

# Department of Labor and Workforce Development

## Briefing on SB217 Employer Contributions

### Prepared January 21, 2026

This legislation reduces Alaska’s employer tax burden by changing the minimum unemployment insurance (UI) tax for employers (AS 23.20.290(c)) that have been in business for more than one year from 1 percent to zero. There is no change for employers in business for less than one year because the Federal Unemployment Tax Act (FUTA) sets the minimum tax for those employers at 1 percent.

Due to the current statutory employer UI tax rate minimum, employers are paying more in UI taxes than the UI Trust Fund (UITF) solvency warrants. 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.

This legislation implements a new employer tax for the State Training and Employment Program (STEP) of 0.4 percent that will help develop an Alaskan workforce to meet employer demand. This new STEP tax will only be paid as long as the UITF solvency is sufficient to not require employer UI contributions. Employer STEP taxes are offset by the amount of UI taxes the employer must pay.

The net employer minimum tax burden is going from 1.0 percent to 0.4 percent, and employers will save a projected \$68 million in calendar year (CY) 2027:

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>

Per the Actuarial Economist for UI, with no change in Alaska’s current wage and benefit cost trends this legislative change will bring the UITF balance to the statutory target reserve ratio around 2040. Attached is a projection of STEP and UI revenue and the UITF balance through 2040 under SB217 compared to a no changes baseline.

The increase in STEP funding means the department will be able to support more Alaskans as they pursue training in high demand occupations and the Alaska Workforce Investment Board (AWIB) will be able to award more competitive grants to build training capacity in high demand occupations.

For the FY2026 funding cycle, AWIB received a total of \$11.2 million in grant 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. Also, the Alaska Job Center Network is projected to run out of SFY2026 STEP funding used to provide direct training support to Alaskans by March 2026 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.

**Department of Labor and Workforce Development**  
**Unemployment Insurance (UI) and State Training and Employment Program (STEP) Revenue and UI Trust Fund Balance Projections**  
**Under SB217 Employer Contributions versus No Changes**

