

Unemployment program sees changes

It has been an extremely busy year for Arkansas' Unemployment Insurance program.

Since July 2008, the UI workload has more than doubled, as have regular UI benefit payments. UI Modernization and the American Recovery and Reinvestment Act have found their way into our vocabulary along with Emergency Unemployment Compensation, Federal Additional Compensation, Extended Benefits, and Title XII Trust Fund Advances.

DWS' legislative package made it through the session with only a few changes.

Finally, during this time we have made some significant improvements with our Employer Reporting System and Wage Reporting System. Most employers can now establish UI accounts and submit the quarterly wage reports/payments securely via the Internet.

Each of these items is explained in more detail throughout the remainder of the newsletter. Please take a minute to read the update below.

Additional UI programs administered by DWS

Aside from administering its regular UI benefit programs, DWS has implemented several other UI programs that were required by federal legislation or because the unemployment rate reached certain levels.

The federal programs include the Emergency Unemployment



Compensation program that can provide up to 33 weeks of additional benefits once regular benefits are exhausted.

Another federal program is the Federal Additional Compensation program that provides a \$25 per week payment to claimants in addition to any other benefit payment.

Both EUC and FAC are federally funded and do not affect the trust fund balance.

DWS also administered the federal/state Extended Benefit program that can provide another 13 weeks of benefits once all regular and EUC benefits are exhausted.

The most recent Extended Benefit period started April 12, 2009, and closed September 26,

2009. Normally, DWS funds 50 percent of the costs of the Extended Benefit program, but the program is currently 100 percent federally funded as a result of stimulus legislation passed by the U.S. Congress.

UI Modernization

UI Modernization is a nationwide effort to amend certain aspects of the UI system to better reflect changes in today's workforce. The effort picked up steam when it was incorporated into the American Recovery and Reinvestment Act.

States earn incentive payments by adopting legislation related to UI Modernization.

Arkansas adopted the legislation in the 2009 session and received a \$59,969,332 incentive payment for doing so.

The specifics of the legislation are explained in more detail in the 2009 Legislative Session section of this newsletter.

UI Benefit Trust Fund

Starting in March 2009, DWS began receiving Title XII Advances through the U.S. Department of Labor.

The Title XII advance system allows states to continue paying regular UI benefits when their trust funds no longer have the funds needed to do so.

Rather than build up huge reserves in its trust fund, Arkansas' UI trust fund has historically taken a "pay as you go"

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approach. This approach has worked well, as evidenced by the fact that Arkansas has not had to seek Title XII advances since the early 1980s.

Unfortunately, the severe impact of the current recession has depleted the UI trust fund, and Title XII advances are necessary.

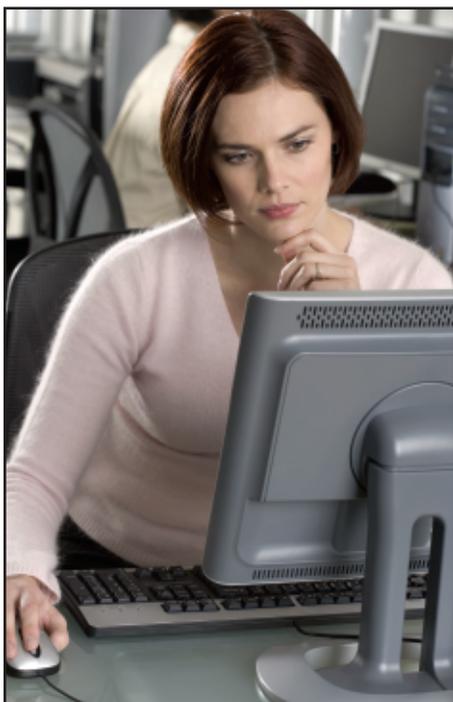
Due to the trust fund status, the stabilization tax will remain at 0.8 percent at least through 2010. In addition, the extended benefit tax of 0.1 percent will become effective starting January 1, 2010, and will remain in effect until the trust fund can build up positive reserves.

