

<p style="text-align: center;">EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U. S. Department of Labor Washington, D.C. 20210</p>	<p>CLASSIFICATION UI</p>
	<p>CORRESPONDENCE SYMBOL OWS/DUIO</p>
	<p>DATE August 15, 2006</p>

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 4-06

**TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
ONE STOP CENTER SYSTEM LEADS**

**FROM: EMILY STOVER DeROCCO /s/
Assistant Secretary**

**SUBJECT: Plans to Phase out Penalty Mail Costs for “Employment Security”
Programs and Availability of Supplemental Budget Funds for Conversion
to Commercial Mail Methods**

1. Purpose. To inform state workforce agencies (SWAs) of the Employment and Training Administration’s (ETA’s) intention to eliminate its authority to pay the U.S. Postal Service (USPS) directly for “employment security” postage costs beginning Fiscal Year (FY) 2008. These plans include the following:

- Phasing out ETA payment to the United States Postal Service (USPS) for state agency penalty mail and postal management costs beginning in Fiscal Year (FY) 2007 for states volunteering to be early implementers; beginning in FY 2008, all states will assume responsibility for paying their own postage costs as well as any postal management services currently provided to states through the Unemployment Insurance (UI) Supplemental Budget Request (SBR) process;
- Implementing new procedures to fund UI, Foreign Labor Certification (FLC), Trade Adjustment Assistance (TAA), and Work Opportunity Tax Credit (WOTC) postage beginning with FY 2008;
- Implementing new procedures to fund Wagner-Peyser (WP) and Workforce Information Grants (WIGs) beginning with Program Year (PY) 2008;
- Providing guidance on the payment of postage costs for programs conducted by SWAs in cooperation with the Bureau of Labor Statistics (BLS) and Veterans Employment and Training Service (VETS);
- Providing information on technical assistance available to states in converting from the (penalty mail) Official Mail Accounting System (OMAS) to commercial mail to improve general mail practices; and

- Soliciting UI SBRs from states for the purpose of implementing commercial mail programs and improving postage management.
2. **References.** General Administration Letter No. 6-89, Employment Security Mail; 39 U.S.C. 3202(a) (1) (E); Section 3.3 of the USPS Domestic Mail Manual; State Unemployment Insurance and Employment Service Operations Appropriations Language; Unemployment Insurance Program Letter (UIPL) No. 15-04; and ET Handbook No. 336, 18th Edition, State Quality Service Plan Planning and Reporting Guidelines.
 3. **Background.** Under USPS requirements established in October 1993, states implemented direct accountability methods (meters, stamps, and permit numbers) for postal management systems that are in use today. This was the first time ETA had actual cost information for state postage costs. This information, which is discussed in-depth in Attachment 1, showed that postage costs vary widely among states.

In FYs 1998 and 1999, ETA established a federal/state postage workgroup to review states' postage costs. The workgroup discussed various strategies and potential formulas for allocating postage resources to states and queried states on their mailing practices and postage costs. The results of the National Association of State Workforce Agencies (NASWA)/ETA work group's efforts informed this initiative.

4. **Impetus for Change.** Some states have been implementing new operating policies and procedures that should reduce postage costs, such as use of debit cards for paying benefits and direct deposit of benefits, electronic transmission of separation requests, Interactive Voice Response Systems to process weekly claim certifications and provide claim information, Internet tax registration, etc. As these new procedures are being planned and/or implemented, states have requested that they be permitted to "reinvest" the resulting postage savings in their program operations. While it is desirable to reward states that become more efficient, the current arrangements for financing SWAs' postage where the Department of Labor (DOL) pays USPS directly for SWA postage costs have not allowed ETA to approve these requests. In addition, the current arrangement does not provide states with financial incentives to make improvements.
5. **Changes Necessary to Convert from OMAS to Commercial Mail.** In FY 1994, states converted to direct mail accountability, which involved the installation of postage meters and the use of permits, stamps, and Business Reply Mail (BRM). Therefore, the biggest change involved in converting to commercial methods of payment is that, unlike the payment method used under OMAS where DOL pays USPS directly for SWA postage costs, states will need to ensure that funds are on deposit with the USPS for all payment methods (permits, meters, BRM, etc.) prior to mailing.

