

**State of Alaska**  
**FY2007 Governor's Operating Budget**

**Department of Labor and Workforce Development**  
**Employment Security**  
**Results Delivery Unit Budget Summary**

## Employment Security Results Delivery Unit

### Contribution to Department's Mission

The mission of the Employment Security RDU is to provide labor exchange, employment and training services, and unemployment insurance to Alaskans and Alaskan businesses thereby advancing opportunities for employment and providing economic stability for communities in Alaska.

### Core Services

Several programs comprise the Employment Security Division (ESD) RDU.

The Employment and Training Service (ETS) component provides basic labor exchange services, available to all Alaskans by matching employers with job seekers, and specialized employment and case management services for Veterans, public assistance recipients, older workers, disabled workers and unemployed workers.

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. UI claimants are provided reemployment services in order to reduce the duration of unemployment claimed and return these Alaskans to the workforce.

Through grantees, the Adult Basic Education (ABE) Program prepares Alaskans for employment by providing instruction in the basic skills of reading, writing, mathematics, and General Educational Development (GED) preparation and testing. Emphasis is given to integrating practical life skills and workplace readiness skills into instruction.

| End Results   | Strategies to Achieve Results   |
|---|---|
| <p><b>A: More Alaskans with jobs.</b></p> <p><u>Target #1:</u> Increase the percentage of Workforce Investment System participants that enter employment by 1% as compared to the previous year.</p> <p><u>Measure #1:</u> Percent of Workforce Investment System participants that enter employment.</p> | <p><b>A1: Increase the number of Alaskans who get jobs.</b></p> <p><u>Target #1:</u> Increase the number of Workforce Investment System participants who receive a staff assisted service by 500 as compared to the previous year.</p> <p><u>Measure #1:</u> Change in number of Workforce Investment System participants who received staff assisted services.</p> <p><u>Target #2:</u> Increase the number of Workforce Investment System participants by 500 as compared to the previous year.</p> <p><u>Measure #2:</u> Change in number of Workforce Investment System participants.</p> <p><u>Target #3:</u> Increase the percentage of Workforce Investment System participants who demonstrate increased basic skills knowledge (reading, writing, mathematics) by 1% as compared to the previous year.</p> <p><u>Measure #3:</u> Percent of Workforce Investment System participants who demonstrated educational gain.</p> <p><u>Target #4:</u> Increase the number of job openings placed by employers by 1,000 as compared to the previous year.</p> <p><u>Measure #4:</u> Change in the number of job openings posted on the department's labor exchange system.</p> |

| End Results  | Strategies to Achieve Results  |
|--|--|
| <p><b>B: Economic Stability.</b></p> <p><u>Target #1:</u> Maintain local purchasing power during periods of economic downturn.</p> <p><u>Measure #1:</u> Increase percent of wage replacement provided by Unemployment Insurance.</p> <p><u>Target #2:</u> Maintain local purchasing power during periods of economic downturn.</p> <p><u>Measure #2:</u> Percent of unemployed workers eligible for unemployment insurance benefits (Reciprocity rate).</p> | <p><b>B1: Improve timeliness of UI benefit payments.</b></p> <p><u>Target #1:</u> Exceed federal timeliness benchmark of 95% of initial payments within 35 days.</p> <p><u>Measure #1:</u> Percent of timely initial payments to unemployment insurance claimants.</p> |

### Major Activities to Advance Strategies

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Increase job ready registrations.</li> <li>• Increase job matching activities.</li> <li>• Provide job search skills and training.</li> <li>• Provide local labor market information.</li> <li>• Provide employment counseling.</li> <li>• Provide aptitude and interest assessments.</li> <li>• Marketing and outreach to employers.</li> <li>• Integrate employment and training services.</li> </ul> | <ul style="list-style-type: none"> <li>• Establish information and referral mechanisms with partner agencies.</li> <li>• Gather skills information from job seekers in remote areas.</li> <li>• Improve labor exchange technology.</li> <li>• Provide more front-end services.</li> <li>• Train call center personnel.</li> <li>• Develop internet initial claims.</li> <li>• Implementation of call center case management system.</li> <li>• Provide individual time management training to staff.</li> </ul> |
|---|---|

