

**State of Alaska
FY2009 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

The Employment and Training Service (ETS) component provides basic labor exchange services, available to all Alaskans, connecting employers with job seekers, and specialized employment and case management services for veterans, public assistance recipients, older workers, people with disabilities and unemployed workers. Delivers career support and training services targeting occupations that are in high demand and that support the Governor's Alaska Gasline Inducement Act (AGIA) plans.

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.

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 through grantees. Emphasis is given to integrating practical life skills and workplace readiness skills into instruction.

End Result	Strategies to Achieve End Result
<p>A: More Alaskans with jobs.</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>A1: Increase the number of Alaskans who get jobs.</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 Result	Strategies to Achieve End Result

<p>B: Economic Stability of Local Purchasing Power.</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 to reflect national target of 50%.</p> <p><u>Target #2:</u> Maintain local purchasing power during periods of economic downturn by keeping the reciprocity rate at or above 50%.</p> <p><u>Measure #2:</u> Percent of unemployed workers eligible for unemployment insurance benefits (Reciprocity rate).</p>	<p>B1: Improve timeliness of UI benefit payments.</p> <p><u>Target #1:</u> Exceed federal timeliness benchmark of 87% of initial payments within 14 to 21 days.</p> <p><u>Measure #1:</u> Percent of timely initial payments to unemployment insurance claimants.</p>
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Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Increase job ready registrations. • Increase job matching activities. • Provide job search skills and training. • Provide labor market information. • Increase access to services via web-based technology. • Marketing and outreach to employers. • Integrate employment and training services. 	<ul style="list-style-type: none"> • Establish information and referral mechanisms with partner agencies. • Gather skills information from job seekers in remote areas. • Improve labor exchange technology. • Provide more front-end services. • Train claim center personnel. • Implementation of claim center case management system. • Provide individual time management training to staff.

FY2009 Resources Allocated to Achieve Results							
<p>FY2009 Results Delivery Unit Budget: \$50,202,700</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">382</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">44</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">426</td> </tr> </table>	Full time	382	Part time	44	Total	426
Full time	382						
Part time	44						
Total	426						

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
FY 2006	64%	61%	61%	61%	62%
FY 2007	60%	59%	57%	56%	58%
FY 2008	0	0	0	0	Forecast 59%

Analysis of results and challenges: The Entered Employment Rate is defined as: Of those not employed at the date of participation; the number of participants who demonstrated employment (wages earned) in the first quarter after they exited participation, divided by the total number of participants who exited during the quarter.

In compliance with federal common measures, an Alaska Labor Exchange system (ALEXsys) was implemented in April 2006. FY 2007 is the first full employment data reporting period utilizing ALEXsys and establishes the baseline. ALEXsys increases the accuracy of performance data reporting and resulted in a four percent decrease in reported performance as compared to the previous data.

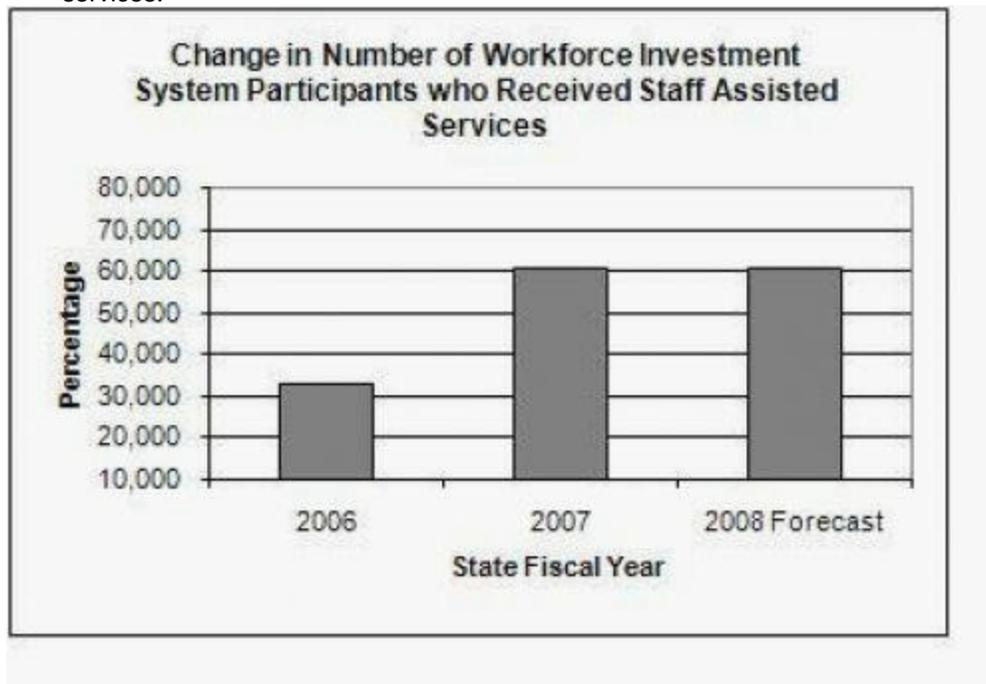
Efforts to increase the percentage of Workforce Investment System participants that enter employment include professional job center staff available to assist job seekers with registration in ALEXsys, help build skills and post resumes, view labor market and career information, search for jobs, offer workshops to learn job search strategies, develop interviewing skills, provide training information, and special services for veterans, seniors, persons with disabilities, and unemployment insurance recipients. Marketing strategies continue to increase use of our services.

