

**Department of Labor and Workforce Development**  
**Briefing on SB217 Employer Contributions**  
**Updated April 14, 2026**

- As of December 2025, the Unemployment Insurance (UI) Trust Fund balance of \$833 million exceeded statutory solvency levels of 3-3.3% of wages (\$530m-\$583m) by \$250 million.
- This is primarily due to the employer statutory UI tax minimum of 1%, which is preventing tax rates from coming down to the level the current balance and economic conditions would otherwise require
- This legislation will allow the employer UI tax rate to go to zero when appropriate, based on UI Trust Fund solvency.
  - *An aside - Employers in business for less than 1 year would still have a 1% minimum tax rate to maintain compliance with the Federal Unemployment Tax Act (FUTA).*
- Instead, employers will pay a 0.4% tax to the State Training and Employment Program (STEP), which will expand the state’s capacity to develop an Alaskan workforce to meet employer demand.
- Employers are struggling to find skilled workers and with major projects on the horizon this problem is only going to grow.
- The State is unable, with existing STEP funds, to meet the demand for training.
  - This fiscal year (FY2026), the Alaska Workforce Investment Board (AWIB) received a total of \$11.2 million in applications for the \$7 million authorized for STEP grants. In addition, AWIB has seen in applications that costs are going up across the board for grantees, which means STEP dollars are not going as far as they used to.
  - The Alaska Job Center Network is expected to exhaust its funding for training grants to individuals in March, with a quarter still to go in the fiscal year. Alaskans that may not qualify for federal funding and require this support to attend training will have to wait until SFY2027.
- The Governor’s Employer Contributions legislation will significantly increase STEP funding to help meet these training needs.
- At the same time, employers will see their tax rates decline from 1% to 0.4% resulting in a \$68 million savings for Alaska employers in the first year alone.

Current CY2027 Employer UI Tax Estimate (A)	\$117M
Revised CY2027 Employer UI Tax Estimate (B)	\$5M
New CY2027 Employer STEP Tax (C)	\$44M
<b>Net Employer Tax Savings (A-B-C)</b>	<b>\$68M</b>