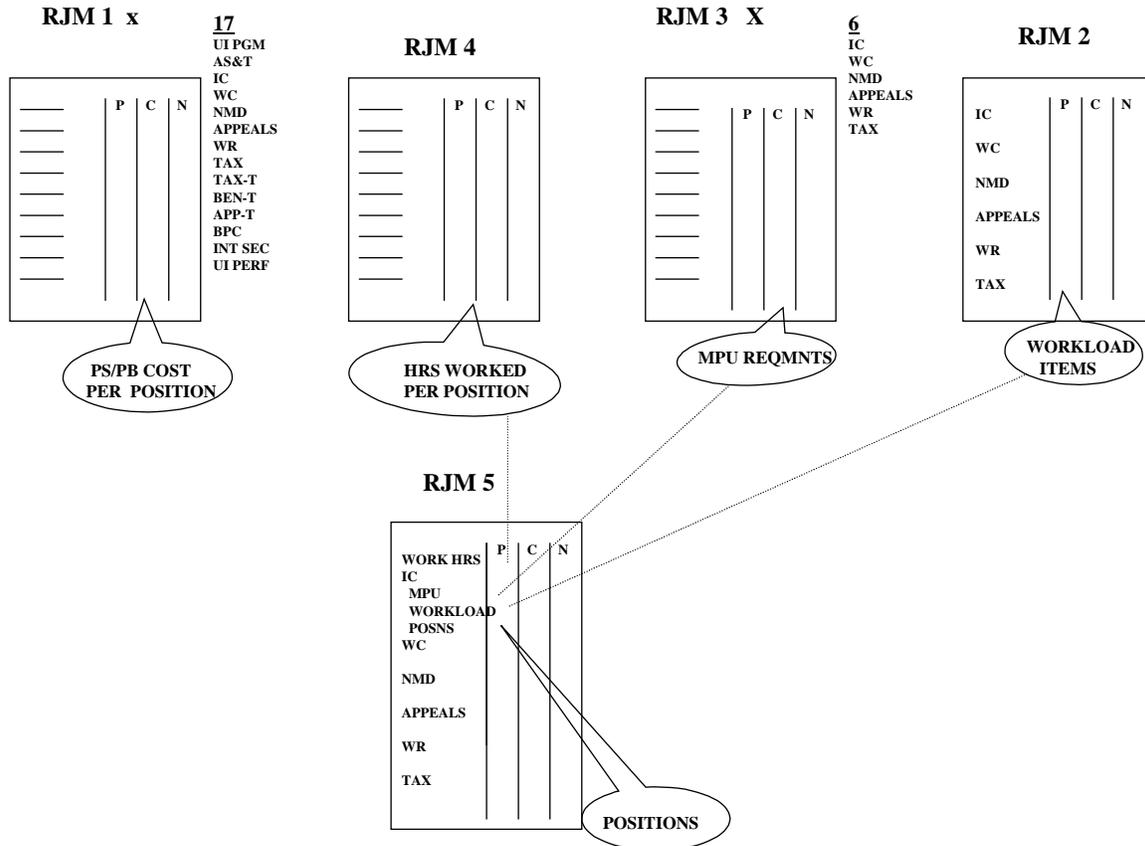
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1. AS&T/NPS Study: Summary of Statistical Analysis, Prepared For: Office of Administration and Management, Employment and Training Administration, U.S. Department of Labor, Macro Systems, Inc. and Abt Associates, Inc, October 18, 1978.
2. Report on 1981-1983 Unemployment Insurance Program Costs, ICESA Finance and Administrative Committee, May 1984.
3. AS&T and NPS Funding Mechanisms and Issues, Prepared For: Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor, Macro Systems, Inc., December 19, 1985.