Update: FY 2008 1st Quarter information will be available late November 2007

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	Change
FY 2006	10,483	5,790	7,560	8,799	32,632	
FY 2007	15,531	15,740	15,015	14,097	60,383	27,751
FY 2008	0	0	0	0	Forecast 60,883	0

Analysis of results and challenges: Staff assisted services have increased by 27,751 in FY2007 compared to FY2006. Since the Alaska Labor Exchange system (ALEXsys) was implemented in FY2006, allowing internet self-service access to many of our services, Alaska Job Centers have experienced an increasing number of participants with significant barriers seeking services in our physical locations. The overall increase in participants with barriers and their need for assistance has driven the staff assisted services count to its present

number.

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

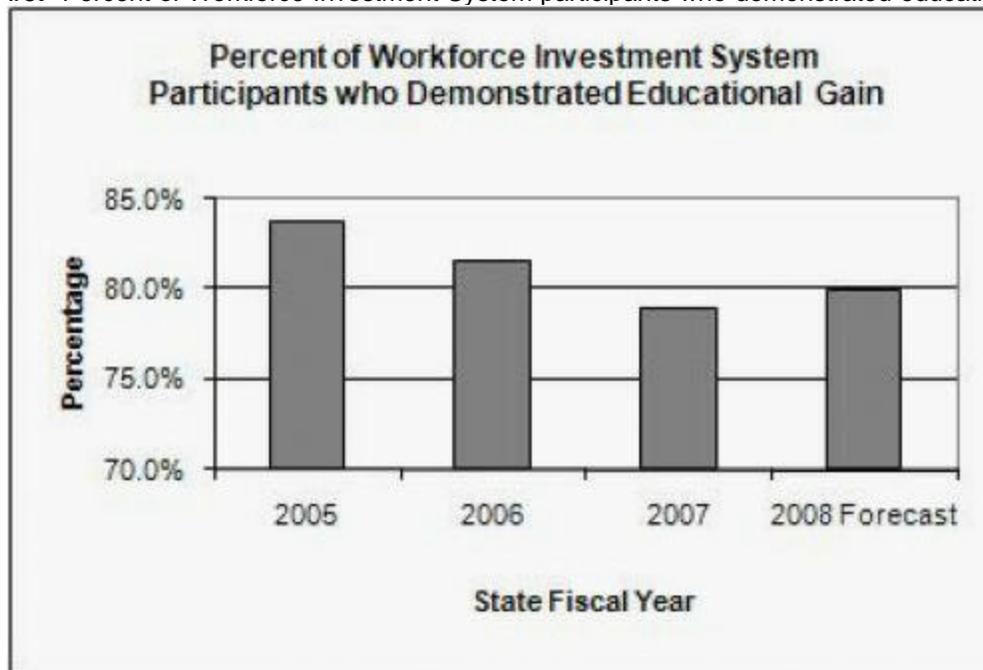
Measure #2: Change in number of Workforce Investment System participants.

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD	Change
FY 2006	19,208	27,656	14,983	17,381	79,228	
FY 2007	28,878	32,547	25,108	23,032	109,565	30,337
FY 2008	0	0	0	0	Forecast 110,065	500

Analysis of results and challenges: Common Measures federal reporting requirements redefine a "registrant" to that of a "participant." An individual may be counted as a participant more than once in any given four-quarter reporting period if they resume receiving services after having a break in service of 90 days or more. Job seekers who self-register in ALEXsys via the internet also count as "participants." All UI claimants must register in ALEXsys as well. This has resulted in an increase in our overall participation rate. FY 2006 is the new baseline year for Common Measures and should be the State's baseline year for this measure.

