

State of Alaska FY2010 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

- Strengthen Alaska's workforce by providing vital connections between job openings and qualified, job-ready applicants through the 23 One-Stop Job Centers located throughout the state and via the online Alaska Labor Exchange system (ALEXsys).
- Connect employers with job seekers and provide specialized employment and case management services for veterans, public assistance recipients, older workers, people with disabilities and unemployed workers.
- Pay Unemployment Insurance (UI) benefits to workers who are temporarily unemployed.
- Assess and collect employer contributions for deposit into the UI Trust Fund.
- Protect integrity of the UI Trust Fund by preventing and recovering UI benefit overpayments.
- Provide Alaskans instruction in basic skills of reading, writing, mathematics, and General Educational Development (GED) preparation and testing.

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>Status #1:</u> For the final quarter of 2008, 56% of Workforce Investment System participants entered employment after exiting the system, which is a 2% reduction from the prior year.</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 by 500 as compared to the previous year.</p> <p><u>Status #1:</u> Workforce Investment System participants increased by 5,191 in 2008 as compared to 2007.</p> <p><u>Target #2:</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>Status #2:</u> During 2008, Workforce Investment System participants receiving staff assisted services increased by 6,326 over the 60,383 participants in 2007.</p> <p><u>Target #3:</u> Increase the number of job openings placed by employers by 1,000 as compared to the previous year.</p> <p><u>Status #3:</u> 64,296 job orders were posted in the Alaska Labor Exchange System for 2008, down slightly from 2007.</p> <p><u>Target #4:</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>Status #4:</u> In FY2008 2,897 students had a minimum of 12 hours of attendance which resulted in 1,540 Alaskans receiving General Education Development (GED)</p>

	diplomas. The percentage of the students who demonstrated increased basic skills knowledge will be available no later than December 31, 2008.
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>Status #1:</u> With the passage of Senate Bill 120, which increased the maximum weekly unemployment benefit amount from \$248 to \$370 for benefit years beginning after 1/1/09, Alaska should see an increase in the percent of lost wages replaced by benefits.</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>Status #2:</u> Alaska meets the USDOL target of 50% of unemployed workers being eligible for Unemployment Insurance benefits.</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>Status #1:</u> Alaska surpasses federal benchmark by 6% in providing timely Unemployment Insurance benefit payments to unemployed Alaskans.</p>

Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Register job seekers for work. • Connect workers with jobs. • Provide job search skills and training. • Provide labor market information. • Increase access to services via web-based technology. | <ul style="list-style-type: none"> • Market menu of services to employers. • Strengthen information and referral mechanisms with partner agencies. • Conduct skills inventory of job seekers in remote areas of the state. • Improve information technology services. |
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FY2010 Resources Allocated to Achieve Results

FY2010 Results Delivery Unit Budget: \$50,722,900	Personnel:	
	Full time	375
	Part time	51
	Total	426

Performance

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.

Status #1: For the final quarter of 2008, 56% of Workforce Investment System participants entered employment after exiting the system, which is a 2% reduction from the prior year.

More Alaskans with Jobs

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total	Change
FY 2008	56%	55%	56%	56%	56%	-2%
FY 2007	60%	59%	57%	56%	58%	-4%
FY 2006	64%	61%	61%	61%	62%	

Methodology: Source: Alaska Labor Exchange System (ALEXsys) and Labor Production System

Analysis of results and challenges: Entered Employment is defined as the number of participants who demonstrated employment (wages earned) in the first quarter after the quarter that they exit participation. Exiting refers to either becoming employed, being inactive in the system for 90 days or being logged out of the system by a case manager.

FY2007 was the first year using ALEXsys for employment data reporting and it increases accuracy of performance data reporting.

