

# Nebraska Department of Labor

## Unemployment Insurance Program Annual Report

### Fiscal Year 2009-2010

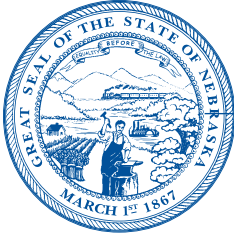


NEBRASKA  
DEPARTMENT OF LABOR

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**Dave Heineman**  
Governor

STATE OF NEBRASKA

DEPARTMENT OF LABOR

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September 30, 2011

Dave Heineman, Governor  
State of Nebraska  
PO Box 94848  
Lincoln, NE 68509-4848

RE: Annual Report to the Governor – Nebraska Employment Security Law (NESL)

Governor Heineman:

I am pleased to provide you with the annual report for Fiscal Year 2009-2010 for the Unemployment Insurance (UI) program as administered by the Nebraska Department of Labor (NDOL). This report covers the period of October 1, 2009 – September 30, 2010. Neb. Rev. Stat. § 48-606 requires the Commissioner of Labor to submit an annual report to the Governor on or before December 31 of each year concerning the UI program for the previous fiscal year.

The tables and graphs herein indicate that the state of the UTF continues to be affected by two prevailing factors:

- An increase to the UTF provided through the Unemployment Insurance Modernization Act (UIMA) of \$46.3 million.
- An increase in UI benefit claims resulting in \$198.7 million in regular unemployment insurance benefit payouts.

As you know, in 2010 UI combined tax rates increased for Nebraska employers. The increase of \$46.3 million to the UTF allowed the UI combined tax rates for 2011 to remain unchanged and to stabilize the fund to ensure the balance is sufficient to cover benefits based upon wages paid.

Sincerely,

A handwritten signature in black ink that reads "Catherine D. Lang".

Catherine D. Lang  
Commissioner of Labor

# Annual Report Requirements

The Unemployment Insurance (UI) program Annual Report is required to contain:

- The administration and operation of the Nebraska Employment Security Law (NESL) during the most recent fiscal year.
- A balance sheet showing funds in the Unemployment Trust Fund (UTF).
- Reserves against liabilities for the payment of benefits in future years in excess of then current contributions.
- A description of the methodology utilized in establishing reserve levels.
- Recommendations for changes in the Nebraska Employment Security Law (NESL).

## Nebraska Unemployment Insurance Program Overview

*Unemployment Compensation provides temporary financial assistance to eligible workers who are unemployed through no fault of their own, as determined under state law.*

### Program Overview

The Unemployment Insurance (UI) program, created by the Social Security Act (SSA) of 1935, offers the first economic line of defense against the ripple effects of unemployment. Through payments made directly to eligible unemployed workers, it ensures that at least a significant portion of the necessities of life, most notably food, shelter, and clothing, can be met on a week-to-week basis while a search for work takes place. As temporary, partial wage replacement to the unemployed, UI is of vital importance in maintaining purchasing power and stabilizing the economy.

The UI program is a federal-state partnership based upon federal law. The federal government sets broad overall policy for administration of the program, provides money to the states for the proper and efficient administration, monitors state

performance and compliance, and holds and invests all money in the unemployment trust fund until drawn down by states for the payment of benefits.

The state, under the Nebraska Employment Security Law (NESL), sets forth the benefit structure (eligibility/disqualification provisions, benefit amount) and the state tax structure (taxable wage base and tax rates). The state determines operation methods, directly administers the program, takes claims from unemployed workers, determines eligibility, insures timely payment of benefits, determines employer liability, and assesses and collects tax contributions.

Nearly all wage and salary workers are covered by the UI program. Railroad workers are covered by a separate federal UI program, ex-service members with recent service in the Armed Forces and civilian federal employees are covered by a federal UI program, with states paying benefits from federal funds as agents of the federal government.

# Recent Changes to the Nebraska Employment Security Law

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Nebraska, during the 2010 legislative session, made statutory changes to the Nebraska Employment Security Law (NESL). The changes, stated below, became effective July 1, 2011. These changes allowed Nebraska to qualify for and receive \$46.3 million in Unemployment Insurance Modernization Act (UIMA) funds made available from the United States Department of Labor.

- The minimum amount of wages that an individual needs to earn in order to qualify for unemployment benefits was increased from \$2,761 to \$3,770. At least \$1,850 of that amount must have been earned in a single quarter of the base period, with at least one quarter of wages earned of \$800 or more.
- The disqualification assessed against persons who quit one job to take another job was increased from one week to two weeks.
- The disqualification assessed against persons who quit their jobs without good cause was increased from 12 weeks to 13 weeks.
- The disqualification assessed against persons who are fired from their employment for misconduct increased from 12 weeks to 14 weeks.
- Persons seeking only part time work are eligible for unemployment benefits if they worked in part time employment during the majority of the weeks of their base period.
- Persons who are not monetarily eligible for unemployment benefits because they have not earned enough wages in the standard base period will be allowed to receive unemployment benefits if they meet the monetary eligibility requirements in the most recently completed four calendar quarters.

- Persons who lose employment in a declining industry or due to a plant closure may be eligible for up to an additional 26 weeks of unemployment benefits while attending training for employment in a high wage, high growth occupation.

## Administration and Operation of the Nebraska Employment Security Law

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### Economic Environment

FY2010 has been over-shadowed by the recession that severely affected all states. Nebraska and the nation continued to experience relatively high unemployment despite the declared end of the recession in 2009. Nebraska's seasonally adjusted unemployment rate averaged 4.8%, while the national unemployment rate averaged 9.8%. Initial claims for unemployment benefits began tapering off in April 2010 and decreased over the year 2.27%.