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.



Demonstrated Educational Gains

Fiscal Year	YTD
FY 2005	83.7%
FY 2006	81.6%
FY 2007	79.0%*
FY 2008	Forecast 80.0%

*Final percentage available 12/31/07

Analysis of results and challenges: Year-to-year variations in the demonstrated educational gain reflect

circumstances which are often beyond the control of the grantees. For example, the federal performance measures continue to change each year as does the state's method of capturing data. Percentages may stabilize in FY 2008 with the introduction of a new state ABE database which is programmed to promote greater accuracy. In addition, in FY 2008 revised editions of the Tests of Adult Basic Education (TABE) and Basic English Skills Test (BEST) assessment instruments will be used and the result will be more accurate measurement of educational gains.

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	Change
FY 2003					44,632	0
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	12,199	12,093	7,309	48,634	(5,276)
FY 2007	22,624	16,212	16,195	12,512	67,543	18,909
FY 2008	0	0	0	0	Forecast 68,543	0

Analysis of results and challenges: A large direct mail and media marketing campaign to employers in Alaska led to a spike in employers using ALEXsys when it was first implemented in April 2006 and to a spike in total openings in the first quarter of 2007. Continued promotion of ALEXsys to employers combined with its self-service nature as an on-line labor exchange system has led to an increase of total Job Openings in FY2007 of 18,909 compared to FY2006.

B: Result - Economic Stability of Local Purchasing Power.

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

Measure #1: Increase percent of wage replacement provided by Unemployment Insurance to reflect national target of 50%.

Percent of Wage Replacement

Year	Total
2002	27.9%
2003	27.3%
2004	26.6%
2005	25.8%
2006	26.9%
2007	Forecast 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% wage replacement rate. The national average is 40.8%.

Update: 2007 data will be available September 2008.

Target #2: Maintain local purchasing power during periods of economic downturn by keeping the reciprocity rate at or above 50%.

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

Percent of Unemployed Workers Eligible for UI Benefits

Year	Total
2002	59.2%
2003	54.7%
2004	52.3%
2005	53.0%
2006	51.1%
2007	Forecast 51.0%

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 35.2%. 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: 2007 data will be available September 2008.

B1: Strategy - Improve timeliness of UI benefit payments.

Target #1: Exceed federal timeliness benchmark of 87% of initial payments within 14 to 21 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	Total
2006	98.1%	* 92.3%	92.4%	94.1%	93.1%
2007	94.0%	93.9%	0 0%	0 0%	Forecast 93.5%
2008	0 0%	0 0%	0 0%	0 0%	Forecast 94.0%

Analysis of results and challenges: *In 2006, 2nd quarter, the federal timeliness benchmark changed to 87% of initial payments made within 14 to 21 days from 95% of initial payments within 35 days. The data reported since 2nd quarter 2006 and the forecasts for 2007 and 2008 reflect this change. Data from prior years is available but is not comparable due to the federal measure change.

Key RDU Challenges

Employment and Training Services (ETS) continues to provide employment and training services to increased numbers of Alaskan customers while federal funding continues to decrease or remain flat funded as costs rise. This has caused a reduction in ETS program staff levels by 13.1% and an associated loss of services.

In Unemployment Insurance (UI) federal funding cannot keep up with increased cost of operations and has led to a reduction in program staff levels by 12.9%. The program is challenged to meet federal performance and quality measures (adjudication and timeliness), as well as overall customer service. This negatively affects the ability to respond to a downturn in the economy and paying UI benefits on time as required by law.

To offset some of the funding shortfall in ETS and UI, the Employment Security Division will be forced for the fifth consecutive year to request use of federal Reed Act funds to support cost increases related to personal services, health care, leases, and technology investments. The Reed Act funds are nearly exhausted and are projected to be fully

expended in FY2009. We do not expect any more Reed Act disbursements to the States.

The challenge is best summarized by cost cutting measures that could result in a loss of state services. These measures include eliminating programs, reducing staff and closing facilities.

The State of Alaska is required to pass legislation that will bring AS 23.20.110 into compliance and conformity with Title III of the Social Security Act (SSA) and with the United States Department of Labor (USDOL) Final Rule 20 CFR Part 603 issued September 27, 2006. The final rule sets forth the statutory confidentiality and disclosure requirement of Title III of the SSA and the Federal Unemployment Tax Act (FUTA) concerning unemployment compensation (UC) information. The department has submitted legislation to be introduced into the 25th legislature.

