

**Justification for Non-substantive Changes
to the ETA 8403 Report (OMB control number 1205-0154)**

This request implements a recommendation in a recent audit finding by the U.S. Department of Labor's Office of the Inspector General (OIG), based on states's use of funds in their Unemployment Trust Funds (UTFs).

Background: Public Law 111-5 (the Recovery Act, or ARRA) provided incentive funds for states to modernize their unemployment compensation laws. Additionally it provided for a special transfer of \$500 million to the states' accounts in the UTF for certain administrative purposes (including implementing and administering the modernization provisions). Specifically, the law provides that:

- (3) Any amount transferred to the account of a State as a result of the enactment of this subsection may be used by the State agency of such State only in the payment of expenses incurred by it for—
 - (A) the administration of the provisions of its State law carrying out the purposes of subsection (f)(2) or any subparagraph of subsection (f)(3);
 - (B) improved outreach to individuals who might be eligible for regular unemployment compensation by virtue of any provisions of the State law which are described in subparagraph (A);
 - (C) the improvement of unemployment benefit and unemployment tax operations, including responding to increased demand for unemployment compensation; and
 - (D) staff-assisted reemployment services for unemployment compensation claimants.

Based on the permitted uses of these funds, it is clear that Congress, recognizing the increased workload on the unemployment compensation system resulting from the recent economic recession, intended that these funds be used during the recession to expedite the delivery of services, reduce improper payments, and improve tax operations.

These funds were transferred to states' accounts in the UTF on February 27, 2009. Based on a subsequent audit of these funds (Audit Report No. 18-10-012-03-315), the (OIG) determined:

At least \$399 million of the states' funds remains unexpended, with a significant number of states planning multi-year systems improvements. Some states did not have plans in place for spending these funds.

The OIG report recommended that the agency obtain more information from states on their plans to expend their share of the administrative grant and provide technical assistance to states in developing spending plans. To ensure compliance with Congressional intent, the Employment and Training Administration (ETA) is asking states to review the amount of unexpended special administrative funds, develop spending plans outlining their anticipated use of these funds, and provide them to ETA.

ETA currently collects data on administrative activity involving Title IX funds from the state's Unemployment Trust Fund on the ETA 8403. This report is one of many within a large container collection of financial reports identified by OMB as 1205-0154. There is currently no capacity to gather narratives describing plans for future obligation and expenditures of remaining funds. ETA believes the collection of this information is necessary to ensure that the Secretary can provide accurate updates to the OIG on the status of the expenditure of these funds. ETA plans to request all states to provide an update on the current status and future plans for the administrative funds including:

- Amount obligated but not expended to date;
- Amount of unexpended funds subject to a spending plan; and
- If there are no plans to spend the unexpended funds, an explanation for the lack of a plan and a summary of the intended use of the funds.

ETA believes that this change is non-substantive, principally because the information in virtually all cases is readily available, and the states simply need to communicate this information to ETA in a very brief narrative. Thus, a brief narrative to support the current and intended use of funds supplements states' current reporting by providing these details. Furthermore, states would provide this narrative electronically in a format easiest for the states to complete, further reducing the burden of reporting.

Burden on Respondents. Given that most states already know their intended use for these funds, creating and transmitting a brief description of this plan along with a timeline should incur little added burden on staff time. This is a one-time request and will not entail ongoing burden. When asking the states to formally communicate such basic information, ETA has traditionally budgeted up to an hour per respondent per response. Therefore, ETA estimates the total additional burden from this request at one hour per report per state, for a total of 53 hours for a single year.