### Unemployment Benefits

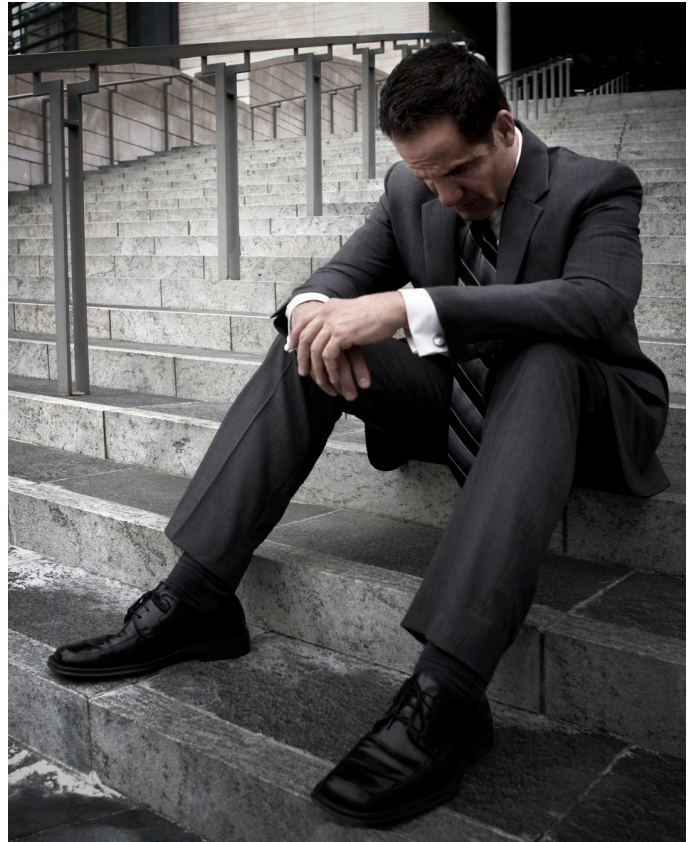
In response, the federal government passed the American Recovery and Reinvestment Act (ARRA) of 2009, providing millions of dollars targeted towards economic recovery efforts at the state level. This additional federal money provided funding for Emergency Unemployment Compensation (EUC), extending the time claimants receive benefits. It also provided for Federal Additional Compensation (FAC), an additional \$25 payment to weekly benefit amounts.

In addition to managing the increased claims workload, Nebraska Department of Labor responded to the increased number of claimants as follows:

- Implemented changes to the Benefit Payment System (BPS) to comply with federally funded mandates (EUC08, EUC Tier II and FAC). A number of extension and program modifications required ongoing programming changes to BPS.

- Expanded online features for unemployment insurance (UI) claimants, including registration options for employment services.
- Increased temporary claims specialist, adjudication, and appeal staff at the Nebraska Claims Center (NCC) and expanded operational hours during high volume periods.
- Conducted outreach through the Rapid Response program.

The American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009, included the Assistance for Unemployed Workers and Struggling Families Act. A total of \$7 billion dollars was earmarked for states that have certain unemployment eligibility provisions in their laws. Nebraska received \$43.6M in additional funds to the state Unemployment Trust Fund. Pursuant to LB 1020, effective July 1, 2011, Nebraska expanded eligibility criteria for unemployment benefits by implementing the following enhancements:



- **Alternate Base Period:** Allows individuals who do not meet the monetary requirement (wages earned) in the first 4 quarters of the 5 most recently completed calendar quarters (base period) to meet the monetary requirement in the 4 most recently completed quarters (alternate base period).
- **Part Time Worker Coverage:** Allows individuals seeking part time work to be eligible for benefits if the majority of the weeks of the individual's unemployment were earned in part time employment.
- **Training Extension Benefits:** Allows certain permanently laid-off workers to participate in training and receive up to an additional 26 weeks of benefits.

Additional provisions under LB 1020:

- Increased the total sum of wages earned in a base period to \$3,700 and one high quarter from \$800 to \$1,850.
- Increased from 1 to 2 weeks the disqualification length for those that voluntarily quit a job for a better job that does not last.
- Increased from 12 to 13 weeks the disqualification length for those that voluntarily quit a job without good cause.
- Increased from 12 to 14 weeks the disqualification length for those that have been discharged for misconduct.
- Adopts necessary changes for those who have exhausted all regular unemployment benefits, but are enrolled in an approved training program.
- Sets an operative date of July 1, 2011.

## Unemployment Insurance Tax

Annually, the NDOL performs its calculation of the UI Combined Tax Rates, pursuant to a statutory formula designed to stabilize the trust fund. Two countervailing factors allowed Nebraska's 2011 UI combined tax rates to remain the same as the tax rates for 2010. The two factors were:

- An increase to the trust fund of \$43.6 million for implementation of provisions under UIMA.
- Payout of \$198.7 million in UI benefits from October 1, 2009 to September 30, 2010, representing an increase over the prior year. Comparatively, from October 1, 2008 to September 30, 2009, \$188.9 million was paid and \$90.3 million for the period of October 1, 2007 to September 30, 2008.

Category 1 of the 2011 projected tax rate schedule continued to have a tax rate of 0.00%, Category 12 remained at 3.33%, and Category 20 remained at 8.66%. The 2011 taxable wage base is \$9,000 per employee per year (see UI Tax Rates, page 14.)

