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| EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210 | CLASSIFICATION UI |
| | CORRESPONDENCE SYMBOL OUI/DFAS |
| | DATE January 5, 2012 |

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 12-11

TO: STATE WORKFORCE ADMINISTRATORS
UNEMPLOYMENT INSURANCE DIRECTORS

FROM: JANE OATES
Assistant Secretary



SUBJECT: \$500 Million Special Distribution under the American Recovery and Reinvestment Act (Recovery Act)

1. **Purpose.** To strongly encourage states to expend their allotment from the \$500 million special distribution under the Recovery Act as quickly as feasible and prudent in accordance with the intent of the Recovery Act to preserve and create jobs and promote economic recovery.
2. **References.**
 - The Assistance for Unemployed Workers and Struggling Families Act, Title II of Division B of Public Law No. 111-5, enacted February 17, 2009;
 - Unemployment Insurance Program Letter (UIPL) No. 14-09, *Special Transfers for Unemployment Compensation Modernization and Administration and Relief from Interest on Advances*; and
 - Office of Inspector General (OIG) report 18-10-012-03-315, *Recovery Act: More Than \$1.3 Billion in Unemployment Insurance Modernization Incentive Payments Are Unlikely to Be Claimed By States*, issued September 30, 2010.
3. **Background.** Section 2003(g) under Subtitle A of the Assistance for Unemployed Workers and Struggling Families Act provided each state a share of \$500 million based on each state's proportionate share of Federal Unemployment Tax Act taxable wages paid in 2007. States were to use the funds for the following purposes:
 - Implementing and administering the provisions of state law that qualify the state for the Unemployment Insurance (UI) Modernization money;
 - Improved outreach to individuals who might be eligible by virtue of these provisions;
 - The improvement of Unemployment Compensation (UC) benefit and tax operations, including responding to increased demand for UC; and
 - Staff-assisted reemployment services for UC claimants.
4. **Discussion.** Critical objectives of the Recovery Act were to preserve and create jobs, promote economic recovery, and assist those most impacted by the recession. From the time

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| RESCISSIONS None | EXPIRATION DATE Continuing |
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of the passage, all recipients of Recovery Act funds have been either required or strongly encouraged to expend the funds quickly. To that end, all Recovery Act related expenditures have been tracked closely and reported to the Office of the Vice President to help assess their economic impact.

Data as of November 26, 2011, show that only \$170.6 million of the \$500 million, or slightly over one-third of the funds, have been expended by states from their accounts in the Unemployment Trust Fund. The data also show that 16 states have not drawn down any of the funds. The significant amount of unexpended funds is of concern because they are not moving quickly enough into the economy to support the critical objectives of the Recovery Act.

The uses of these funds are flexible and states should examine how they can be used most effectively to address important programmatic needs that should be addressed as quickly as possible, such as improving information technology infrastructure, addressing staff shortages in the UI program that are causing states to fail performance standards and creating backlogs, improving program integrity, and building capacity to deliver reemployment services to UC claimants. States choosing to use these funds for technology upgrades are encouraged to examine their contracts with technology vendors to determine if more frequent invoicing is feasible to speed expenditures of these funds.

It is the intent of the Employment and Training Administration to seek approval from the Office of Management and Budget to require states to develop spending plans for these funds within the next few months. In the interim, states are strongly encouraged to expend these funds as quickly and prudently as feasible. The Employment and Training Administration will closely monitor progress in the use of the funds and will report periodically to interested stakeholders.

5. **Action Requested.** State administrators should distribute this advisory to appropriate staff and ensure proper and expeditious use of the funds.
6. **Inquiries.** Questions should be addressed to your Regional Office.