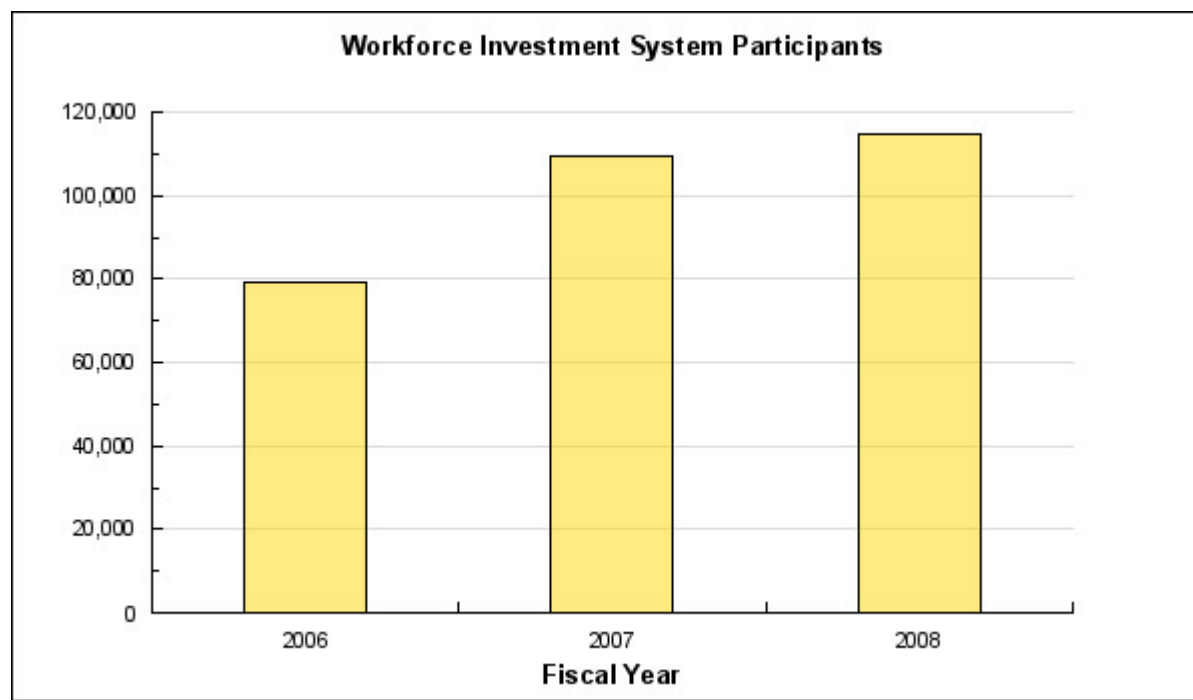
Alaska's unemployment rate was 6.8% in June. The rate has been slowly rising since early 2007 despite consistent job growth over that period resulting in a decrease of 2% entered employment from the previous year.

Alaska Job Centers employ a variety of efforts to boost the percentage of Workforce Investment System participants who enter employment. These include: professionals available to assist job seekers with ALEXsys registration, posting resumes, labor market and career information, searching for jobs, workshops, interview skills, training information, and providing services for veterans, seniors, persons with disabilities and unemployment insurance recipients. Worldwide Interactive Network (WIN) courseware is available to assess job skills while exploring occupations. WorkKeys assessments are available in nine Job Center locations to measure "real world" skills that employers believe are critical to job success.

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

Target #1: Increase the number of Workforce Investment System participants by 500 as compared to the previous year.

Status #1: Workforce Investment System participants increased by 5,191 in 2008 as compared to 2007.



Methodology: Source: Alaska Labor Exchange System (ALEXsys)

