

SUPPORTING STATEMENT FOR THE
OMB CLEARANCE ON UI FINANCIAL TRANSACTION SUMMARIES

A. Justification.

This is a justification for the request by the U.S. Department of Labor (USDOL), Employment and Training Administration (ETA) for emergency approval to add a new form to an existing data collection. This is necessitated by the recent USDOL audits by the Inspector General and a memorandum from Office of Management and Budget on liquidation of ARRA grants.

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 Unemployment Trust Fund (UTF) to be used for certain administrative purposes (including implementing and administering the modernization provisions).

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 USDOL Inspector General (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. OMB echoed this sentiment in Memorandum M-11-34: Accelerating Spending of Remaining Funds from the American Recovery and Reinvestment Act for Discretionary Grant Programs.

Emergency Approval

To ensure compliance with Congressional intent, and OMB guidance, the Employment and Training Administration (ETA) is requesting approval to solicit spending plans for unexpended grant monies that states may currently be holding. Due to the lack of information regarding state plans for these funds, ETA is unable to develop appropriate technical assistance to the states to hasten the liquidation of these funds, since gathering this information is a prerequisite for

accomplishing this goal.

ETA has proceeded on additional tracks in an attempt to meet the requests of auditors and OMB to improve the underlying situation. Guidance was published to encourage states to be aware of the intended nature of ARRA funds and of the fact that expending those funds was clearly the intent when they were provided. The Training and Employment Guidance Letter (TEGL) was published on January 5, 2012 and can be viewed here: http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4447

It is ETA's intent, as stated clearly in the TEGL, that once this collection is approved, state plans for expending these funds will be collected, and technical assistance will be provided to the states to help them expend their existing and unobligated ARRA grant funds.

A-1. Reasons for Data Collection.

The requirement in Federal law, the basis for all reporting, resides in the Social Security Act (SSA), Section 303(a)(6) which gives the Secretary of Labor the authority to require the reporting of such information determined necessary to assure compliance with the provisions of the SSA. In the case of the Unemployment Trust Fund (UTF) management reports comprising this submission, that authority extends to Departmental responsibilities (as Secretary of Labor) to assure that contributions collected are immediately paid over to the Secretary of the Treasury in conformity with Section 303(a)(4) of the SSA and section 3304(a)(3) of the Federal Unemployment Tax Act (FUTA); and that expenditure of all money withdrawn from the unemployment fund of a state is used exclusively for the payment of benefits, exclusive of refund (SSA, Section 303(a)(5), FUTA section 3304(a)(4)).

A-2. Users, Purposes, and Consequences of Failure to Collect the Information.

The Employment and Training Administration (ETA) 2112 reports all financial transactions i.e., receipts, disbursements, adjustments and fund balance, of the state's account in the UTF for the month. This information is used by the Department's Office of Chief Financial Officer (OCFO) as subsidiary ledger to the Department of Labor general ledger (DOLAR\$) and reported in the Department's annual audited consolidated financial statements required by the Chief Financial Officer Act of 1990. The UTF contains about 75% of the assets and liabilities of the statements.

Other uses of these reports include:

- The Division of Fiscal and Actuarial Services of the Office of Workforce Security (OWS) utilizes the reported data each month to monitor UTF cash flow, identify excessive drawdown of funds for benefit payment from states' accounts in the UTF which could result in a sizeable loss of interest earnings to the UTF. Data concerning Federal programs, Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex-Servicemembers (UCX), and Extended Benefits (EB), are extracted from the reports on a monthly basis and entered into computerized individual state records of account for reconciliation with the Bureau of Public Debt in the U.S. Treasury Department and for subsequent study and evaluation to identify trends and cash flow analysis.