DWS staff continue to work closely with the DWS Advisory Council to develop legislation to address the issue of trust fund solvency.

2009 Legislative Session

DWS' legislative package was signed into law as Act 802 on April 3, 2009. A copy of the act may be found by going to the following:

www.arkleg.state.ar.us/assembly/2009/R/Acts/Act802.pdf



A brief discussion of the major sections of the act follows.

Alternate Base Period

An individual's monetary eligibility for UI is determined by wages paid in the base period. The base period is the first four of the last five completed quarters prior to the filing of the claim.

Section 1 establishes an alternate base period to be used when an individual cannot qualify for UI benefits under the regular base period. The alternate base period allows the use of the most recently completed quarter in establishing the claim.

The adoption of the alternate base period was necessary to qualify for the UI Modernization incentive payments.

Taxable Wage Base Increase

UI benefits are funded through taxes paid by Arkansas employers on a certain amount (taxable wage base) of employees' wages. The taxable wage base was last increased in 2004, when it was raised to \$10,000.

Section 2 raises the taxable wage base from \$10,000 to \$12,000 starting January 1, 2010. The UI maximum benefit amount increases each July 1, so it is important to periodically raise the taxable wage base to offset the automatic benefit increases. The increase also should help address trust fund balance difficulties.

Part-Time Work

An individual must be available for "suitable work" in order to be eligible for UI benefits. An individual also may be disqualified for refusing to apply for or accept "suitable work."

Section 3 establishes that part-time work is suitable work when an individual's base period con-



sists of at least 50 percent part-time work. This definition of suitable work was already a DWS policy. The codification of the policy was necessary to qualify for the UI Modernization incentive payments.

Personal Emergency Exemptions

Individuals who quit their employment may escape disqualification for UI benefits if they quit due to a personal compelling emergency.

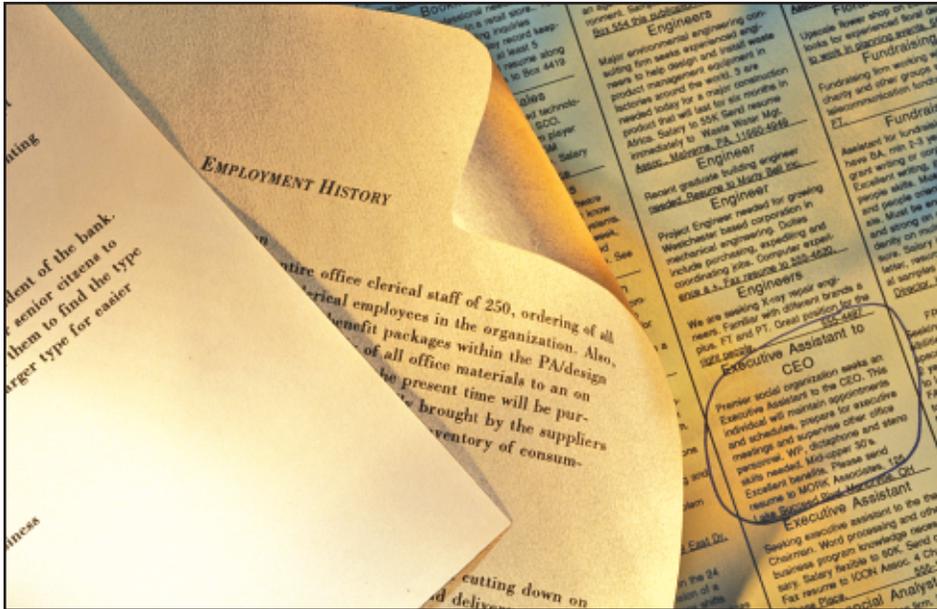
Section 4 changes the law to specify that emergencies include the following: taking care of a family member, domestic violence and to move with a spouse who took employment out of the individual's commuting area.

Adopting these three specific emergencies was necessary to qualify for the UI Modernization incentive payments. Provided that notices are responded to in a timely fashion, separations involving the personal emergency exemptions are not charged to an employer's account.