The demand for ABE services continues to grow. The emphasis on basic skills education includes a growing demand to provide ABE instruction for Alaskans preparing to enter apprenticeship and training programs.

Significant Changes in Results to be Delivered in FY2009

Heavy reliance on information technology and web-based consumer products will be necessary to meet federal performance measures.

ETS is requesting a \$600.0 Capital Improvement Project for the implementation of a skills inventory program to ensure a skilled and ready Alaskan workforce under the Alaska Gasline Inducement Act (AGIA). The purpose of this project is to enhance the ALEXsys job bank to create ad-hoc and standard statistical reports on skills and demographics of Alaska job seekers and a searchable expanded credentialing component. As part of this, the department is developing innovative practices for rural community outreach to better connect rural Alaskans with jobs.

The Unemployment Insurance (UI) program will continue to improve its ability to deliver core UI products electronically to ensure employers and claimants receive adequate and continuous services.

Implementation of the Aggregate Workforce Analytics and Reporting Engine (AWARE) software will allow investigators to better detect organized fraud schemes affecting UI benefits and identify State Unemployment Tax Act (SUTA) avoidance activities. This software also recognizes other illegal activity through similarities and patterns and Internet Provider addresses.

Major RDU Accomplishments in 2007

ETS implemented Alaska Labor Exchange System (ALEXsys) in April, 2006. This system provided labor exchange services to 103,914 Alaskan participants in the twelve months following its launch. Compared to the previous twelve month period, this was an increase of 27,174. The system has automated skills-based matching and promoted employer and job seeker interaction resulting in better and faster matches between employers and job seekers.

Increased the number of registered job seekers to 109,565, an increase of 30,337 compared to the prior year.

Provided job search assistance, facilities, and tools to 204,279 walk-in customers.

Listed 67,543 job openings from employers using our services. This is an increase of 18,909 from the previous year.

The federal Older American Community Service Employment Program, in Alaska referred to as the Mature Alaskans Seeking Skills Training Program (MASST) served 473 participants in FY2007. Of these participants, 102 obtained unsubsidized employment at an average salary of \$39,000 per year. The federal participant placement goal was set at 21%. The final placement outcome for Alaska was 53%.

Unemployment Insurance benefits totaling \$105.0 million were paid to 47,101 insured workers. During the same period over \$175.0 million in contributions were deposited into the UI Trust Fund. The Trust Fund is solvent and has a current balance just over \$300 million (as of 10/12/2007). This will allow the state to withstand any possible future downturn in the state's economy.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$2.9 million in benefit

overpayments. Of this total, over \$1.6 million was recovered through PFD levy requests submitted to the Department of Revenue.

Awarded 1,591 GED diplomas in FY2007. Additionally, 79% of ABE adult students demonstrated increased basic skills knowledge.

Contact Information
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**Employment Security
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2007 Actuals				FY2008 Management Plan				FY2009 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
<u>Formula Expenditures</u>												
None.												
<u>Non-Formula Expenditures</u>												
Employment and Training Services	117.6	12,304.6	12,202.1	24,624.3	274.4	12,292.9	13,144.6	25,711.9	1,062.4	12,292.9	14,127.6	27,482.9
Unemployment Insurance	52.9	16,542.3	632.6	17,227.8	9.5	17,818.7	810.4	18,638.6	744.1	17,818.7	898.8	19,461.6
Adult Basic Education	2,099.7	1,048.8	0.0	3,148.5	2,099.2	1,141.7	0.0	3,240.9	2,107.6	1,150.6	0.0	3,258.2
Totals	2,270.2	29,895.7	12,834.7	45,000.6	2,383.1	31,253.3	13,955.0	47,591.4	3,914.1	31,262.2	15,026.4	50,202.7

Employment Security
Summary of RDU Budget Changes by Component
From FY2008 Management Plan to FY2009 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	2,383.1	31,253.3	13,955.0	47,591.4
Adjustments which will continue current level of service:				
-Employment and Training Services	788.0	0.0	23.0	811.0
-Unemployment Insurance	734.6	0.0	28.4	763.0
-Adult Basic Education	8.4	8.9	0.0	17.3
Proposed budget decreases:				
-Employment and Training Services	0.0	-400.0	0.0	-400.0
-Unemployment Insurance	0.0	-956.1	0.0	-956.1
Proposed budget increases:				
-Employment and Training Services	0.0	400.0	960.0	1,360.0
-Unemployment Insurance	0.0	956.1	60.0	1,016.1
FY2009 Governor	3,914.1	31,262.2	15,026.4	50,202.7