

State of Alaska
FY2006 Governor's Operating Budget

Department of Labor and Workforce Development
Unemployment Insurance
Component Budget Summary

Component: Unemployment Insurance

Contribution to Department's Mission

The Unemployment Insurance program contributes to the department's mission by keeping skilled workers in Alaska and fueling the economy during periods of economic downturn.

Core Services

Provide a convenient and efficient means for clients to apply for Unemployment Insurance (UI) benefits to provide partial income replacement during periods of unemployment. 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.

Secure Federal Unemployment Tax Act (FUTA) credits for Alaskan employers by remaining in compliance with federal law. Employers receive 90% credit allowances against the federal unemployment tax. Continued compliance results in an employer tax rate of .8% instead of 6.2% of the first \$7,000 of covered wages.

Classify employers required to contribute to the Alaska UI Trust fund and determine employer tax rates under a statutory experience-rating system. Collect UI Taxes from employers for the payment of unemployment benefits. Work with and educate employers on how to meet the UI tax requirements while minimizing tax rates.

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 and ensure the trust fund solvency is maintained by reviewing UI tax rate calculations with the Trust Fund Solvency Adjustment (TFSA) formula. The TFSA is a surcharge, or credit, applied to employer tax rates, according to statutory schedule, based on the trust fund reserve rate.

Protect the UI Trust Fund by preventing and recovering UI benefit overpayments, conducting audits, investigating UI fraud, and preparing fraud cases for criminal prosecution.

Maintain accuracy of benefit payments and tax operations with a standardized quality control methodology.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$19,634,300	Personnel:	
	Full time	186
	Part time	44
	Total	230

Key Component Challenges

The UI administrative federal grant has decreased in the last two years due to a recent change in funding formulas. To offset some of the funding shortfall, UI will request use of existing federal Reed Act funds to support the FY2006 cost increases related to personal service benefits, health care, state bargaining unit contracts, leases, and technology investments. Even with the use of federal Reed Act funds this budget includes a decrement to federal authorization of \$580.0.

The Unemployment Insurance office will pursue legislation to address penalty monies collected by the Benefit Payment Control (BPC) unit. This legislation will be a proposal to amend Alaska Statute to incorporate penalty monies, collected

for fraudulent overpayments of unemployment insurance (UI) benefits, into the training and building fund. The funds will be used to increase collection efforts. Currently, penalty monies are allocated to the State's General Fund.

The United States Congress passed H.R. 3463 on July 22, 2004, amending the Social Security Act with respect to administration of unemployment taxes and benefits. H.R. 3463 requires states to amend their unemployment insurance compensation laws to limit the practice of State Unemployment Tax Act (SUTA) dumping by employers and to provide for civil and criminal penalties for those caught in violation of the law. Through SUTA dumping schemes, employers evade UI taxes by moving groups of employees from a company that has a high UI tax rate to a related company that has a lower UI tax rate. SUTA dumping also occurs when employers begin business by purchasing an existing company that has a low tax rate and then discontinues the purchased enterprise to evade the higher beginning tax rate for new companies. Alaska law currently restricts SUTA dumping but does not provide for criminal and civil penalties. As a result, the UI Program will propose legislation to provide for SUTA dumping penalties and to comply with H.R. 3463.

Significant Changes in Results to be Delivered in FY2006

Unemployment Insurance (UI) will continue development of an Internet based initial claims application intended to reduce the workload of staff and provide savings in operation costs. Implementation is scheduled for the second quarter of FY2006.

Implementation of connectivity between the Social Security Administration and the Alaska Department of Labor and Workforce Development to verify social security numbers of all UI benefit claimants will facilitate the reduction of benefit overpayments and fraudulent claims. The interface will strengthen internal security, maintain integrity of the UI database, and strengthen the department's ability to protect the UI Trust Fund.

The UI Benefits Interactive Voice Response (IVR) system will undergo a hardware upgrade so that future upgrades will only require new, additional software. The move from Windows NT to Windows 2000 will provide the platform for future enhancements like Natural Language Speech Recognition (NLSR), faxback, wireless, and a host of other features. The result will be an increase in IVR services available to UI claimants, reduction in the need for call center staff intervention, and the ability to allocate staff resources to other important tasks.

UI received funding through federal Unemployment Insurance Remote System (UIRS) grants to address informational technology security, security risk assessment, and Social Security Administration cross-match functionality.

Major Component Accomplishments in 2004

Unemployment Insurance benefits totaling \$162.5 million were paid to 61,511 insured workers. This is a decrease of \$219,312 from last year.

Employers continue to file their quarterly contribution reports online. A total of 8,155 reports were filed online in FY04 compared to 3,657 in FY03.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$3.3 million in benefit overpayments. Of this total, \$948,000 was recovered through PFD levy requests submitted to the Department of Revenue. Of the \$6.4 million in detected and established overpays, 51% has been recovered. A total of \$489,091 in collected penalties and interest from fraud cases was deposited into the State's General Fund.

