



Nebraska Department of Labor

Unemployment Insurance Program

Annual Report

Fiscal Year 2010-2011



Table of Contents

Letter to Governor Heineman	4
Annual Report Requirements	5
Nebraska Unemployment Insurance Program Overview	5
Recent Changes to the Nebraska Employment Security Law	6
Administration and Operation of the Nebraska Employment Security Law	6
Unemployment Insurance Funding	9
Unemployment Insurance Trust Fund Balance	10
Unemployment Insurance Tax Rates	12
Insured Unemployment Rate	13
Potential 2011 Benefits at Historical Unemployment Rates	14
Unemployment Insurance Initial Claims Data	15
Benefits Paid from Combined Tax	16
Accuracy of Unemployment Benefits Paid	17
Accuracy of Unemployment Benefits Denied	18
Benefit Payment Control	19
Conclusion	20



Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF LABOR

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December 31, 2011

Dave Heineman, Governor
State of Nebraska
State Capitol NE Corner
Lincoln, NE 68509-4848

Dear Governor Heineman:

Pursuant to Neb. Rev. Stat. § 48-606, the Commissioner of Labor is required to submit an annual report to the Governor on or before December 31 of each year concerning the administration and operation of the Nebraska Employment Security Law for the previous fiscal year. I am pleased to provide you with the *Unemployment Insurance Program Annual Report for Fiscal Year 2010-2011*, as administered by the Nebraska Department of Labor under the Nebraska Employment Security Law. This report covers the period of October 1, 2010 – September 30, 2011.

The Unemployment Trust Fund has improved while unemployment insurance benefit payments have decreased to \$168,086,251. As a result, in 2012 there will be a reduction in Nebraska's Unemployment Insurance Tax Rates from 2011.

Sincerely,

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

Pursuant to LB 1020 passed during the 2010 legislative session, the following changes to the Nebraska Employment Security Law became effective on July 1, 2011:

- The minimum amount of wages that an individual needs to earn in order to qualify for unemployment benefits 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 increased from one week to two weeks.
- The disqualification assessed against persons who quit their jobs without good cause 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 the majority of the weeks of their base period were worked in part time employment.
- Persons who are not monetarily eligible for unemployment benefits because they have not earned enough wages in the standard base period are 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 are potentially eligible for up to an additional 26 weeks of unemployment benefits while attending training for employment in a high wage, high growth occupation.
- 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.

During the 2011 legislative session the Legislature passed LB 261 which amended the Nebraska Employment Security Law's "Direct Seller" exemption from unemployment coverage to match the exemption in the Federal Unemployment Tax Act.

Administration and Operation of the Nebraska Employment Security Law

Economic Environment

FY 2010-2011 continued to show steady growth as Nebraska rebounds from the recession that ended in 2009. Nebraska's seasonally adjusted unemployment rate averaged 4.3% while the national unemployment rate averaged 8.4%. Initial claims for unemployment benefits declined 6% from FY 2010.

Unemployment Benefits

During FY 2010-2011, NDOL continued to administer two unemployment insurance programs: (1) the permanent state program; (2) the temporary Emergency Unemployment Compensation (EUC08) program (a four-tiered program). Emergency Unemployment Compensation (EUC08) provides benefits to workers who exhaust regular state unemployment insurance (UI) benefits. The EUC program was created on June 30, 2008, and has been modified several times. The progressive complexity of the federally mandated requirements of the EUC08 program and other related UI programs, such as Federal Additional Compensation (FAC), imposes a heavy burden on the state computer systems and contributes to an increase in the improper payment of benefits due to the complexity of reprogramming computer systems quickly and effectively. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the expiration date of the EUC08 program to January 3, 2012.

The American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009, included the Assistance for Unemployed Workers and Struggling Family Act, providing expanded eligibility criteria for unemployment benefits. 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.

For FY 2010 – 2011, NDOL processed \$285,432,539 in benefit payments. \$168,086,251 were regular UI benefit payments (state program funded by employer tax contributions), and \$117,346,288 were EUC08 payments (funded by the federal government). Benefits are paid electronically through direct deposit (62.11%) or debit card (37.89%).

Unemployment Insurance Tax

Annually, NDOL performs its calculation of the UI Combined Tax Rates, pursuant to a statutory formula designed to stabilize the trust fund. For 2012, there will be a reduction in Nebraska's UI combined tax rates from 2011 due to the following:

- Payout of nearly \$168.1 million in UI benefits from October 1, 2010 to September 30, 2011, representing a decrease over the prior year.
- Comparatively, from October 1, 2009 to September 30, 2010, \$198.7 million was paid and \$188.9 million for the period of October 1, 2008 to September 30, 2009.