- Data from the ETA 2112 are also used to generate monthly pertinent statistics on the Unemployment Insurance (UI) program, e.g., state UI benefit payments, extended benefit payments, other related program costs, projection to a State's Trust Fund solvency based on contributions collected and deposited and benefit payments. The data are included in the Handbook of Unemployment Insurance Financial Data which is published annually.
- The report also reflects monthly transactions relating to Title XII advances and repayments in those states borrowing from the Federal Unemployment Account (FUA). Monthly reporting is necessary to permit National Office cash management performance monitoring.
- The data contained in this report have proved to be very valuable to National Office staff testifying before state legislative bodies attempting to strengthen the financing provisions of their state UI laws and in responding to inquiries from members of the Congress and certain committees. The ETA 2112 also records expenditures and restoration of unemployment funds used for administrative purposes, pursuant to Section 903(c)(2) of SSA. These "Reed Act" funds are available for non-benefit use upon appropriation by state legislatures.
- ETA 2112 data is used to verify states' requests to qualify for loan capping, and deferral of interest payments on Title XII loans.

The ETA 8401 (Monthly Analysis of Benefit Payment Account)

The ETA 8405 (Monthly Analysis of Clearing Account)

These reports, based on state books, reflect activities in the clearing account for the deposit of employer contributions, transfer of funds to state's account in the UTF, employer refunds and adjustments; and the benefit payment account for withdrawals from the UTF for the payment of unemployment benefits. Monthly totals from these reports are carried forward to the appropriate ETA 2112 monthly report.

- The ETA 8405 is used to determine the timeliness of deposit of employer contributions and other funds to the UTF (e.g., benefit overpayment recoveries) to ensure state compliance with section 303 (a)(4) of the SSA. The report is also used to develop trial balances and other financial information to compile the Departmental annual consolidated financial statements. Information reported is compared to Treasury reports for verifying transfers of funds to the UTF, and compliance with the immediate deposit requirements of SSA and the FUTA).
- The ETA 8401 is used to determine the timing of withdrawals of funds from the UTF to disbursements for the payment of unemployment compensation. This information will be even more critical to DOL because of the provisions of the Cash Management Improvement Act of 1990, as amended, (CMIA) which require that states execute agreements with the U.S. Treasury to stipulate one method of drawdown of funds from the UTF. The ETA 8405 will provide information to the DOL and Treasury to monitor compliance with the drawdown method stipulated in the Agreement. ETA 8401 information is again needed for the compilation of DOL annual consolidated financial statements.

The ETA 8413 (Income/Expense Analysis – Benefit Payment Account)

The ETA 8414 (Income/Expense Analysis - Clearing Account)

These reports, based on the state depository institution records, reflect activities in these accounts in the local bank. The bank prepares basic information for the agency on a monthly basis. The

agency then assembles the complete reporting package, e.g., 8401-8405-8413-8414 and ETA 2112 and submits it electronically to the National Office.

These reports provide information to the DOL to monitor bank account balances, bank charges, and bank compensation. Under provisions of the CMIA, information on bank charges reported in the ETA 8414 will be indispensable since states are allowed to pay charges for their benefit payment account from interest earnings on benefit payment account balances.

The OWS has implemented an effective system for regularly monitoring state cash management and state banking arrangements to increase trust fund earnings. The cash management performance monitoring system requires timely reporting by states on a monthly basis to effectively monitor cash management performance. The ETA 8401, 8405, 8413, and 8414 reports are the key reports in the system.

Mathematical formulas are applied to selected data items to ascertain and evaluate performance in key areas. States are ranked according to performance in:

- Timeliness of transfer of funds from the clearing account to the UTF
- Average time money was withdrawn from the UTF before actually needed to pay unemployment benefits

The current cash management monitoring system is based on a monthly reporting system. It is crucial that problems and deficiencies be identified as early as possible so that corrective action can be taken timely and efficient cash management monitoring will be accomplished. Monthly reporting provides this capability.

The ETA 8403 (Reed Act Activity)

This report reflects each state's Reed Act activities. It is submitted only when there has been activity which requires updating the state's Reed Act account.

