



Nebraska Department of Labor

Unemployment Insurance Program
Annual Report
Fiscal Year 2011-2012

 NEBRASKA
DEPARTMENT OF LABOR



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Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF LABOR

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December 31, 2012

Dave Heineman, Governor
State of Nebraska
State Capitol NW 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 2011–2012*, as administered by the Nebraska Department of Labor under the Nebraska Employment Security Law. This report covers the period of October 1, 2011 to September 30, 2012.

The Unemployment Trust Fund has improved while unemployment insurance benefit payments have decreased to \$130 million. As a result, in 2013 there will be a reduction in Nebraska's Unemployment Insurance Tax Rates from 2012.

Sincerely,

Catherine D. Lang
Commissioner of Labor

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 1058 passed during the 2012 legislative session, the following changes to the Nebraska Employment Security Law were made:

- Effective October 1, 2012, employers who fail to respond to the Department of Labor's request for separation information within 10 days of the mailing of the request to the employer forfeit their right to appeal the claims adjudicator's determination of eligibility and the employer will not be relieved from charges based upon wages earned in its employment.
- If an employer timely and accurately responds to a request for separation information regarding an employee at the time a claim for unemployment benefits is filed and the employee subsequently quits his/her employment, the employer will be relieved of charging for benefits paid on that claim.
- Effective January 1, 2013, the Department may recover unpaid unemployment taxes and unemployment benefit overpayments received due to fraud or misreported wages earned by the claimant during the period of the claim by intercepting federal personal income tax refunds.
- Effective October 1, 2013, a 15 percent penalty will be assessed upon claimants for any overpayment resulting from falsification or a failure to disclose information by the claimant.

Recent Changes to the Nebraska Administrative Code

TITLE 219- DEPARTMENT OF LABOR CHAPTER 4-CLAIMANT'S AVAILABILITY/WORK SEARCH REQUIREMENTS

001. This chapter is adopted pursuant to Neb. Rev. Stat. §§48-607, 48-627 and 48-628.
002.

A. A claimant attached to a Nebraska job market shall be referred to an employment services office established in accordance with Neb. Rev. Stat. §48-662 or the employment services' web application for reemployment services unless the waiver provisions of 219 NAC 4, §005 are met. Claimants not attached to a Nebraska job market shall register with the employment service office of the state of their residence unless the waiver provisions of 219 NAC 4, §005 are met.

B. Unless the waiver provisions of 219 NAC 4, §005 are met, each claimant attached to a Nebraska job market shall be required to register for work and create a resume in the employment services' web application in order to become initially eligible for benefits.

C. A claimant will also be required to make an active and earnest search for work that is reasonably calculated to result in the earliest possible reemployment of the claimant. The search

shall include, for each week of benefits, at least two contacts with employers in-person, by mail or by telephone or other electronic media. A claimant attached to a Nebraska job market shall record each week's work search effort in an electronic web application maintained by the Department of Labor as the Commissioner of Labor shall direct. Claimants not attached to a Nebraska job market shall record each week's work search effort in such manner as the Commissioner of Labor shall direct. A failure to record the work search effort will be considered a failure to report as directed, and subject to applicable administrative penalty for each week.

D. Electronic notifications by the employment services web application of job openings matching up with the job skills described in the claimant's resume in the employment services' web application shall be considered as a direction by the Commissioner to apply for available, suitable work within the meaning of Neb. Rev. Stat. §48-628(3).

E. Eligibility for benefits of claimants seeking only part-time work is established in Neb. Rev. Stat. §48-627

H.R.3630 -- Middle Class Tax Relief and Job Creation Act

On February 22, 2012, the President signed H.R. 3630, the Middle Class Tax Relief and Job Creation Job Act of 2012: Impact to the State of Nebraska

