

State of Alaska
FY2007 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

The Unemployment Insurance (UI) program assesses and collects employer contributions for deposit into the UI Trust Fund and pays UI benefits to workers who are temporarily unemployed.

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.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$20,969,800	Personnel:	
	Full time	187
	Part time	44
	Total	231

Key Component Challenges

The UI administrative federal grant has continuously decreased over the last three years due to changes in funding formulas by a total of \$1.13 million. To offset some of the funding shortfall, UI will request use of existing federal Reed Act funds to support the FY2007 cost increases related to personal service benefits, health care, state bargaining unit contracts, leases, and technology investments.

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. Alaska law currently restricts SUTA dumping but does not provide for criminal and civil penalties. HB 242 was introduced in April 2005 and ESD will suggest amendments that will bring our state law into compliance with federal law.

Significant Changes in Results to be Delivered in FY2007

The first phase of Internet based initial claims was introduced in October 2006. Claims are accepted 24 hours a day, 7 days a week. Additional phases of the project will include online gathering of eligibility information, Electronic Funds Transfer (EFT) payments and filing of bi-weekly claims. Internet based initial claims will continue to reduce the workload of staff and provide savings in operation costs.

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.

Several projects are underway to prevent, discourage, detect and recover benefit overpayments. These projects include:

Upgrades to the Benefits, Audit, Reporting and Tracking System (BARTS) to improve the cross-match audit program.

Incarceration cross-match with the Department of Corrections. This query data will check for UI claimants who are incarcerated during the weeks they filed for benefits.

A method to accept credit card payments for overpays.

Upgrade to the National Directory of New Hire. This will help detect overpayments and fraud earlier than quarterly cross-match.

Two new federal grants were awarded to the UI program. \$300.0 was awarded to provide the UI program the capability to produce reports and queries to detect identity theft. In addition, \$150.0 was received to develop an operational security plan which defines and documents security controls that can prevent and/or minimize security incidents.

Work continues on hardware upgrades to the UI Benefits Interactive Voice Response (IVR) system so that future upgrades will only require new or additional software. The move from Windows NT to Windows 2000 will provide the platform for future enhancements like Natural Language Speech Recognition, 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 program will begin early development of a document management system to be put into production in late 2006. UI program staff will scan documents for PDF format to replace the existing microfilm process. This process will streamline document workflow and cut costs of microfilming.

Major Component Accomplishments in 2005

Unemployment Insurance benefits totaling \$123.3 million were paid to 53,607 insured workers. This is a small decrease of \$39.2 from last year.

Employers continue to file their quarterly contribution reports online. A total of 10,473 reports were filed online in FY05 compared to 8,155 in FY04. Additional phases of online services for Alaska employers were available in August 2005. These services help businesses compile, calculate, submit and pay through electronic fund transfers (EFT), quarterly contribution reports over the internet. Employers can receive ready access to their tax account information and perform a variety of transactions. Since implementation in August, over \$1.5 million has been collected through EFT.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$2.7 million in benefit overpayments. Of this total, \$1.2 million was recovered through PFD levy requests submitted to the Department of Revenue. Of the \$5.2 million in detected and established overpays, 52% has been recovered. A total of \$500.7 in collected penalties and interest from fraud cases was deposited into the State's General Fund.

UI Call Centers continued to maintain the high quality of customer service despite experiencing a very heavy workload. Biannual customer surveys were conducted and 98% 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
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Administrative Regulations:

8 AAC 85	Employment Security
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Contact Information

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Unemployment Insurance Component Financial Summary

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	13,120.9	14,534.6	15,674.8
72000 Travel	145.1	130.0	130.0
73000 Services	3,366.7	5,140.0	4,840.1
74000 Commodities	1,066.9	283.5	283.5
75000 Capital Outlay	20.1	41.4	41.4
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	17,719.7	20,129.5	20,969.8
Funding Sources:			
1002 Federal Receipts	17,357.3	19,566.3	20,388.6
1004 General Fund Receipts	0.0	13.3	13.3
1007 Inter-Agency Receipts	362.4	524.9	542.9
1108 Statutory Designated Program Receipts	0.0	25.0	25.0
Funding Totals	17,719.7	20,129.5	20,969.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	17,357.3	19,566.3	20,388.6
Interagency Receipts	51015	362.4	524.9	542.9
Statutory Designated Program Receipts	51063	0.0	25.0	25.0
Restricted Total		17,719.7	20,116.2	20,956.5
Total Estimated Revenues		17,719.7	20,116.2	20,956.5

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	13.3	19,566.3	549.9	20,129.5
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	256.8	5.6	262.4
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	37.6	0.9	38.5
-FY 07 Retirement Systems Cost Increase	0.0	480.5	10.5	491.0
Proposed budget decreases:				
-Federal Authorization to be Offset by Specific Federal Reed Act Authorization	0.0	-1,999.6	0.0	-1,999.6
Proposed budget increases:				
-Federal Reed Act Authorization that Offsets Reduction to General Federal Authorization	0.0	1,999.6	0.0	1,999.6
-Risk Management Self-Insurance Funding Increase	0.0	47.4	1.0	48.4
FY2007 Governor	13.3	20,388.6	567.9	20,969.8

**Unemployment Insurance
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	186	187	Annual Salaries	10,286,950
Part-time	45	44	COLA	278,630
Nonpermanent	4	5	Premium Pay	0
			Annual Benefits	5,995,808
			<i>Less 5.35% Vacancy Factor</i>	(886,588)
			Lump Sum Premium Pay	0
Totals	235	236	Total Personal Services	15,674,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Spvr II	0	0	2	0	2
Accounting Tech I	2	0	8	0	10
Accounting Tech II	1	0	6	1	8
Accounting Tech III	0	0	1	0	1
Administrative Assistant	1	1	1	0	3
Administrative Clerk II	1	0	3	0	4
Administrative Clerk III	2	0	4	0	6
Administrative Manager I	0	0	1	0	1
Appeals Referee I	1	0	0	0	1
Appeals Referee II	2	0	1	0	3
Appeals Referee III	1	0	0	0	1
Asst Dir Employ Security	0	0	1	0	1
College Intern I	0	0	2	0	2
Employ Sec Analyst I	0	0	2	0	2
Employ Sec Analyst II	1	1	7	0	9
Employ Sec Analyst III	0	0	12	0	12
Employ Sec Spec IA	14	3	13	0	30
Employ Sec Spec IB	27	7	25	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	0	0	1
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	2	0	2
Supvr, Unempl Ins Tax	0	0	1	0	1
Unem Ins Qtl Contl Auditr	3	1	3	0	7
Unem Quality Contl Supervisor	0	0	1	0	1

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Unemp Ins Support Svcs Mgr	0	0	1	0	1
Unemployment Ins Spec II	0	0	11	0	11
Unemployment Ins Spec III	0	0	2	0	2
Totals	82	20	132	2	236