UIConnect, the online application for filing and collection of UI combined tax reports and payments, continues to grow in terms of number of employers using it and the scope of functionality. During the first quarter of 2010, 33,796 employers filed and reported 900,368 wage records electronically. The total combined taxes paid electronically were \$102,360,702.00 (84%) for the first quarter. The development and implementation of the UIConnect portal for employers has been of major significance in the receipt and processing of employer wage records.

## Other Accomplishments

### **Reemployment of Claimants**

Reemployment Services are provided through seventeen Career Centers situated throughout Nebraska. NEworks, a new online application, for Jobseekers and Employers, went live in October 2010 <https://networks.nebraska.gov/>. The system consolidates multiple reporting platforms across the NDOL employment and training grants and includes case management tools for staff. Individuals, employers, training

providers, workforce staff, and one-stop partners gain access through a single portal to job postings, a job search engine, career tools, labor market information, recruitment tools, information on education and training programs, and financial aid. It will also feature an enhanced interface with the UI benefit payment system.

### **Detection of UI Benefit Overpayments**

In the twelve month performance period of April 1, 2009 - March 31, 2010, the Detection of Overpayments measures in Nebraska were 58.56%. This exceeded the core measure standard (> = 50% & < = 95%). Nebraska continues to focus on goals to meet this measure.

### **Prompt Establishment of Tax Accounts**

Nebraska's performance was 93.6%, exceeding the Performance Target of 90%. Prompt status determinations continue to be a priority in Nebraska.

### **Renovation of NDOL 500 Building**

In September 2009, NDOL commenced the \$2.3 million renovation of the 500 Building. The renovation project included asbestos abatement, upgrading mechanical and electrical systems, updating ADA accommodations and life safety features for each floor, and the remodeling of the first and second floors, converting the space into an open office plan. This allowed for the discontinuance of leased office space at the Golds Building where the Nebraska Claims Center (NCC) was previously situated. Reed Act (UI program) funds were used for the renovation. In March 2010, the 500 Building became the new home for the unemployment NCC, Nebraska Appeal Tribunal, and Labor Market Information.

# Unemployment Insurance Funding

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Unemployment insurance (UI) taxes, which are required of most employers, have two components – a state unemployment insurance tax (SUIT) and a federal unemployment tax (FUTA).

## Unemployment Insurance Trust Fund (UTF)

The UTF is an account within the United States Treasury. The UTF contains federal accounts and state accounts derived from the states' collection of unemployment taxes (FUTA and SUTA).

## State Unemployment Insurant Trust (SUIT)

The SUIT fund is the state account within the State Treasury used for the deposit of all state UI taxes collected (SUIT) and held in trust for the payment of UI benefits. Amounts withdrawn for payment of benefits are immediately forwarded to the credit of the state's account in the UTF for the deposit, administration, release, or disbursement of money in the possession or custody of the state.

## The Reed Act

The Reed Act is a portion of the Employment Security Financing Act of 1954 that provides a mechanism for returning excess federal taxes (FUTA) to the state employment security agencies. The FUTA tax is levied on employers to finance the administrative costs of the UI and employment service programs. It also provides a reserve fund for possible extended benefit programs and a loan fund for states that deplete their individual benefit accounts. When the federal accounts reach their statutory caps, the excess is distributed to the states and is known as a regular Reed Act distribution. Other transfers in the UTF are labeled by legislation as special Reed Act distributions.

In 2010, Nebraska received a special distribution in the amount of \$43.6 million through a transfer of funds under the Unemployment Insurance Modernization Act (UIMA) as an incentive payment for changing certain state UI laws.

## The Combined Unemployment Insurance Trust Fund Balance

The Combined Unemployment Trust Fund Balance is comprised of employer contributions through the UI combined tax, the interest earned

## Trust Fund Solvency

Title XII of the Federal Social Security Act allows states to borrow from the Federal Unemployment Trust Account (FUTA) in the event of insufficient state unemployment trust fund reserves. When UI benefit payments outpace employer UI contributions, states must borrow FUTA. While many other states have borrowed over \$27 billion from the federal government in order to finance their UI benefits, Nebraska's trust fund has remained solvent, primarily due to the methodology used in determining reserve ratios and annual revenue targets.





# Unemployment Trust Fund Balance

## Methodology Used in Determining Reserve Ratios

The State's Reserve Ratio is the balance in the Unemployment Trust Fund (UTF) as of September 30 divided by the estimated amount of total wages paid in covered employment during the most recent tax rating period ending on September 30. The UTF balance includes the balance in State Unemployment Insurant Trust (SUIT) fund.

$$\frac{[\text{UI Trust Fund Balance}]}{[\text{State's Total Wages}]} = \frac{[\text{State's Reserve Ratio}]}{[\text{for Yield Factor}]}$$

State statute provides that the UTF balance should be between 0.85% and 1.00% of all wages paid in covered employment.

As of 9/30	ETA 2112 c87	Reed Act Bal	(Calculated) UTF Bal	SUIT	(Calculated) Trust Fund Bal	QCEW from BLS Total Wages	(Calculated) .85% RR	(Calc.) RR
2007	278,021,953.72	23,280,791.96	254,741,161.76	28,699,288.00	283,440,449.76	30,869,902,868.00		
2008	296,867,388.22	22,217,441.46	274,649,946.76	34,727,826.00	309,377,772.76	32,473,544,641.00	276,025,129.45	0.95%
2009	207,195,350.27	23,448,094.09	183,747,256.18	40,606,797.00	224,354,053.18	32,049,912,944.00	272,424,260.02	0.70%
2010	232,124,036.76	72,060,062.33	160,063,974.43	46,889,720.00	206,953,694.43	32,267,147,972.00	274,270,757.76	0.64%

Values in red are projected.

