

**State of Alaska
FY2004 Governor's Operating Budget**

**Department of Labor and Workforce Development
Unemployment Insurance
Component Budget Summary**

Component: Unemployment Insurance

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Component Mission

Exceed the expectations of Alaskan employers, workers and job seekers by providing a safety net during periods of involuntary unemployment.

Component Services Provided

- 1) Benefit payments:
 - Provide partial income replacement (in CY2001 Alaska was at 28.5% of the average weekly wage) to insured workers during periods of unemployment.
 - Provide a convenient and efficient means for clients to apply for Unemployment Insurance (UI) benefits.
 - Provide due process rights when determining program eligibility and require an independent tribunal to hear and decide appeals of eligibility determinations.
 - Secure Federal Unemployment Tax Act (FUTA) credits for Alaskan employers by remaining in compliance with federal law. Employers receive credit allowances against the federal unemployment tax for contributions paid into an approved state unemployment fund. Compliance results in an employer tax rate of .8% instead of 6.2% of the first \$7,000 of covered wages.
 - Reduce the duration of unemployment benefits claimed by accurately registering workers in a job matching system and enforcing participation in reemployment services to return displaced Alaskan workers to employment.
- 2) Revenue Collection:
 - Classify employers who may be required to contribute to the Alaska UI Trust fund and determine employer tax rates under a statutory based experience-rating system.
 - Collect contributions from employers for the payment of unemployment benefits.
 - Maintain accounting records of all contributions submitted by employers and deposit contributions into the Alaska UI Trust Fund as required by state and federal statutes.
 - Apply statutory liens, levies and judgments when employers do not comply with state law.
 - Ensure the review of the revenue generating mechanism to maintain the trust fund solvency.
 - Work with and educate employers on how to meet the UI tax requirements and where applicable, how to reduce tax rates.
- 3) Program Integrity:
 - Protect the UI Trust Fund by preventing, detecting and recovering UI benefit overpayments and by conducting audits.
 - Investigate UI fraud, issue administrative fraud determinations, and prepare fraud cases for criminal prosecution.
 - Manage overpayment recovery activities and maintain overpayment records.

Component Goals and Strategies

- 1) Improve on the accuracy and the amount of time it takes to register an employer in the UI tax system.
 - Develop and implement Internet filing of new employer registrations for unemployment insurance tax purposes.
 - Reduce the number of follow up telephone calls to employers to obtain missing information or to clarify information received.
- 2) Improve service to customers through timeliness, convenience and accuracy of data submission.
 - Develop web-based interface for receiving quarterly contribution report data electronically.
- 3) Provide internal customers at all levels of the program with more accessible and user friendly program resources by converting benefit policy manuals to a web-based format.
 - Convert benefit policy manuals to a web-based format.

- 4) Redesign of UI Tax System
 - Continue multi-year capital improvement project to replace obsolete Tax computer system to enhance timeliness and accuracy of employer account maintenance and management.
 - Provide on-going resources to ensure that staff will be available for the long-term commitment.
- 5) Improve employers' compliance with Federal and State tax mandates.
 - Continue customer outreach programs, employer workshops, quarterly newsletters and expansion of information available to employers on Internet site to assist in proper reporting and compliance with contribution requirements.
- 6) Improve delivery of unemployment insurance services through renewed emphasis on performance standards and staff development.
 - Participate in the current strategic plan for the Employment Security Division based on self-assessment, using the Baldrige Criteria for Performance Excellence.
 - Implement performance standards for frontline staff based on Benefits, Timeliness and Quality (BTQ) methodology.
 - Implement 4-phase, 18 month Employment Specialist New Hire training curriculum providing the new hire with consistent, comprehensive program training.
 - Continue an effort to develop an employee needs assessment to determine strengths and areas of opportunity.
 - Disseminate program agendas to employee groups for input and implement action plans to respond to targeted needs.
- 7) Build and strengthen partnerships with the ES and JT programs.
 - Provide training to the UI call centers to familiarize UI claim examiners with their role in the profiling process and improve the accuracy of Employment Service registration coding.
 - Provide training to front-line staff to include familiarization of partner services available to all UI claimants in the job centers.
 - Enhance our cross marketing efforts informing UI claimants of the availability of employment services, and job training program opportunities.
 - Increase the number of UI claimants receiving an orientation to reemployment and job center services through the WPRS/UIRS program.
 - Increase the number of UI eligible claimants with active ES registrations that receive job search activity assistance.