### FY2007 Resources Allocated to Achieve Results

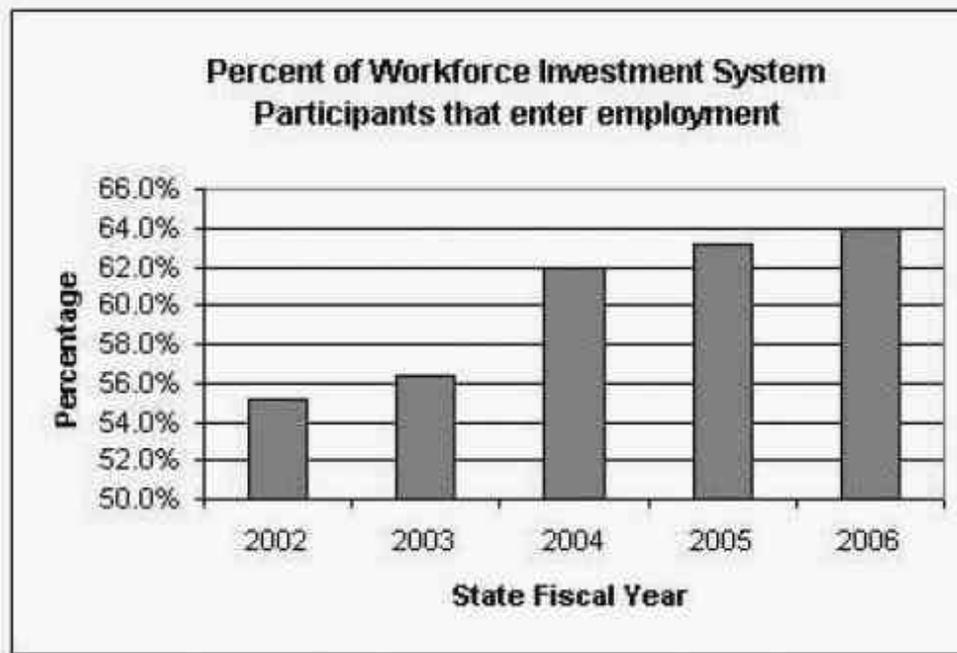
|   |  |           |     |           |    |              |            |
|---|--|-----------|-----|-----------|----|--------------|------------|
| <p><b>FY2007 Results Delivery Unit Budget: \$54,757,200</b></p> | <p><b>Personnel:</b></p> <table border="0"> <tr> <td>Full time</td> <td style="text-align: right;">442</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">46</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>488</b></td> </tr> </table> | Full time | 442 | Part time | 46 | <b>Total</b> | <b>488</b> |
| Full time   | 442  |           |     |           |    |              |            |
| Part time   | 46   |           |     |           |    |              |            |
| <b>Total</b>  | <b>488</b>   |           |     |           |    |              |            |

### Performance Measure Detail

#### A: Result - More Alaskans with jobs.

**Target #1:** Increase the percentage of Workforce Investment System participants that enter employment by 1% as compared to the previous year.

**Measure #1:** Percent of Workforce Investment System participants that enter employment.



| Fiscal Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Total |
|-------------|---------|---------|---------|---------|-----------|
| FY 2002     |         |         |         |         | 55.1%     |
| FY 2003     |         |         |         |         | 56.4%     |
| FY 2004     | 59.0%   | 60.0%   | 63.0%   | 63.0%   | 62.0%     |
| FY 2005     | 61.0%   | 63.0%   | 64.0%   | 64.0%   | 63.2%     |
| FY 2006     | 64.0%   | 0<br>0% | 0<br>0% | 0<br>0% | 64.0%     |

**Analysis of results and challenges:** The department is implementing strategies to increase the entered employment rate for Workforce Investment System participants by providing staff assisted services to more job seekers and intensifying those services that emphasize successful employment outcomes.

Update: 2006 2nd quarter data will be available February 2006.

### **A1: Strategy - Increase the number of Alaskans who get jobs.**

**Target #1:** Increase the number of Workforce Investment System participants who receive a staff assisted service by 500 as compared to the previous year.

