

**SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSIONS
RESOURCE JUSTIFICATION MODEL (RJM)**

The Employment and Training Administration (ETA) is seeking OMB approval to extend data collection under the Resource Justification Model (RJM). The RJM's primary function is to collect Personal Service (PS), Personnel Benefit (PB) and Non-Personal Service (NPS) expenditure data for the most recently completed Fiscal Year (FY). These factors are important inputs to ETA's unemployment insurance administrative funding allocation process, whose objectives are to equitably fund states and promote cost-effective practices.

A secondary function of the RJM is to inform ETA's annual budget formulation process. State agencies submit detailed data by major cost categories in a structured format. This provides states a means to communicate to ETA their projected funding needs and provides ETA with an objective tool to evaluate those needs. State agencies that have an accounting system with a relational database can build queries for data extraction from the accounting system; this helps keep the data collection burden at a minimum.

A. Justification

1. Circumstances that make the collection of information necessary.

The Secretary of Labor has a legal responsibility under the Social Security Act (SSA) Title III, Section 303(a)(1), for providing state agencies the necessary costs of proper and efficient administration of state unemployment insurance (UI) laws. The Secretary must establish a means of measuring state agencies' "proper and efficient administration" to certify payments to states. Among other duties, the Secretary must also ensure that state laws conform to Federal law, and that states comply with them, in order for subject employers within the state to be allowed to receive offset credit under the Federal Unemployment Tax Act.

In support of these responsibilities, SSA Title III, Section 303(a)(6) authorizes the Secretary to require of states the:

"...making of such reports in such form and containing such information, as the Secretary of Labor may from time to time require, and compliance with such provisions as the Secretary of Labor may from time to time find necessary to assure the correctness and verification of such reports."

Prior to FY 1986, the methodology for UI budget formulation and allocation was based on a work measurement system called Cost Model Management. ETA decided in 1985 to stop conducting the work measurement studies and pursue alternative methodologies; however, there had been no consensus with states for an acceptable replacement until the development of the RJM in 2001. The data collected through the RJM provide state specific work measurement factors, salary rates, and non personal service spending levels. The data

also inform the national office of operating expenditure levels anticipated by state unemployment insurance programs.

2. How, by whom, and for what purpose the information is to be used.

Using the RJM, state agencies electronically submit detailed cost data in a structured format (spreadsheet file). The information specifies salary and benefit rates, workloads, processing times, and non-personal services dollars, which are used to inform ETA's administrative funding allocation process. Review and validation of the data by ETA Regional Offices is also an important part of the RJM.

3. Consideration of using information technology to reduce burden.

State agencies enter, store, and e-mail their cost data in a spreadsheet file. The basis for using this means of collection is that formulae are built into the spreadsheets and make necessary calculations to reduce the amount of data input.

4. Duplication.

The RJM does not duplicate any existing ETA program. There is no similar information that is already available.

5. Impacts on small businesses or other small entities.

There will be no impact on small businesses or other small entities.

6. Consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

Section 302(a) of the Social Security Act requires the Secretary of Labor to certify to the Secretary of the Treasury for payment to the states the amount of funds necessary for states to properly administer their unemployment insurance law. ETA relies on the RJM to obtain state specific, updated cost factors for use in that determination to ensure the Secretary fulfills this legal responsibility.

Not conducting the RJM data collection or, doing so less frequently, would require ETA to rely on outdated information and would result in ETA being unable to make a strong case for needed resources to OMB and the Congress. ETA's ability to equitably allocate to states their share of the annual Congressional appropriation would also be negatively impacted.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR 1320.5.

There are no special circumstances that would cause this information to be collected in any manner listed above.

8. Consultation with persons outside the agency.

In accordance with the Paperwork Reduction Act of 1995, the public was given an opportunity to review and comment through the Federal Register Process (Volume 72, Number 134, Page Number 38621, Date July 13, 2007).

Questions were received from two states - CA and OH.