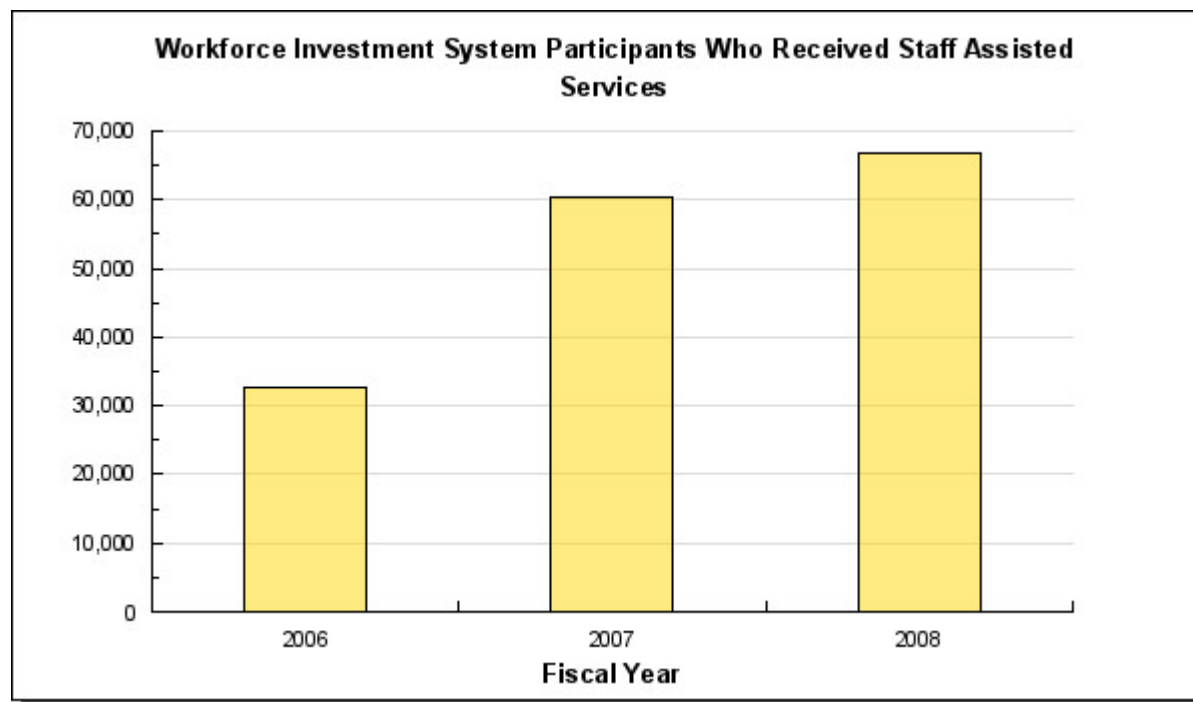
Workforce Investment System Participants

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total	Change
FY 2008	29,168	34,347	26,727	24,514	114,756	5%
FY 2007	28,878	32,547	25,108	23,032	109,565	38%
FY 2006	19,208	27,656	14,983	17,381	79,228	20%

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 also count as "participants." This has resulted in an increase in participants. The number of participants increased by 5% compared to the previous year.

Target #2: Increase the number of Workforce Investment System participants who receive a staff assisted service by 500 as compared to the previous year.

Status #2: During 2008, Workforce Investment System participants receiving staff assisted services increased by 6,326 over the 60,383 participants in 2007.



Methodology: Source: Alaska Labor Exchange System (ALEXsys)

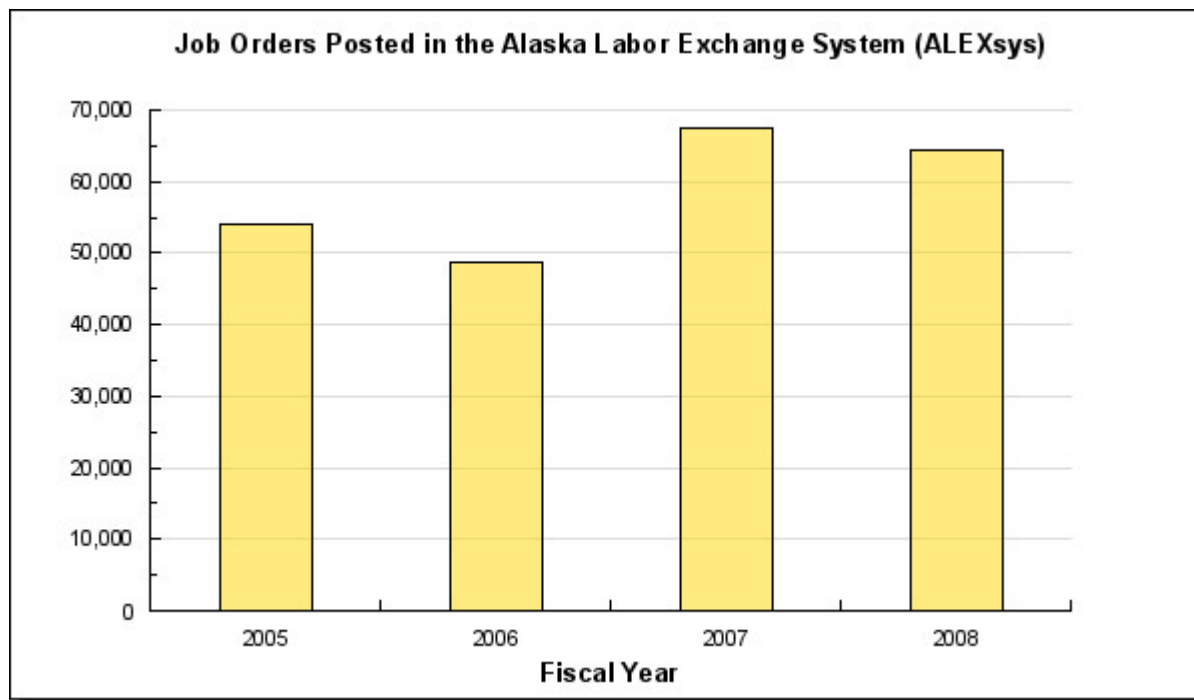
Workforce Investment System Participants Who Received Staff Assisted Services