**Measure #1:** Change in number of Workforce Investment System participants who received staff assisted services.

| Fiscal Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Total | Change  |
|-------------|---------|---------|---------|---------|-----------|---------|
| FY 2002     |         |         |         |         | 44,998    | N/A     |
| FY 2003     |         |         |         |         | 44,328    | (670)   |
| FY 2004     | 15,632  | 10,832  | 11,713  | 12,666  | 50,843    | 6,515   |
| FY 2005     | 14,318  | 11,113  | 10,663  | 13,001  | 49,095    | (1,748) |
| FY 2006     | 12,581  | 0       | 0       | 0       | 12,581    | N/A     |

**Analysis of results and challenges:** The use of self-service activities by participants will allow time for staff to

assist those customers that require our help most.

The decrease in staff assisted services from FY02 to FY03 and FY04 to FY05 is largely due to changes in USDOL's reporting requirements and measures. In addition, the decrease in FY05 is affected by a higher use of self-services by participants.

Update: 2006 2nd quarter data will be available February 2006.

**Target #2:** Increase the number of Workforce Investment System participants by 500 as compared to the previous year.

**Measure #2:** Change in number of Workforce Investment System participants.

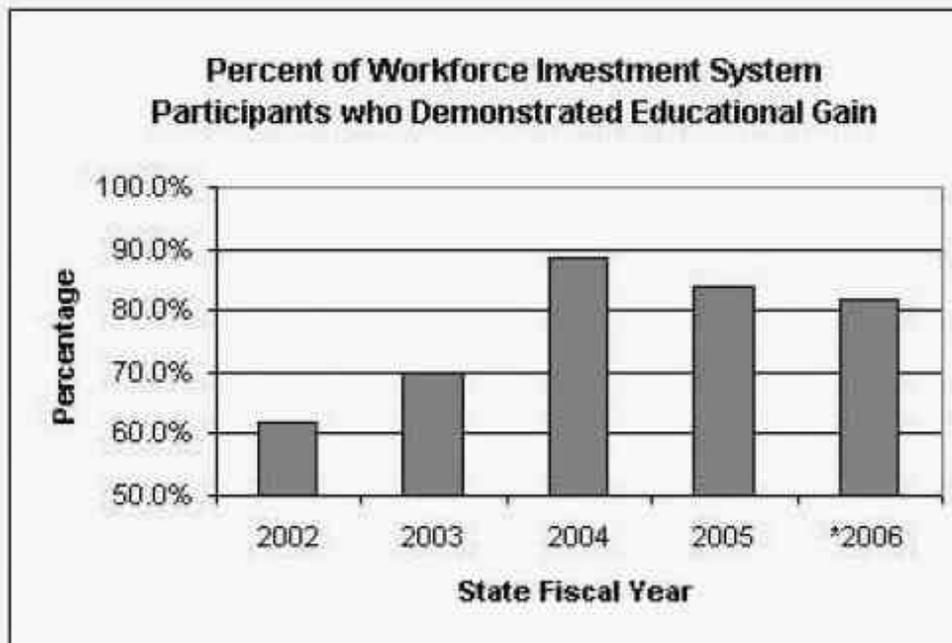
| Fiscal Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Total | Change |
|-------------|---------|---------|---------|---------|-----------|--------|
| FY 2002     |         |         |         |         | 72,595    | N/A    |
| FY 2003     |         |         |         |         | 72,284    | (311)  |
| FY 2004     | 23,733  | 18,623  | 17,332  | 16,717  | 76,045    | 3,761  |
| FY 2005     | 22,263  | 18,597  | 18,530  | 17,499  | 76,889    | 844    |
| FY 2006     | 21,306  | 0       | 0       | 0       | 21,306    | N/A    |

**Analysis of results and challenges:** The increased use of the self-services and electronic products for applicants to apply for job openings has slightly increased the number of participants from FY04 to FY05. In addition, the department has increased efforts in marketing of available services to Alaskans which will increase the number of Workforce Investment System participants under the 'Jobs are Alaska's Future' initiative.

Update: 2006 2nd quarter data will be available February 2006.

**Target #3:** Increase the percentage of Workforce Investment System participants who demonstrate increased basic skills knowledge (reading, writing, mathematics) by 1% as compared to the previous year.

**Measure #3:** Percent of Workforce Investment System participants who demonstrated educational gain.



\*2006 reflects activity from 7/1/2005 through 9/30/2005 only.

