



Unemployment Insurance & the State Training and Employment Program

Senate Finance Subcommittee

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Presented by:

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Alaska Workforce Investment Board**



ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
Cathy Muñoz, Commissioner



Federal Unemployment Tax Requirements

- Employers in every state pay Federal Unemployment Tax Act (FUTA) taxes up to \$420 per employee, that is reduced to \$42 per employee as long as the state maintains a federally compliant unemployment system
- A portion of the FUTA tax revenues fund the state Unemployment Insurance (UI) administrative grants, which covers the cost of state staff administering their UI programs
- Section 3304(a)(4) of FUTA requires all money withdrawn from the state's unemployment trust fund (UTF) to be used solely in the payment of unemployment compensation

Alaska Unemployment Trust Fund (UTF) Revenue Sources (\$ in Thousands)

The Alaska UTF receives funding from the following sources on an annual basis:

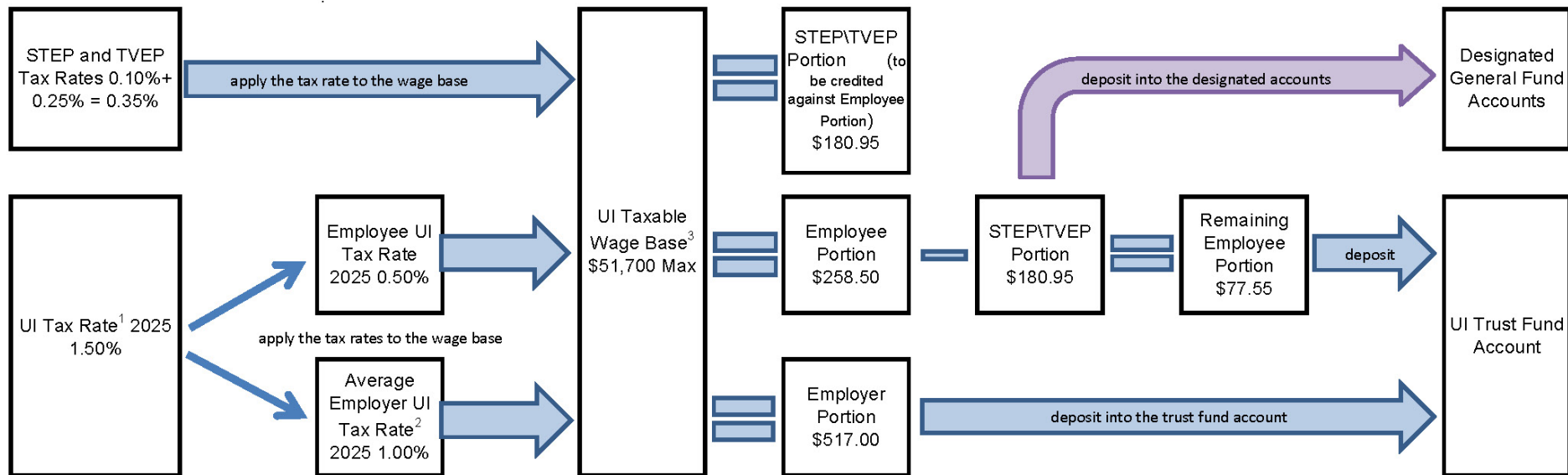
- Federal reimbursements for benefits paid to claimants that are federal employees (UCFE) or former military employees (UCX), which has a net zero impact to the UTF
- Employers' (AS 23.20.277 and 8 AAC 85.260) reimbursements to the UTF for 100% of regular and extended benefits paid to their employees, which has a net zero impact to the UTF
- The UTF earned \$17,000.3 in interest in FY2024
- The UTF earned \$170.3 in fraud penalties and interest in FY2024 - split 70% into the state's general fund and 30% into the UTF per AS 23.20.390
- Annual employer and employee tax contributions per AS 23.20.170 and AS 23.20.290 resulted in UTF deposits of \$156,000.4 in FY2024

Alaska Unemployment Trust Fund Revenue Sources

State of Alaska Tax Flow Chart:

Unemployment Insurance (UI) State Training and Employment Program (STEP) Technical and Vocational Education Program (TVEP)

The STEP and TVEP tax rates are set in statute (AS 23.15.630 and AS 23.15.835 respectively) and are applied to the annual UI taxable wage base. The amount of STEP and TVEP revenue is not affected by the UI tax rate. For further information please contact Lennon Weller (465-4507). The calculations provided below are per employee, assume the maximum wage for 2025, and are based on the 2025 UI tax rate.