Category 1 will continue to have a tax rate of 0.00%, Category 12 will drop to 2.49%, and Category 20 will drop to 6.49%. The 2012 taxable wage base is \$9,000 per employee per year (see UI Tax Rates, page 12).

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 2011, 35,681 employers filed and reported 940,462 wage records electronically. The total combined taxes paid electronically were \$109,773,511

(85.9%) 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

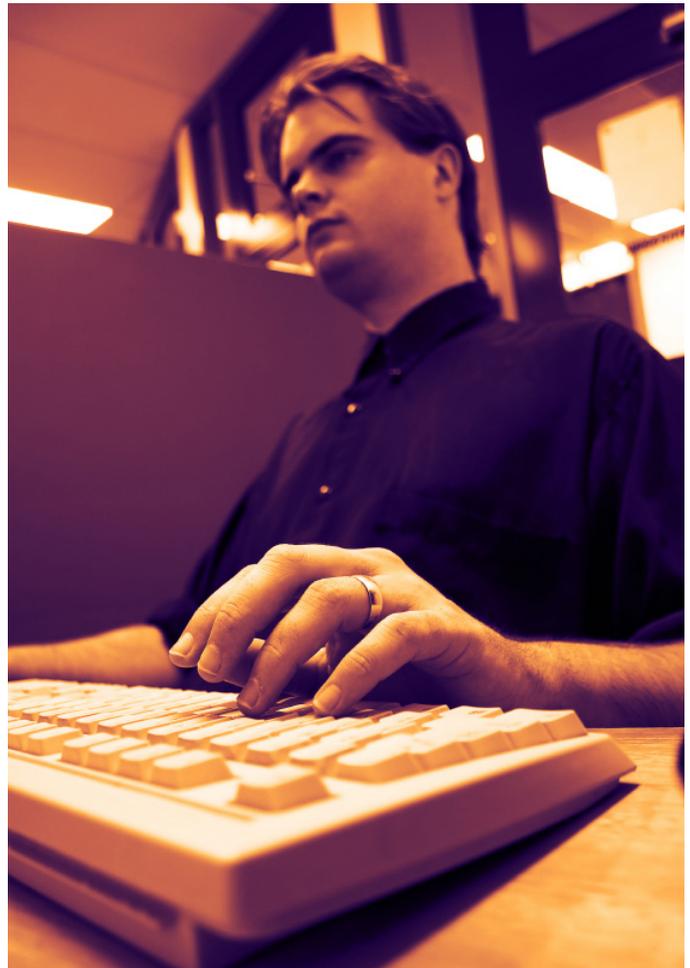
NDOL continues to put a high degree of emphasis on the reemployment of UI claimants. Reemployment services are provided through seventeen Career Centers situated across Nebraska. NEworks - www.neworks.nebraska.gov - the online application providing services for jobseekers and employers, is also a case management tool utilized by NDOL staff working to connect the unemployed to jobs. NEworks provides individuals, employers, training providers, workforce staff, and one-stop partners access to job postings, a job search engine, career tools, labor market information, recruitment tools, education and training programs, and financial aid through a single portal. It will also feature an enhanced interface with the UI benefit payment system, ensuring claimants are meeting requirements for registration and work search.

Detection of UI Benefit Overpayments

In the twelve month performance period of October 1, 2010 – September 30, 2011, the Detection of Overpayments measures in Nebraska were 47.34%. This is below the Acceptable Level of Performance (> = 50% & < = 95%). Nebraska continues to focus on goals to meet this measure.

Prompt Establishment of Tax Accounts

NDOL's performance was 88.2%, exceeding the Performance Target of 70%. Prompt status determinations continue to be a priority in Nebraska.



Proper Employee Classification

NDOL's Contractor Registration/Employee Classification Unit staff and UI Tax field representatives educate businesses and workers about the dangers of misclassification and take appropriate enforcement action to protect Nebraska's workers and law-abiding businesses. These programs determine if workers are appropriately classified as "employees" or "independent contractors". NDOL makes referrals to the Nebraska Department of Revenue, the Nebraska Workers' Compensation Court, and appropriate prosecuting authority. The outcome of such referrals ensures the collection of required taxes, interest and penalties.

Unemployment Insurance Funding

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 from that money, federal Reed Act distributions and other funds specifically allocated for non-benefit expenses.