Column 1 – Data derived from ETA 2112 Change to UI Financial Transactions report

Column 2 – Data derived from ASAP report

Column 4 – Data derived from State Unemployment Insurant Trust

Column 6 – Data derived from Quarterly Census of Employment and Wage program



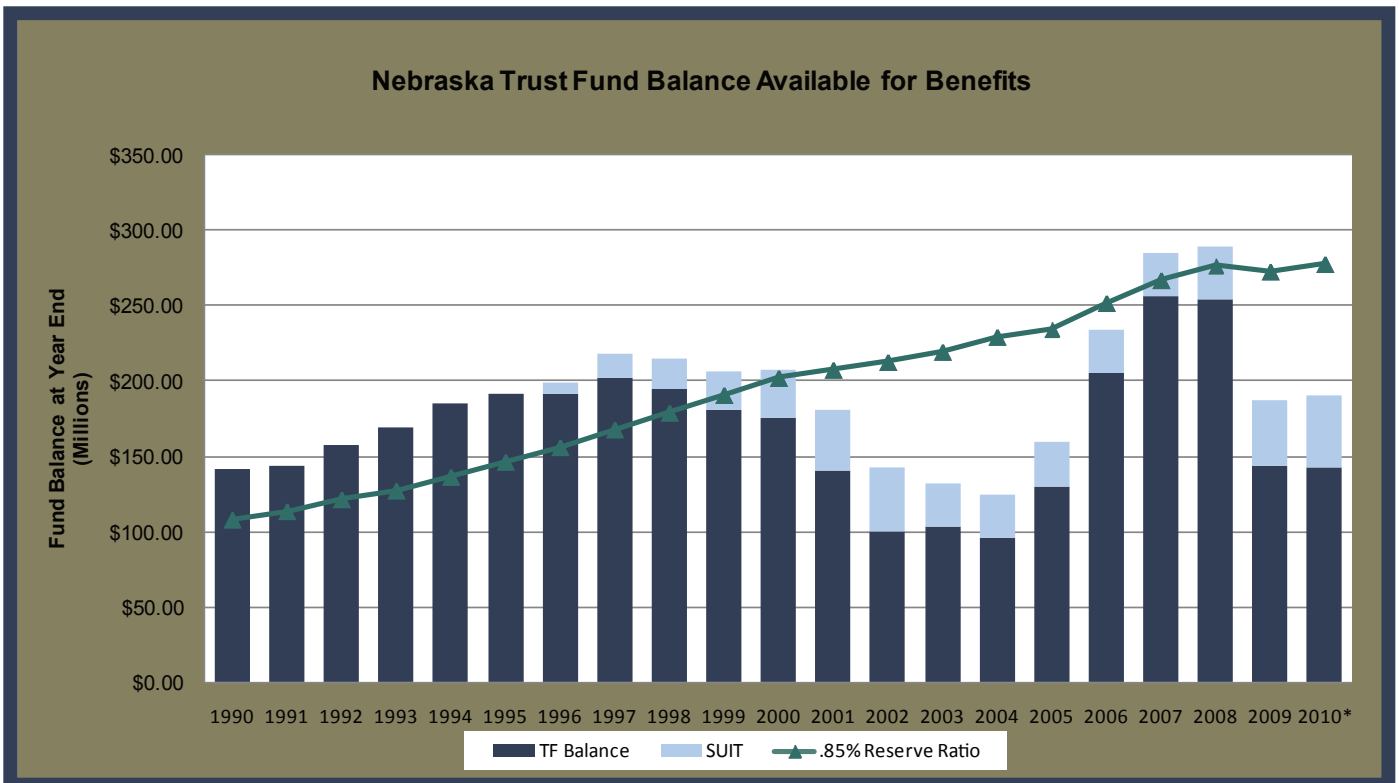
## Determining Revenue Target

The State's Reserve Ratio is then applied to the following table, to determine the UTF revenue target for the upcoming year. The revenue target is the amount of unemployment benefits paid during the twelve months ending September 30 as adjusted by a yield factor.

$$[\text{Prior Year Benefits Paid} \times \text{Yield Factor}] = [\text{Revenue Target}]$$

State's Reserve Ratio	Yield Factor
1.45 percent and above	0.70
1.30 percent up to but not including 1.45 percent	0.75
1.15 percent up to but not including 1.30 percent	0.80
1.00 percent up to but not including 1.15 percent	0.90
0.85 percent up to but not including 1.00 percent	1.00
0.70 percent up to but not including 0.85 percent	1.10
0.60 percent up to but not including 0.70 percent	1.20
0.50 percent up to but not including 0.60 percent	1.25
0.45 percent up to but not including 0.50 percent	1.30
0.40 percent up to but not including 0.45 percent	1.35
0.35 percent up to but not including 0.40 percent	1.40
0.30 percent up to but not including 0.35 percent	1.45
Below 0.30 percent	1.50

The graph below shows the impact of recessionary periods on the UTF and the 0.85% reserve ratio.



The decrease in bar length following 2008 shows Nebraska has decreased its UTF holdings and will close 2010 falling short of the .085% reserve ratio measure. The stacked vertical bars represent the money we have available to pay benefits. The line represents the trust fund balance required to meet the .85% reserve ratio. The .85% reserve ratio is the amount of money equal to total wages paid in the state during the previous year multiplied by .0085. That figure represents the minimum amount necessary to be reasonably confident we will be able to meet our benefit payment obligations. Since 2006 this figure has been incorporated into the process of determining the yield to be generated when the rate setting process is undertaken for the following year.