The ETA 8403A (Spending Plans for Special Distributions)

This report is used by states to provide spending plans for special distribution monies put into the state trust fund by the Federal Government. It is submitted only when there has been a special distribution.

A-3. Technology and Obstacles Affecting Reporting Burden.

Current information processing and data gathering techniques in the states utilize electronic data processing equipment and computerized records. The production of reports is entirely automated and the resulting electronic reports are submitted electronically to the OWS.

A-4. Duplication.

The data reported on these reports are not contained on any other reports in the DOL/ETA reporting system.

A-5. Small Business.

This collection does not impact small businesses.

A- 6. Consequences of Less Frequent Data Collection.

The response to this item is discussed in the narrative response under #2 above. Current Financial and Cash Management Systems are based on monthly reporting. It is imperative that problems and deficiencies be identified as early as possible so that corrective actions can be taken immediately. States also generally use monthly reporting/accounting cycles which make the current frequency convenient.

A-7. Special Circumstances Involved in Collection of Data.

Some of the proposed data elements are currently collected by State Workforce Agencies. The proposed data collection will require initial programming to produce the specified quarterly reports. This request contains no other special circumstances. The timing of the data collection will allow for the submission of workload counts one year in advance of the submission of outcomes data.

A-8. Preclearance Notices and Responses.

No preclearance notice was published in the Federal Register because this is an emergency request for approval.

A-9. Payments to Respondents.

There are no payments to respondents.

A-10. Confidentiality.

No confidential information is collected.

A-11. Questions of a Sensitive Nature.

The data collection includes no questions of a sensitive nature.

A-12. Respondents' Burden and Cost of Collecting Information.

These estimates are based on historical information and continuing communication with states on state experience preparing the reports over time. The average estimated number of responses per year per form is provided below:

ETA 2112: 12 responses x 53 states = 636
 ETA 8401: 12 responses x 53 states = 636
 ETA 8405: 12 responses x 53 states = 636
 ETA 8413: 12 responses x 53 states = 636
 ETA 8414: 12 responses x 53 states = 636
 ETA 8403: 6 responses x 53 states = 318
 ETA 8403A: 2 Responses x 53 states = 106

Total requested burden:	
3,498 responses @ .5 hours per response:	1,749.0 hours
<u>106 responses to the 8403A</u>	<u>53.0 hours</u>
Total: 3604	1,802.0 hours

The DOL provides funding through the annual administrative grants process to each state to prepare and submit all required statistical and financial reports; therefore there are no extraneous, unfunded costs to states. Given that states will soon be requested to liquidate their reed act funds, the incidence of reporting on the ETA 8403 will likely see a small increase in the near future and subsequently a big decline as funds are liquidated, eliminating the need for reporting.

A-13. Annual Cost to Respondents.

There are no annualized costs to respondents.

A-14. Annualized Federal Cost.

Federal costs are the staff required to receive and analyze the data. These costs are summarized as follows: 1 GS 13, 25 hours per month @ \$40.35 per hour = \$12,105 annual cost.

A-15. Reasons for Change in Burden.

In addition to the forms previously approved for this information collection request, to comply with audits and OMB guidance, information is being collected on ARRA modernization funding spend-down plans. The form, ETA 8403A, is a "container" to anticipate future needs as well. This accounts for the added time burden (53 hours) and the added number of responses (106). The previous submission calculated burden at 68 responses per state, when the calculation should have been based on 66 responses per state; hence the (-53) in the "Agency Estimate" column for the first IC.

16. Publication Information.

All of the items reported are used for program performance purposes. DOL publishes an annual Quality Appraisal of State performance. The trust fund reports are used to measure the timeliness and accuracy of cash flow to and from the UTF.

17. Display of OMB Expiration Date.

No waivers are requested. The DOL will display the OMB control number and expiration date on the computer screen.

18. Exceptions to the Certification Statement.

There are no exceptions to the certification statement.

B. This collection does not employ statistical methods.