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Federal-State Unemployment Insurance System Turns 75; Alaska's UI Trust Fund Remains Healthy

JUNEAU, Alaska—As the federal-state unemployment insurance system turns 75, Alaska's Unemployment Insurance Trust Fund remains one of a handful in the U.S. that is solvent.

"Alaska's UI Trust Fund, the source of 26 regular weeks of unemployment benefits, has a healthy balance of about \$257 million," Labor Commissioner Click Bishop said. "Alaska's 2010 UI tax rate is the second lowest in 28 years."

The federal-state UI trust fund system was created in August 1935 as a part of the Social Security Act of 1935 to provide economic security for both individuals and businesses. As a territory, Alaska became part of the system in 1937 and issued its first UI check in January 1939. UI programs are now administered in all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. It is a unique federal-state partnership, based on federal law, but administered by states under state law.

"Almost every dollar of UI benefits is returned to the economy, which helps strengthen businesses and stabilize communities," said Tom Nelson, director of the Alaska Department of Labor and Workforce Development's Employment Security Division, which includes Alaska's UI trust fund system.

Revised in 1980, Alaska's current UI system weathered the worst recession in the state's history that followed the collapse of oil prices in 1986. The calculation of an individual employer's tax rate is based on three factors: the average benefit cost rate, the employer's individual experience rate relating to fluctuation in payroll reported and the Trust Fund solvency factor.

Alaska is one of three states (the other two are New Jersey and Pennsylvania) where employees help fund the trust. Employers now pay for 73 percent of the benefit costs and 27 percent is paid by workers. The federal government also funds programs that extend benefits beyond the regular 26 weeks.

In addition to funding unemployment benefits, a portion of employee UI contributions is set aside for the State Training and Employment Program and the Technical Vocational Education Program. These programs provide a "leg up" to workers by investing in job training to help upgrade skills, and reduce current and future claims against unemployment benefits.

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Employment Security Division
<http://labor.alaska.gov/esd>

Alaska Unemployment Insurance
http://labor.alaska.gov/esd_unemployment_insurance/biff-splash.htm