Updated January 21, 2026

**Baseline No Changes**

Calendar Year (CY)	Employer STEP	Employee STEP	STEP Total Revenue	Employer UI	Employee UI	UI Total Revenue	ABCR	Reserve Ratio	Average	Average	Average	Average	UI Trust Fund Beginning Balance
	Revenue (No Change)	Revenue (No Change)		Revenue (No Change)	Revenue (No Change)				Rate	Employer UI Tax Rate	Employee UI Tax Rate	Employer Total Tax Rate	
2027	\$0.00	\$11,497,045.22	<b>\$11,497,045.22</b>	\$116,310,614.44	\$17,245,567.83	<b>\$133,556,182.27</b>	0.39%	5.25%	1.00%	0.15%	1.00%	0.50%	\$927,971,943.67
2028	\$0.00	\$11,854,581.61	<b>\$11,854,581.61</b>	\$119,927,654.90	\$17,781,872.42	<b>\$137,709,527.32</b>	0.35%	5.75%	1.00%	0.15%	1.00%	0.50%	\$1,049,964,983.97
2029	\$0.00	\$12,206,934.61	<b>\$12,206,934.61</b>	\$123,492,257.18	\$18,310,401.92	<b>\$141,802,659.10</b>	0.32%	6.25%	1.00%	0.15%	1.00%	0.50%	\$1,178,668,542.05
2030	\$0.00	\$12,555,818.53	<b>\$12,555,818.53</b>	\$127,021,764.29	\$18,833,727.79	<b>\$145,855,492.08</b>	0.30%	6.78%	1.00%	0.15%	1.00%	0.50%	\$1,316,592,973.99
2031	\$0.00	\$12,902,368.40	<b>\$12,902,368.40</b>	\$130,527,658.85	\$19,353,552.60	<b>\$149,881,211.45</b>	0.26%	7.33%	1.00%	0.15%	1.00%	0.50%	\$1,463,909,565.68
2032	\$0.00	\$13,247,348.98	<b>\$13,247,348.98</b>	\$134,017,677.63	\$19,871,023.47	<b>\$153,888,701.10</b>	0.22%	7.90%	1.00%	0.15%	1.00%	0.50%	\$1,620,896,910.22
2033	\$0.00	\$13,591,275.80	<b>\$13,591,275.80</b>	\$137,497,035.95	\$20,386,913.71	<b>\$157,883,949.66</b>	0.17%	8.49%	1.00%	0.15%	1.00%	0.50%	\$1,787,934,359.65
2034	\$0.00	\$13,934,495.95	<b>\$13,934,495.95</b>	\$140,969,245.11	\$20,901,743.92	<b>\$161,870,989.03</b>	0.13%	9.09%	1.00%	0.15%	1.00%	0.50%	\$1,965,091,438.00
2035	\$0.00	\$14,277,242.74	<b>\$14,277,242.74</b>	\$144,436,665.62	\$21,415,864.12	<b>\$165,852,529.74</b>	0.09%	9.72%	1.00%	0.15%	1.00%	0.50%	\$2,152,948,599.71
2036	\$0.00	\$14,619,672.78	<b>\$14,619,672.78</b>	\$147,900,881.64	\$21,929,509.17	<b>\$169,830,390.81</b>	0.04%	10.36%	1.00%	0.15%	1.00%	0.50%	\$2,351,791,585.45
2037	\$0.00	\$14,961,890.96	<b>\$14,961,890.96</b>	\$151,362,954.32	\$22,442,836.44	<b>\$173,805,790.76</b>	0.00%	11.03%	1.00%	0.15%	1.00%	0.50%	\$2,561,931,367.74
2038	\$0.00	\$15,303,967.37	<b>\$15,303,967.37</b>	\$154,823,592.83	\$22,955,951.05	<b>\$177,779,543.88</b>	-0.05%	11.71%	1.00%	0.15%	1.00%	0.50%	\$2,783,735,324.11
2039	\$0.00	\$15,645,948.73	<b>\$15,645,948.73</b>	\$158,283,269.82	\$23,468,923.10	<b>\$181,752,192.92</b>	-0.10%	12.41%	1.00%	0.15%	1.00%	0.50%	\$3,017,596,697.92
2040	\$0.00	\$15,987,866.08	<b>\$15,987,866.08</b>	\$161,742,299.16	\$23,981,799.12	<b>\$185,724,098.28</b>	-0.14%	13.13%	1.00%	0.15%	1.00%	0.50%	\$3,263,899,189.61

Assumptions for the above projections include:

- 1) No change in trend to current benefit costs or taxable wages over the projection window.
- 2) No change to the UI benefit program, i.e., benefit schedule updates etc.
- 3) No change to employer or employee UI or STEP taxes.
- 4) The Average Employer UI Tax Rate reflects rate class 10 & 11, and with current UI Trust Fund solvency levels applies to all non-penalty rate classes.

**Department of Labor and Workforce Development**

**Unemployment Insurance (UI) and State Training and Employment Program (STEP) Revenue and UI Trust Fund Balance Projections**