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. Currently twenty-seven states have outstanding advances of over \$37.8 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 Sep 30	Total Trust Balance	Reed Act Balance	UTF Balance	SUIT Balance	Trust Fund Balance	Total Wages	.85% Reserve	Reserve Ratio
	1	2	3 = 1 - 2	4	5 = 4 + 3	6	7 = 6 x .0085	8 = 5 ÷ 6
2008	\$ 276,158,886.03	\$ 22,217,441.46	\$ 253,941,444.57	\$ 34,727,826.16	\$ 288,669,270.73	\$ 33,358,432,354.00	\$ 283,546,675.01	0.87%
2009	\$ 154,073,280.00	\$ 22,000,624.44	\$ 132,072,655.56	\$ 41,926,480.00	\$ 173,999,135.56	\$ 32,977,498,253.00	\$ 280,308,735.15	0.53%
2010	\$ 229,659,023.77	\$ 76,868,140.45	\$ 152,790,883.32	\$ 43,867,126.82	\$ 196,658,010.14	\$ 32,267,400,078.00	\$ 274,272,900.66	0.61%
2011	\$ 273,935,278.05	\$ 71,650,970.82	\$ 202,284,307.23	\$ 51,082,869.12	\$ 253,367,176.35	\$ 33,463,900,245.00	\$ 284,443,152.08	0.76%

Column 1 - Source is US Treasury Unemployment Trust Fund Report. This amount is reconciled to the monthly ETA 2112 report.

Column 2 - Source is Month End Automated Standard Application for Payments (ASAP) report.

Column 3 - Calculated amount which equals the Total Trust Fund Balance minus Reed Act Balance

Column 4 - Source is State of Nebraska Cash Status report.

Column 5 - Calculated amount which equals SUIT Balance plus UTF Balance

Column 6 - Source is the Quarterly Census of Employment and Wages (QCEW) program.

Column 7 - Calculated amount which equals Total Wages times the .0085 Reserve Ratio target to determine the amount that should be in the State's Reserve.

Column 8 - Calculated amount which equals the Trust Fund Balance divided by the Total Wages to determine the Reserve Ratio.



