

## EXECUTIVE SUMMARY

### Overview

The Resource Justification Model (RJM) is an innovative budget formulation and allocation system that would allow States the opportunity to demonstrate what administrative resources they need to operate their respective Unemployment Insurance (UI) programs. Software has been developed to assist States in assembling and compiling information needed as input for the model. The system would also provide the Regional and National Offices a compatible automated process to review the information submitted by the States, and would provide a set of analytical procedures to enable the National Office to formulate the annual budget request to Congress. Finally, the RJM would provide the National Office with an automated, analytical capability to allocate the funds appropriated by Congress.

The RJM system is significantly different from the current system in that States would play an integral role in submitting annual budget justifications for their projected operating costs. These submissions would be collected in a relational database (Microsoft Access®) to enable Regional Office review through comparative analysis, final National Office review, and report generation to produce UI program budget submissions. RJM also contains analytical procedures to allocate funds appropriated by Congress, using pre-determined decision rules that are applied to the database. Like the current system, RJM is workload-based, but with a capacity for annual updates of each State's data and review by the Regional and National Offices.

A key objective in designing the methodology was to develop a system that would determine resource need for budget requests and have credibility with the Office of Management and Budget and with Congress. The methodology had to: reflect all required activities; ensure service with acceptable quality; reflect organizational structure; allow for use of technology and technological change; and address capital investment needs. In addition, the process had to tie budget formulation with allocation.

Conceptually the RJM is simple. The strategy is to have each State submit sufficiently detailed data, which would be subject to audit, in a structured format to develop a credible budget. Using available accounting data, States would insert information into RJM spreadsheets that would cumulate the information to build the budget request. The RJM has separate spread sheets for each workload function for claims and employer activities, and each non-workload function (e.g., BPC, Internal Security, Quality Control, Interstate and Trade Coordinators, and Support). For each of these activities, the RJM would calculate the number of staff years needed and the cost per staff year, which includes salary and benefits. This cost would be multiplied by the staff years from appropriate workload and non-workload categories and summed over categories to arrive at total personnel compensation costs.

The RJM also addresses non-personal services directly by including forms to display recent requirements and to request and justify enhancements. Categories addressed are: communications, supplies, travel, facilities, computer services, office equipment, utilities and miscellaneous which could include a major capital investment.

Each year, four years worth of information would be included on the RJM spread sheets: the current year, the previous year, the year following the current year and the year for which the budget is being developed. This is necessary to show the resource path leading up to the year for which the budget is being developed. To feed the information into the Federal budget cycle, States would submit their data in mid-February for the fiscal year to begin 20 months later to permit time for Federal review before the official budget process begins in May. The process reaches a major milestone the following February with the submission to Congress of the President's Budget request. The State submissions would be used to determine the allocations to States once Congress appropriates funds.

### RJM Modules

The RJM system works within six process Modules:

- Module I           Data Collection
- Module II          Data Validation
- Module III         Analysis and Evaluation
- Module IV         Budget Formulation
- Module V          Allocation
- Module VI         Monitoring

In **Module I**, the States prepare the request for resources using their current operating costs and project those costs for the balance of the current year as well as the next two fiscal years. These projections would be based on known operating costs, projected workload, and any known increases such as legislated salary increases. States would also have the opportunity to request additional funding for enhancements, based on a business case justification. Many States are using a significant amount of State funds for the operation of their programs. These additional resources would be included in the total cost of operating their programs. Module I uses Microsoft Excel® templates that would be distributed to States for completion.

In **Module II**, the Regional and National Offices would conduct a detailed review of States' requests for resources. The data from all State submissions are imported into a relational database maintained by the National Office. Using comparative analysis techniques, the National Office would provide Regional Offices a tailored report for each State, highlighting data that appears to be "Out of Range" (beyond acceptable norms). The Regions would play a key role in validation of State-submitted data by ensuring the accuracy of the data and the equitable treatment of States' submissions. They would be responsible for determining if a State has a unique requirement that should be given

special consideration and for entering that data into the RJM model. Regions would also be responsible for ensuring the accuracy of request for enhancements.

In **Module III**, the National Office would conduct a detailed analysis of the validated data to determine the acceptable norms for the formulation process, and which requests for special requirements and enhancements to incorporate in the budget request. Using Access® queries and report-generating capabilities, the RJM system provides reports in the required budget submission format. In addition to the required reports, a set of detailed reports would be produced showing the requested funding for each State.

**Module IV** is the budget formulation module of the RJM process. Output from the three previous modules would be used to formulate a series of Module IV reports that culminate in a DOL level budget request. The National Office can adjust variable parameters as a method of review and analysis to build the reports. The relational database provides flexibility and quick turn-around for analysis and evaluation.

The allocation process in **Module V** would distribute available funds according to specific rules and criteria that would be formulated before any Congressional action. Pre-determination of these rules will ensure that all States are treated fairly. These rules include the step by step process that would be employed if the allocated funds were less than the requested funds. Since these rules would be critical to all States, a committee of State, Regional and National Office staff should be involved in their establishment.

**Module VI**, Monitoring, is a National Office-directed continuous review process focused on data integrity. The analysis and evaluation resulting from Module III of the RJM would provide indicators of States and costs that are priority for external review. The National Office would have several options for implementing the Monitoring process.

The integrated Excel/Access model has been designed, tested and demonstrated using six States' data (three actual and three composite). User instructions are provided.

In summary, the RJM system has the potential to substantially improve the UI budget process. The collection of source data - tempered by validation, analysis and evaluation - would ultimately improve the quality and credibility of UI budget formulations and allocations. The RJM uses two commercial-off-the-shelf software packages as an integrated, functional model. The entire RJM system is designed to be extremely flexible and easily adaptable to changing conditions. Each step of the process can be expanded or streamlined, depending on the desired level of detail and the level of effort.

**COMPARISON  
CURRENT PROCESS TO RJM SYSTEM**

	CURRENT SYSTEM	RJM SYSTEM
Salary	Uses early 90's salary with some annual increase	Uses current salary cost with projected documented increases
Work Hours	Provided annually by States, but no prescribed formula	Provided annually by States, using prescribed formula
Minutes Per Unit	Uses MPU's that were last updated in the mid 80's	Formulated annually based on current utilization
Workload	Uses National Office projections	Uses projections by National Office confirmed by the States
Travel Positions	Provided annually by States, but no prescribed formula	Formulated annually based on current need of State
Support Positions	Use prescribed formula based on percent of other staff	Use prescribed formula based on percent of other staff and need defined by State
AS&T Positions	Uses percent add on based on historical data for each State	Formulated annually based on current need of State
NPS	Uses cost per position based on historical data with some annual increases	Formulated annually based on current need of State
Additional Funding	Limited to remote claims activity	Enhancement can be requested for a budget item where States can demonstrate a legitimate need
Determination of Need	Limited input from States	Source data submitted annually by States; validated and reviewed by Regional/National Offices
External Review	None	Focused review enabled by RJM analysis