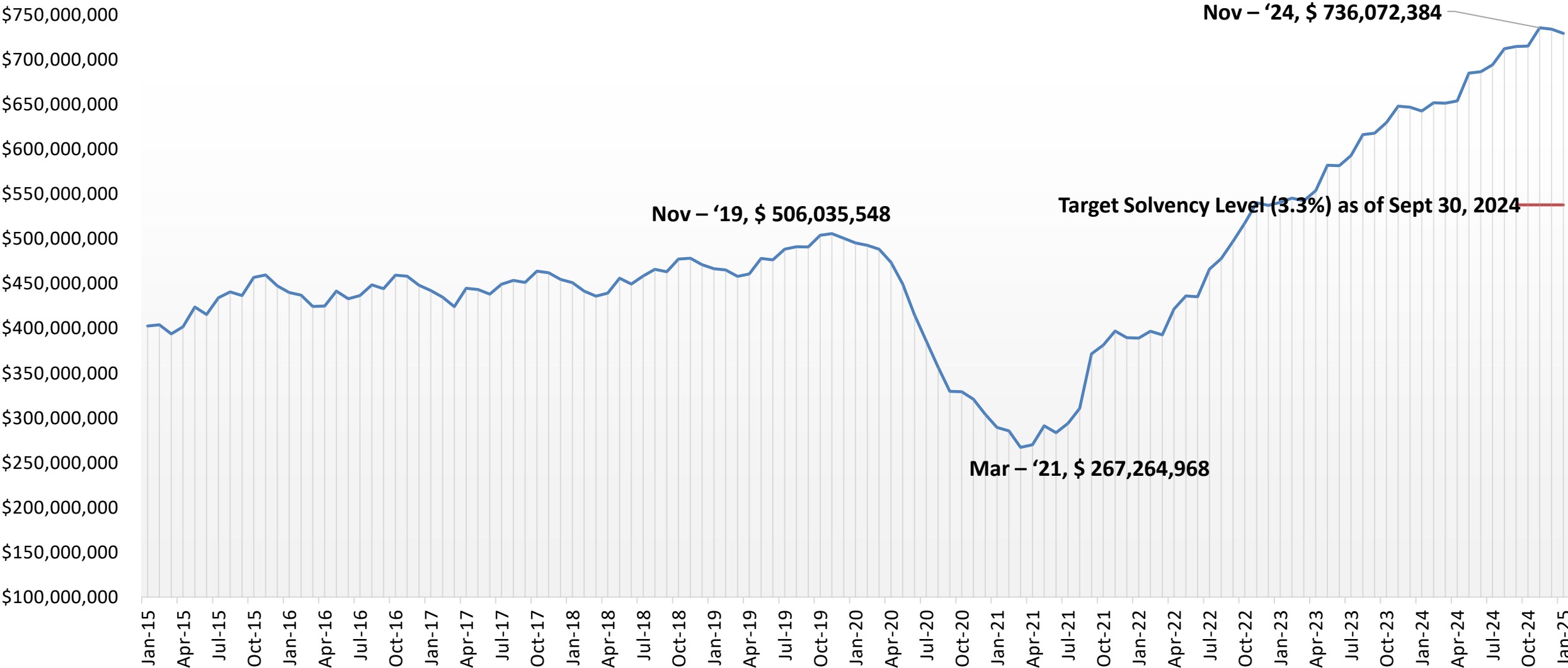
1) The UI tax rate is calculated each year to ensure solvency of the trust fund account and cover benefit payments.

2) The exact employer tax rate varies by employer. The rate provided above is the average employer UI tax rate (Rate Classes 10 & 11). For more information please reference the UI Tax Calculation Cookbook (http://labor.alaska.gov/research/uiprogram/Tax_Cookbook.pdf).

3) The UI maximum taxable wage base per employee is calculated each year as 75% of the average annual wage in Alaska (AS 23.20.175).