- 1) Effective July 1, 2012 eliminated Emergency Unemployment Compensation: Tier II, which formerly provided up to an additional 14 weeks of federal benefits following the expiration of up to 20 weeks Emergency Unemployment Compensation.
- 2) Effective September 2, 2012 reduced Emergency Unemployment Compensation from up to 20 weeks to up to 14 weeks of benefit eligibility.
- 3) Emergency Unemployment Compensation terminated following benefit week December 29, 2012. Effective December 23, 2012 a claim for benefits could be filed, but benefit eligibility ended following benefit week end December 29, 2012. There was no phase out period.
- 4) Random auditing of EUC recipient work search activity. Regardless of work search status, any individual receiving federal benefits was subject to random auditing. Each week a minimum number of individuals are selected for work search auditing. Failure to conduct a valid work search, or failure to meet reporting requirements of having completed their work search log will be subject to appropriate administrative penalty. The audit program is to be conducted for each week in which EUC benefits are payable.
- 5) Reemployment Services and Reemployment and Eligibility Assessment Activities. All individuals filing Emergency Unemployment Compensation after March 25, 2012, unless exempted, are subject to reemployment assessment activities. Such assessments, conducted by Reemployment Services, include:
 - a. Provision of labor market and career information
 - b. Skills assessment
 - c. Orientation of available services through the one-stop centers

For FY 2011 – 2012, NDOL processed \$241,571,582 in benefit payments. Of these, \$142,812,034 were regular UI benefit payments (state program funded by employer tax contributions), and \$98,749,548 were EUC08/ EUC Tier II payments (funded by the federal government). Benefits are paid electronically through direct deposit (61%) or debit card (39%).

Administration and Operation of the Nebraska Employment Security Law

Economic Environment

FY 2011-2012 continued to show steady growth as Nebraska rebounds from the recession that ended in 2009. Nebraska's seasonally adjusted unemployment rate averaged 4.1% while the national unemployment rate averaged 8.3%. Initial claims for unemployment benefits declined 9% from FY 2011. Weeks claimed declined 17% from FY 2011.

Unemployment Benefits

During FY 2011-2012, 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.

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 2012 due to the following:

- Payout of nearly \$130.4 million in UI benefits from October 1, 2011 to September 30, 2012, representing a decrease over the prior year.
- Comparatively, from October 1, 2010 to September 30, 2011, \$168.1 million was paid and \$198.7 million for the period of October 1, 2009 to September 30, 2010.

Category 1 will continue to have a tax rate of 0.00%, Category 12 will drop to 1.68%, and Category 20 will drop to 5.40%. The 2013 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 2012, 41,665 employers filed and reported 967,590 wage records electronically. The total combined taxes paid electronically were \$89,406,149 (87.1%) 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 combined tax and 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 15 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

Federal Fiscal Year 2012 (October 1, 2011-September 30, 2012) has produced record numbers for UI Benefit improper payment detection and recovery. During the reporting period, the Detection of Overpayments measure in Nebraska was 67.45%, well exceeding the Acceptable Level of Performance (ALP) as established by USDOL (52.8%).

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, IRS, and appropriate prosecuting authority. The outcome of such referrals ensures the collection of required taxes, interest and penalties. During the FY 2011-2012 the UI Tax Field staff completed 742 payroll verification audits and 225 obstructed claim investigations, reclassified 1,492 workers, and collected an additional \$99,853.95 in U.I. taxes.

Unemployment Insurance Funding

Unemployment Insurance Taxes

Unemployment insurance (UI) taxes are taxes assessed by the State of Nebraska upon wages earned in employment. The state “combined tax” is comprised of contributions which are deposited to the federal Unemployment Trust Fund and a state unemployment insurance tax which is deposited to the State Unemployment Insurance Trust Fund. The federal government collects a separate federal unemployment tax pursuant to the Federal Unemployment Tax Act (FUTA).

Unemployment Trust Fund (UTF)

The UTF is an account within the United States Treasury. The UTF is comprised of unemployment tax contributions collected by the states and federal unemployment taxes collected pursuant to FUTA. Nebraska’s trust fund has remained solvent, primarily due to the methodology used in determining reserve ratios and annual revenue targets.

State Unemployment Insurance Trust (SUIT) Fund

The SUIT Fund is a state account within the State Treasury used for the deposit of state unemployment insurance taxes collected and held in trust for the payment of UI benefits. Amounts withdrawn for payment of benefits are immediately forwarded to the credit of Nebraska’s account in the UTF.



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 to the state employment security agencies. The FUTA tax is levied on employers to finance the administrative costs of the state UI and employment service programs. The FUTA tax also is used to create 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 amount is distributed to the states and is known as a regular Reed Act distribution. Other transfers to the state accounts in the UTF are referred to as special Reed Act distributions.

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.

