

U.S. DEPARTMENT OF LABOR Employment and Training Administration Washington, D.C. 20213	CLASSIFICATION
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DIRECTIVE : UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 40-86

TO : ALL STATE EMPLOYMENT SECURITY AGENCIES

FROM : *Barbara Ann Farmer*  
 BARBARA ANN FARMER  
 Acting Administrator  
 for Regional Management

SUBJECT : Effect of Reduced Federal Reimbursement for  
 Extended Benefits (EB) on Charges to  
 Transferring States on EB Combined-Wage Claims  
 (CWC)

1. Purpose. To reaffirm the billing procedures for EB combined-wage claims and to clarify the calculation of amounts chargeable to the Federal account on an EB combined-wage claim.

2. References. Sections 251 and 256 of P.L. 99-177, 20 CFR Part 616, UIPL 14-86 and FM 48-86.

3. Background. As a result of the enactment of P.L. 99-177, reimbursement of the Federal share of extended benefit payments made for check warrants dated March 1, 1986 through September 30, 1986, will be reduced by 6.1 percent. (FM 48-86, section 4 B) UIPL 14-86 explains that States may continue to pay the full EB weekly benefit amount and absorb from State unemployment funds the reduction in Federal reimbursement or amend their laws to reduce EB weekly benefit amounts (WBA) and maximum extended benefit amounts (MBA) by percentages that do not exceed the percentage by which the Federal share of EB is reduced.

A question has arisen regarding the amount that is chargeable to a transferring State on an EB combined-wage claim when the paying State elects not to amend its law and pays the full EB weekly benefit amount for EB checks dated March 1, 1986 through September 30, 1986.

This UIPL is issued to insure accuracy in billing on EB combined-wage claims.

REVISIONS	EXPIRATION DATE
	May 31, 1987

DISTRIBUTION

4. Extended Benefit CWC Billing Procedures. 20 CFR 616.8 provides that entitlement to benefits on combined-wage claims is determined under the provisions of the law of the paying State. Paragraph (4) of section 616.8(f) provides that the paying State will charge the transferring State for State Extended Benefits in the same manner as for State regular benefits; paragraph (f)(2) prescribes the formula for computing the charges. The provisions of P.L. 99-177 do not change these regulations or the billing instructions for EB combined-wage claims. These regulations and instructions provide that the paying State will bill the transferring State(s) its full pro rata share for all extended benefits paid on State UI claims (excluding UCX and UCPE). Each transferring and paying State will obtain the appropriate reimbursement for its prorated share of State EB combined-wage claims paid that are shareable from the Federal extended unemployment compensation account (the paying State obtains payment of all UCPE/UCX-EB from the Federal Employers Compensation Account).

5. Combined Wage Claim Billing Procedures - P.L. 99-177. The 6.1 percent reduction to the Federal share reimbursement applies to all shareable regular and extended benefits payments dated March 1 through September 30, 1986, regardless of the week for which the benefits are being paid.

a. Completion of Form IB-6. The paying State shall identify and separately list, on the Statement of Benefits Paid to Combined-Wage Claimants, Form IB-6, all EB payments dated prior to March 1, 1986. This will enable the transferring State(s) to immediately identify payments not affected by the requirements of P.L. 99-177.

(1) EB WBA/MBA Reduction. Together with the Form IB-6, the paying State shall provide in a cover letter to all transferring States an explanation of the EB WBA/MBA reductions implemented in the paying State to satisfy the requirements of P.L. 99-177. If the paying State did not reduce EB payments, the transferring State must be so advised by cover letter or notation on the IB-6. This information will enable transferring States to accurately calculate the Federal share of the benefits paid.

(2) EB WBA and MBA Reduced Less than Federal Share Reduction. If the paying State reduced the total EB weekly and maximum benefit amounts by a percentage that is less than the percentage of the Federal share reduction (i.e., 50% of WBA/MBA reduced by 6.1 percent = 3.05 percent of total WBA/MBA), the paying State shall also separately list on the Form IB-6 the EB amounts that would have been payable to individuals based on the WBA prior to reductions.

This information must be shown for each amount shown for EB payments based on reduced WBAs and MBAs. This information is necessary for the transferring State's calculation of the Federal reimbursable share, since charges to the transferring States, prorated on the total amount paid will not represent an amount that is Federally shareable on a 50-50 basis.

b. Determining the Federally reimbursable share of Extended Benefit and Shareable Regular payments. Following is the key to the formulas used below:

GRH = Reduction percentage for EB reimbursement ordered under the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177)

FS = Federal share of EB payment to be reimbursed to the State after the reduction required by P.L. 99-177

PSS = The prorated State share of the EB payments on combined wage claims.

P = Paying State

T1 = Transferring State 1

T2 = Transferring State 2

(1) EB WBA/MBA reductions are equal to the Federal share reduction. When the paying State reduces the EB weekly benefit amounts and the potential EB maximum benefit amounts by a percentage equal to the percentage of the Federal share reduction, the paying State and the transferring State(s) are entitled to reimbursement from the Federal account for 50 percent of the reduced EB payment. Accordingly, such States may request reimbursement from the Federal account in the amount of 50 percent of their prorated share of such reduced EB payments.

The formula to calculate the Federal share is as follows:

$$FS = PSS \div 2$$

Example:

The original EB WBA is \$100; the reduced EB WBA is \$93.90, rounded down according to State law to \$93.00;  
P = \$46.50; T1 = \$46.50.