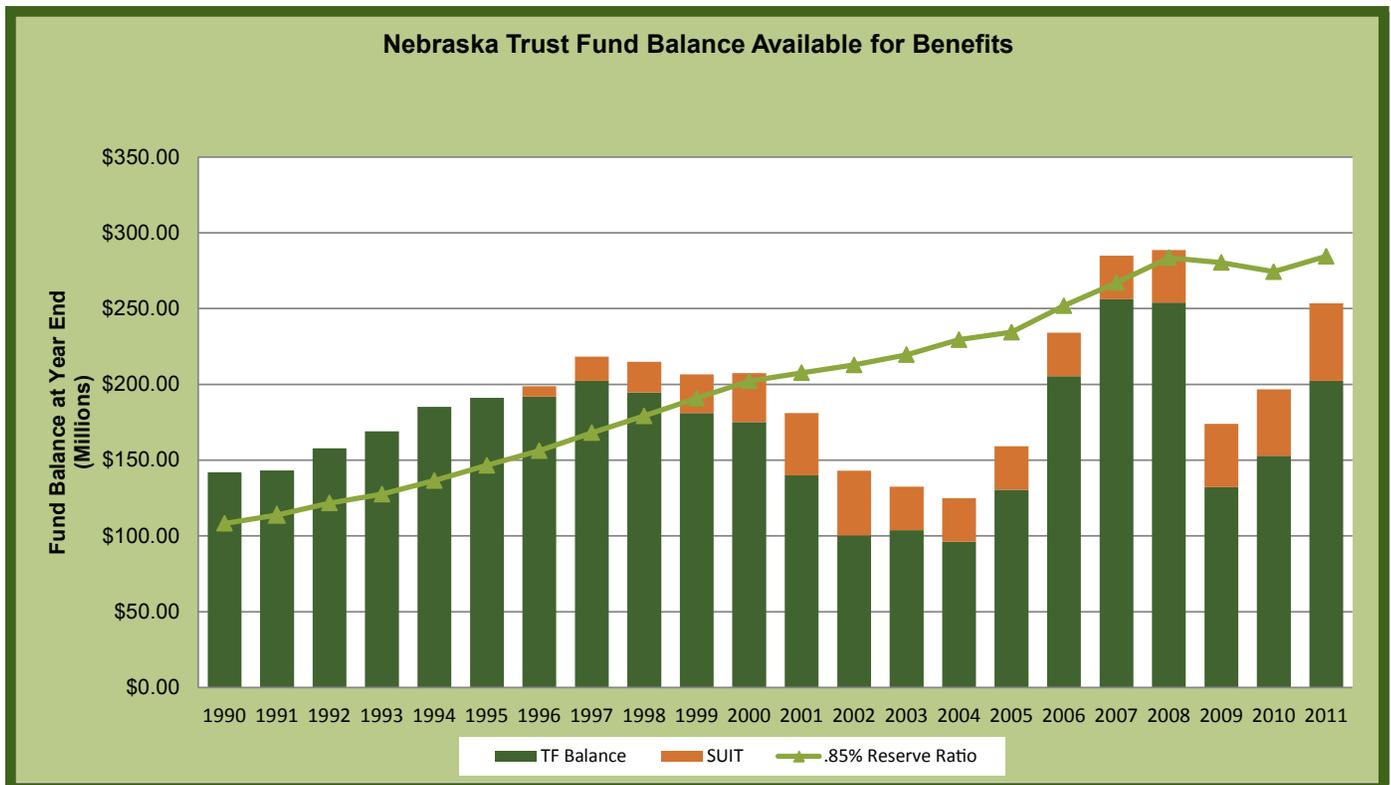
Determining Revenue Target

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 2011 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 September 30 each year.

Unemployment Insurance Tax Rates

The table shows the Unemployment Insurance Combined Tax Rates for 2009, 2010, 2011 and 2012. Tax rates decreased for 2012 due to the decrease in claims for unemployment insurance (UI). 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	2012
1	0.00	0.00	0.00	0.00
2	0.31	0.83	0.83	0.62
3	0.50	1.33	1.33	1.00
4	0.57	1.50	1.50	1.12
5	0.63	1.67	1.67	1.25
6	0.75	2.00	2.00	1.50
7	0.82	2.17	2.16	1.62
8	0.88	2.33	2.33	1.75
9	1.01	2.67	2.66	2.00
10	1.13	3.00	3.00	2.25
11	1.19	3.17	3.16	2.37
12	1.26	3.33	3.33	2.49
13	1.32	3.50	3.50	2.62
14	1.38	3.67	3.66	2.74
15	1.51	4.00	4.00	2.99
16	1.70	4.50	4.50	3.37
17	1.95	5.16	5.16	3.87
18	2.26	6.00	5.99	4.49
19	2.70	7.16	7.16	5.36
20	5.40	8.66	8.66	6.49

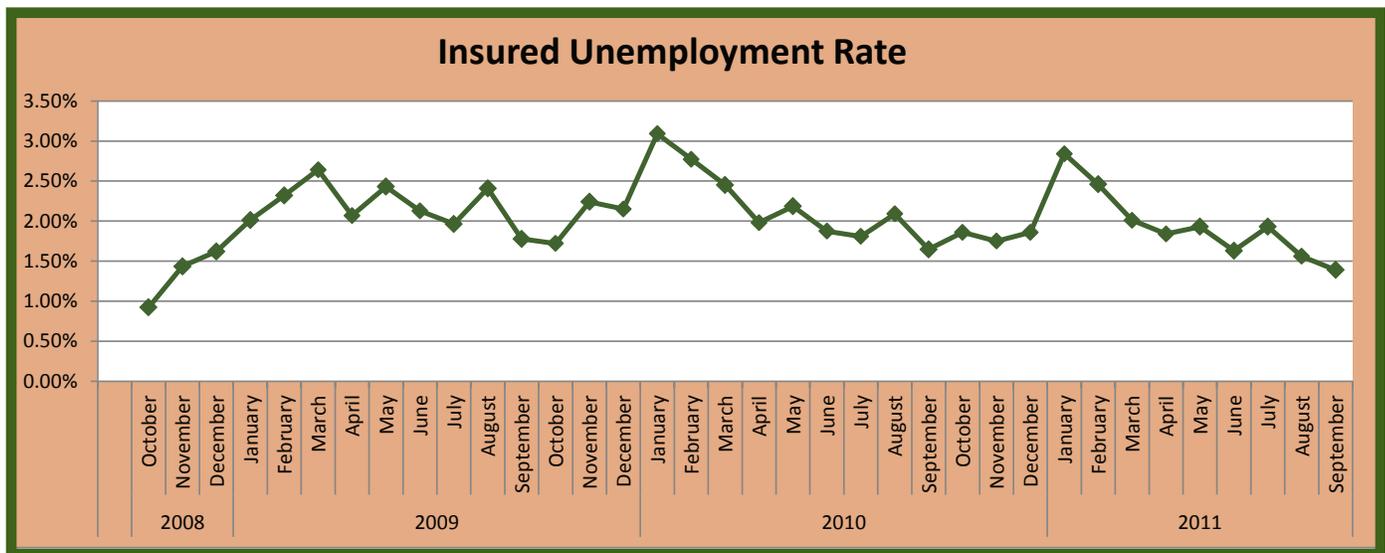
Insured Unemployment Rate

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.