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

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

	UI Trust Balance
Month	US Treasury Direct
9/30/2008	296,858,475.72
9/30/2009	207,186,437.77
9/30/2010	232,124,036.76
9/30/2011	276,140,022.23
9/30/2012	333,940,398.05

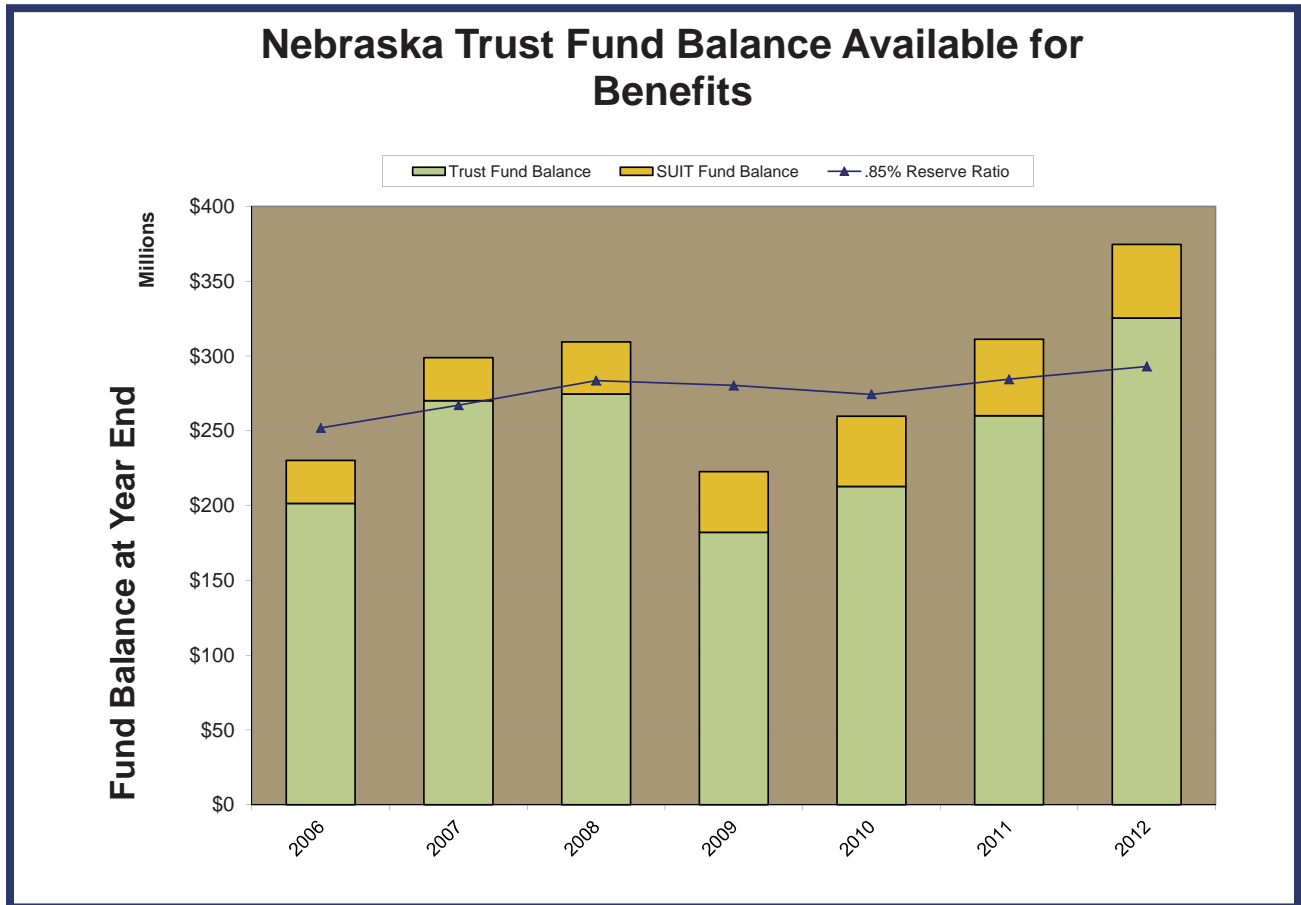
Determining Revenue Target

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 Trust Fund balance, SUIT Fund balance and the 0.85% reserve ratio. The recession ended in June 2009 according to the National Bureau of Economic Research (NEBR).