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total	Change
FY 2008	16,728	17,646	16,963	15,372	66,709	10%
FY 2007	15,531	15,740	15,015	14,097	60,383	85%
FY 2006	10,483	5,790	7,560	8,799	32,632	-15%

Analysis of results and challenges: Since ALEXsys was implemented in April 2006, Employment and Training Services have made more and more services available by self-service, via the internet. ALEXsys tracks staff assisted services provided in person at Alaska Job Centers. Alaska Job Center emphasis on services to more job seekers with significant barriers to employment, and the self-service nature of ALEXsys, results in the job seekers who are most in need of staff assisted services receiving them. The number of participants who received staff assisted services increased by 10% compared to the previous year due to the above mentioned factors.

Target #3: Increase the number of job openings placed by employers by 1,000 as compared to the previous year.

Status #3: 64,296 job orders were posted in the Alaska Labor Exchange System for 2008, down slightly from 2007.



Methodology: Source: Alaska Labor Exchange System (ALEXsys)

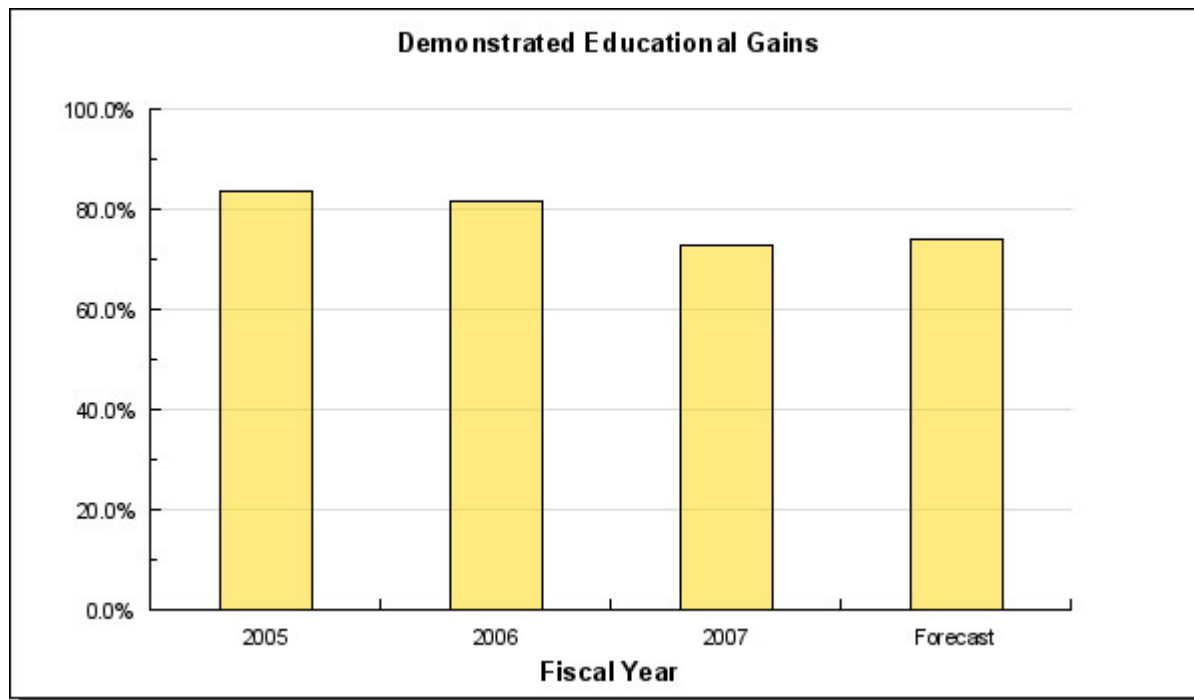
Job Orders Posted in the Alaska Labor Exchange System (ALEXsys)