The calculations to determine the Federal share for P and T1 are:

$$\begin{aligned} \text{FS} &= \text{PSS} \div 2 \\ \text{FS} &= \$46.50 \div 2 \\ \text{FS} &= \$23.25 \end{aligned}$$

Note: In the above example, if the reduced WBA is not rounded down to the next lower dollar amount, as provided in State law, the States are not entitled to reimbursement for the .90 cents or for the amount the extended compensation paid exceeds the lower dollar amount.

(2) Paying State makes no reduction to EB WBA/MBA. When the paying State does not reduce the EB weekly amounts (and the potential maximum extended benefit amounts), the participating States are entitled to reimbursement of 46.95 percent of EB payments (50 percent Federal share reduced by 6.1 percent). Accordingly, the transferring and paying States' reimbursement request from the Federal account shall not exceed 46.95 percent of shareable regular and extended benefit payments attributable to them.

The formula for calculating the Federal share is as follows:

$$\text{FS} = (\text{PSS} \div 2) \text{ minus } (\text{GRH} \times \text{PSS} \div 2)$$

Note: From March 1 through September 30, 1986, "GRH" equals .061.

Example:

The EB WBA is \$100 and the prorated State shares are as follows: P = \$45; T1 = \$35; T2 = \$20. The calculation for the Federal share that is reimbursable to T2 is:

$$\begin{aligned} \text{FS} &= (\$20 \div 2) \text{ minus } (.061 \times \$20 \div 2) \\ \text{FS} &= \$10 \text{ minus } .061 \times \$10 \\ \text{FS} &= \$10 \text{ minus } 0.61 \\ \text{FS} &= \$9.39 \end{aligned}$$

The Federal shares reimbursable to P and T1 are calculated by the same equation.

(3) EB WBA/MBA reductions are less than the required Federal share reduction. When the paying State reduces the WBA/MBA by a percentage that is less than the Federal share reduction, the transferring and paying States are entitled to reimbursement for 50 percent of the full EB weekly benefit amounts (prior to reduction by the paying State) reduced by the full percentage of the Federal share reduction (6.1 percent for the period March 1 through September 30, 1986).

The formula to calculate the Federal share is as follows:

$$FS = (PSS \text{ of unreduced WBA} \div 2) \text{ minus} \\ (GRH \times PSS \text{ of unreduced WBA} \div 2)$$

Example:

The original EB WBA is \$100; The paying State reduces the WBA/MBA by applying the reduction to 50 percent (i.e. reduction =  $.061(\$100 \div 2) = \$3.05$ ); rounding down to the next lower full dollar amount, the payable EB WBA is \$96; the participating States prorated shares are: P = \$48; T1 = \$48. The calculations for the Federal shares reimburseable to P and T1 are:

$$FS = (\$50 \div 2) \text{ minus } (.061 \times \$50 \div 2) \\ FS = \$25 \text{ minus } \$1.53 \\ FS = \$23.47$$

c. Illustration of Combined Wage Extended Benefits Charging. The following examples illustrate payments and billings on an EB combined-wage claim for checks dated prior to March 1, 1986 and checks dated March 1, 1986 through September 30, 1986.

The first situation applies to EB checks dated prior to March 1, 1986. The EB weekly benefit amount is \$100; the paying and transferring States each provided 50 percent of the wages used in the monetary determination. Both States would request reimbursement for 50 percent of the EB cost that is shareable as follows:

- |  |      |
|--|------|
| (1) amount billed to transferring State by the paying State (50 percent of the EB payment)   | \$50 |
| (2) amount chargeable to the transferring State's Unemployment Fund  | \$50 |
| (3) amount the transferring State is entitled to receive in reimbursement from the Federal account (EUCA) (50 percent of (2))        | \$25 |
| (4) amount chargeable to the paying State's Unemployment Fund  | \$50 |
| (5) amount the paying State is entitled to receive in reimbursement from the EUCA. (50 percent of \$50, its share of the EB payment) | \$25 |

In the second situation, the facts of the EB combined-wage entitlement are the same as above. The ratio of wages used to determine the combined-wage entitlement is 50 percent from the transferring State and 50 percent from the paying State and the wages yield a \$100 EB combined-wage weekly benefit amount. In this instance, the billing and charging of EB payments for checks dated March 1, 1986 through September 30, 1986 are as follows:

- |   |         |
|---|---------|
| (1) amount the transferring State is billed by the paying State   | \$50    |
| (2) amount chargeable to the transferring State's Unemployment Fund   | \$50    |
| (3) amount the transferring State is entitled to receive in reimbursement from the Federal account (EUCA) (50 percent of (2) reduced by 6.1 percent, or $FS = (PSS \div 2)$ minus $(GRH \times PSS \div 2)$ ) | \$23.47 |
| (4) amount chargeable to the paying State's Unemployment Fund   | \$50    |
| (5) amount the paying State is entitled to receive in reimbursement from the Federal account (EUCA) (50 percent of (4) reduced by 6.1 percent, or $FS = (PSS \div 2)$ minus $(GRH \times PSS \div 2)$ )       | \$23.47 |

The Federal share of EB payments after the reduction required by P.L. 99-177 will also be affected by other provisions of the Federal-State Extended Unemployment Compensation Act of 1970 which limit reimbursement to the States from the Federal account (i.e., waiting week, rounding down, government employers, etc.).

5. Action Required. Administrators should provide the above clarifications and instructions to appropriate staff.

6. Inquiries. Direct inquiries to appropriate regional office.