The decrease in bar length following 2008 shows Nebraska has increased its UTF holdings and will close 2012 above the .85% reserve ratio measure. The stacked vertical bars represent the money 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 2010, 2011, 2012 and 2013. Tax rates decreased for 2013 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 30. 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				
	Year			
Category	2010	2011	2012	2013
1	0.00	0.00	0.00	0.00
2	0.83	0.83	0.62	0.42
3	1.33	1.33	1.00	0.67
4	1.50	1.50	1.12	0.76
5	1.67	1.67	1.25	0.84
6	2.00	2.00	1.50	1.01
7	2.17	2.16	1.62	1.09
8	2.33	2.33	1.75	1.18
9	2.67	2.66	2.00	1.35
10	3.00	3.00	2.25	1.52
11	3.17	3.16	2.37	1.60
12	3.33	3.33	2.49	1.68
13	3.50	3.50	2.62	1.77
14	3.67	3.66	2.74	1.85
25	4.00	4.00	2.99	2.02
16	4.50	4.50	3.37	2.27
17	5.16	5.16	3.87	2.61
18	6.00	5.99	4.49	3.03
19	7.16	7.16	5.36	3.62
20	8.66	8.66	6.49	5.40

Insured Unemployment Rate

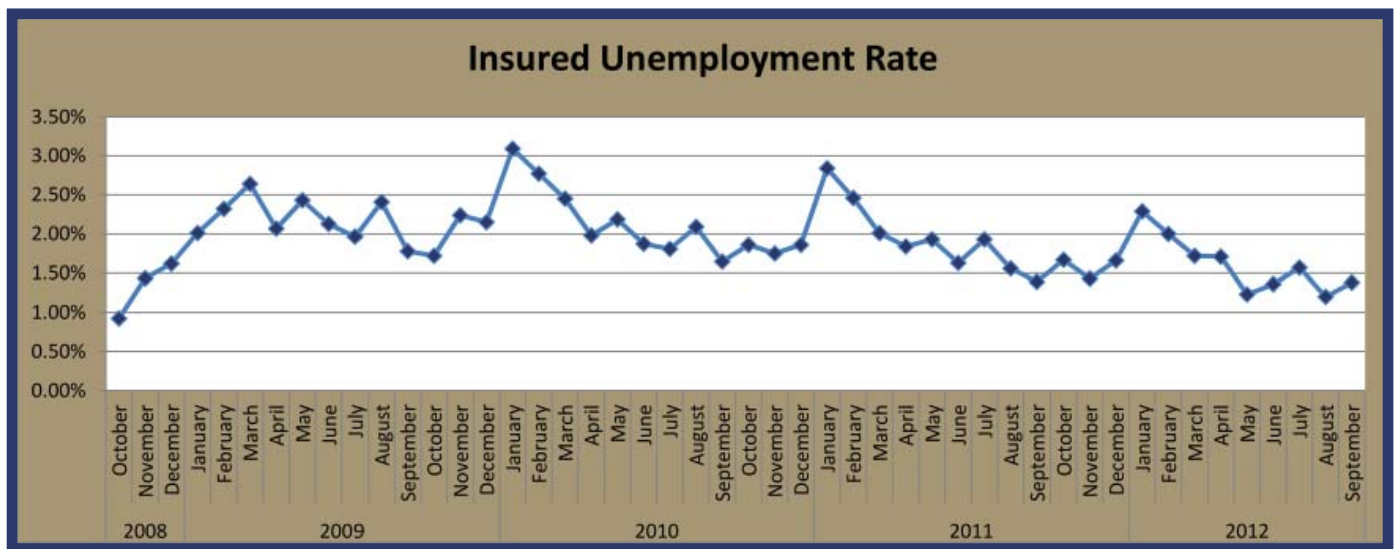
The insured unemployment rate is defined as the number of people filing unemployment claims who live in Nebraska or a bordering state and commute to Nebraska to work, divided by the work force population covered by unemployment insurance.

This is a different measure than the total unemployment rate, as the total

unemployment rate takes into account all unemployed, whether or not they are covered by unemployment insurance.

The total unemployment rate is the unemployment rate which is typically quoted in the media. In 2012 the monthly IUR continued the downward trend it has been on since it peaked in fiscal year 2009-2010.