Since we operate a very seasonal business, our trust fund balance and consequently any measure of its adequacy will vary throughout the year. The .85% reserve ratio is pegged to the trust fund balance on December 31 each year.

## Unemployment Insurance Tax Rates

The table shows the unemployment insurance combined tax rates for 2009, 2010 and 2011. Tax rates increased for 2010 due to the increase in claims for unemployment insurance (UI) beginning in 2008. The amount of UI benefit payments is a key factor in calculating the combined tax rate.

### Experience Rating

Nebraska uses an Experience Rating system which considers the individual employer's actual experience and a comparison of the employer's experience to an array of all other employers.

To be eligible for experience rating, an employer must have reported taxable wages in at least two consecutive preceding tax rating periods. A tax rating period is a four quarter period ending September 30th. The employer's experience rating is determined by the following formula:

$$\frac{[\text{Reserve Balance as of October 31}]}{[\text{Average Taxable Payroll}]} = [\text{Reserve Ratio}]$$

### Array System

The Array system takes individual employer accounts eligible for experience rating and arrays, or ranks, them by experience ratios from best to worst. Once ranked, the accounts are divided into the 20 rate categories. Employers with the highest (best) reserve ratios are assigned to category 1 and the worst to category 20. Each category is limited to five percent of the state's total taxable wages for the four quarters ending September 30. Categories do not have an equal number of tax-rated employers but do have approximately equal amounts of taxable wages.

Unemployment Insurance Combined Tax Rates			
Category	Year		
	2009	2010	2011
1	0.00%	0.00%	0.00%
2	0.31%	0.83%	0.83%
3	0.50%	1.33%	1.33%
4	0.57%	1.50%	1.50%
5	0.63%	1.67%	1.67%
6	0.75%	2.00%	2.00%
7	0.82%	2.17%	2.16%
8	0.88%	2.33%	2.33%
9	1.01%	2.67%	2.66%
10	1.13%	3.00%	3.00%
11	1.19%	3.17%	3.16%
12	1.26%	3.33%	3.33%
13	1.32%	3.50%	3.50%
14	1.38%	3.67%	3.66%
15	1.51%	4.00%	4.00%
16	1.70%	4.50%	4.50%
17	1.95%	5.16%	5.16%
18	2.26%	6.00%	5.99%
19	2.70%	7.16%	7.16%
20	5.40%	8.66%	8.66%

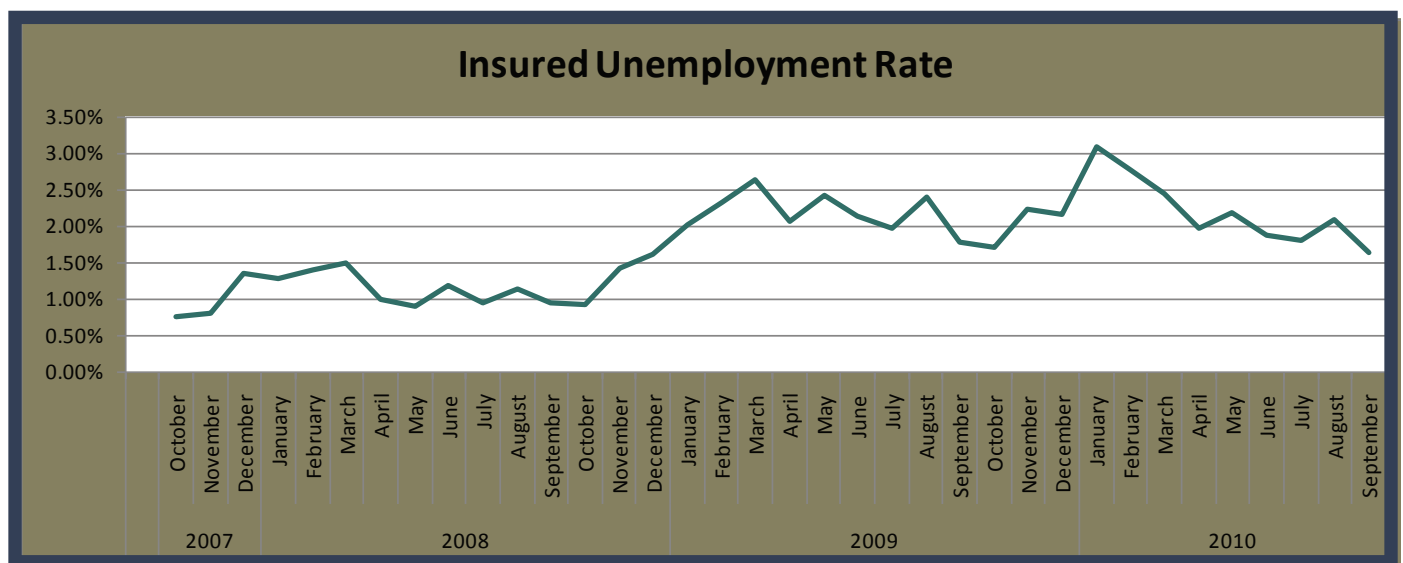
# Insured Unemployment Rate

The insured unemployment rate (IUR) is defined as the number of people filing unemployment claims that live in Nebraska or a bordering state and commute to Nebraska to work, divided by the work force population *covered by unemployment insurance*. The IUR is an important measure because it affects the Unemployment Trust Fund (UTF).