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Exemptions

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Discharge Disqualification

Section 5 now requires claimants who are discharged due to misconduct to work 30 days for an employer covered by the UI system before the disqualification for UI benefits is satisfied. This change was made to help address trust fund balance difficulties and is set to expire June 30, 2011.

The American Recovery and Reinvestment Act

In February 2009 the American Recovery and Reinvestment Act was signed into law by President Barack Obama. This stimulus legislation affected Arkansas' UI program in various ways.

Extension of EUC 08

The federally-funded Emergency Unemployment Compensation program was scheduled to expire with claims filed before March 31, 2009, with a phase-out period through August 27, 2009. ARRA lengthened this program to expire with EUC claims filed on or before the week ending December 26, 2009, with a phase-out period through the week ending June 5, 2010.

Federal Additional Compensation

Claimants receiving regular UI, EUC 08, Disaster Unemployment Assistance, Trade Readjustment Allowances or Extended Benefits receive additional \$25 FAC payments per week. The program is effective for claims filed on or before the week ending December 26, 2009, with a phase-out period through the week ending July 3, 2010.

Waiver of Federal Income Tax

A waiver of federal income tax now occurs on the first \$2,400 of UI benefits paid during tax year 2009.

Special Distribution of UI Administration Funds

Arkansas received \$4.2 million under this distribution. There is no time limit on spending the funds. Funds may only be spent on the following: improving UI benefit and tax operations, re-employment services, administration of UI Modernization and outreach to claimants who may become eligible for benefits under UI Modernization.

Federal Funding of Extended Benefits Program

Each state has its own Extended Benefits program that is funded 50 percent by the state and 50 percent by the federal government. Under ARRA, the federal government will pay 100 percent of the costs for EB claims filed on or before the week ending December 26, 2009, with a phase out through the week ending June 5, 2010.

Waiver of Interest on Title XII Advances

Interest is waived on Title XII advances through 2010.

UI Modernization

The basic concept is to pay states to adopt an alternate base period that incorporates the most recently completed quarter when claimants cannot qualify under the normal base period (the first four of the last five completed quarters).

States also must adopt two of four other provisions: (1) part-time work eligibility; (2) no disqualification if separated for domestic violence, the need to care for a family member or to move with a spouse; (3) dependent's benefits; (4) state-funded training benefits. Via Act 802, Arkansas adopted the alternate base period and numbers one and two and received a \$59,969,332 incentive payment.

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UI Contributions Internet Reporting Systems

DWS has two Internet-based systems to assist employers. The Employer Reporting System allows employers to register online and maintain individual accounts once they are established.

A new employer who registers online will immediately receive

an assigned account number and tax rate for the liability year at the e-mail address provided.

This system enables all existing employers to maintain their accounts with regard to address changes, contact information, etc. Should the account status change, the account can be terminated or reinstated from this site.

The online tax and wage reporting system allows employers, or their representatives, to file their quarterly reports, pay their taxes through Electronic Funds Transfer and receive confirmation of a successful transaction immediately via e-mail.

This system has a multitude of functions that enable an employer of any size to key wage information, upload single or multiple account wages, make payments with a single EFT transaction and make payments with multiple EFT transactions through different bank accounts.

DWS encourages all employers to utilize the online filing applications, which ensure accuracy and timeliness by allowing employers to establish and maintain their own accounts.

Employers can access these applications by going to the official Arkansas Tax Portal at www.ar-tax.org and selecting "Unemployment Insurance Tax." They also can go to the DWS Web site at www.dws.arkansas.gov, click on "Employers" and select "Online UI Employer Services."

Note: Normally, DWS publishes its newsletters online; however, this newsletter was distributed in hard copy format in an effort to ensure that all employers are aware of recent UI program changes. Previous versions can be viewed online at www.dws.arkansas.gov. From the "News and Publications" link, select "DWS Publications," and then click on "DWS Employer Newsletters."