Federal Fiscal Year	2008/2009	2009/2010	2010/2011	2011/2012
October	0.92%	1.72%	1.86%	1.67%
November	1.43%	2.24%	1.75%	1.43%
December	1.62%	2.15%	1.86%	1.66%
January	2.01%	3.09%	2.84%	2.29%
February	2.32%	2.77%	2.46%	2.00%
March	2.64%	2.45%	2.01%	1.72%
April	2.07%	1.98%	1.84%	1.71%
May	2.43%	2.19%	1.93%	1.23%
June	2.13%	1.87%	1.63%	1.36%
July	1.96%	1.81%	1.93%	1.57%
August	2.41%	2.09%	1.56%	1.20%
September	1.78%	1.65%	1.39%	1.38%



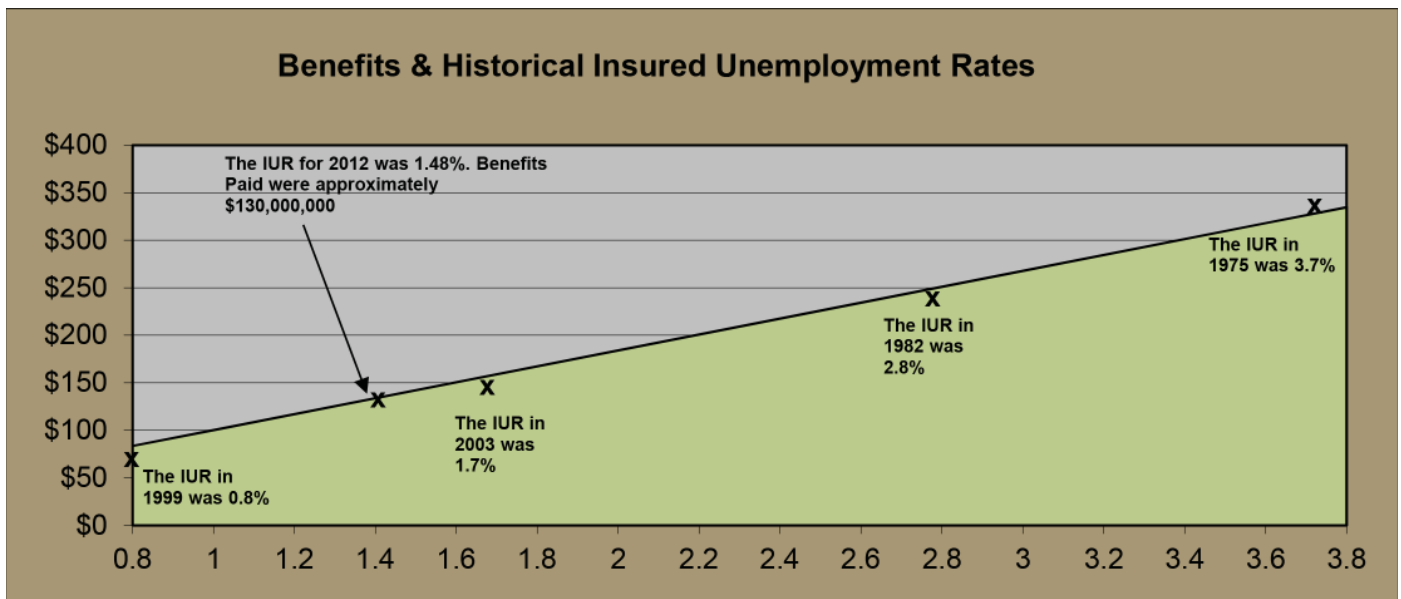
Benefits and Historical Insured Unemployment Rates

The graph below shows the amount of benefits paid, adjusted to today's dollars, based on historical insured unemployment rates. There is a linear relationship between the insured unemployment rate (IUR) and the amount of benefits paid when all other variables are held constant.

For most of the 2000's, Nebraska experienced relatively low insured unemployment rates. In 2008, due to the most recent recession, Nebraska began to see an increase in its IUR. Also due to

the recession, which according to the National Bureau of Economic Research (NEBR) ended in June of 2009, total benefit payments increased.

