

**State of Alaska**  
**FY2003 Governor's Operating Budget**

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

## Component: Unemployment Insurance

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### Component Mission

To 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 (currently at 28.7% of Alaska's 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 judgements 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, discouraging, detecting and recovering UI benefit overpayments and by conducting audits.
- Investigate UI fraud, issue administrative fraud determinations, and prepare fraud cases for state criminal prosecution.
- Manage overpayment recovery activities and maintain overpayment records.
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### Component Goals and Strategies

1) As stated in the Division's Strategic Plan, increase the weekly benefit payment. It remains our intention to request an increase of the weekly benefit amount that would equate to 50% of average weekly wage replacement.

2) Also as outlined in the Strategic Plan, a telephonic employer registration will be created and implemented for unemployment insurance tax purposes.

- To establish baseline data on the current number of paper registration forms received with incomplete information requiring follow up action to measure improvement on the registration process.
- Improve on the amount of time it takes to completely register an employer and input employer information into our
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tax system.

Improve on the accuracy of information obtained from employers who are registering.

- Reduce the number of follow up telephone calls to employers to obtain missing information or to clarify information received.

3) Enhance program performance by providing staff with improved resources.

Provide internal customers at all levels of the program with easy access to the Intranet resource library. This library includes reference materials, frequently used forms, archived program changes, event calendars, resource sites and manager meeting minutes.

4) Redesign of 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.

5) Monitor employers' compliance with Federal and State tax mandates.

- Continue customer outreach programs, employer workshops, quarterly newsletters and expansion of Internet site to assist in proper reporting and compliance with contribution requirements.

6) Improve delivery of unemployment insurance services through renewed emphasis on continuous improvement and staff development.

- Participate in implementing the outlined strategic plan for the Employment Security Division based on self-assessment, using the Baldrige Criteria for Performance Excellence.

### **Key Component Issues for FY2002 – 2003**

1) Improve employee development by implementing a comprehensive training program aimed at increasing program knowledge.

Develop an employee needs assessment to determine strengths and areas of opportunity.

- Design and implement course agendas to respond to targeted needs.
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2) Provide on-going resources to the tax redesign project to ensure that staff will be available for the long-term commitment. Several full-time staff members are committed to this project, in addition to their regular workload.

3) The Resource Justification Model (RJM) budget formulation process will be implemented in February 2002 and begin gathering data. The data will be 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 will be applied for the first time when the federal FY 2004 grant budget is developed.

4) Continue in the development of an automated process to timely transfer wage data to and from other states. Implementing an electronic federal wage request form to increase the speed at which Unemployment Compensation for Federal Employee (UCFE) wage data is requested and received from participating Federal employer agencies, in order to establish UI claims for former federal employees.

5) Increase recovery of fraud and non-fraud overpayments from claimants residing outside Alaska.

6) The UI/ES Reform effort is still active at the national level. If passed by Congress, it should provide for full and mandatory funding of the state administration of the UI and ES programs and technical provisions that would improve substantially the administration of these programs.

## Major Component Accomplishments in 2001

- 1) Unemployment Insurance benefits totaling \$114,355,009 were paid to 51,074 insured workers.
- 2) The solvency of the Alaska UI Trust Fund was maintained.
  - 62,135 contribution reports from employers were processed.
  - \$129,819,068 was deposited into the UI Trust Fund.
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- 3) Major enhancements were made to the Voice Response System (IVR). The added features and refined script makes it easier for customers to access their account, verify check status, report earnings and make address changes.
- 4) 3,043 PFD levy requests were submitted to the Department of Revenue for a total of \$3,387,406 to be applied towards fraud and non-fraud overpayments. The expected recovery will be approximately \$1.6 million. This is in addition to the \$2,333,059 collected in benefit overpayments through offset of benefits and cash collections.
- 5) Educating employers through workshops, newsletters and audits of various ways to reduce their tax rates resulted in a substantial increase in employer refunds. A total of \$1,083,099 was refunded in overpaid employer taxes.
- 6) An extensive library in the Intranet was created that includes new forms, resources, procedural updates and system alerts. The access of this information will aid in the quality of non-monetary adjudications by providing statewide consistency.
- 7) Annual and biennial customer surveys were conducted.
  - The results of the annual Alaska Employer survey showed 74% percent responding the overall quality of service received from the Tax Unit was good.
  - The results of the biennial customer surveys (including interstate claimants) showed 98% responding that overall service was adequate or better.
- 8) \$4,262,755.86 collected and deposited into the State Training Employment Program Account.
- 9) In August 2001, the Quality Control Unit implemented the Denied Claims Accuracy program. This expansion of the Quality Control effort will lead to greater program integrity. This Federal program requires an audit of an additional 450 denied cases per year. Although the caseload increased dramatically, only one additional staff was added. All of the auditors are handling an increased caseload due to this expansion. These cases will include monetary, separation and non-separation issues.