**Demonstrated Educational Gains**

| Fiscal Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Total |
|-------------|---------|---------|---------|---------|-----------|
| FY 2002     |         |         |         |         | 62.0%     |
| FY 2003     |         |         |         |         | 70.0%     |
| FY 2004     |         |         |         |         | 88.5%     |
| FY 2005     | 81.0%   | 83.7%   | 84.9%   | 85.3%   | 83.7%     |
| FY 2006     | 81.7%   | 0<br>0% | 0<br>0% | 0<br>0% | 81.7%     |

**Analysis of results and challenges:** Beginning in FY2004, the percentage reported represents the educational gain demonstrated by students who were given both pre and post-tests assessing basic reading and math skills. Data on the pre and post-tested students became available in FY2004 when a statewide Adult Basic Education (ABE) database was developed. In prior years, all students were included in the "Educational Gains" table whether or not they had a post-test with the result being an artificially low percentage because students who had not been post-tested could not show gains.

In 2005, further refinements and improvements in testing students and reporting data in the statewide system were introduced which resulted in the percentage again dropping slightly. The ABE testing and reporting system in Alaska continues to be a "work in progress" as enhancements are introduced.

FY2006 first quarter reporting indicates that ABE Grantees continue to successfully provide basic skills instruction to adult Alaskans.

**Target #4:** Increase the number of job openings placed by employers by 1,000 as compared to the previous year.

**Measure #4:** Change in the number of job openings posted on the department's labor exchange system.

| Fiscal Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Total | Change |
|-------------|---------|---------|---------|---------|-----------|--------|
| FY 2002     |         |         |         |         | 44,451    | N/A    |
| FY 2003     |         |         |         |         | 44,632    | 181    |
| FY 2004     | 11,619  | 8,875   | 11,443  | 13,986  | 45,923    | 1,291  |
| FY 2005     | 15,344  | 9,397   | 12,386  | 16,783  | 53,910    | 7,987  |
| FY 2006     | 17,033  | 0       | 0       | 0       | 17,033    | N/A    |

**Analysis of results and challenges:** Recent business outreach programs conducted by the department have increased the exposure and recognition of the Alaska Job Center Network as the premier labor exchange in the state. The Governors' Alaska Hire and the Jobs are Alaska's Future initiatives have also helped market the Departments' employer services. Steady increases in job listings are forecasted for FY07.

Update: 2006 2nd quarter data will be available February 2006.

**B: Result - Economic Stability.**

**Target #1:** Maintain local purchasing power during periods of economic downturn.

**Measure #1:** Increase percent of wage replacement provided by Unemployment Insurance.

**Increase Percent of Wage Replacement**

| Year | YTD Total       |
|------|-----------------|
| 2002 | 27.9%           |
| 2003 | 27.3%           |
| 2004 | 26.6%           |
| 2005 | Projected 26.0% |

**Analysis of results and challenges:** The objective of the unemployment insurance weekly benefit amount is to provide a wage replacement that is high enough to cover the claimant's non-deferrable expenses, but not so high as to undermine the incentive to return to work. Alaska's decrease in wage replacement percentage over the years is because the average weekly wage for Alaska continues to go up each year while the average weekly benefit amount remains roughly the same. USDOL encourages a 50 percent wage replacement rate. The national average is 35.2 percent.

Update: The wage replacement rate for 2005 will not be available until September 2006. However, changes in the wage replacement rate would be minimal unless there was a significant increase/decrease in Alaska's average weekly wage or average weekly unemployment insurance benefit amount.

**Target #2:** Maintain local purchasing power during periods of economic downturn.

**Measure #2:** Percent of unemployed workers eligible for unemployment insurance benefits (Reciprocity rate).

#### Percent of Unemployed Workers Eligible for UI Benefits

| Year | YTD Total       |
|------|-----------------|
| 2002 | 59.2%           |
| 2003 | 54.7%           |
| 2004 | 52.3%           |
| 2005 | Projected 53.0% |

**Analysis of results and challenges:** Used by USDOL to measure the effectiveness of a States' Unemployment Insurance Program, reciprocity rate is the percentage of unemployed workers eligible for unemployment benefits. Alaska's reciprocity rate is well above the national average of 31.9%. This is due in part to Alaska's qualifying wage requirements being very low (a person only has to have earned \$1,000.00 in a base period to qualify for a benefit year). This causes Alaska's reciprocity rate to be high in comparison to other states because other states qualifying wage requirements are much higher than Alaska's. In addition, Alaska's continuing eligibility requirements are less restrictive than other states. Both Alaska's rate and USDOL's rate will fluctuate from year to year simply because the number of unemployed workers fluctuates from year to year as does the percentage of workers that end up qualifying for benefits.