However, in today's dollars the insured unemployment rates experienced in 1975 (3.7%) and 1982 (2.8%) would pay out more in Unemployment Insurance Benefits than were paid out in the 2011-2012 fiscal year (\$130 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 around \$240 million.

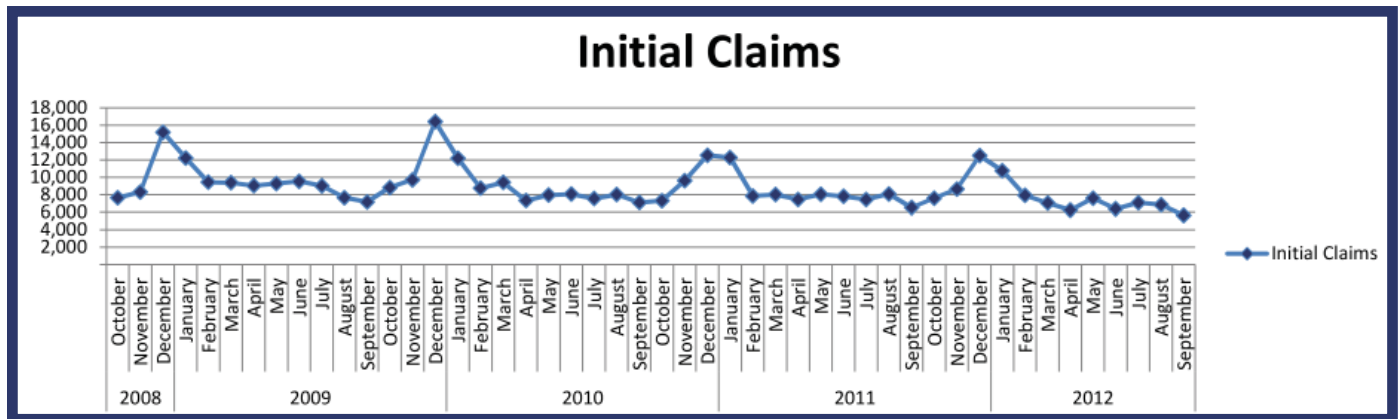


Unemployment Insurance Initial Claims Data

The graph below shows the number of individuals who have filed an initial unemployment insurance benefit claim by month. An initial claim is a notice of unemployment filed by an individual to request a determination of entitlement to and eligibility for unemployment insurance compensation.

In July of 2008, in response to the recession, the Extended Unemployment Compensation (EUC) program was created. The numbers in this chart do not include any individuals who filed an initial claim under the EUC program. Fiscal year 2008-2009 had the highest number of initial claims filed within the last four years with each successive year having fewer initial claims being filed.

Federal Fiscal Year	2008/2009	2009/2010	2010/2011	2011/2012
October	7,619	8,817	7,290	7,583
November	8,293	9,692	9,612	8,633
December	15,187	16,404	12,521	12,485
January	12,206	12,175	12,264	10,750
February	9,422	8,742	7,842	7,910
March	9,365	9,400	7,998	7,027
April	9,022	7,308	7,439	6,225
May	9,271	7,932	8,035	7,577
June	9,525	8,049	7,799	6,368
July	9,009	7,545	7,442	7,068
August	7,634	7,995	8,070	6,835
September	7,159	7,075	6,516	5,630