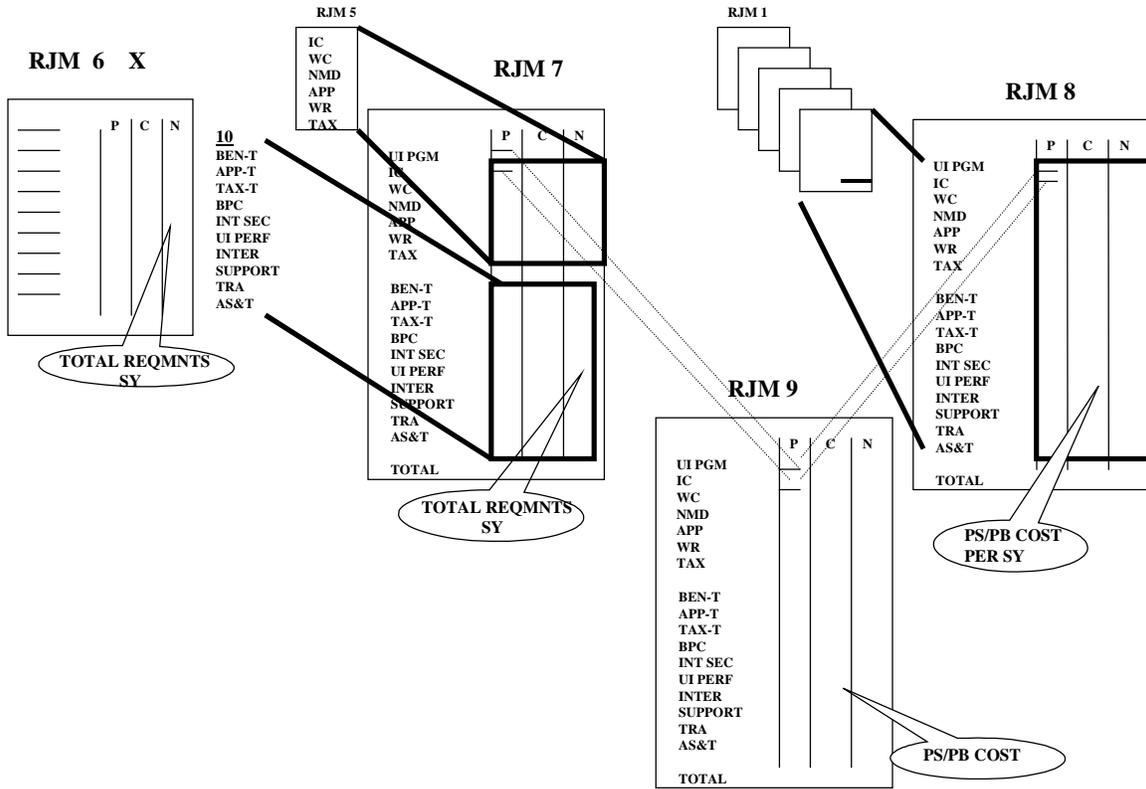
4. Final Report: Analysis of Relationships Among Performance, Workload, and Administrative Staff Resources in the Unemployment Insurance Program, Prepared For: Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor, Macro Systems, Inc. and WESTAT, Inc., March 31, 1987.
5. OMB Circular No. A-11, Part 2, Preparation and Submission of Strategic Plans and Annual Performance Plans, June 1997.
6. Letter, Office of the Commissioner, Department of Employment and Training, The Commonwealth of Massachusetts, to Director, Unemployment Insurance Service, DOL, Subject: Administrative Financing Initiative (AFI), STAFF YEAR PAPER, February 1, 1995.
7. ICESA Memorandum to State Administrators, Subject: Results of State Supplemental Funding Survey, February 7, 1997.
8. Social Security Administration, Office of Disability, Disability Determination Services Administrators' Letter No. 438, Subject: Additions to the Compendium of Disability Determination Services (DDS) Best Practices—ACTION, August 13, 1997.

The flowcharts that follow depict a summarized version of key RJM forms and the inter-relationships among forms:

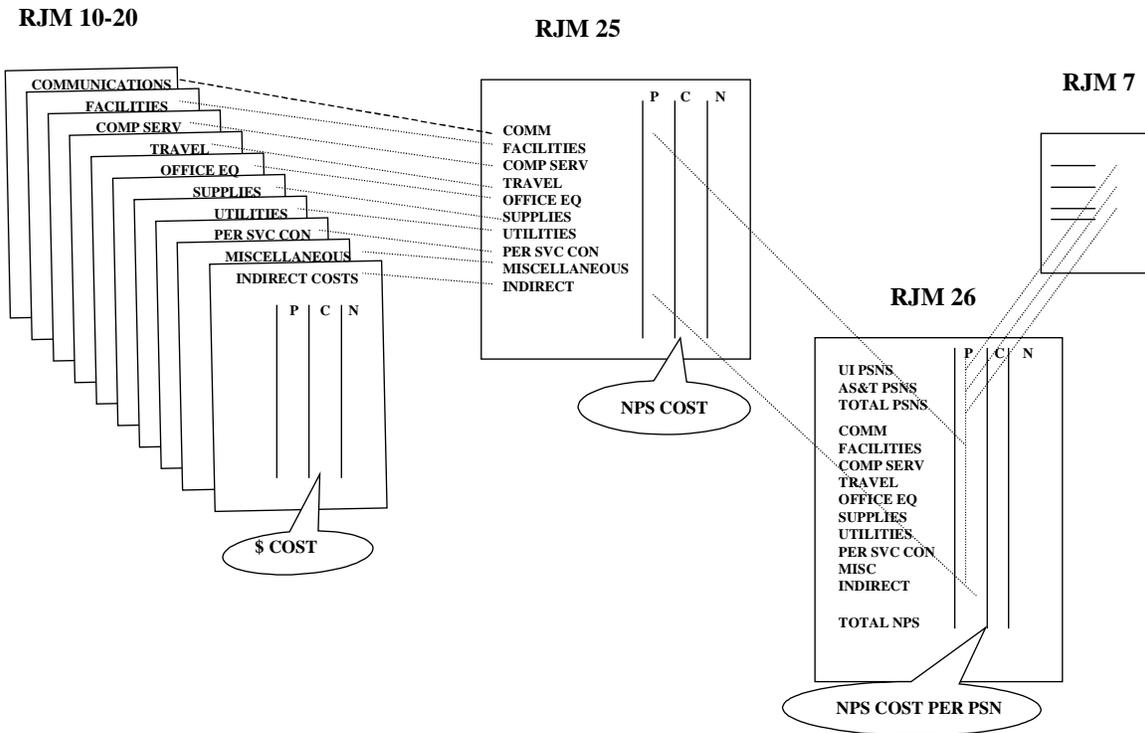
### MODULE I DATA COLLECTION



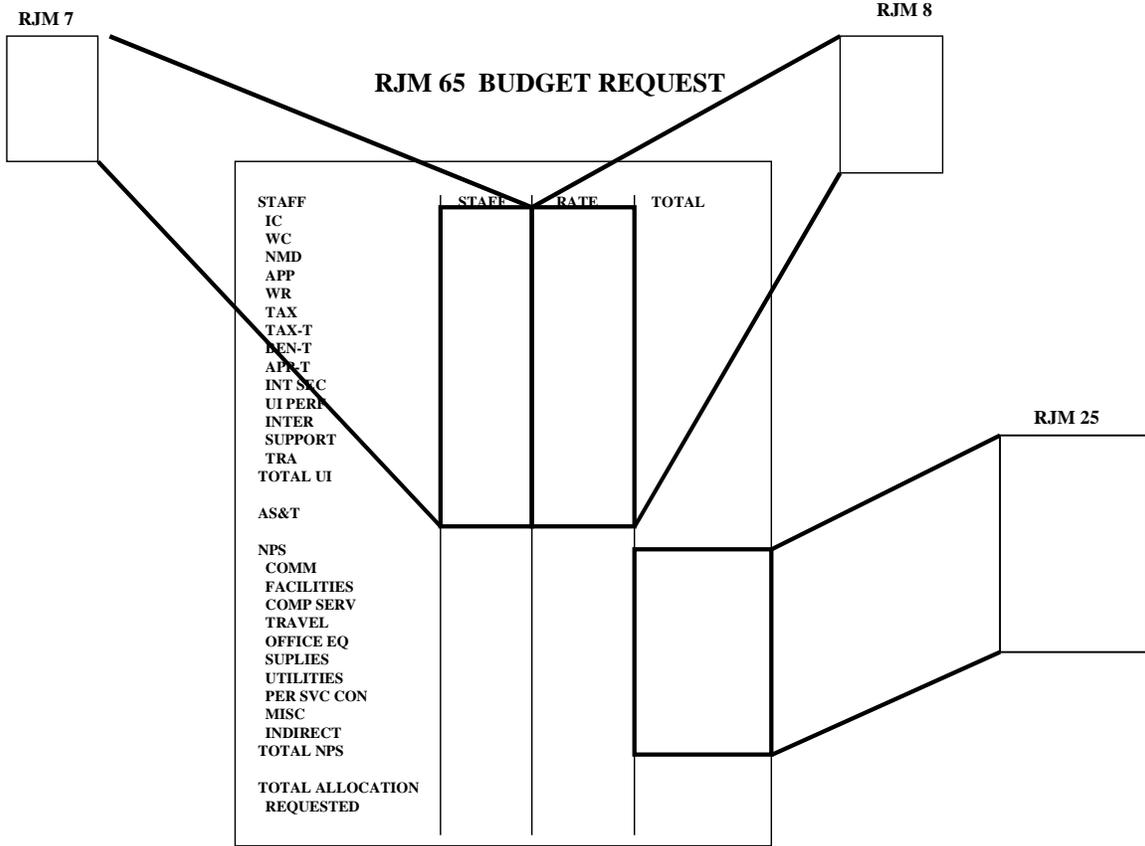
### MODULE I DATA COLLECTION



## MODULE I DATA COLLECTION



## MODULE I DATA COLLECTION



## MODULE I DATA COLLECTION

**RJM 66  
DETAIL OF POSITIONS REQUESTED**

	MPU	WORKLOAD	SY
<b>IC</b>			
<b>WC</b>			
<b>NMD</b>			
<b>BEN-T</b>			
<b>APP</b>			
<b>APP-T</b>			
<b>BENEFITS STAFF</b>			
<b>BPC</b>			
<b>WR</b>			
<b>TAX</b>			
<b>TAX-T</b>			
<b>INT SEC</b>			
<b>UI PERF</b>			
<b>INTER</b>			
<b>OPERATING STAFF</b>			
<b>SUPPORT</b>			
<b>TOTAL STAFF</b>			
<b>TOTAL STAFF LESS UI PERF &amp; INTER</b>			

RJM 5

RJM 5

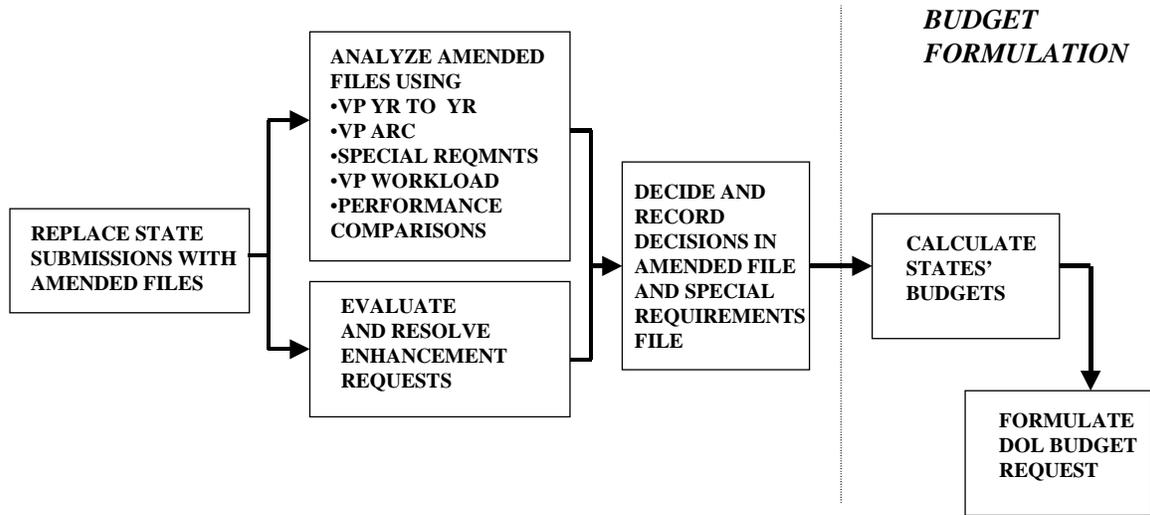
RJM 6

The flowcharts that follow include an Overview of Module III Analysis and Evaluation, and logic flows used in the formulation of Module I forms.