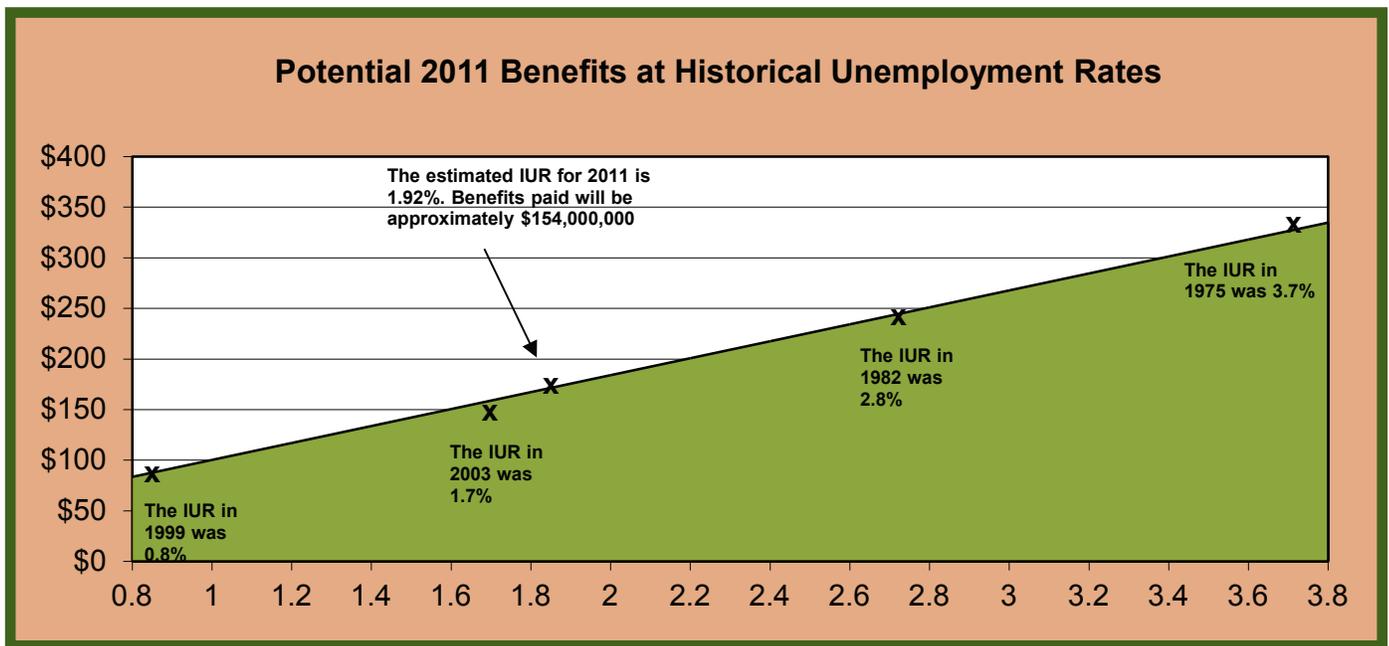
Federal Fiscal Year	2008/2009	2009/2010	2010/2011
October	0.92%	1.72%	1.86%
November	1.43%	2.24%	1.75%
December	1.62%	2.15%	1.86%
January	2.01%	3.09%	2.84%
February	2.32%	2.77%	2.46%
March	2.64%	2.45%	2.01%
April	2.07%	1.98%	1.84%
May	2.43%	2.19%	1.93%
June	2.13%	1.87%	1.63%
July	1.96%	1.81%	1.93%
August	2.41%	2.09%	1.56%
September	1.78%	1.65%	1.39%



Potential 2011 Benefits at Historical Unemployment Rates

The Potential 2011 Benefits at Historical Unemployment Rates graph shows the amount of benefits paid in today's dollars based 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.