**Under SB217 Employer Contributions versus No Changes**

Updated January 21, 2026

**SB217 Employer Contributions Changes**

Calendar Year (CY)	Employee STEP			Employee UI			Reserve Ratio	Average Employer	Average Employee	Average Employer	Average Employee	UI Trust Fund Beginning Balance	
	Employer Revenue (NEW)	Revenue (No Change)	STEP Total Revenue	Employer Revenue	Revenue (No Change)	UI Total Revenue		UI Tax Rate	UI Tax Rate	Total Tax Rate	Total Tax Rate		
2027	\$44,259,676.67	\$11,497,045.22	\$55,756,721.89	\$4,927,491.41	\$17,245,567.83	\$22,173,059.24	0.40%	5.31%	0.00%	0.15%	0.40%	0.50%	\$927,971,943.67
2028	\$47,056,242.21	\$11,854,581.61	\$58,910,823.82	\$4,012,520.09	\$17,781,872.42	\$21,794,392.51	0.35%	5.36%	0.00%	0.15%	0.40%	0.50%	\$980,090,999.12
2029	\$48,494,404.95	\$12,206,934.61	\$60,701,339.56	\$4,500,002.13	\$18,310,401.92	\$22,810,404.05	0.33%	5.14%	0.00%	0.15%	0.40%	0.50%	\$968,267,129.56
2030	\$49,916,322.65	\$12,555,818.53	\$62,472,141.18	\$4,143,844.84	\$18,833,727.79	\$22,977,572.63	0.33%	4.93%	0.00%	0.15%	0.40%	0.50%	\$956,685,671.82
2031	\$51,269,797.55	\$12,902,368.40	\$64,172,165.95	\$4,585,626.65	\$19,353,552.60	\$23,939,179.25	0.33%	4.73%	0.00%	0.15%	0.40%	0.50%	\$945,300,244.68
2032	\$52,648,226.02	\$13,247,348.98	\$65,895,575.00	\$4,605,793.85	\$19,871,023.47	\$24,476,817.32	0.32%	4.55%	0.00%	0.15%	0.40%	0.50%	\$934,327,137.87
2033	\$53,449,965.00	\$13,591,275.80	\$67,041,240.80	\$4,576,007.95	\$20,386,913.71	\$24,962,921.66	0.32%	4.39%	0.00%	0.15%	0.40%	0.50%	\$923,925,774.21
2034	\$54,026,139.67	\$13,934,495.95	\$67,960,635.62	\$4,662,748.21	\$20,901,743.92	\$25,564,492.13	0.31%	4.23%	0.00%	0.15%	0.40%	0.50%	\$913,631,797.13
2035	\$55,392,595.04	\$14,277,242.74	\$69,669,837.78	\$4,829,532.00	\$21,415,864.12	\$26,245,396.12	0.31%	4.08%	0.00%	0.15%	0.40%	0.50%	\$903,774,254.22
2036	\$56,751,227.86	\$14,619,672.78	\$71,370,900.64	\$5,014,377.23	\$21,929,509.17	\$26,943,886.40	0.30%	3.94%	0.00%	0.15%	0.40%	0.50%	\$894,427,929.52
2037	\$58,107,255.78	\$14,961,890.96	\$73,069,146.74	\$5,151,240.00	\$22,442,836.44	\$27,594,076.44	0.30%	3.81%	0.00%	0.15%	0.40%	0.50%	\$885,619,151.99
2038	\$59,465,990.49	\$15,303,967.37	\$74,769,957.86	\$5,222,427.72	\$22,955,951.05	\$28,178,378.77	0.29%	3.69%	0.00%	0.15%	0.40%	0.50%	\$877,339,979.36
2039	\$60,022,143.76	\$15,645,948.73	\$75,668,092.49	\$7,525,592.96	\$23,468,923.10	\$30,994,516.06	0.29%	3.58%	0.00%	0.15%	0.40%	0.50%	\$869,550,060.55
2040	\$60,829,022.97	\$15,987,866.08	\$76,816,889.05	\$15,550,305.84	\$23,981,799.12	\$39,532,104.96	0.28%	3.48%	0.03%	0.15%	0.40%	0.50%	\$863,926,040.09

Assumptions for the above projections include:

- 1) Employer UI Tax rate minimum reduced to zero.
- 2) STEP Employer tax rate of .40%, with credit for UI tax rate offsetting the effective STEP rate.
- 3) No change in trend to current benefit costs or taxable wages over the projection window.
- 4) No other changes to the UI benefit program, i.e., benefit schedule updates etc.
- 5) The Average Employer UI Tax Rate reflects rate class 10 & 11.
- 6) Effective date of change would be January 1, 2027.