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total	Change
FY 2008	24,354	15,698	13,875	10,369	64,296	-5%
FY 2007	22,624	16,212	16,195	12,512	67,543	39%
FY 2006	17,033	12,199	12,093	7,309	48,634	-10%
FY 2005	15,344	9,397	12,386	16,783	53,910	0

Analysis of results and challenges: Employers in Alaska using ALEXsys continue to use it as a tool to place job orders and match job seekers with the skills they need. ALEXsys is self-service in nature as an on-line labor exchange system. A strong marketing campaign to employers since the implementation of ALEXsys led to an increase in job openings. The recent decrease in new job opening is due at least in part to the recent economic struggles and some companies downsizing.

Target #4: 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.

Status #4: In FY2008 2,897 students had a minimum of 12 hours of attendance which resulted in 1,540 Alaskans receiving General Education Development (GED) diplomas. The percentage of the students who demonstrated increased basic skills knowledge will be available no later than December 31, 2008.



Methodology: Adult Basic Education data base.

Demonstrated Educational Gains

Fiscal Year	YTD Total
FY Forecast	74.0%
FY 2007	73.0%
FY 2006	81.6%
FY 2005	83.7%

Analysis of results and challenges: FY2008 saw many positive changes in the Adult Basic Education Program. Changes include use of a still being developed new database, use of new versions of the assessment tests TABE, (Test of Adult Basic Education) and BEST (Basic English Skills Test), and new state policies concerning pre- and post-testing. Pre- and post-testing is the activity used for students to demonstrate increased basic skills knowledge in reading, mathematics, and English as a Second Language. Completion of current work on the new version of the Alaska Adult Basic Education Database is necessary before the percentage of students who demonstrated increased basic skills knowledge is available.

Update: FY2008 information will be available by 12/31/08.

B: Result - Economic Stability of Local Purchasing Power.

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

Status #1: With the passage of Senate Bill 120, which increased the maximum weekly unemployment benefit amount from \$248 to \$370 for benefit years beginning after 1/1/09, Alaska should see an increase in the percent of lost wages replaced by benefits.

Percent of Wage Replacement

Year	Total
2008	Forecast 25%
2007	24.5%
2006	26.9%
2005	25.8%
2004	26.6%
2003	27.3%
2002	27.9%

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 33.8%.

Update: 2008 data will be available September 2009.

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

Status #2: Alaska meets the USDOL target of 50% of unemployed workers being eligible for Unemployment Insurance benefits.

Percent of Unemployed Workers Eligible for UI Benefits

Year	Total
2008	Forecast 50%
2007	49.4%
2006	51.1%
2005	53.0%
2004	52.3%
2003	54.7%
2002	59.2%