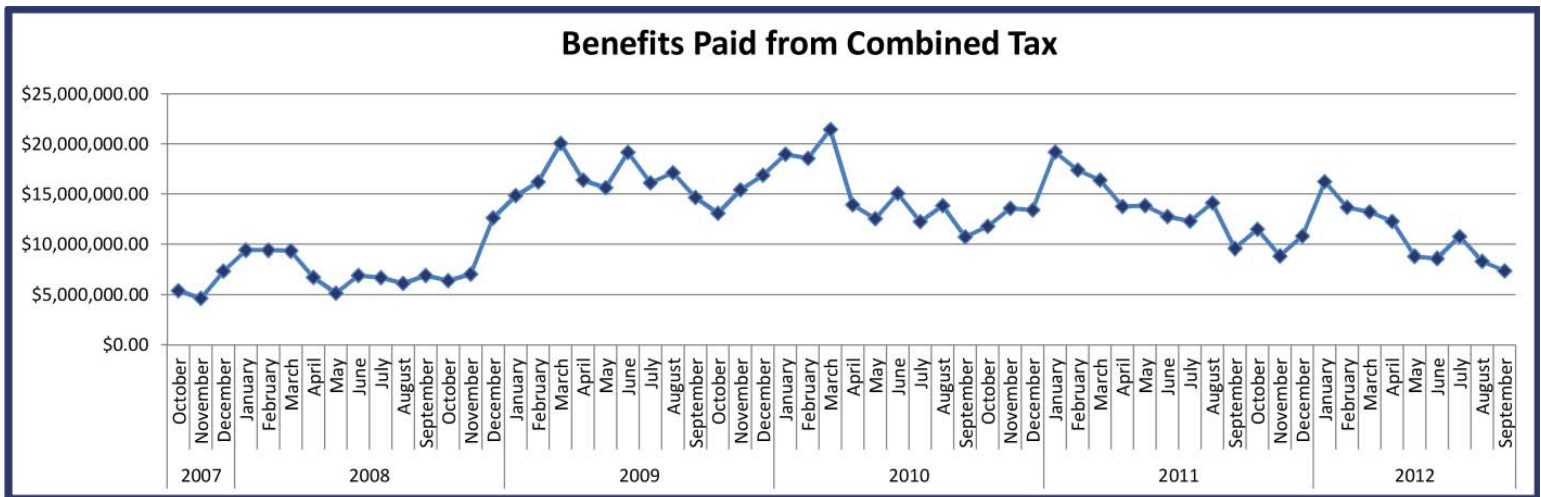
Benefits Paid from Combined Tax

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 2012.

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	2011/2012
October	\$5,411,647	\$6,405,513	\$13,092,643	\$11,780,205	\$11,479,932
November	\$4,633,635	\$7,065,085	\$15,423,916	\$13,583,061	\$8,852,960
December	\$7,355,978	\$12,632,415	\$16,882,774	\$13,404,987	\$10,799,350
January	\$9,416,193	\$14,832,072	\$18,974,893	\$19,198,372	\$16,227,316
February	\$9,419,534	\$16,199,623	\$18,570,772	\$17,406,091	\$13,664,958
March	\$9,331,214	\$20,047,184	\$21,437,741	\$16,382,175	\$13,209,387
April	\$6,731,002	\$16,378,640	\$13,935,751	\$13,750,263	\$12,269,592
May	\$5,148,121	\$15,644,752	\$12,548,227	\$13,831,348	\$8,827,357
June	\$6,928,869	\$19,160,947	\$15,058,935	\$12,754,952	\$8,600,384
July	\$6,704,970	\$16,122,642	\$12,227,772	\$12,297,210	\$10,755,774
August	\$6,137,662	\$17,116,735	\$13,851,746	\$14,116,601	\$8,325,636
September	\$6,917,328	\$14,650,048	\$10,733,028	\$9,578,131	\$7,386,889



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 Benefit Accuracy Measurement (BAM) programs assess accuracy of benefit payments including Paid Claims Accuracy (PCA), decisions to deny claims, and 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 are 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 2012	
Total Dollars Paid in Population	\$128,373,365
Payment Type	Percentage of Dollars
Proper Payments	74.60%
Overpayments	25.40%
Underpayments	0.10%
Responsibility for Overpayments	Percentage of Dollars
Claimant + Agency	57.3
Claimant Only	21.2
Agency Only	11.5
Claimant + Employer	7.5
Employer Only	1.2
Claimant + Other	0.7
Employer + Agency	0.5
Cause for Overpayments	Percentage of Dollars
Eligibility Issues Excluding Work Search	69.6
Benefit Year Earnings Issues	18.3
Separation Issues	5.8
Work Search Issues	4.9
Base Period Wage Issues	1.2

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 2012

Denial Type	Population	Cases Completed*
Monetary	8,095	148
Separation	34,389	152
Nonseparation	25,893	149

Denial Type	Total Errors	Improper Denial	Adjusted Improper Denial **	Overpayment	Proper Denial ***
Monetary	1.26%	0.51%	0.00%	0.00%	0.74%
Separation	12.42%	2.42%	1.74%	0.48%	9.52%
Nonseparation	25.46%	15.90%	15.90%	0.00%	9.57%

* 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.