Key Component Issues for FY2003 – 2004

1) The Resource Justification Model (RJM) budget formulation process was implemented in February 2002. The data gathered was used in a weighted formula to determine state specific budget requirements and how funds will be distributed among states. Due to Alaska's large geographical area and small population base the cost ratio per benefit payment is higher than many other more densely populated states. Since Alaska does not experience the economies of scale that other states do, sufficient administrative funding for the state is at risk. The results of the RJM were applied for the first time when the federal FY 2003 grant budget was developed. The loss of \$1.4 million from the FFY 2002 funding level may leave the program with insufficient resources to meet anticipated UI operating expenses.

2) The UI/ES Reform effort is still active at the national level. The current proposal seeks to reduce FUTA taxes by 75%, with the responsibility of funding the administration of ES and UI turned over to the state. The proposal allows for a transition period during which qualifying states could receive partial federal funding. After the initial transition period, there is no assurance of future funding and states would be left to their own devices for raising revenue to replace the lost federal funding.

3) The division will continue the multi-year project of developing an automated process to timely transfer the wage data used to establish UI claims to and from other states. This includes implementing an electronic federal wage request form to increase the speed at which Unemployment Compensation for Federal Employee (UCFE) and Ex-military member (UCX) wage data is requested and received from participating Federal employer agencies.

Major Component Accomplishments in 2002

- 1) Unemployment Insurance benefits totaling \$132,499,573, including \$7,910,465 in Temporary Extended Unemployment Compensation (TEUC), were paid to 54,532 insured workers.

- 2) The solvency of the Alaska UI Trust Fund was maintained.
 - 66,747 contribution reports from employers were processed.
 - \$129,161,865 was deposited into the UI Trust Fund.
- 3) Over \$3.3 million was collected in benefit overpayments. Of this total, \$1,388,822 was recovered through PFD levy requests submitted to the Department of Revenue. This resulted in 1,485 overpayment accounts being paid in full and an improvement in the fraud recovery rate from 47.9% in March 2001 to 80.1% in March 2002.
- 4) The division educated employers through workshops, newsletters and audits of various ways to reduce their tax rates. Through this effort 580 employers received refunds totaling \$784,353 with an average refund of \$1,352.
- 5) Biannual customer surveys were conducted.
 - The results of one of the biannual customer surveys conducted (including interstate claimants) showed 98% responding that overall service was adequate or better.
 - The second biannual customer survey queried only TEUC claimants. Despite longer than normal wait times due to the volume of calls received, 95% responded that overall service was adequate or better,
- 6) \$4,556,481 was collected and deposited into the State Training Employment Program Account.
- 7) The Quality Control (QC) unit completed its first year of auditing Denied Claims Accuracy (DCA) and interstate liable claims. The addition of 450 cases to the QC workload required development of and training on new processes for unit staff. Results of these audits will be an important tool in identifying areas of potential improvement and assessing the training needs of front-line staff.
- 8) Performance standards for the Employment Specialist I's were developed and are being implemented. The standards place emphasis on the quality of service provided.
- 9) The division expanded marketing efforts to include informing customers about partner services in the One-Stop, AJCN, and WIA.

Statutory and Regulatory Authority

- 1) Federal
 - Federal/State Extended Unemployment Compensation Act
 - 5 U.S.C. Sec. 8501-8525
 - Federal Unemployment Tax Act
 - Social Security Act: Titles III, IX, XI, and XII
 - Public Law 107-147
 - Title 20 CFR, Chapter V
- 2) State
 - AS 23.20
 - 8 AAC 85

Unemployment Insurance
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	11,876.5	12,957.8	12,861.3
72000 Travel	372.0	421.2	421.2
73000 Contractual	3,718.8	3,749.0	4,290.1
74000 Supplies	399.0	659.1	659.1
75000 Equipment	125.9	201.4	201.4
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	16,492.2	17,988.5	18,433.1
Funding Sources:			
1002 Federal Receipts	16,187.2	17,505.1	17,846.7
1007 Inter-Agency Receipts	189.1	358.4	486.4
1054 State Employment & Training Program	115.9	125.0	0.0
1108 Statutory Designated Program Receipts	0.0	0.0	100.0
Funding Totals	16,492.2	17,988.5	18,433.1

Unemployment Insurance

Proposed Changes in Levels of Service for FY2004

- 1) Increase the number of unemployment insurance claimants receiving reemployment services, thus increasing the number of UI claimants returning to work and shortening their duration of unemployment insurance benefit payments.
- 2) Increase convenience to the employer and improve data quality through design and implementation of Internet filing of new employer registrations and quarterly contribution reports.

