

Alaska Unemployment Insurance (UI) Overview

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UI Mission/Core Services:

- Provide temporary wage replacement for individuals who lose a job through no fault of their own.
- Protect employers against the dispersal of a trained workforce while temporary shutdowns are necessary.
- Facilitate reemployment.
- Help stabilize the economy.

Unemployment System Financing:

- Employers in every state pay Federal Unemployment Tax Act (FUTA) taxes, which is 6.0 percent on the first \$7,000 of each employee's wages. However, they also receive a 5.4 percent FUTA credit for contributions to an approved state UI program, which results in an effective FUTA tax rate is 0.6 percent or a maximum of \$42 per employee.
 - A portion of the FUTA tax revenues fund the state UI administrative grants, which covers the cost of state staff administering their UI programs.
 - The federal program requirements that must be met to be an approved state UI program include but are not limited to the fact that funding in the UI Trust Fund (UITF) cannot be used for any other purpose beyond paying UI benefits. Section 3304(a)(4) of the Federal Unemployment Tax Act (FUTA) requires all money withdrawn from the UITF to be used solely in the payment of unemployment compensation.
- The UITF 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). Net zero impact to the UITF.
 - Reimbursable employers' (AS 23.20.277 and 8 AAC 85.260) reimbursements to the UITF for 100 percent of regular and extended benefits paid to their employees. Net zero impact to the UITF.
 - Annual employer and employee tax contributions (AS 23.20.170 and AS 23.20.290). The UITF earned \$131.7 million from tax contributions in FY2025.
 - The Federal government also pays interest on the UITF balance quarterly. The UITF earned \$23.3 million in interest in FY2025.
 - Benefit fraud penalties and interest are split with 70 percent deposited into the state's general fund and 30 percent deposited into the UITF. The UITF earned \$208.7 thousand in fraud penalties and interest in FY2025.
- Revenue into the UITF is exceeding expenditures. In FY2025, the UITF only paid out \$40.7 million in benefits.
- Employer UI tax rate calculations:
 - Tax rates for the upcoming calendar year are calculated each fall using a 3-year average of the UI benefits costs compared to wages of contributory employers, and the UITF balance as of September 30th. This gives a picture of the solvency of the

- UITF (benefit costs as a percentage of covered wages in Alaska) and results in a solvency adjustment to employer tax rates within statutory limits.
- The statutory target reserve ratio is 3-3.3 percent of taxable wages.
 - As of September 30, 2025, the UITF balance was \$811.4 million, which represented a reserve ratio of 4.67 percent of total wages. This is \$237.8 million more than the statutory target reserve ratio of 3.3 percent of wages.
 - More on how employer and employee contributions are calculated:
 - FUTA sets the minimum tax for those employers with less than four quarters of wage history at 1 percent.
 - Employers with 4 quarters or more of wages are grouped into 21 different rate classes and are supposed to pay an experience-based tax rate. The first 20 rate classes are based on fluctuations in quarterly payroll that are supposed to represent potential usage of the UI system.
 - The 21st rate class is the penalty rate of 5.40 percent, which is for employers that are delinquent in filing quarterly reports or in paying contributions.
 - Alaska is one of three states that has employees contribute to UI along with employers.
 - Currently 0.35 percent of the employees' minimum 0.50 percent tax rate is diverted to support training providers and programs. This leaves the UITF receiving approximately \$15 million or 0.15 percent of taxable wages from employee contributions.
 - In CY2026, all experience-rated employers are paying the statutory minimum tax rate of 1.0 percent.
 - This means employers with a more stable workforce are paying as much as employers with higher turnover.

Unemployment Benefits:

- Per AS 23.20.350, an individual's weekly benefits are determined according to a schedule based on earnings in the employee's base year.
- The current schedule begins with base year wages of \$2,500 (no UI benefits below that level) receiving the minimum weekly benefit amount (WBA) of \$56.
- For every additional \$250 in base year wages, \$2 is added to the WBA
- The current schedule maxes out at a base year wage of \$42,000 and \$370 WBA (excluding dependent child allowances, if applicable).
- The dependent allowance is \$24 per week for each dependent, not to exceed 3 dependents (\$72), for each week of unemployment.
- The WBA was last increased with SB 120 in 2008 (effective 2009). SB 120 increased the maximum WBA from \$248 to \$370, by extending the schedule of base year wages from a maximum of \$27,000 to the current \$42,000.
- 18,790 is the total number of claimants who received at least one UI payment in 2025.

Historical UITF Balance (Millions)