RJM 1	State Salary and Benefits
RJM 2	Workload Items
RJM 3	MPU Per Workload Items
RJM 4	Hours Worked Per Staff Year
RJM 6	Staff Year Requirements per Non-Workload Functional Activity Code
RJM 26	Non Personal Services

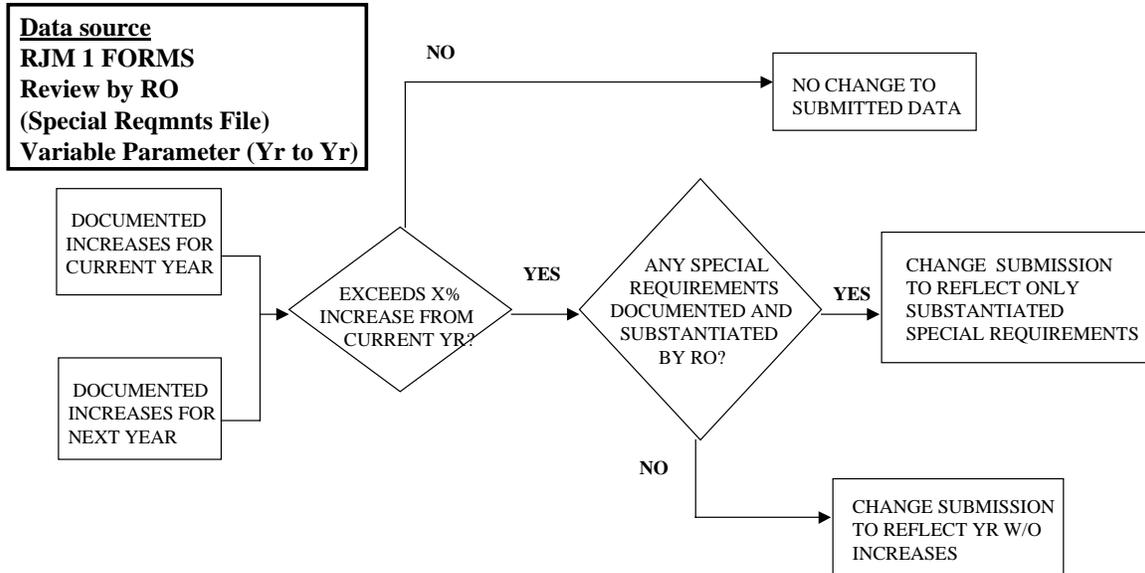
## MODULE III ANALYSIS & EVALUATION

### *Overview*



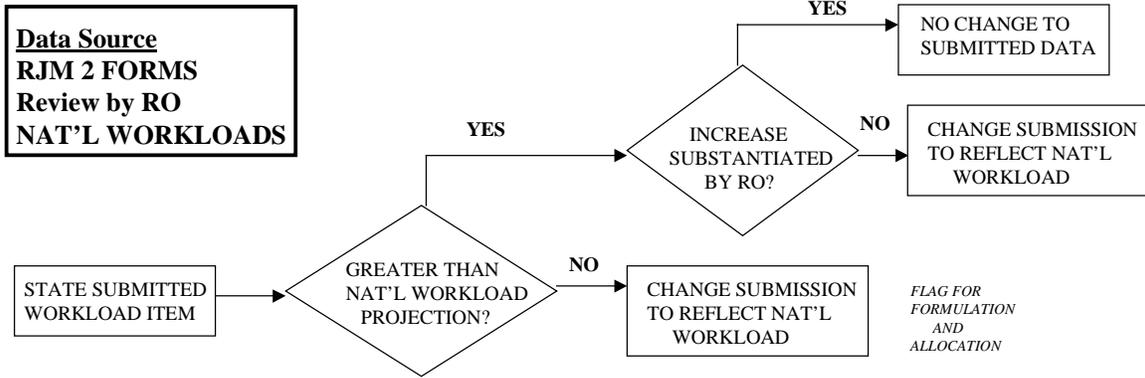
## MODULE III ANALYSIS & EVALUATION

### *State Salary and Benefits*



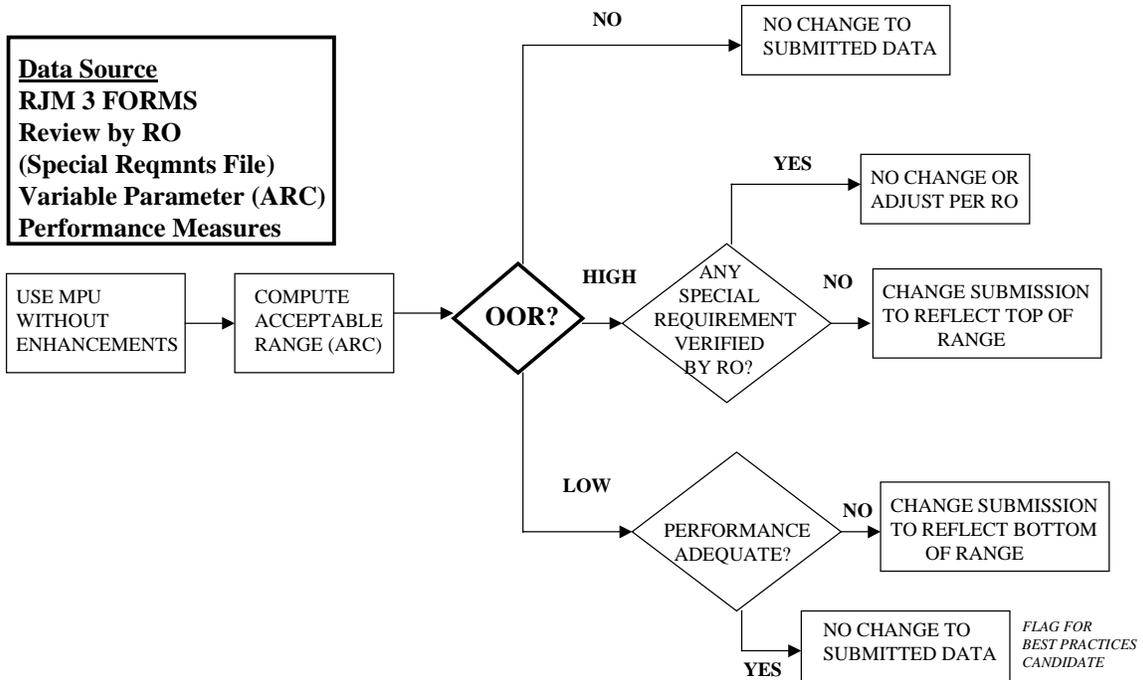