PUBLIC COMMENT SUMMARY	AGENCY RESPONSE
<p><u>Budget Formulation</u></p> <p>The Federal Register first requests states to evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility. The RJM was originally designed to demonstrate the actual unemployment insurance (UI) resource needs of the states during the budget formulation process to the Office of Management and Budget (OMB), and to Congress, with a goal of justifying an appropriation increase. Unfortunately, the RJM has not been used in this manner and the UI program continues to be under funded and well below the states’ needs.</p> <p>(Our state) believes that the fundamental inadequacy in the current UI grant allocation method is the size of the national budget. The Department of Labor (DOL) must be a stronger advocate for higher UI Administration appropriations in future years. (Our state) supports the extension of RJM if it is used as originally intended, to justify sufficient resources to operate the UI program effectively and efficiently. However, if the RJM is not used to build and submit adequate budget requests to Congress and allocations continue to penalize states that become more efficient or use supplemental state funds, then (our state) recommends that the RJM process be reconsidered</p>	<p>The RJM is a data collection instrument. It is a collection of detailed information reflecting the actual dollars expended and the hours worked and paid by state agencies for different UI functional activities during a given fiscal year. DOL originally intended to use the RJM information to formulate the UI administration budget request to Congress as well as to allocate the fund to states. However, the intention to use this information as a basis for the budget formulation has not been realized. Nonetheless, the RJM data provides important information that serves extremely useful purposes. The RJM data are used primarily to develop input measures for efficient allocation of appropriated resources. In addition, the data allow for a comparison of actual expenditures on UI programs versus what the federal government has appropriated for the program. That comparison shows that the states have been supplementing the federal funds with state funds needed to run their programs. While that is not the optimal circumstance, we believe that these data have provided quality information and allowed the agency to protect against cuts to the UI budget. Hence there is value in the continued collection of the RJM data.</p> <p>The allocation of UI administrative funds to states does not “penalize states that have become more efficient”. The objective of the current allocation method is to fund an equitable level of service to workers and employers across states, and it recognizes a need for productivity incentives. The current method rewards efficiency/lower costs by its determination of the time allowed for processing various workload items. States’ Minutes Per Unit (MPU) values are based on their actual experience. Historically, states with the ten lowest MPU values in each workload category and the ten lowest percentages of support and AS&T positions have been fully funded; for other states, the higher the MPU value and support and AS&T percentages, the greater the reduction. Thus this mechanism has the opposite</p>

PUBLIC COMMENT SUMMARY	AGENCY RESPONSE
<p>in favor of a more equitable mechanism.</p> <p>(Our state) was a member of the coalition of states that participated in the development of the RJM model as a way to move toward adequate funding of the UI program. (Our state) continues to support the RJM as a credible methodology to determine states' resource needs and to provide the necessary data if DOL uses the data to convince Congress and the OMB that increased funding is required. (Our state) urges DOL to use the RJM as a mechanism to substantiate increased UI funding requests to Congress.</p>	<p>effect than the one stated in the state response; it penalizes inefficient states and rewards efficient states.</p> <p>In addition, savings realized from the time efficiencies are factored back into the allocation when the money is spent elsewhere. For example, if a state experiences efficiencies in Initial Claims MPU and spends the dollars that they would have spent on that function on a new accounting system, the state would be rewarded for those efficiencies in two ways. First, the reduction to their Initial Claims MPU would be less (or the MPU would be fully funded if it was one of the ten lowest for that function) i.e., a greater share of costs would be funded; Second, the expenditure for the new accounting system would be used in the calculation to fund NPS at a higher level (actual expenditures inflated by three percent twice, reduced across-the-board to availability).</p>
<p><u>State Supplemental Funding</u></p> <p>In order to properly capture the cost of the UI program, the methodology used must quantify the cost of administration, including any state supplemental funding and/or Reed Act funding that has been relied upon to properly administer the program. State funds spent for the UI administration should also be included as part of the process of allocating funds to states.</p>	<p>The RJM was developed so that states could project their total funding needs. The data collection instrument, therefore, was specifically designed to allow states to include state funding since such funds were used for program administration and reflect the cost of doing business. Including these funds captures all costs that are necessary for administration of the UI program. However, the Department excludes all supplemental funds from consideration in the allocation process because including them would put states without supplemental funding at a disadvantage in the allocation process.</p>
<p><u>Allocation Methodology</u></p> <p>The RJM has become an allocation mechanism which spreads budget shortages among the states.</p>	<p>The RJM is a data collection instrument. The RJM allows states to provide objective input to the National Office for UI administrative budget requests and is a source of information upon which to base allocation of appropriated resources among states. The allocation methodology, which utilizes the collected data, is a separate process which uses objective criteria. The primary drivers of the allocation process are each state's share of national unemployment insurance workloads (claims, appeals, tax accounts, etc.), the average PS/PB rate for UI staff in each state, and the time allowed for processing each of the budgeted workload items (time factors). A key aim of the allocation methodology is the equitable treatment of</p>