Audits find that approximately 92.3% of all Alaska regular UI benefits were paid correctly. This rate is higher than the national average of 90.7%.

UI Call Centers continued to maintain the high quality of customer service despite experiencing a very heavy workload. Biannual customer surveys were conducted and 99% responded that overall service was adequate or better. This far exceeds the federal benchmark of 90%.

Statutory and Regulatory Authority

Federal Authority:

5 USC Sec. 8501 – 8525

Unemployment Compensation for Federal and Military Employees

26 USC Chapter 23	Federal Unemployment Tax Act
26 USC Chapter 25	General Provisions Relating to Employment Taxes
Social Security Act Title III	Grants to States for Unemployment Compensation Administration
Social Security Act Title IX	Miscellaneous Provisions Relating to Employment Security
Social Security Act Title XI	General Provisions, Peer Review, and Administrative Simplification
Social Security Act Title XII	Advances to State Unemployment Funds
Public Law 93 – 618	Trade Act of 1974
Public Law 103 – 152	Mandatory Profiling of UI Claimants
Public Law 107 – 147	Temporary Extended Unemployment Compensation Act of 2002
Public Law 107 – 210	Trade Adjustment Assistance Reform Act of 2002
Title 20 CFR, Chapter V	Employment and Training Administration

Statutory Authority:
AS 23.20

Alaska Employment Security Act

Administrative Regulations:
8 AAC 85

Employment Security

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**Unemployment Insurance
Component Financial Summary**

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	12,382.4	13,482.1	14,052.7
72000 Travel	120.0	180.0	130.0
73000 Services	3,020.7	5,735.2	5,126.7
74000 Commodities	176.1	270.0	283.5
75000 Capital Outlay	0.0	51.4	41.4
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	15,699.2	19,718.7	19,634.3
Funding Sources:			
1002 Federal Receipts	15,430.7	19,115.3	19,094.3
1007 Inter-Agency Receipts	268.5	503.4	515.0
1108 Statutory Designated Program Receipts	0.0	100.0	25.0
Funding Totals	15,699.2	19,718.7	19,634.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	15,430.7	19,115.3	19,528.1
Interagency Receipts	51015	268.5	503.4	524.8
Statutory Designated Program Receipts	51063	0.0	100.0	25.0
Restricted Total		15,699.2	19,718.7	20,077.9
Total Estimated Revenues		15,699.2	19,718.7	20,077.9

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	19,115.3	603.4	19,718.7
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	0.0	126.4	2.9	129.3
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	394.8	8.7	403.5
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	37.8	0.0	37.8
Proposed budget decreases:				
-Decrease Federal Authorization to be Offset by the Addition of Federal Reed Act Authorization	0.0	-1,999.6	0.0	-1,999.6
-Decrease Authorization to Align with Anticipated Receipts	0.0	-580.0	-75.0	-655.0
Proposed budget increases:				
-Add Federal Reed Act Authorization to Offset Federal Grant Reductions	0.0	1,999.6	0.0	1,999.6
FY2006 Governor	0.0	19,094.3	540.0	19,634.3

**Unemployment Insurance
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2005</u>	<u>FY2006</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	186	186	Annual Salaries	10,018,091
Part-time	45	44	COLA	157,546
Nonpermanent	4	1	Premium Pay	0
			Annual Benefits	5,331,197
			<i>Less 6.27% Vacancy Factor</i>	<i>(972,734)</i>
			Lump Sum Premium Pay	0
Totals	235	231	Total Personal Services	14,534,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Spvr II	0	0	2	0	2
Accounting Tech I	2	1	9	0	12
Accounting Tech II	1	0	5	0	6
Accounting Tech III	0	0	1	0	1
Administrative Assistant	1	1	1	0	3
Administrative Clerk II	1	0	5	0	6
Administrative Clerk III	2	0	4	0	6
Administrative Manager I	0	0	1	0	1
Appeals Referee I	1	0	1	0	2
Appeals Referee II	2	0	1	0	3
Appeals Referee III	1	0	0	0	1
Employ Sec Analyst I	0	0	2	0	2
Employ Sec Analyst II	1	1	7	0	9
Employ Sec Analyst III	0	0	11	0	11
Employ Sec Spec IA	12	2	13	0	27
Employ Sec Spec IB	30	8	21	0	59
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 Mgr III	0	1	0	0	1
Employment Service Mgr IV	1	0	1	0	2
Field Auditor I	7	2	2	1	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
Paralegal I	1	0	0	0	1
Prog Coordinator	0	0	4	0	4
Spvr Audit Operations	0	0	1	0	1
Student Intern III	0	0	1	0	1
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	0	0	2	0	2

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Totals	83	21	126	1	231