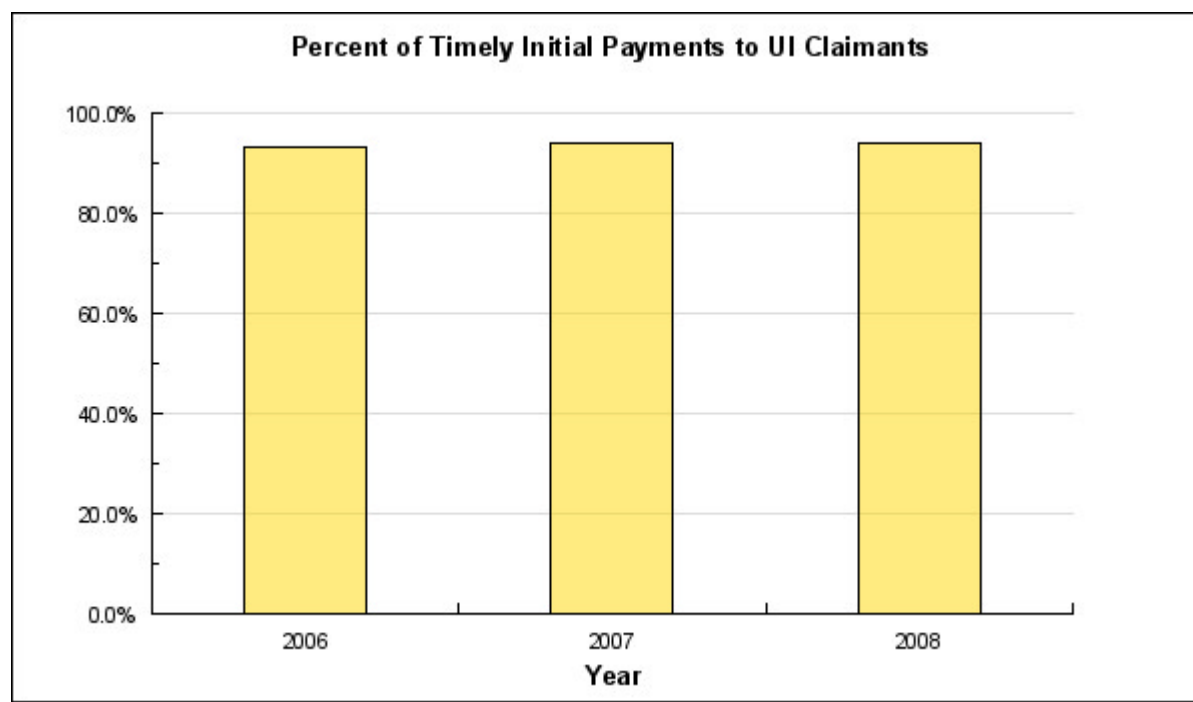
Analysis of results and challenges: Used by USDOL to measure the effectiveness of a States' Unemployment Insurance Program, reciprocity rate is the percentage of unemployed workers eligible for unemployment benefits. Alaska's reciprocity rate is well above the national average of 31.6%. Both Alaska's 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. Senate Bill 120 which passed during the second half of the twenty-fifth legislature raises Alaska's qualifying wage from \$1,000 to \$2,500. The increase in the minimum qualifying wage will result in a slight decrease of the reciprocity rate in calendar year 2009.

Update: 2008 data will be available September 2009.

B1: Strategy - Improve timeliness of UI benefit payments.

Target #1: Exceed federal timeliness benchmark of 87% of initial payments within 14 to 21 days.

Status #1: Alaska surpasses federal benchmark by 6% in providing timely Unemployment Insurance benefit payments to unemployed Alaskans.



Methodology: U.S. Department of Labor, Employment and Training Administrations state performance database

Percent of Timely Initial Payments to UI Claimants

Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total
2008	94.0%	93.0%	0	0	94.0%
2007	94.0%	93.9%	93.5%	95.2%	94.2%
2006	98.1%	92.3%	92.4%	94.1%	93.1%

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 through the 2008 forecast reflect this change. Data from prior years is available but is not comparable due to the federal measure change.

Key RDU Challenges

Reed Act federal funds will be exhausted in FY2009 affecting both the Employment and Training Services (ETS) and Unemployment Insurance (UI) components. Included in the budget is a decrement of \$400.0 to ETS and a decrement of \$443.1 to UI. The programs provide services to an increased number of customers while operational costs continue to rise. There will be an increased reliance on information technology and the programs will continue to concentrate on delivering core services to ensure employers, clients and claimants receive adequate and continuous services.

Although Alaska had a relatively low unemployment rate this last year, it was significantly higher than the previous year and Alaska paid Extended Benefits beginning June 7, 2008. In addition Alaska signed the Emergency Unemployment Compensation (EUC) agreement on June 30, 2008 in response to the President's Supplemental Appropriations Act and began paying EUC benefits the week ending July 12, 2008. Due to a staffing shortage, Alaska is struggling to keep up with the workload generated from these two programs.

The department has prepared draft language to be introduced in the next legislative session to bring Alaska law into compliance and conformity with the Federal Unemployment Tax Act (FUTA) on recognized native organizations. This ensures recognized native organizations are treated similarly to state and local governments in that they are to be given the option to become a "reimbursable employer" rather than one that must contribute based on an assigned experience rate. If state law does not conform to federal requirements, employers in the state risk losing FUTA tax credit of up to 90 percent of the federal unemployment tax that employers are required to pay. Additionally, states must comply with FUTA regulations to be eligible for federal administrative funding.

The high demand for Adult Basic Education (ABE) services continues. The emphasis on basic skills education includes a growing demand to provide ABE instruction for Alaskans preparing to enter apprenticeship and training programs.

ABE Programs expect increased student attendance as students attempt to study and complete the GED battery of tests before GED Testing Service introduces the next version of tests in 2012. Examinees must complete testing they have begun in the current series as scores will not transfer into the new GED test version. Approximately 4,000 Alaskans have already begun but have not completed testing with the current version. ABE Programs will be expected to advertise, publicize, and contact in person as many affected students as possible.