The IUR is a different measure than the total unemployment rate (TUR), as the TUR takes into account *all unemployed, whether or not they are covered by unemployment insurance*. The TUR is the unemployment rate which is typically quoted in the media.

Overall, the monthly IUR's in 2010 were lower than in 2009, but slightly higher than in 2008.

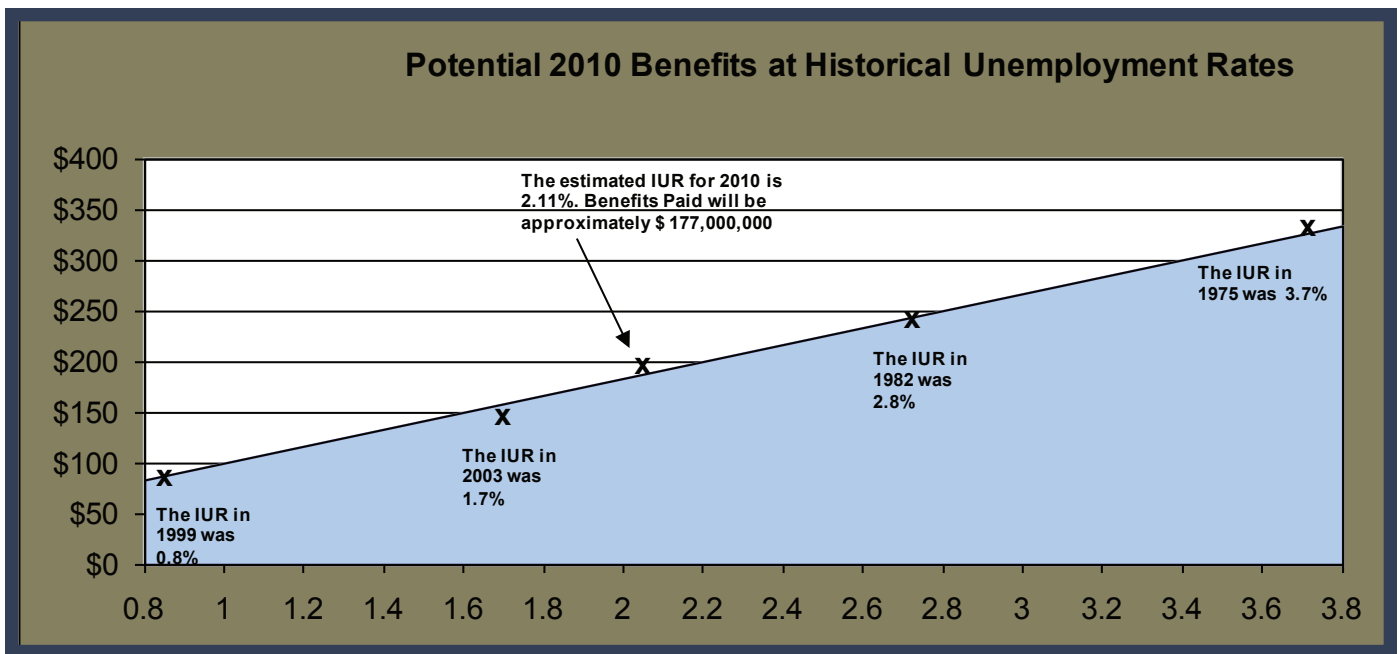
Federal Fiscal Year	2007/2008	2008/2009	2009/2010
October	0.77%	0.92%	1.72%
November	0.80%	1.43%	2.24%
December	1.34%	1.62%	2.15%
January	1.29%	2.01%	3.09%
February	1.40%	2.32%	2.77%
March	1.51%	2.64%	2.45%
April	1.01%	2.07%	1.98%
May	0.91%	2.43%	2.19%
June	1.18%	2.13%	1.87%
July	0.95%	1.96%	1.81%
August	1.14%	2.41%	2.09%
September	0.95%	1.78%	1.65%



# Potential 2010 Benefits at Historical Unemployment Rates

The Potential 2010 Benefits at Historical Unemployment Rates graph shows the amount of benefits paid in today's dollars based upon using historical insured unemployment rates (IURs). There is a linear relationship between the IUR and the amount of benefits expected to be paid when all other variables are held constant. For most of the 2000's, Nebraska experienced relatively low IURs. In 2008 due to the most current recession, Nebraska began to see an increase in the IUR.

Due to the most current recession, Nebraska has experienced higher than normal benefit payments. In today's dollars the IURs experienced in 1975 (3.7%) and 1982 (2.8%) would still pay out more in unemployment insurance benefits than we estimate to pay out in 2010 (\$177 million). In today's dollars an IUR of 3.7% would pay out over \$300 million in benefits, while an IUR of 2.8% would pay out approximately \$250 million in benefits.



# Unemployment Insurance Initial Claims Data

The graph below shows the number of individuals who have filed an initial unemployment insurance (UI) benefit claim for each month during the previous three years. In 2009/2010, initial claims were up in comparison to 2007/2008, but down when compared to 2008/2009. An initial claim is a notice of unemployment filed by an individual to request a determination of entitlement to and eligibility for UI benefits. In July 2008, in response to the recession, the Emergency Unemployment Compensation (EUC) program was authorized. The numbers in this chart do not include any individuals who filed an initial claim under the EUC program.

