

State of Alaska
FY2009 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 sustaining 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.

Classify employers required to contribute to the Alaska UI Trust fund and determine employer tax rates under an experience-rating system under the provisions of 23.20.280. 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 trust fund solvency is maintained by reviewing UI tax rate calculations with the Trust Fund Solvency Adjustment (TFSA) formula.

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

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$19,461,600	Personnel:	
	Full time	161
	Part time	44
	Total	205

Key Component Challenges

Federal funding cannot keep up with increased cost of operations and has led to a reduction in UI 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. Vacancies in the UI Tax Office affect the opportunities to exchange information with employers and conduct quality audits. Recruitment, training and retention of UI staff continue to be challenging. Progress on current projects to improve services through the use of information technology will be limited by available staff and their level of training and experience.

To offset some of the funding shortfall UI will be forced for the fifth consecutive year to request use of federal Reed Act funds to support statewide operations. The Reed Act funds are nearly exhausted and are projected to be fully expended in FY2009.

In a response to fewer resources and an obligation to provide superior customer service, the UI program is committed to develop more online technology to deliver services that meet or exceed our claimant and employer expectations. Efforts

are being made to shift to a more paperless, electronic delivery system whenever possible. This continues to be made possible by internet claims processing and Tax Online Services.

Improved marketing of online services to current UI recipients will be conducted during FY2009 through mailers and claimant messages. In addition, posters will be sent to job centers statewide and seasonal Alaska employers advising them of our new online services. Quarterly tax newsletters sent to all Alaska employers will continue to promote Tax Online Services and changes in tax regulations. UI program staff will continue to promote the advantage of online claims filing and tax services.

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 legislature.

Alaska municipalities want to obtain information from the component to assist them in the collection of civil or criminal fines, penalties or other payments or judgments ordered by a court. Federal regulation prohibits the department from spending federal UI grant dollars to pay for any costs associated with making information disclosures for non-UI purposes. However the component does not have sufficient Statutory Program Receipt authorization to bill and collect funds from the municipalities for the cost to generate and provide the information. To address this the component has included a request for an additional \$60.0 of additional Statutory Program Receipt authorization.

Significant Changes in Results to be Delivered in FY2009

The program will concentrate on delivering core UI products electronically to ensure employers and claimants receive adequate and continuous services.

Future phases of the Benefits Internet Filing (BIF) system include verification of payment, claim monetary information, electronic fund transfer sign-up and ability to read online adjudications. Internet-based initial and continued bi-weekly claims will continue to change the workload of staff and provide savings in operating costs.

Benefit Payment Control (BPC) continues implementation efforts on several projects to prevent, discourage, detect, and recover benefit overpayments. These include an improved web-based cross-match system for reported wages, an upgrade to the National Directory of New Hires to facilitate earlier detection of overpayments, and installation of data mining software to detect fraud schemes. BPC staff will conduct employer outreach programs to encourage quick and accurate responses to wage audits.

Due to a change in federal funding for postage costs, postal management improvements will be made to the UI Benefits and UI Tax systems. By making envelopes machine readable by the US Postal Services mail processing equipment, the mail will be automatically machine read and sorted. This will result in operational savings.

Major Component Accomplishments in 2007

Unemployment Insurance benefits totaling \$105.0 million were paid to 47,101 insured workers. This is a decrease of \$7 million and 4,019 fewer claims from last year. During the same period over \$175.0 million in contributions was deposited into the UI Trust Fund.

Facilitating reemployment of claimants continues to be a high priority for the UI program. In March 2007 an online orientation became available to claimants that are selected to participate in the Worker Profiling and Reemployment Service (WPRS) program. As a requirement to collect benefits, claimants continue to register and maintain an online resume in the Alaska Labor Exchange system (ALEXsys).

The third phase of internet-based claims was implemented in July 2007. This introduced online filing of continued bi-weekly claims, a tie-in to the statewide MyAlaska security system, and enhanced online fact-finding forms. Filing bi-weekly claims online will be more efficient and cost-effective than the current toll-free Interactive Voice Response (IVR) system. Claimants now log into MyAlaska in order to file initial and continued claims. MyAlaska is an authentication and electronic signature system that provides an additional level of internet security and the ability for claimants to

access multiple state services. Interactive fact-finding forms are now part of the continued bi-weekly claims so potential eligibility issues can be detected at the time of filing and the necessary information gathered.

Employers continue to file their quarterly contribution reports online. A total of 18,697 reports were filed online in FY2007 compared to 11,341 in FY2006. To date, 33% of all active Alaska employers are filing their reports online. Many upgrades have been made to the Tax Online System to create a more efficient, user-friendly, and secure website. Upgrades for employers include access to previously submitted online reports, improved response time and the ability for payroll companies to submit a single payment encompassing all employers they represent. Additional phases will continue to improve staff efficiency by providing an automated method for employers to amend submitted quarterly reports. Over \$17 million has been collected through electronic fund transfer in FY2007 compared to \$11 million collected in FY2006.

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.