Monetary Denials

States determine the monetary eligibility of claimants when they file a new initial claim or a transitional claim. In FY 2012, it was determined that 0.51% of the new initial and transitional claims were monetarily improper. This compares to an improper denial rate of 1.99% for FY 2011. 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. Implementation of alternative base period impacted monetary denial data for the entire program year.

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 2012, DCA estimated that 2.42% of the 34,389 separation denials issued were improper, compared to 2.13% estimated for FY 2011. When redeterminations and appeals reversals are taken into account, the improper denial rate for separations decreases to 1.74%, compared to 2.13% estimated for FY 2011.

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 2012, DCA estimated that 15.9% of the 25,893 nonseparation denials issued were improper, compared to 20.52% estimated for FY 2011. When redeterminations and appeals reversals are taken into account, the improper denial rate for nonseparations remained unchanged at 15.9% estimated for FY 2012.

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) use 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 payments were not made in error before collection efforts begin.

Federal Fiscal Year 2012 (October 1, 2011-September 30, 2012) has produced record numbers for UI Benefit improper payment detection and recovery. During the reporting period, the Detection of Overpayments measure in Nebraska was 67.45%, well exceeding the Acceptable Level of Performance (ALP) as established by USDOL (52.8%).

The data listed in the table represents state-operated Regular UI Benefits only. During the reporting period, Nebraska also operated special federal programs such as Emergency Unemployment Compensation (EUC) tiers 1 and 2, as well as TRADE and Disaster Unemployment Assistance (DUA). Including all programs, BPCU established over \$11.4 million in benefit overpayments.

BPCU has detected and successfully established 4,425 cases of fraud during the reporting period, 2,619 cases in Regular UI and 1,806 cases in the EUC08 program. The total amount BPCU established in overpayment as a result of fraud was \$3,955,792.00, of which \$2,358,981 was in Regular UI.

Current 2011-2012				
Report Date	Fraud Cases	Real Dollars	Nfraud Cases	Real Dollars
20111231	713	\$592,631.00	1597	\$1,042,918.00
20120331	717	\$633,479.00	2002	\$1,114,927.00
20120630	653	\$601,164.00	2375	\$1,232,674.00
20120930	536	\$488,457.00	2584	\$1,168,562.00
Totals	2619	\$2,315,731.00	8558	\$4,559,081.00

2010-2011				
Report Date	Fraud Cases	Real Dollars	Nfraud Cases	Real Dollars
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				
Report Date	Fraud Cases	Real Dollars	Nfraud Cases	Real Dollars
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				
Report Date	Fraud Cases	Real Dollars	Nfraud Cases	Real Dollars
20081231	553	\$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

*All data reported is NE UI compensation.

BPCU is also responsible for recovering overpaid benefits. During the reporting period, BPCU collected over \$5.8 million in overpaid benefits. The most effective collection strategy employed by BPCU is a cooperative process between the Nebraska Department of Labor and Nebraska Department of Revenue, which allows NDOL to set off against state income tax refunds debts that are owed as a result of improperly paid UI benefits. This collection process produced over \$1.3 million dollars.

FFY2012 also saw BPCU refocusing efforts towards prevention and reduction of overpayments in the last year, including referring cases of extreme fraudulent activity to local county attorneys for prosecution and to the Assistant United States Attorney for felony prosecution. NDOL also launched an Integrity website hosted

on the Nebraska Department of Labor home page, which provides information to the public and employers on UI improper payments and includes an anonymous online submission form to report fraud.

Nebraska experienced great success in the Benefit Payment Control Unit in FFY12, accomplishing new goals set forth as part of the USDOL priority to reduce improper payments in Unemployment Insurance programs nationwide. Nebraska has among the lowest fraud rates in the nation (1.05%) and one the best recovery rates. While the past year has seen great strides in securing the integrity of the UI Benefits program, Nebraska continues to aggressively implement strategies to prevent, detect, reduce, and recover improperly-paid benefits.

Conclusion

Steady economic growth continues as Nebraska rebounds from the recession that ended in 2009. Nebraska's average unemployment rate of 4.1% for FY 2011 – 2012 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 2013.

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.

Integrity programs for reducing improper payment of benefits and overpayments are a high priority, as well as initiatives to focus on the reemployment of claimants, helping to strengthen Nebraska's economy and reduce employer tax rates.



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