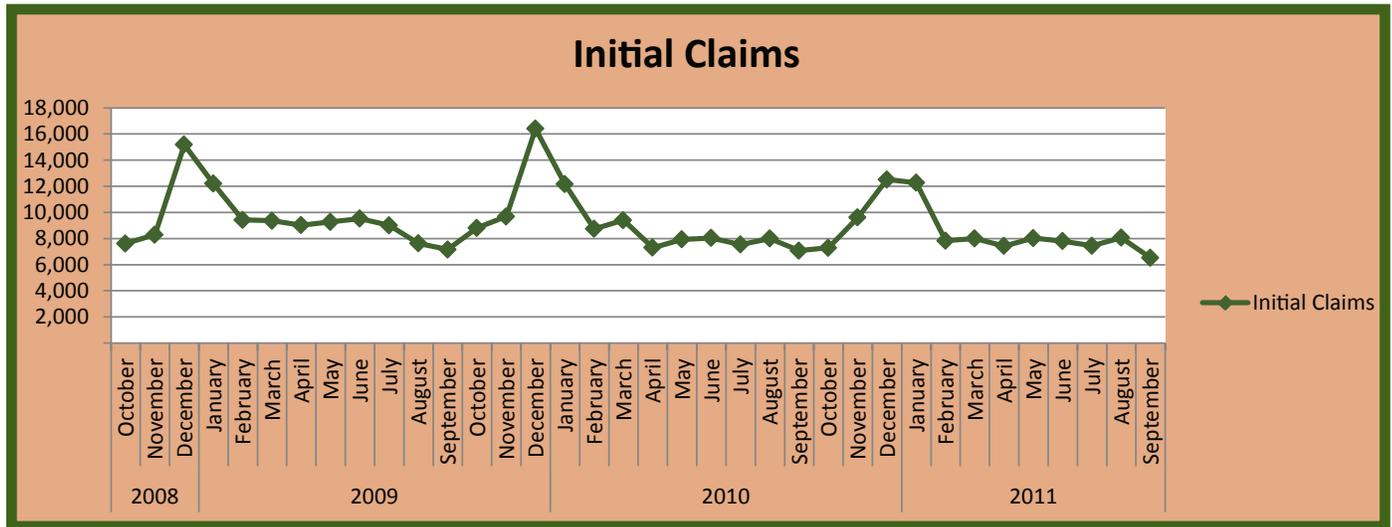
Due to the most current recession, Nebraska has experienced higher than normal benefit payments. In today's dollars the IURs experienced in 1975 (3.7%) and 1982 (2.8%) would still pay out more in unemployment insurance benefits than we estimate to pay out in 2011 (\$154 million). In today's dollars an 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 (EUC08) program was authorized. The numbers in this chart do not include any individuals who filed an initial claim under the EUC08 program.

Federal Fiscal Year	2008/2009	2009/2010	2010/2011
October	7,619	8,817	7,290
November	8,293	9,692	9,612
December	15,187	16,404	12,521
January	12,206	12,175	12,264
February	9,422	8,742	7,842
March	9,365	9,400	7,998
April	9,022	7,308	7,439
May	9,271	7,932	8,035
June	9,525	8,049	7,799
July	9,009	7,545	7,442
August	7,634	7,995	8,070
September	7,159	7,075	6,516