In an effort to detect and decrease UI fraud and overpayments, software enhancements have been made. The new web-based Benefit Audit, Reporting, and Tracking System (BARTS) with enhanced Adjudication and Earnings was implemented in March 2007. Refinement of the Aggregate Workforce Analytics and Reporting Engine (AWARE) software continues. Implementation of a Department of Corrections cross-match with UI active filers will stop benefit payments on claimants filing for benefits while incarcerated.

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 continue to facilitate the reduction of benefit overpayments and fraudulent claims. The interface strengthens internal security and the department's ability to protect the UI Trust fund.

Claim Centers continue to strive for high quality customer service despite experiencing a very heavy workload and significant procedural changes. Biannual customer surveys were conducted and 94% responded that overall service was adequate or better. This 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
Public Law 108 - 295	SUTA Dumping Prevention Act of 2004
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

Contact: Thomas W. Nelson, Director
Phone: (907) 465-5933
Fax: (907) 465-4537
E-mail: thomas.nelson@alaska.gov

Unemployment Insurance Component Financial Summary

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	13,105.1	13,820.0	14,783.9
72000 Travel	140.0	132.7	132.7
73000 Services	3,487.1	4,399.4	4,258.5
74000 Commodities	446.7	286.5	286.5
75000 Capital Outlay	48.9	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	17,227.8	18,638.6	19,461.6
Funding Sources:			
1002 Federal Receipts	16,542.3	17,818.7	17,818.7
1004 General Fund Receipts	52.9	9.5	744.1
1007 Inter-Agency Receipts	59.6	95.8	100.0
1054 State Employment & Training Program	286.4	344.8	356.9
1108 Statutory Designated Program Receipts	0.0	25.0	85.0
1151 Technical Vocational Education Program Account	286.6	344.8	356.9
Funding Totals	17,227.8	18,638.6	19,461.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
State Employment and Training Program	51394	286.4	344.8	356.9
Technical Vocational Education Program	51433	286.6	344.8	356.9
Unrestricted Total		573.0	689.6	713.8
Restricted Revenues				
Federal Receipts	51010	16,542.3	17,818.7	17,818.7
Interagency Receipts	51015	59.6	95.8	100.0
Statutory Designated Program Receipts	51063	0.0	25.0	85.0
Restricted Total		16,601.9	17,939.5	18,003.7
Total Estimated Revenues		17,174.9	18,629.1	18,717.5

**Summary of Component Budget Changes
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	9.5	17,818.7	810.4	18,638.6
Adjustments which will continue current level of service:				
-Correct Unrealizable Fund Sources for Salary Adjustments: GGU	734.6	-734.6	0.0	0.0
-FY 09 Bargaining Unit Contract Terms: General Government Unit	0.0	734.6	28.4	763.0
Proposed budget decreases:				
-Decrease Federal Authorization to be Offset by Specific Federal Reed Act Authorization	0.0	-956.1	0.0	-956.1
Proposed budget increases:				
-Add Statutory Designated Program Receipts to Allow Memorandums of Agreement with State Municipalities	0.0	0.0	60.0	60.0
-Add Federal Reed Act Authorization that Offsets Reduction to General Federal Authorization	0.0	956.1	0.0	956.1
FY2009 Governor	744.1	17,818.7	898.8	19,461.6

**Unemployment Insurance
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u>	<u>FY2009</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	162	161	Annual Salaries	9,404,744
Part-time	44	44	COLA	727,720
Nonpermanent	5	4	Premium Pay	0
			Annual Benefits	5,429,536
			<i>Less 5.00% Vacancy Factor</i>	<i>(778,100)</i>
			Lump Sum Premium Pay	0
Totals	211	209	Total Personal Services	14,783,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Clerk II	0	0	1	0	1
Accounting Spvr II	1	0	3	0	4
Accounting Tech I	2	0	5	0	7
Accounting Tech II	1	0	6	1	8
Accounting Tech III	0	0	1	0	1
Administrative Assistant	1	0	1	0	2
Administrative Clerk II	0	0	2	0	2
Administrative Clerk III	1	0	1	0	2
Administrative Manager I	0	0	1	0	1
Appeals Referee I	2	0	0	0	2
Appeals Referee II	5	0	0	0	5
Appeals Referee III	0	0	1	0	1
Asst Dir Employ Security	0	0	1	0	1
Employ Sec Analyst II	2	0	6	0	8
Employ Sec Analyst III	0	0	14	0	14
Employ Sec Spec IA	12	0	21	0	33
Employ Sec Spec IB	25	7	16	0	48
Employ Sec Spec II	6	1	4	0	11
Employ Sec Spec III	5	1	4	0	10
Employment Service Mgr IV	1	0	0	0	1
Field Auditor I	5	1	2	1	9
Field Auditor II	0	1	1	1	3
Investigator II	3	1	1	0	5
Investigator III	1	0	0	0	1
Microfilm/Imaging Oper I	0	0	1	0	1
Paralegal I	1	0	0	0	1
Prog Coordinator	0	0	3	0	3
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	2	2	3	0	7
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	9	0	9
Unemployment Ins Spec III	0	0	2	0	2
Totals	76	14	116	3	209