Federal Fiscal Year	2007/2008	2008/2009	2009/2010
October	5,347	7,619	8,817
November	5,624	8,293	9,692
December	9,715	15,187	16,404
January	8,390	12,206	12,175
February	5,536	9,422	8,742
March	5,199	9,365	9,400
April	5,182	9,022	7,308
May	5,349	9,271	7,932
June	5,352	9,525	8,049
July	6,390	9,009	7,545
August	4,775	7,634	7,995
September	4,964	7,159	7,075



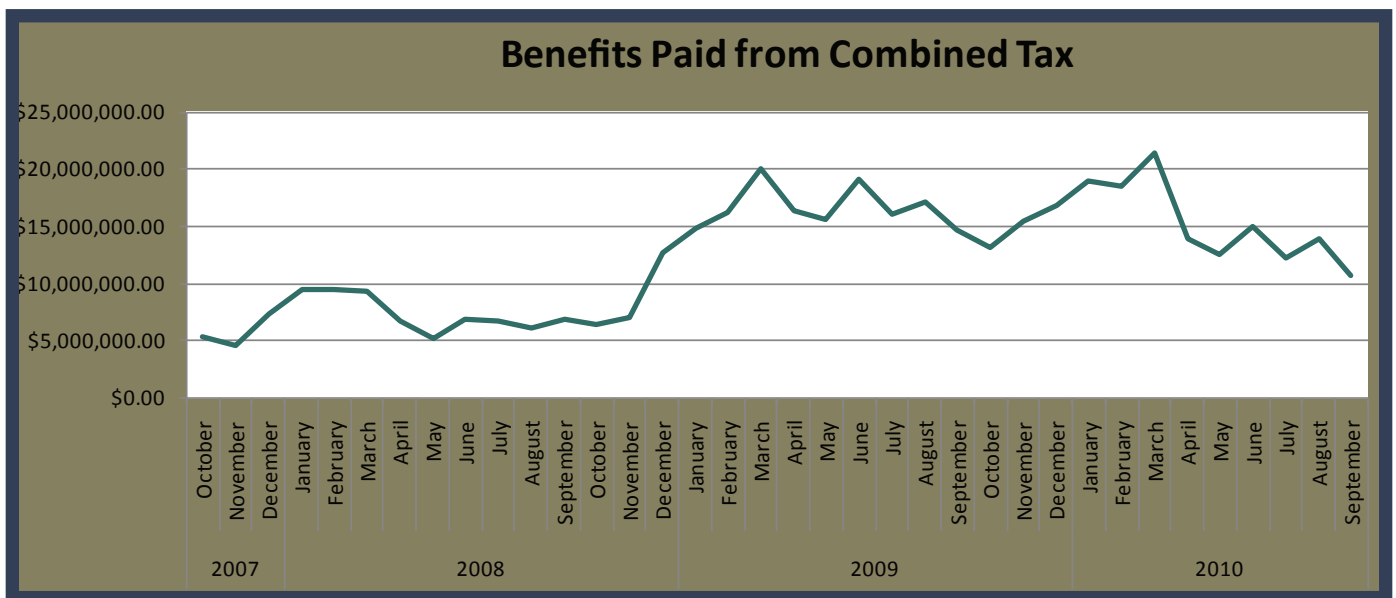
# Benefits Paid from Combined Tax

Benefits paid from Nebraska employer UI tax contributions are defined as regular UI benefits. Regular UI benefits include benefits paid to and received from other states through the interstate claim process. Employers who are eligible to make reimbursement payments for benefits paid to former employees, in lieu of paying UI tax contributions, are not included.

The table and graph show regular benefits paid by month from October 2007 to September 2010.

EUC and FAC benefits payments are 100% federally funded and do not impact employer UI tax contributions or rates. EUC and FAC benefits payments are not reflected in the graph and table on this page.

2007	October	\$5,411,647.15
	November	\$4,633,635.32
	December	\$7,355,978.33
2008	January	\$9,416,193.15
	February	\$9,419,534.09
	March	\$9,331,214.36
	April	\$6,731,002.18
	May	\$5,148,121.02
	June	\$6,928,868.68
	July	\$6,704,970.13
	August	\$6,137,662.06
	September	\$6,917,328.45
	October	\$6,405,512.67
	November	\$7,065,084.90
	December	\$12,632,415.46
2009	January	\$14,832,071.93
	February	\$16,199,623.29
	March	\$20,047,183.58
	April	\$16,378,639.51
	May	\$15,644,752.18
	June	\$19,160,946.98
	July	\$16,122,641.85
	August	\$17,116,735.23
	September	\$14,650,048.03
	October	\$13,092,642.94
	November	\$15,423,916.12
	December	\$16,882,774.21
2010	January	\$18,974,892.74
	February	\$18,570,772.39
	March	\$21,437,741.08
	April	\$13,935,750.81
	May	\$12,548,226.97
	June	\$15,058,935.09
	July	\$12,227,772.47
	August	\$13,851,745.63
	September	\$10,733,028.35



# Accuracy of Unemployment Benefits Paid

## UI Performs

UI “performs” is the umbrella term adopted to designate the USDOL closed-loop system for promoting continuous improvement in UI operational performance. Under this system, the goal is to ensure that the system’s ultimate customers, UI beneficiaries and subject employers, receive ever-increasing quality of services. The Benefits Accuracy Measurement (BAM) programs assess accuracy of benefit payments : Paid Claims Accuracy (PCA) and decisions to deny claims; Denied Claims Accuracy (DCA).

The Nebraska Department of Labor (NDOL) selects weekly random samples of UI payments and denied claims. BAM investigators audit these paid and denied claims to determine whether the claimant was properly paid or denied eligibility. The results of the BAM statistical samples are used to estimate accuracy rates for the populations of

paid and denied claims, and is a diagnostic tool to identify systemic errors and their causes.