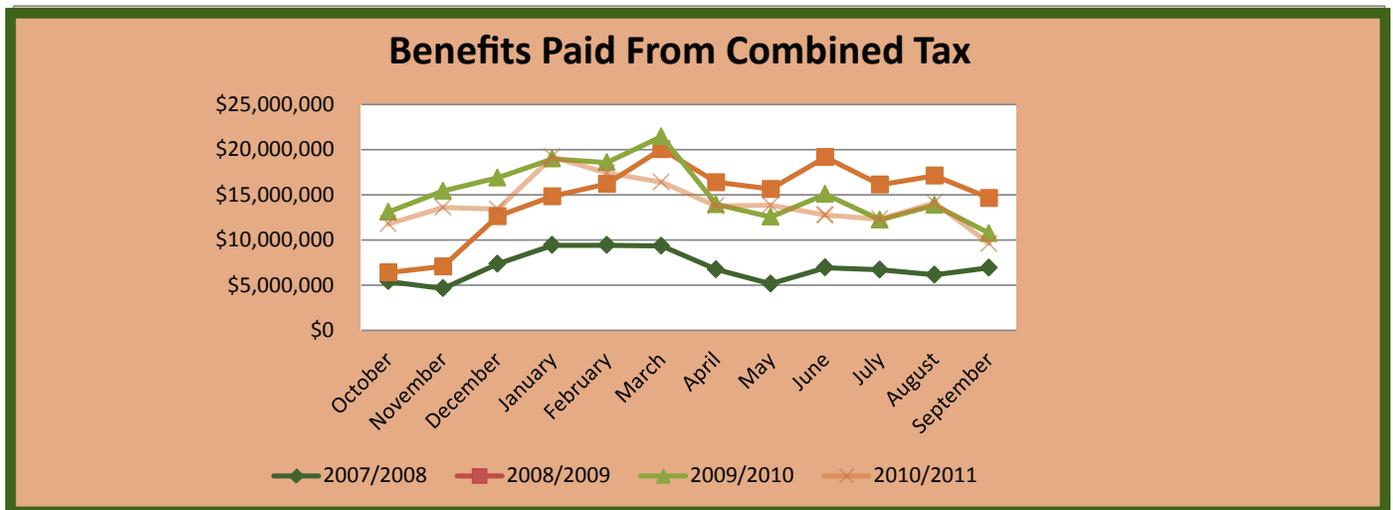
Benefits Paid from Combined Tax

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 2011.

EUC08 and FAC benefits payments are 100% federally funded and do not impact employer UI tax contributions or rates. EUC08 and FAC benefits payments are not reflected in the graph and table on this page.

Federal Fiscal Year	2007/2008	2008/2009	2009/2010	2010/2011
October	\$5,411,647	\$6,405,513	\$13,092,643	\$11,780,205
November	\$4,633,635	\$7,065,085	\$15,423,916	\$13,583,061
December	\$7,355,978	\$12,632,415	\$16,882,774	\$13,404,987
January	\$9,416,193	\$14,832,072	\$18,974,893	\$19,198,372
February	\$9,419,534	\$16,199,623	\$18,570,772	\$17,406,091
March	\$9,331,214	\$20,047,184	\$21,437,741	\$16,382,175
April	\$6,731,002	\$16,378,640	\$13,935,751	\$13,750,263
May	\$5,148,121	\$15,644,752	\$12,548,227	\$13,831,348
June	\$6,928,869	\$19,160,947	\$15,058,935	\$12,754,952
July	\$6,704,970	\$16,122,642	\$12,227,772	\$12,297,210
August	\$6,137,662	\$17,116,735	\$13,851,746	\$14,116,601
September	\$6,917,328	\$14,650,048	\$10,733,028	\$9,578,131



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: including, 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 calendar sampling of up to 360 paid claims, and 150 denied claims for each of the denied claims categories

Benefit Accuracy Measurement Paid Claims Accuracy Fiscal Year 2011	
Total Dollars Paid in Population	\$157,851,034
Payment Type	Percentage of Dollars
Proper Payments	84.50%
Overpayments	15.50%
Underpayments	0.60%
Responsibility for Overpayment	Percentage of Dollars
Claimant Only	38.10%
Claimant + Agency	25.60%
Agency Only	16.60%
Claimant + Employer	10.20%
Claimant + Other	4.50%
Claimant + Agency + Other	1.60%
Employer + Agency	1.50%
Other Only	1.00%
Claimant + Employer + Agency	0.90%
Cause for Overpayments	Percentage of Dollars
Eligibility Issues Excluding Work Search	34.30%
Benefit Year Earnings Issues	30.60%
Work Search Issues	17.30%
Separation Issues	16.70%
Other Issues	1.00%

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 2011

Denial Type	Population	Cases Completed *
Monetary	10,067	149
Separation	34,829	149
Nonseparation	25,343	148

Denial Type	Total Errors	Improper Denial	Adjusted Improper Denial **	Overpayment	Proper Denial***
Monetary	1.99%	1.99%	1.99%	0.00%	0.00%
Separation	13.62%	2.13%	2.13%	0.00%	11.49%
Nonseparation	30.74%	20.52%	14.53%	0.00%	10.22%

* 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 2011, it was determined that 1.99% of the new initial and transitional claims were monetarily improper. This compares to an improper denial rate of 3.57% for FY 2010. 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. During the review period the implementation of alternative base period on

July 1, 2011 impacted monetary denial data from July 1 through September 30, 2011.

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, separation issues normally are identified when a new initial claim or an additional claim is filed. In FY 2011, DCA estimated that 2.13% of the 34,829 separation denials issued were improper, compared with 5.12% estimated for FY 2010. When redeterminations and appeals reversals are taken into account, the improper denial rate for separations decreases to 2.13%, compared with 4.5% percent in FY 2010.