States will need to make arrangements with their local postal representative or local postal business service network and their meter manufacturer/vendor to initiate the following changes:

- a) *Permit Mail* – Typically, permit mail (G-12) is used for large mass mailings where the content is the same. Currently, states have one G-12 mailing permit, and the fee is billed through OMAS. States will need to submit an application to their local post office for a state agency mailing permit and pay the permit fee. Funds must be on deposit prior to mailing when using permit mail. There is a one-time permit fee of \$160 per local facility. There is an additional \$160 annual mailing fee per site for those states that will be using the First Class mail presorting programs to obtain postage discounts.
- b) *Business Reply Mail* – Currently, states have one BRM permit, and the fee is billed through OMAS. States will need to submit a BRM permit application for each mailing site that a state agency wishes to receive BRM. Unlike the current BRM, funds must be on deposit prior to mailing when using BRM permit mail. There is an annual BRM permit and renewal fee of \$160 per unique permit number. States can save money by obtaining only one BRM permit and allowing all locations in the state to use the same number. Additionally, each location using the BRM permit will pay postage plus a per piece handling fee. Since the handling fee is determined on volume, states are encouraged to consult with their local post office to select the best option.
- c) *Metered Mail* – Most states currently use penalty meters and the postage costs are billed through OMAS. When converting to commercial mail, states will need to contact their meter vendor. The vendor will need to change the meter heads on the meter from OMAS to commercial. The cost of conversion is dependent upon the vendor selected. In some cases, meters may need to be replaced with digital meters to keep current with postal requirements. Unlike penalty mail and the OMAS, funds must be on deposit prior to mailing when using metered mail.

A more detailed explanation is provided in [Guidelines for State Agencies to Convert From “Official Mail Accounting System” \(OMAS\) To Commercial Payment Systems for Postage](#), which may be found on the Office of Workforce Security’s Web site at : www.ows.doleta.gov under “Quick Links” Postage Initiative.

6. New Postage Funding Arrangements.

A. Unemployment Insurance postage funding processes

- **Base Allocation Process**

The method for developing state specific target amounts for UI postage expenses uses projected base weeks claimed and subject employer workloads to determine each state’s share of total postage funds. This method is identical to the one used to generate the state specific amounts withheld from the base allocations for Federal payments to the USPS which have been attached for informational purposes only to previous years’ state UI administrative planning targets.

- **Above-Base Process**

The determination of above-base postage funding will be based exclusively on weeks claimed workload that was not included in the base allocation; subject employer activity is funded 100 percent in base. The regular UI base weeks claimed workload issued with the state UI administrative planning targets is a fiscal year total that must be converted to a quarterly equivalent base weeks claimed. The quarterly regular UI base weeks claimed will be subtracted from the actual regular UI weeks claimed as reported on the UI-3, and any weeks claimed in excess of the base weeks claimed will be considered above base workload. Trade and additional benefits weeks claimed will be added to regular UI above base weeks, and the resulting total will be multiplied by a unit cost (estimated to be 23 cents in FY 2007) for postage. The product will be the postage above base funding.

B. Wagner-Peyser postage funding process

ETA will provide \$18 million that has been withheld from the WP national appropriation for postage costs directly to the states. The distribution will be based on each state's share of the total WP appropriation according to the statutory formula allocation. This methodology is identical to the one used to generate the state specific amounts for Federal payments to the USPS in the past.

C. Bureau of Labor Statistics Cooperative Agreements funding process

BLS will provide postage funding to SWAs directly. BLS will inform SWAs of the process it will use separately.

D. Jobs for Veterans' State Grants funding process

VETS will provide the \$1.5 million, previously transferred to ETA for postage, directly to the states based upon each state's share of the total Jobs for Veterans' State Grant formula funding. A state's postage allocation will consist of approximately one percent of its statutory formula allocation, and VETS will inform State Workforce Agencies of the allocation process in a Veterans' Program Letter (VPL).

E. Miscellaneous ETA Workforce Grants and Programs

The FLC, TAA, WIG, and WOTC programs have been assessed a percentage of their national appropriation for postage costs. In PY 2006/FY 2006, the percentage was 2.9 percent or \$2.0 million. Upon converting to commercial mail, these programs will no longer be assessed for postage, and the funds will be included in state grants.