# MODULE III ANALYSIS & EVALUATION

## *Workload Items*



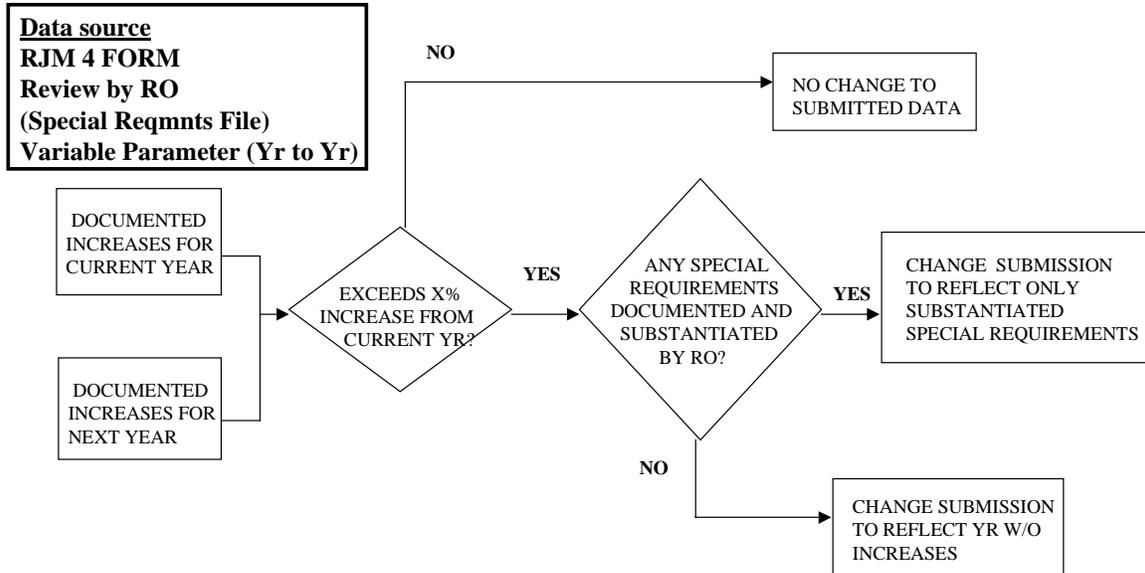
## MODULE III ANALYSIS & EVALUATION

### *MPU Per Workload Item*



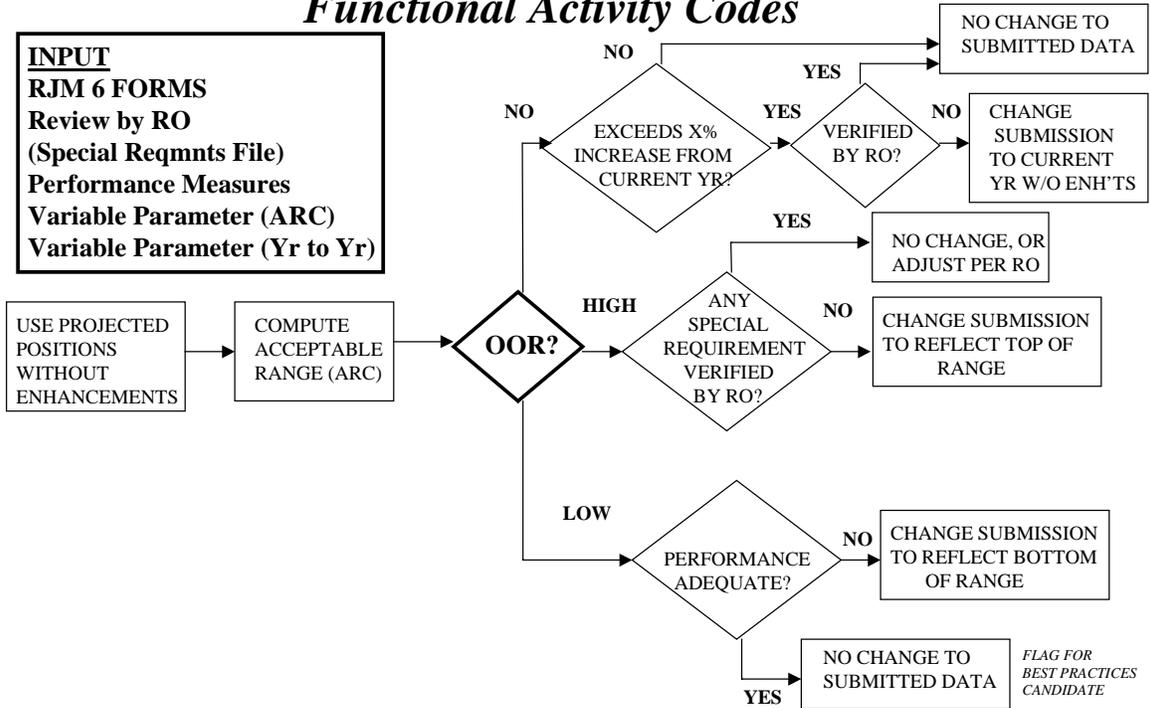
## MODULE III ANALYSIS & EVALUATION

### *Hours Worked Per Position*



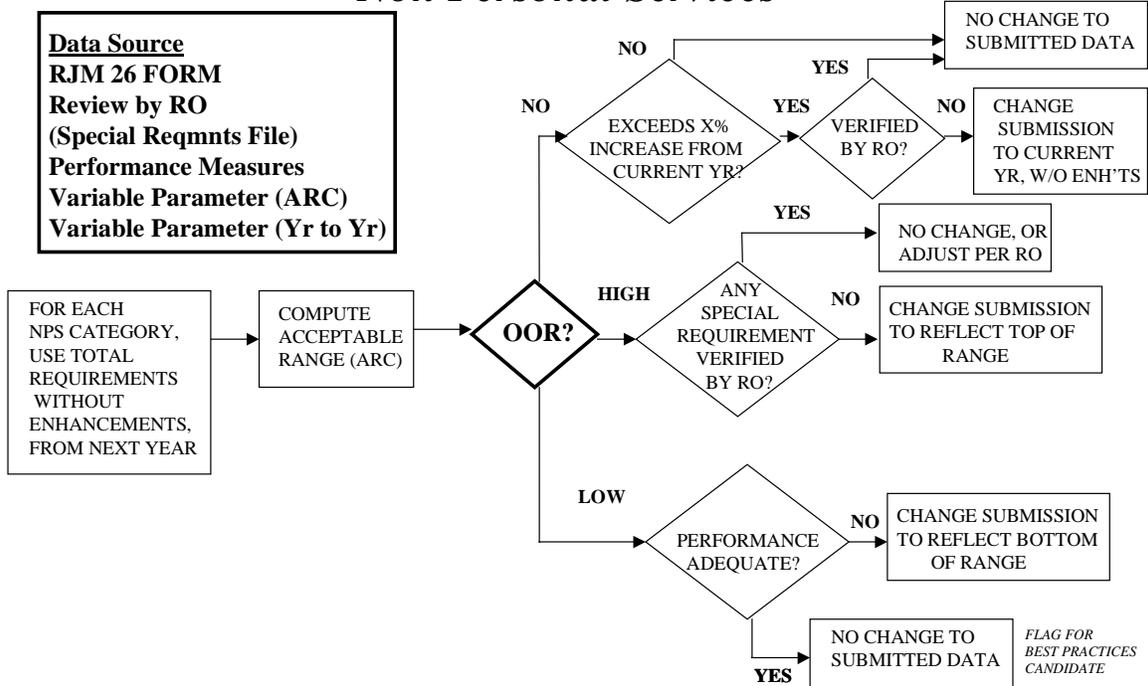
## MODULE III ANALYSIS & EVALUATION

### *Position Requirements Per Non-workload Functional Activity Codes*



## MODULE III ANALYSIS & EVALUATION

### *Non Personal Services*



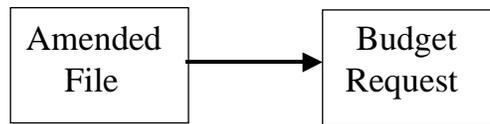
The flowcharts that follow provide the logic flows used in the formulation of Module IV Reports based on the following RJM Module I Forms:

RJM 1	State Salary and Benefits
RJM 2	Workload Items
RJM 3	MPU Per Workload Items
RJM 4	Hours Worked Per Staff Year
RJM 6	Staff Year Requirements per Non-Workload Functional Activity Code
RJM 26	Non Personal Services