Update: 2005 data will be available September 2006.

#### B1: Strategy - Improve timeliness of UI benefit payments.

**Target #1:** Exceed federal timeliness benchmark of 95% of initial payments within 35 days.

**Measure #1:** Percent of timely initial payments to unemployment insurance claimants.

#### Percent of Timely Initial Payments to UI Claimants

| Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD Total       |
|------|---------|---------|---------|---------|-----------------|
| 2002 |         |         |         |         | 97.3%           |
| 2003 |         |         |         |         | 96.6%           |
| 2004 | 98.6%   | 98.8%   | 98.1%   | 96.8%   | 98.2%           |
| 2005 | 97.7%   | 97.3%   | 97.5%   |         | Projected 97.3% |
| 2006 | 0<br>0% | 0<br>0% | 0<br>0% | 0       | Projected 97.5% |

**Analysis of results and challenges:** The Unemployment Insurance program received an Unemployment Insurance Remote Systems federal grant to implement internet initial claims. With implementation the division expects to further increase the percent of timely initial payments.

Update: 2005 4th quarter data will be available February 2006

### Key RDU Challenges

ESD must continue providing employment and training services to an increased customer base while the federal Wagner-Peyser grant has been flat funded or reduced for twelve consecutive years. ESD also experienced reduced

funding in federal Workforce Investment Act (WIA) training account funds, VETS, and the Unemployment Insurance federal grants. Under-funded or unfunded federal mandates continue to impact ESD in the areas of the Work Opportunity Tax Credit (WOTC) federal grants, business relations group work, common performance measures (EMILE), and constant changes in reporting requirements.

To offset some of the funding shortfall, ESD will be forced for the third consecutive year to request use of limited federal Reed Act funds to support cost increases related to personal service benefits, health care, state bargaining unit contracts, leases, and technology investments in the Employment and Training Services and Unemployment Insurance programs.

The demand for ABE services continues to increase with no associated increases in resources. The emphasis is now being placed on not only basic skills instruction but also a growing demand to provide ABE within apprenticeships and job training curriculum.

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**

ABE is requesting an increment of \$1 million of General Funds to meet the current demands of the ABE Program. The funds will enable an increase of 630 GED graduates. In addition to basic skills instruction, ABE will also provide a trades apprenticeship and job training curriculum.

A requested increase of \$1 million of Interagency receipt authorization to be supported by federal receipts in the Business Partnerships Division will extend employment and training services to more Alaskans with an emphasis on youth. Services to all Alaskans will be enhanced through the use of mobile job centers to serve those not located near an existing job center. Youth will be targeted by bring services to the schools and through the use of Career Guides and industry representatives.

A requested increase in Federal authorization in the ETS component in the amount of \$623.0 will increase employment and self-sufficiency for individuals with disabilities by funding Disability Program Navigators to link them to employers and to facilitate access to supports and services that will provide a transition to employment.

ESD is continuing to develop a web based labor exchange system that automates skills based matching and promotes employer and job seeker interaction. This will result in better and faster matches between employers and job seekers. This project is scheduled to be completed in mid 2006.

Continued implementation of a standardized, web-based student assessment instrument will increase the reliability and validity of the students' basic skills evaluation and provide a more accurate assessment. As a result, the regional ABE programs will better assign learning activities enabling students to achieve their educational and employment goals in a more timely manner.

ESD will continue development of an Internet based initial unemployment claims application intended to reduce the workload of staff and provide savings in operating 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 unemployment insurance 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.

Implementation of the new online tax services will provide an alternative method for Alaskan employers to conduct business with ESD Tax. In addition to filing quarterly contribution reports, the services will assist businesses with compiling, calculating, submitting, and paying their unemployment taxes online. The enhancements also include new

employer registration, online account maintenance, and the option of paying taxes through Electronic Funds Transfer (EFT).

### Major RDU Accomplishments in 2005

Assisted 32,552 job seekers to enter employment through the Alaska Job Center Network.