BAM paid claims results are based on the annual sampling of up to 360 paid claims, and 150 denied claims for each of the denied claims categories. This sampling provides statistical inferences into their respective annual populations of all paid and denied claims.



Benefit Accuracy Measurement Paid Claims Accuracy Fiscal Year 2010	
Total Dollars Paid in Population	\$205,579.18
<b>Payment Type</b>	<b>Percentage of Dollars</b>
Proper Payments	83.20%
Overpayments	16.80%
Underpayments	0.20%
<b>Responsibility for Overpayment</b>	<b>Percentage of Dollars</b>
Claimant Only	46.60%
Claimant + Agency	30.40%
Agency Only	14.20%
Employer + Agency	4.30%
Claimant + Employer	3.20%
Employer Only	1.30%
<b>Cause for Overpayments</b>	<b>Percentage of Dollars</b>
Eligibility Issues Excluding Work Search	51.40%
Benefit Year Earnings Issues	18.50%
Work Search Issues	13.20%
Separation Issues	11%
Base Period Wage Issues	3.90%
Other Issues	2.20%



# Accuracy of Unemployment Benefits Denied

## Denied Claims Accuracy (DCA) Rates

DCA measures the accuracy of disqualifying monetary, separation, and non-separation determinations for both intra-and interstate claims. Unlike the investigation of paid claims, in which all prior determinations affecting claimant eligibility for the compensated week are evaluated, the investigation of denied claims is limited to the issue upon which the denial determination is based. DCA investigators verify facts contained in the case file, obtain any missing information, as well as conduct new and original fact finding that may be relevant to the denials determination. The DCA audits record error information in a manner similar to that used in Paid Claims Accuracy



### Benefit Accuracy Measurement Denied Claims Accuracy Error Rates Report, Fiscal Year 2010

Denial Type	Population	Cases Completed *
Monetary	8,541	149
Separation	37,292	151
Nonseparation	21,106	152

Denial Type	Total Errors	Improper Denial	Adjusted Improper Denial **	Overpayment	Proper Denial***
Monetary	4.13%	3.57%	3.00%	0.00%	0.55%
Separation	13.26%	5.12%	4.50%	0.00%	8.13%
Nonseparation	32.96%	22.22%	19.37%	0.55%	10.19%

\* Excludes cases not meeting DCA definition for inclusion in population, withdrawn claims, and claims for which monetary eligibility was established upon receipt of CWC, UCFE, and/or UCX wage credits.

\*\* Adjusted rate excludes erroneous details that were corrected by agency or reversed on appeal prior to DCA case completion.

\*\*\* Properly denied, but for wrong reason or section of the law.

### Monetary Denials

States determine the monetary eligibility of claimants when they file a new initial claim or a transitional claim. In FY 2010, was determined that 3.57% of the new initial and transitional claims were monetarily improper. This compares to an improper denial rate of 3.65% for FY 2009. These UI claims were denied because the agency had initially determined that the claimant had not earned sufficient wages in employment prior to being unemployed or failed to meet other requirements for monetary eligibility, such as sufficient earnings in a minimum number of weeks.

### Separation Denials

In order to be eligible for unemployment benefits, a claimant must be unemployed due to no fault of their own, discharged for non-disqualifying reasons, or must have voluntarily left employment for a non-disqualifying reason provided in state law, such as workplace harassment, domestic violence, or to relocate with a spouse. NDOL conducts determinations of eligibility when a separation issue has been identified, and gathers information from the claimant, employer, and relevant third parties. Based on the findings of fact and the application of state laws, a determination of eligibility is issued

Separation issues normally are identified when a new initial claim or an additional claim is filed. In FY 2010, BAM estimated that 5.12% of the 37,292 separation denials issued were improper, compared with 6.2% estimated for FY 2009. When redeterminations and appeals reversals are taken into account, the improper denial rate for separations decreases to 4.5%, compared with 4.79% percent in FY 2009.

### Nonseparation Denials

Nonseparation issues include the claimant's ability to work and availability for work, disqualifying and unreported earnings and income during the benefit year, failure to meet work search requirements, and failure to report as required by the state to provide information related to the UI claim or to receive reemployment services. Although nonseparation issues can be detected at various points in the UI claims taking process, these issues generally affect the claimant's eligibility for continued claims of UI. In FY 2010, BAM estimated that 22.22% of the 21,106 nonseparation denials issued were improper, compared with 9.5% estimated for FY 2009. When redeterminations and appeals reversals are taken into account, the improper denial rate for nonseparations decreases to 19.37%, compared with 7.62% in FY 2009.

### Benefit Payment Control Established Overpayments

The Benefit Payment Control measure includes those overpayments the state is reasonably expected to detect and establish for recovery. This includes overpayments established due to fraud and non-fraud. The table below displays the number of cases and dollar amounts established in FY2010 by the Benefit Payment Control Unit.



Benefit Payment Control Established Overpayments				
	Fraud # of Cases	Dollar Amount	Non Fraud # of cases	Dollar Amount
<b>Period Ending</b>				
12/31/2009	274	\$301,169.00	1305	679,242.00
3/31/2010	386	\$454,176.00	2470	\$1,602,313
6/30/2010	585	\$604,272.00	2670	\$1,927,389.00
9/30/2010	700	\$730,179.00	2987	2,247,353.00
<b>Total</b>	<b>1945</b>	<b>\$2,089,796.00</b>	<b>9432</b>	<b>\$6,456,297.00</b>