## 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
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- 2) State
  - AS 23.20
  - 8 AAC 85
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**Unemployment Insurance**  
**Component Financial Summary**

All dollars in thousands

<b>Non-Formula Program:</b>	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Component Expenditures:</b>			
71000 Personal Services	11,623.0	12,495.2	12,957.8
72000 Travel	382.0	317.2	421.2
73000 Contractual	3,085.5	4,401.0	3,749.0
74000 Supplies	353.0	291.1	659.1
75000 Equipment	387.2	563.4	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
<b>Expenditure Totals</b>	<b>15,830.7</b>	<b>18,067.9</b>	<b>17,988.5</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	15,522.1	17,616.5	17,505.1
1007 Inter-Agency Receipts	307.5	451.4	358.4
1054 State Employment & Training Program	0.0	0.0	125.0
1108 Statutory Designated Program Receipts	1.1	0.0	0.0
<b>Funding Totals</b>	<b>15,830.7</b>	<b>18,067.9</b>	<b>17,988.5</b>

**Estimated Revenue Collections**

<b>Description</b>	<b>Master Revenue Account</b>	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2002 Cash Estimate</b>	<b>FY2003 Governor</b>	<b>FY2004 Forecast</b>
<b>Unrestricted Revenues</b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>						
Federal Receipts	51010	15,522.1	17,616.5	17,139.1	17,505.1	17,505.1
Interagency Receipts	51015	307.5	451.4	451.4	358.4	358.4
Statutory Designated Program Receipts	51063	1.1	0.0	0.0	0.0	0.0
State Employment and Training Program	51394	0.0	0.0	125.0	125.0	125.0
<b>Restricted Total</b>		<b>15,830.7</b>	<b>18,067.9</b>	<b>17,715.5</b>	<b>17,988.5</b>	<b>17,988.5</b>
<b>Total Estimated Revenues</b>		<b>15,830.7</b>	<b>18,067.9</b>	<b>17,715.5</b>	<b>17,988.5</b>	<b>17,988.5</b>

## Unemployment Insurance

### Proposed Changes in Levels of Service for FY2003

- 1) Enhance quality service to clients, create and implement a comprehensive employee development and career enhancement program.
- 2) Increase the number of unemployment insurance claimants receiving reemployment services, thus increasing the number of UI claimants returning to work.
- 3) Improve timeliness in payment of unemployment compensation for ex-service members by implementing programming for data transfer.
- 4) Implement telephonic registration which will reduce the time it takes to completely and correctly register an employer. This will benefit employers by substantially decreasing the follow up required on incomplete paper registration forms.

### Summary of Component Budget Changes

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>17,616.5</b>	<b>451.4</b>	<b>18,067.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	311.6	7.0	318.6
-Transfer 1 PFT from Employment Services to Unemployment Insurance program	0.0	54.4	0.0	54.4
-Transfer STEP Auth from Job Training Programs to Unemployment Insurance ADN 0721020	0.0	0.0	125.0	125.0
-Transfer Federal Auth from Unemployment Insurance to Employment Services ADN 0721013	0.0	-477.4	0.0	-477.4
<b>Proposed budget decreases:</b>				
-Decrease I/A authority in Unemployment Insurance	0.0	0.0	-100.0	-100.0
<b>FY2003 Governor</b>	<b>0.0</b>	<b>17,505.1</b>	<b>483.4</b>	<b>17,988.5</b>

**Unemployment Insurance**  
**Personal Services Information**

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	196	198	Annual Salaries	9,811,984
Part-time	40	37	COLA	220,200
Nonpermanent	1	1	Premium Pay	1,143
			Annual Benefits	3,606,016
			<i>Less 5.00% Vacancy Factor</i>	(681,545)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>237</b>	<b>236</b>	<b>Total Personal Services</b>	<b>12,957,798</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Spvr I	0	0	3	0	3
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	2	1	1	0	4
Accounting Tech II	0	0	2	0	2
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
College Intern I	0	0	1	0	1
Employ Sec Analyst I	2	0	3	0	5
Employ Sec Analyst II	0	0	6	0	6
Employ Sec Analyst III	0	0	8	0	8
Employ Sec Spec IA	1	0	1	0	2
Employ Sec Spec IB	42	10	35	0	87
Employ Sec Spec II	5	1	4	0	10
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	2	2	13
Field Auditor II	1	1	1	0	3
Investigator II	3	1	1	0	5
Investigator III	1	0	0	0	1
Micro/Network Tech I	1	1	3	0	5
Microfilm Equip Op I	0	0	1	0	1
Microfilm Equip Op II	0	0	1	0	1
Prog Coordinator	0	0	4	0	4
Spvr Audit Operations	0	0	1	0	1
Status Examiner I	0	0	10	0	10
Supvr, Unempl Ins Tax	0	0	1	0	1
Unem Ins Qtl Contl Auditr	3	1	2	0	6
Unem Quality Contl Supervisor	0	0	1	0	1
Unemp Ins Support Svcs Mgr	0	0	1	0	1
Unemployment Ins Spec II	0	0	12	0	12
Unemployment Ins Spec III	1	0	1	0	2
<b>Totals</b>	<b>85</b>	<b>21</b>	<b>128</b>	<b>2</b>	<b>236</b>