Significant Changes in Results to be Delivered in FY2010

ETS is focusing on strengthening Alaska's workforce to meet the increased demand for skilled workers in 113 occupations related to building a natural gas pipeline. Through a collaborative effort with employers, state and partner agencies, ETS is developing a number of strategies to not only meet the demand for these occupations but how to back fill any vacated positions as these high demand jobs are filled.

The UI program is developing a system to administer benefit payments through debit cards. This will be outsourced to JP Morgan Chase to manage distribution of cards and funds to eligible claimants. Recipients will be able to access their benefits quickly and use the card at automated teller machines to obtain cash or at point of sale. It is estimated to greatly reduce telephone costs and increase the overall internet client usage. For further costs savings, the UI program is examining outsourcing the printing and distribution of paper checks.

Benefit Payment Control 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, capability to accept credit card payments, and installation of data mining software to detect fraud schemes.

Major RDU Accomplishments in 2008

The Alaska Job Center Network, including the web-based labor exchange system, connected 31,274 Alaskans with jobs.

Staff assisted services were delivered to 66,709 job seekers, an increase of 6,326 from the prior year.

Listed 64,296 job openings from employers using our services in FY2008.

Unemployment Insurance benefits totaling \$105.1 million were paid to 45,381 insured workers. This is a decrease of \$94,845 and 1,720 fewer claims from last year. During the same period over \$156.5 million in contributions were deposited into the UI Trust Fund.

Employers continue to file their quarterly contribution reports online. A total of 25,198 reports were filed online in FY2008 compared to 18,697 in FY2007. To date, 46% 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 prior 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 \$22 million has been collected through electronic fund transfer in FY2008 compared to \$17 million collected in FY2007.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$2.8 million in benefit overpayments. Of this total, over \$1.8 million was recovered through PFD levy requests submitted to the Department of Revenue.

The UI Program was successful in supporting the passage of Senate Bill 120. This brings Alaska into compliance and conformity with Title III of the Social Security Act (SSA) and with the United States Department of Labor Final Rule 20 CFR Part 603. The rule set the statutory requirements for confidentiality and disclosure requirements of Title III of the SSA and Federal Unemployment Tax ACT regarding unemployment compensation information.

Senate Bill 120 also raises Alaska's maximum weekly benefit amount from \$248 to \$370 and the minimum qualifying wage requirement from \$1,000 to \$2,500 for benefit years beginning on or after January 1, 2009. Alaska's maximum weekly benefit amount was last raised in 1997.

A total of 1,540 GED diplomas were awarded in FY2008.

During FY2008, approximately 74% of ABE adult students demonstrated increased basic skills knowledge, as measured by pre and post instruction assessment.

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

All dollars shown in thousands

	FY2008 Actuals				FY2009 Management Plan				FY2010 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
Formula Expenditures None.												
Non-Formula Expenditures												
Employment and Training Services	281.2	12,481.8	14,398.0	27,161.0	1,363.7	12,292.9	14,150.7	27,807.3	1,392.5	12,103.2	14,351.2	27,846.9
Unemployment Insurance	9.5	16,583.7	757.0	17,350.2	942.4	17,818.7	912.0	19,673.1	964.2	17,719.3	927.5	19,611.0
Adult Basic Education	2,099.2	1,032.6	0.0	3,131.8	2,107.6	1,150.6	0.0	3,258.2	2,112.7	1,152.3	0.0	3,265.0
Totals	2,389.9	30,098.1	15,155.0	47,643.0	4,413.7	31,262.2	15,062.7	50,738.6	4,469.4	30,974.8	15,278.7	50,722.9

Employment Security
Summary of RDU Budget Changes by Component
From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	4,413.7	31,262.2	15,062.7	50,738.6
Adjustments which will continue current level of service:				
-Employment and Training Services	28.8	210.3	200.5	439.6
-Unemployment Insurance	21.8	343.7	15.5	381.0
-Adult Basic Education	5.1	1.7	0.0	6.8
Proposed budget decreases:				
-Employment and Training Services	0.0	-400.0	0.0	-400.0
-Unemployment Insurance	0.0	-443.1	0.0	-443.1
FY2010 Governor	4,469.4	30,974.8	15,278.7	50,722.9