7. **Postal Supplemental Budget Request Process.** The postal SBR process used to reimburse states for their use of vendors to bundle their UI mail to obtain discounts will be eliminated in FY 2007 for early implementers and in FY 2008 for all other states, and states will be expected to pay these costs out of their annual postage allocation.
8. **Technical Assistance.** All states should begin consulting with their local post office, which can provide assistance on contacting local postal representatives or their local postal business service network. These USPS representatives can provide technical assistance on what permit application forms to fill out and how to achieve the maximum postage discounts. States should also consult with their local meter manufacturer vendor who can guide them through the meter conversion process.

States are encouraged to utilize www.USPS.com to find additional resources and guides to improve mail management programs. Additionally, the National Postal Forum is a national event that provides opportunities for state mail managers to attend seminars and workshops on the latest innovations in mail management. The Forum provides the opportunity for state mail managers to obtain information on operating efficient mail operations and to obtain information from experts and their colleagues in other states. Information regarding registration costs, dates, etc., can be found on www.USPS.com.

9. **Early Implementers.** ETA encourages states to assume responsibility for their postage and mail management costs beginning as early as October 1, 2006, on a voluntary basis. In doing so, the state agrees to convert to commercial mail prior to the conversion date. ETA will no longer reimburse USPS for early implementing states' FY 2007 penalty mail costs thereafter, and if USPS presents a postage bill on behalf of the state account, the amount billed will be recouped from the state.

States may opt to convert effective at the beginning of a quarter. In a case where a state converts after the first quarter of FY 2007, its UI postage allocation will be adjusted according to its historical weeks claimed pattern, and its WP, FLC, TAA, WIG, and WOTC postage allocation will be 25 percent for each quarter remaining in the year.

BLS and VETS will provide instructions to states on how BLS cooperative agreements and VETS funded programs will be provided postage funds.

A state that wishes to implement before FY 2008 should notify Dale Ziegler, Deputy Administrator, Office of Workforce Security, 200 Constitution Ave. N.W., Room S-4231, Washington, D.C. 20210, indicating its intention to implement early and provide the date it will make the conversion. Questions may be directed to Mr. Ziegler at 202-693-2942 or Ziegler.Dale@dol.gov.

10. Timeline.

- ETA will provide all states with UI, FLC, TAA, WOTC postage allocations and cease paying the USPS for state UI postage costs, including VETS, beginning October 1, 2007, at which time states will pay the USPS directly.
- To accommodate FY implementation, ETA will provide all states with partial WP and WIG postage allocations in PY 2007 (covering 9 months beginning October 2007) and cease paying the USPS for state WP and WIG postage beginning October 2007, at which time states will pay the USPS directly. Full WP and WIG postage allocations will be provided beginning in PY 2008.
- States wishing to be early implementers may convert to commercial mail beginning October 1, 2006, and ETA will provide participating states with a postage allocation as described above. BLS and VETS will provide information for early implementers separately.

11. Proper Use of Postage Resources. State administrators should refer to General Administration Letter No. 6-89 for information on the proper use of postage funds.

12. UI Supplemental Budget Requests for FY 2006. Up to \$50,000 per state is available in FY 2006 for use by states to make the changes noted in item #5 above to convert to commercial mail during FY 2007. These funds are also available to assess UI mailing operations, explore opportunities and available technologies to improve efficiency and reduce mailing costs, and install or modify systems or equipment to decrease mailing expenditures. See Attachment II for UI SBR instructions. SBRs are due to the National Office no later than September 15, 2006.

13. Action Required. State administrators and liaisons are requested to distribute this advisory to appropriate staff.

14. Inquiries. State administrators should contact their ETA regional office and DVET/VETS Regional Administrators as appropriate.

15. Attachments.

Attachment I - Penalty Mail Fact Sheet

Attachment II - Outline for FY 2006 Supplemental Budget Request for Penalty Mail Conversion and Postal Management Improvements

Attachment III - FY 2007 Preliminary Postage Allocations

Attachment IV – 3-Year Analysis – Average UI Work Load/Postage Costs