## MODULE IV BUDGET FORMULATION

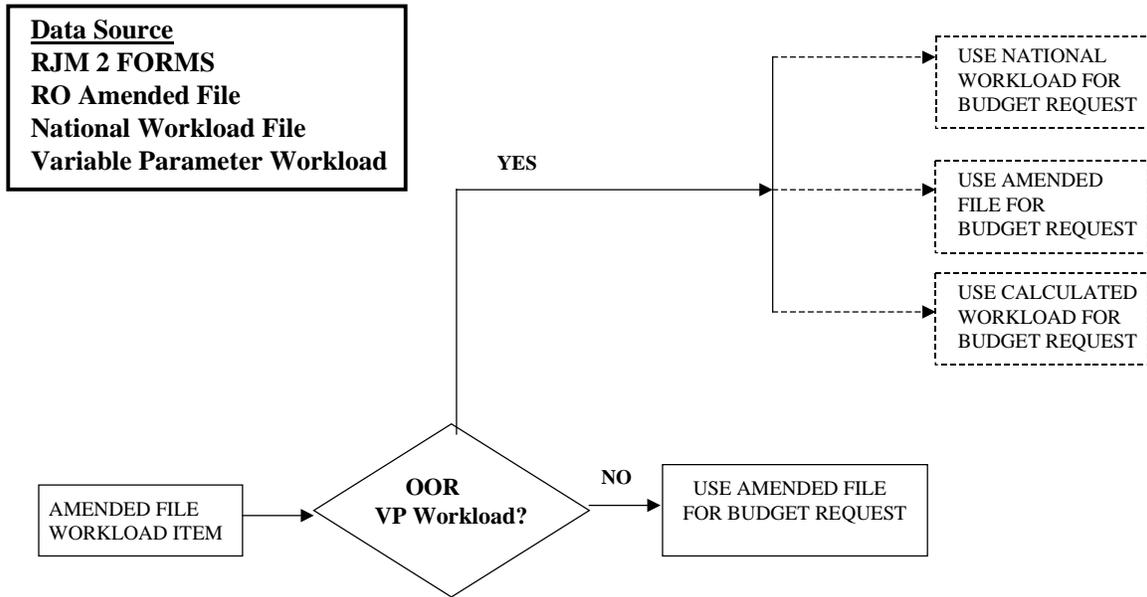
### *State Salary and Benefits*

Data source  
RJM 1 FORMS  
RO Amended File



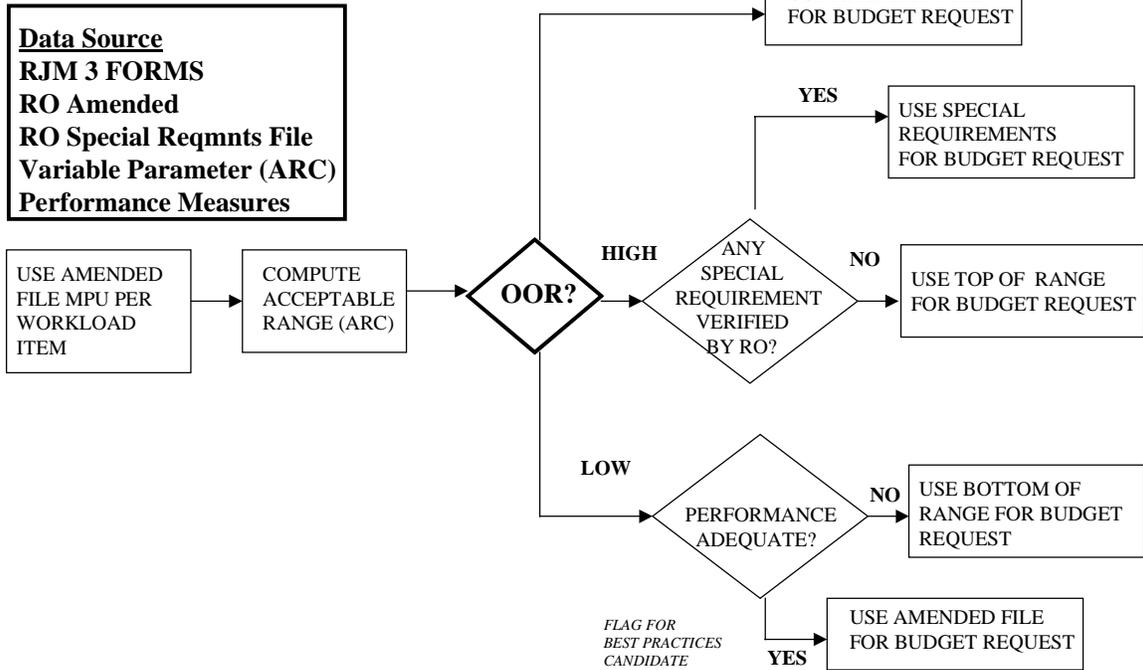
## MODULE IV BUDGET FORMULATION

### *Workload Items*



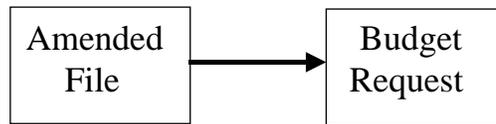
## MODULE IV BUDGET FORMULATION

### *MPU Per Workload Item*



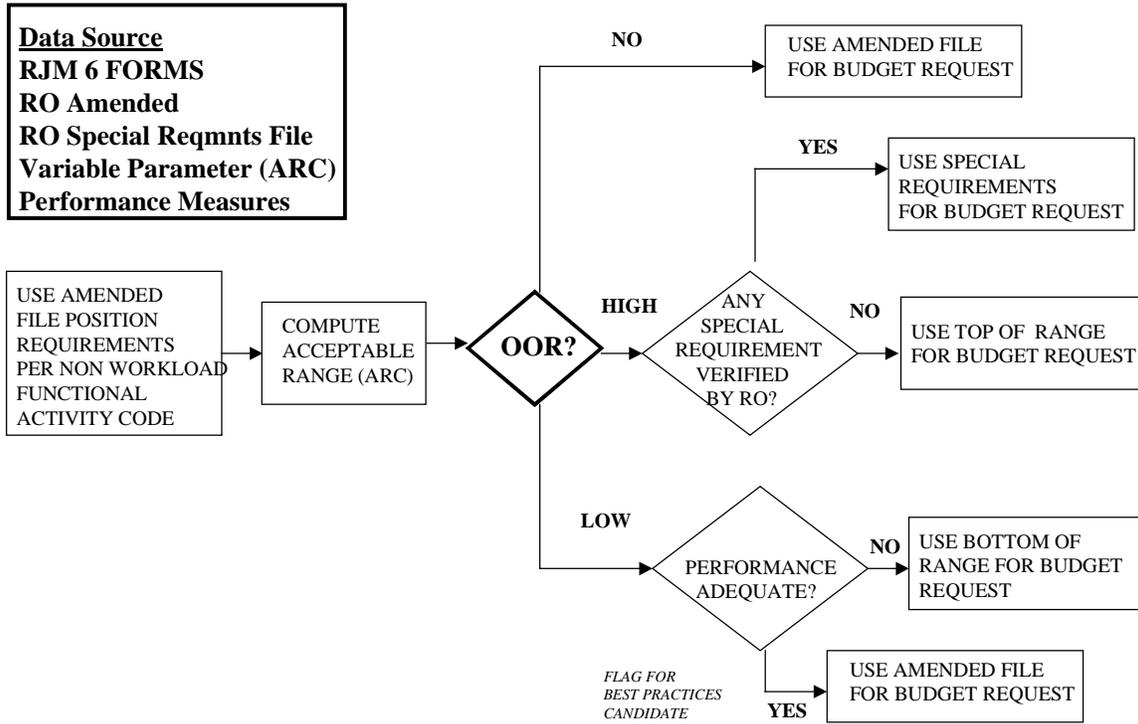
MODULE IV BUDGET FORMULATION  
*Hours Worked Per Position*