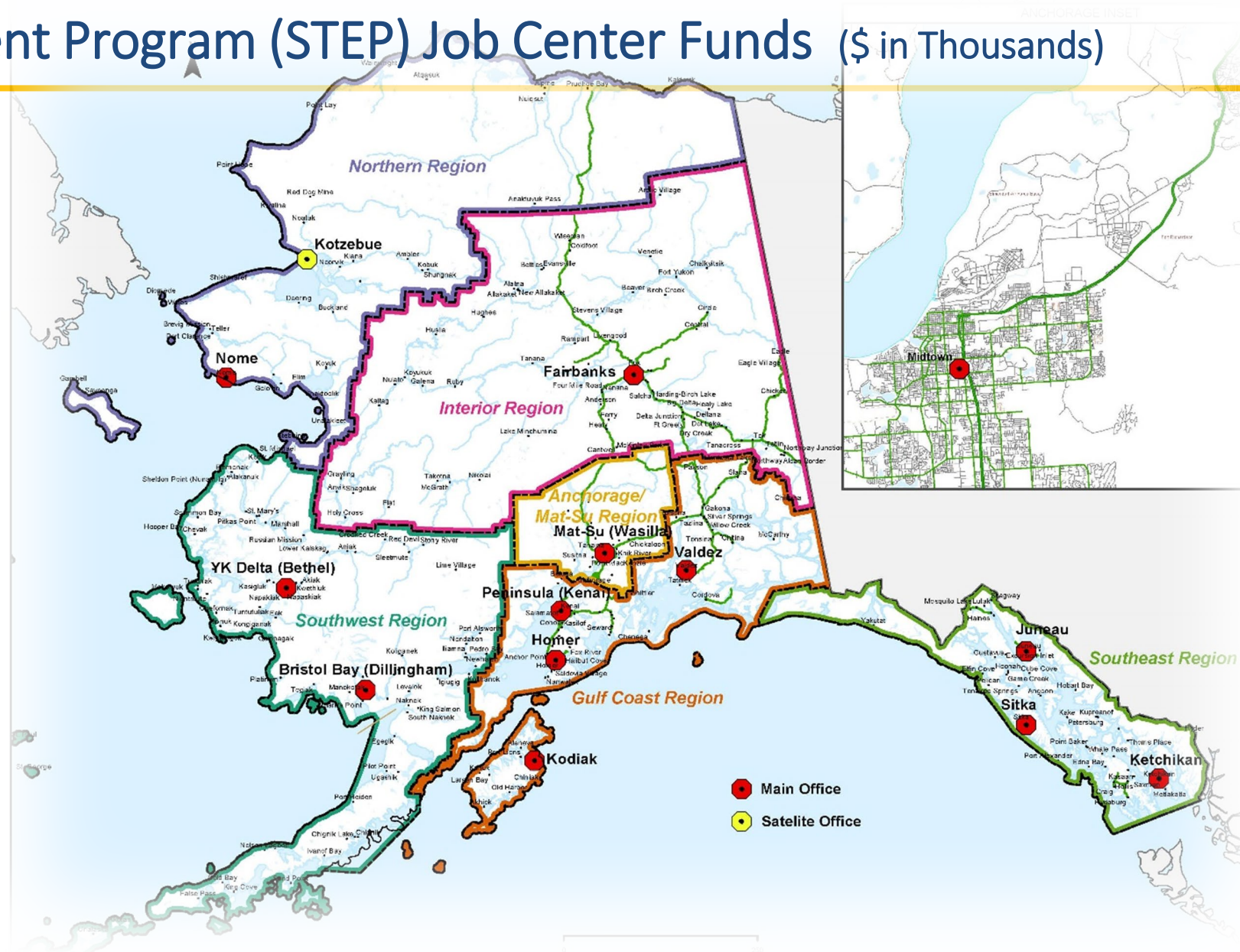
Updated: 12/06/2024

Alaska Unemployment Trust Fund (UTF) Solvency (\$ in Whole Dollars)



State Training and Employment Program (STEP) Job Center Funds (\$ in Thousands)

- The FY2026 budget proposal provides \$1,000.9 of STEP funding to Workforce Services for distribution through the Alaska Job Center Network (AJCN)
- Provides training and support services to Alaskans that have paid into Unemployment within the past five years
- In FY2024, the AJCN served 398 Alaskans with STEP funding
- To date in FY2025, the AJCN has already supported 462 Alaskans with STEP funding



State Training and Employment Program (STEP) AWIB Grants (\$ in Thousands)

- STEP established under AS 23.15.620-643
- The FY2026 budget proposal provides \$7,000.1 of STEP funding to eligible grantees for employment and training services
- In FY2024, grantees trained and supported 3,348 Alaskans through STEP funding
- In FY2025, currently 2,289 Alaskans are supported with STEP ahead of the spring season



State Training and Employment Program (STEP) Competitive Awards

- Organizations eligible to apply for STEP funding under AS 23.15.641 include:
 - **Private sector employers**
 - **Non-profit organizations**
 - **Regional training centers**
 - **Local and state government agencies**
 - **Adult education and training providers**
 - **Sponsors of federally registered apprenticeship programs**
- Grant applications available at the beginning of the year, due by the end of March, and reviewed with decision by the board no later than July 30th
- Priority given to applications that demonstrate strong organizational capacity, align with industry workforce needs, result in recognized credentials, and provide clear employment and wage growth outcomes
- Budget proposals must be well-justified, cost-effective, within funding limits, and with additional consideration for applicants contributing matching funds

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