PUBLIC COMMENT SUMMARY	AGENCY RESPONSE
	all states.
<p><u>Other</u></p> <p>(Our state) has developed efficiencies and automation tools for the data collection and population of the various RJM worksheets. Any changes to the current RJM process may require an initial workload burden to modify (our state's) current data collection process in order to allow efficiencies to continue.</p>	<p>DOL is continuously looking for ways to improve upon the automation in order to minimize the burden on states, create efficiencies, and improve upon the consistency and accuracy of state submissions. Changes made to the RJM have been in response to suggestions from National Office staff, Regional Office staff, and staff at the state level. Significant effort has been made to ensure that the RJM manual is current to reflect these changes and modifications have been made to improve upon the clarity of instructions. We understand that adjustments to the RJM may result in adjustments to state developed automation systems; however, each change to the RJM has been necessary to provide the aforementioned improvements to the overall process.</p>

9. Payment or gift to respondents

No payment or gift to respondents has been or will be provided.

10. Assurance of confidentiality

Confidentiality is not an issue with this program, which simply involves collecting state agencies' financial data.

11. Questions of a sensitive nature.

The data collection does not include questions of a sensitive nature.

12. Estimates of the hour burden of the collection of information.

The estimate of burden is an average figure. The hour burden on respondents is expected to vary widely.

Cite/ Reference	Total Respondents	Frequency	Total Responses	Average Time per Response	Burden
Crosswalk	53	Annually	53	108 hours	5,724 hrs
Account Summary	53	Annually	53	4 hours	212 hours
RJM 1 through 6	53	Annually	53	3 hours	159 hours

series					
Narrative	53	Annually	53	8 hours	424 hours
TOTALS			212	30.75 hrs. avg	6,519 hrs

The estimate of annualized cost to respondents:
burden hours X average hourly state cost for FY 2007
6,519 hours X \$35.77 = \$233,185.

However, the federal government pays the salaries of the state staff so there is no direct cost to the states.

13. Total Annual Cost Burden to Respondents.

There is no cost burden associated with respondents' submissions.

14. Federal Costs.

Federal staff costs are required to manage and maintain the handbook, training, report review and analysis. These costs total \$166,180 annually for RJM operations. This estimate is displayed in the following table.

Category	Start-up		Ongoing (equals RJM minus current)	
National Office staff	0 hours	\$0	2,088 hrs	\$73,080
Regional Office staff	0 hours	\$0	2,660 hrs	\$93,100
TOTAL		\$0		\$166,180

15. Reasons for any program changes or adjustments

The RJM information collection was reduced from 7,155 hours to 6,519 hours resulting in -636 hours due to further automation of the data collection instrument and the reduction in data required. The enhancements include automating the allocation of total expenditures to various cost categories and automating the insertion of rows and copying formulas within the data collection instrument.

In addition, there is no cost burden to respondents; as explained in #13 above, the existence of the \$375,000 in this category, carried over from the previous submission, was an inadvertent mistake.

16. Publication.

ETA does not plan to publish the results in a report, but will make the data available on its web site. The RJM does not use complex analytical techniques.

State agencies begin to collect the data annually in mid-November and submit the data by the last Friday of January. ETA uses the data collected to inform ETA's administrative funding allocation model to provide state agencies resources for the next fiscal year.

17. Request to not display the expiration date for OMB approval of the information collection

ETA will display the OMB control number and expiration date on the RJM worksheets in the instructional handbook for the state agencies.

18. Exceptions.

There are no exceptions.

B. Collection of Information Employing Statistical Methods

Statistical methods are not employed for this report.