Increased the number of Alaskans conducting on-site job searches at Alaska Job Centers statewide to 246,124, an increase of 48,698 from FY2004.

Increased the number of job openings listed from employers to 53,910, an increase of 7,987 from FY2004.

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.

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.

Awarded 1,646 GED diplomas in FY2005. Additionally, 83.7% of ABE adult students demonstrated increased basic skills knowledge.

#### Contact Information

**Contact:** Thomas W. Nelson, Director  
**Phone:** (907) 465-5933  
**Fax:** (907) 465-4537  
**E-mail:** Thomas\_Nelson@labor.state.ak.us

**Employment Security  
RDU Financial Summary by Component**

*All dollars shown in thousands*

|  | FY2005 Actuals |                 |                 |                 | FY2006 Management Plan |                 |                 |                 | FY2007 Governor |                 |                 |                 |
|--|----------------|-----------------|-----------------|-----------------|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | General Funds  | Federal Funds   | Other Funds     | Total Funds     | General Funds          | Federal Funds   | Other Funds     | Total Funds     | General Funds   | Federal Funds   | Other Funds     | Total Funds     |
| <b><u>Formula Expenditures</u></b>     |                |                 |                 |                 |                        |                 |                 |                 |                 |                 |                 |                 |
| None.                                  |                |                 |                 |                 |                        |                 |                 |                 |                 |                 |                 |                 |
| <b><u>Non-Formula Expenditures</u></b> |                |                 |                 |                 |                        |                 |                 |                 |                 |                 |                 |                 |
| Employment and Training Services       | 0.0            | 12,524.1        | 15,238.8        | 27,762.9        | 67.8                   | 13,737.6        | 13,600.8        | 27,406.2        | 67.8            | 14,906.1        | 14,879.6        | 29,853.5        |
| Unemployment Insurance                 | 0.0            | 17,357.3        | 362.4           | 17,719.7        | 13.3                   | 19,566.3        | 549.9           | 20,129.5        | 13.3            | 20,388.6        | 567.9           | 20,969.8        |
| Adult Basic Education                  | 1,558.6        | 1,242.9         | 6.5             | 2,808.0         | 1,565.0                | 1,355.9         | 0.0             | 2,920.9         | 2,571.1         | 1,362.8         | 0.0             | 3,933.9         |
| <b>Totals</b>                          | <b>1,558.6</b> | <b>31,124.3</b> | <b>15,607.7</b> | <b>48,290.6</b> | <b>1,646.1</b>         | <b>34,659.8</b> | <b>14,150.7</b> | <b>50,456.6</b> | <b>2,652.2</b>  | <b>36,657.5</b> | <b>15,447.5</b> | <b>54,757.2</b> |

**Employment Security**  
**Summary of RDU Budget Changes by Component**  
**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> |
|--|----------------------|----------------------|--------------------|--------------------|
| <b>FY2006 Management Plan</b>                                    | <b>1,646.1</b>       | <b>34,659.8</b>      | <b>14,150.7</b>    | <b>50,456.6</b>    |
| <b>Adjustments which will continue current level of service:</b> |                      |                      |                    |                    |
| -Employment and Training Services                                | 0.0                  | 512.9                | 405.2              | 918.1              |
| -Unemployment Insurance  | 0.0                  | 774.9                | 17.0               | 791.9              |
| -Adult Basic Education   | 5.8                  | 6.5                  | 0.0                | 12.3               |
| <b>Proposed budget decreases:</b>                                |                      |                      |                    |                    |
| -Employment and Training Services                                | 0.0                  | -1,645.6             | -152.6             | -1,798.2           |
| -Unemployment Insurance  | 0.0                  | -1,999.6             | 0.0                | -1,999.6           |
| <b>Proposed budget increases:</b>                                |                      |                      |                    |                    |
| -Employment and Training Services                                | 0.0                  | 2,301.2              | 1,026.2            | 3,327.4            |
| -Unemployment Insurance  | 0.0                  | 2,047.0              | 1.0                | 2,048.0            |
| -Adult Basic Education   | 1,000.3              | 0.4                  | 0.0                | 1,000.7            |
| <b>FY2007 Governor</b>   | <b>2,652.2</b>       | <b>36,657.5</b>      | <b>15,447.5</b>    | <b>54,757.2</b>    |