Summary of Component Budget Changes

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	0.0	17,505.1	483.4	17,988.5
Adjustments which will continue current level of service:				
-Transfer 6 PFT from Unemploy Ins to Emp Svcs for Technology Support Services Unit ADN 0731017	0.0	-333.7	0.0	-333.7
-Annualize FY2003 COLA Increase for General Government and Supervisory Bargaining Units	0.0	145.0	3.0	148.0
-Transfer 1 PFT (PCN 07-5286) from Unemployment Insurance to Job Training Programs	0.0	-45.5	0.0	-45.5
-Transfer 1 PFT (PCN 21-3114) from Unemployment Insurance to Data Processing	0.0	-79.4	0.0	-79.4
-Transfer 1 PFT (PCN 07-5717) from Data Processing to Unemployment Insurance	0.0	79.4	0.0	79.4
-Transfer excess Fed Auth from Emp Svcs to Unemploy Ins for Add'l Fed Grant Funds ADN 0731011	0.0	500.0	0.0	500.0
-Transfer Statutory Designated Program Receipt Authorization from Employ Svcs to Unemploy Insurance	0.0	0.0	100.0	100.0
-Transfer 1 PFT (PCN 07-5695) from Employment Services to Unemployment Insurance	0.0	75.8	0.0	75.8
-Transfer State Train & Employ Program Funds from Unemployment Insurance to Business Services	0.0	0.0	-125.7	-125.7
Proposed budget increases:				
-Increase I/A Authorization to Offset Transfer of STEP Funding to Business Services	0.0	0.0	125.7	125.7

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Governor	0.0	17,846.7	586.4	18,433.1

Unemployment Insurance
Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	198	193	Annual Salaries	9,878,834
Part-time	37	38	Premium Pay	0
Nonpermanent	1	0	Annual Benefits	3,602,153
			<i>Less 4.60% Vacancy Factor</i>	(619,687)
			Lump Sum Premium Pay	0
Totals	236	231	Total Personal Services	12,861,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Spvr II	0	0	2	0	2
Accounting Tech I	2	1	8	0	11
Accounting Tech II	0	0	5	0	5
Accounting Tech III	0	0	1	0	1
Administrative Assistant	1	0	2	0	3
Administrative Clerk II	0	0	5	0	5
Administrative Clerk III	4	1	4	0	9
Appeals Referee II	3	0	2	0	5
Appeals Referee III	1	0	0	0	1
Asst Dir Employ Security	0	0	1	0	1
Employ Sec Analyst I	1	1	2	0	4
Employ Sec Analyst II	0	0	9	0	9
Employ Sec Analyst III	0	0	10	0	10
Employ Sec Spec IA	3	3	14	0	20
Employ Sec Spec IB	38	7	22	0	67
Employ Sec Spec II	6	1	4	0	11
Employ Sec Spec III	6	1	4	0	11
Employ Sec Spec IV	0	0	2	0	2
Employment Service Manager II	0	1	0	0	1
Employment Service Mgr IV	1	0	1	0	2
Field Auditor I	7	2	1	2	12
Field Auditor II	1	1	1	0	3
Investigator II	3	1	1	0	5
Investigator III	1	0	0	0	1
Microfilm Equip Op I	0	0	1	0	1
Microfilm Equip Op II	0	0	1	0	1
Prog Coordinator	0	0	5	0	5
Spvr Audit Operations	0	0	1	0	1
Supvr, Unempl Ins Tax	0	0	1	0	1
Unem Ins Qtl Contl Audit	3	1	2	0	6
Unem Quality Contl Supervisor	0	0	1	0	1
Unemployment Ins Spec II	0	0	12	0	12
Unemployment Ins Spec III	0	0	2	0	2
Totals	81	21	127	2	231