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 2011, DCA estimated that 20.52% of the 25,343 nonseparation denials issued were improper, compared with 22.22% estimated for FY 2010. When redeterminations and appeals reversals are taken into account, the improper denial rate for nonseparations decreases to 14.53%, compared with 19.37% in FY 2010.

Benefit Payment Control Unit

The Unemployment Insurance (UI) program has a longstanding commitment to ensuring its financial integrity. The program and Nebraska's UI Benefit Payment Control Unit (BPCU) uses highly sophisticated sampling and auditing methods and other tools to prevent, detect, and recover overpayments. When potential overpayments are detected, individuals are given the opportunity to demonstrate that the payment was not made in error before collection efforts begin.

The recession has had an impact on the UI improper payment rate. Entering the recession,

nationally UI claims increased by 3.2 million, or 120 percent, in only a one-year period. Although additional federal support helped, many state agencies struggled to keep up with increased workloads and were compelled to focus on processing claims instead of improper payments.

In the twelve month performance period of October 1, 2010 – September 30, 2011, the Detection of Overpayments measures in Nebraska were 47.34%. This is below the Acceptable Level of Performance (> = 50% & < = 95%).

- The formula which calculates the detection rating is established in part by Benefit Accuracy Measurement Quality Control (BAM QC) sampling data and is an estimated detection measure. The formula is then applied to actual Regular UI payments and overpayments established data (EUC08 is not factored in). Calculated using Regular UI alone, NDOL's BPCU established over \$6 million in

Report Date	Fraud Cases	Real Dollars	Nfraud Cases	Real Dollars
Current 2010-2011				
20101231	423	\$397,171.00	4072	\$1,082,950.00
20110331	461	\$426,930.00	1814	\$1,056,370.00
20110630	479	\$543,189.00	2053	\$1,214,210.00
20110930	541	\$474,370.00	1457	\$985,062.00
Totals	1904	\$1,841,660.00	9396	\$4,338,592.00
2009-2010				
20091231	205	\$232,072.00	1036	\$610,145.00
20100331	251	\$298,061.00	1735	\$923,545.00
20100630	392	\$359,372.00	1891	\$1,146,999.00
20100930	445	\$426,828.00	1996	\$1,306,066.00
Totals	1293	\$1,316,333.00	6658	\$3,986,755.00
2008-2009				
20081231	533	\$405,340.00	1976	\$660,554.00
20090331	410	\$385,496.00	1994	\$791,222.00
20090630	384	\$335,710.00	2205	\$865,816.00
20090930	282	\$269,894.00	1662	\$864,322.00
Totals	1609	\$1,396,440.00	7837	\$3,181,914.00
2007-2008				
20071231	539	\$400,266.00	1987	\$583,840.00
20080331	606	\$412,268.00	1747	\$472,235.00
20080630	515	\$405,538.00	1906	\$564,398.00
20080930	553	\$449,115.00	1739	\$560,601.00
Totals	2213	\$1,667,187.00	7379	\$2,181,074.00

*all data reported is NE UI compensation

overpayment during the performance period. The figure does not take into account the EUC08 audits and overpayments established by BPCU, which require the same procedures to audit and set up, but are not “credited” in the performance measure. In total (including EUC08), during the same period, Nebraska established over \$10.6 million in overpayment.

- BPCU has detected and successfully established 2982 cases of fraud during the same period, 1904 cases of Regular UI and 1078 cases of EUC08 fraud. The total amount BPCU established in overpayment as a result of fraud was over \$2.8 million, of which \$1.85 million was in Regular UI.

Nebraska is actively working to aggressively implement strategies to bring down the UI improper payment rate. The federal government has identified UI as a high-priority program and USDOL has many initiatives to support states’ efforts to improve payment accuracy, reduce improper UI payments and thereby reduce employer tax rates.

Conclusion

Steady economic growth continues as Nebraska rebounds from the recession that ended in 2009. Nebraska’s average unemployment rate of 4.3% for FY 2010 – 2011 continues to decline as do initial claims for unemployment benefits, resulting in an increase to the Unemployment Trust Fund and a reduction in Unemployment Insurance Combined Tax rates for 2012.

The Nebraska Department of Labor continues to administer two unemployment insurance programs: the State program - regular unemployment benefit payments, funded through employer tax contributions; and, Emergency Unemployment Compensation (EUC08), funded by the federal government.

Emphasis on integrity programs for reducing improper payment of benefits and overpayments is high-priority, as well as initiatives to focus on the reemployment of claimants, helping to strengthen Nebraska’s economy and reduce employer tax rates.