Data source  
RJM 4 FORM  
RO Amended File



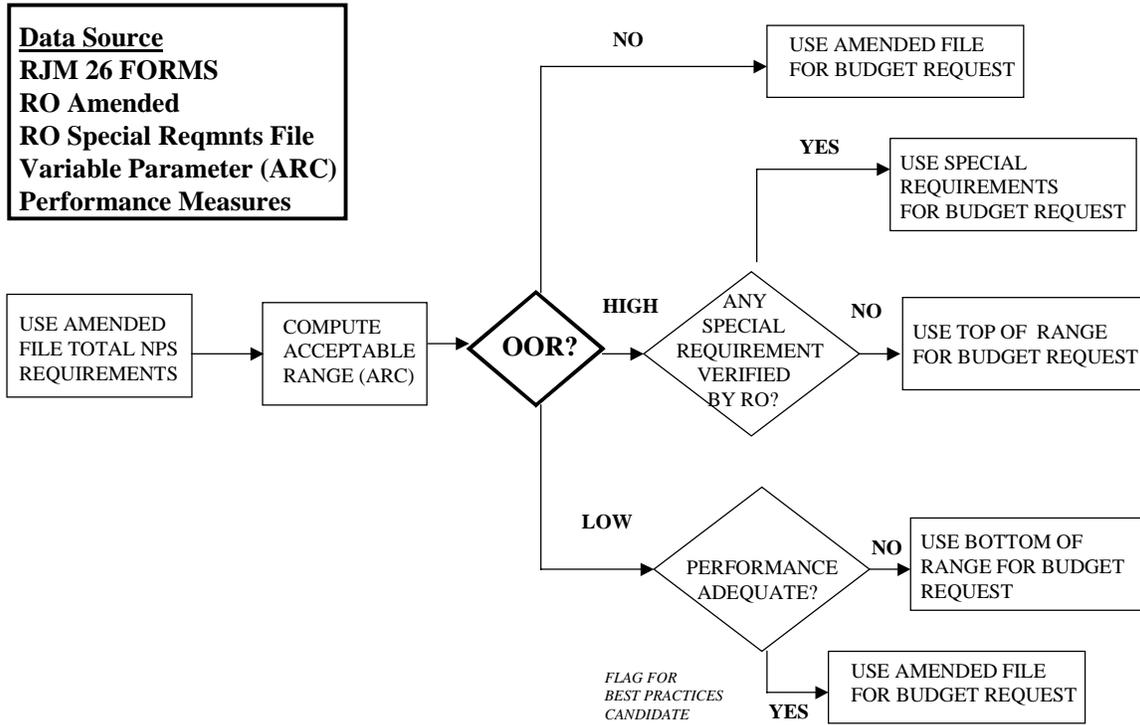
## MODULE IV BUDGET FORMULATION

### *Position Requirements Per Non Workload Functional Activity Code*



## MODULE IV BUDGET FORMULATION

### *Non Personal Services*



## ABBREVIATIONS

AFI	Administrative Financing Initiative
ARC	Acceptable Range Comparison
AQ	Access Query
AS&T	Administrative Support & Technical
BRI	Benefits Right Interview
BPC	Benefits Payment Control
C	Current Year
DOL	Department of Labor
CAS	Cost Accounting System
FARS	Financial Accounting Records System
FE	Federal Employees
ICESA	Interstate Conference of Employment Security Agencies
GPRA	Government Performance Results Act
HRS	Hours
IB	Interstate Benefits
MPU	Minutes Per Unit
N	Next Year
NPS	Non Personal Services
NPV	Net Present Value
OIG	Office of the Inspector General
OIS	Office of Income Support
OOR	Out of Range
OMB	Office of Management & Budget
OWS	Office of Workforce Securities
P	Previous Year
PCC	Performance Correlation Comparison
P&I	Penalty and Interest
PS/PB	Personal Services/Personnel Benefits
R	Budget Request Year
REQ	Required
RJM	Resource Justification Model
RO	Regional Office
ROI	Return on Investment
SAW	State Agency Work
SBR	Supplemental Budget Request
SEC	State External Comparison
SEP	Separation
SESA	State Employment Security Agencies
SIC	State Internal Comparison
Sq	Square
SSA	Social Security Administration
TRA	Trade Readjustment Act
UC	Unemployment Compensation
UCX	Unemployment Compensation Ex-service
UI	Unemployment Insurance
USDA	US Department of Agriculture
VP	Variable Parameter
YTD	Year to Date
Y2K	Year 2000
Staff Year	Positions (interchangeable)