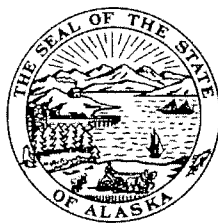


ALASKA STATE LEGISLATURE

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SENATE MAJORITY LEADER
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FREQUENTLY ASKED QUESTIONS

ABOUT UNEMPLOYMENT INSURANCE MODERNIZATION FUNDING IN THE FEDERAL STIMULUS

The American Recovery and Reinvestment Act of 2009, better known as the federal stimulus, has been the subject of intense scrutiny here in Alaska and around the country. Because of the amount of interest and complexity of the stimulus bill, there has been significant confusion about a number of specific points. In the interest of ensuring accuracy in the conversation around Senate Bill 170 and the unemployment insurance funds in the federal stimulus, this sheet attempts to address some of those common misconceptions around the specific changes proposed in this bill.

Q: What changes Alaska must make to our unemployment insurance program to be eligible for the modernization incentive? Many states are concerned that changes to the UI statutes will require significant expansions of eligibility requirements.

A: The US Department of Labor has certified that **Alaska already meets two of the three qualifications** for the unemployment insurance modernization incentive funds. The first third of the money is contingent on a state including an alternative base period to determine eligibility, which is the change SB170 proposes. The second two-thirds are based on a state allowing UI payments to be made to unemployed workers who fit at least two of the following four conditions: part-time workers, workers enrolled in training programs, workers who leave their jobs for compelling family reasons, and additional benefits for workers with dependents. Alaska already meets the final two categories, making further change unnecessary. Many other states need to make all three changes.

Q: Won't those changes mean increased numbers of people receiving UI benefits and increase business taxes over the long term?

A: The Alaska Department of Labor has determined that had the changes in SB170 been in effect in calendar year 2008, 1,300 additional people would have been eligible for \$1.9 million in payments. The amount necessary to keep the UI trust fund solvent, given the current balance of over \$350 million, is significantly less than the amount offered by the federal government. After seeing these calculations, the **National Federation of Independent Business – Alaska endorsed SB170** as “a relatively simple administrative change the cost of which will be born by stimulus funding. . . This is good for individual Alaskans, employers, and Alaska’s economy.”

Q: What is the effect on state government of accepting short-term federal money? Will we be forced to close down the existing programs or replace the federal dollars with state funds?

A: While the stimulus does not mandate that any federal funds be replaced, the unemployment insurance modernization funds provided are **more than enough to cover the costs of the expansion indefinitely**. The state Department of Labor is determining exactly how much of the

\$15.6 million Alaska would be eligible for if SB170 is adopted would need to be deposited in the UI trust fund to maintain solvency, but it is expected to be significantly less than the available total, freeing up the rest of the money to support job training and workforce development programs.

Q: If all the money is not necessary to shore up the UI trust fund, what will be done with it, and how can we be assured that it will not create a long-term growth in government?

A: The UI modernization incentive funds are eligible to be used for three purposes: paying UI benefits, administering the UI program, or job training programs. It is our intent that funding in excess of the amount required to pay benefits without increasing taxes would be appropriated to support job training. Alaska is currently facing the highest unemployment rates in a generation, and we are facing a massive shortage of qualified workers as we approach construction on a natural gas pipeline. The confluence of these two events makes the timing perfect for a **highly targeted short term expansion of workforce development programs**, the need for which will decline as the federal money runs out.

Q: Are these stimulus funds a backdoor approach to increasing state spending through the requirement of a state match?

A: There are some stimulus programs that require a state match component to participate, but the UI modernization is not one of them. It is also worth noting that other stimulus programs serve to reduce state spending, either by increasing federal reimbursement levels or eliminating state match components altogether.

Q: Some are concerned about the impact of the federal stimulus package on the overall federal debt. Many of these criticisms portray the stimulus package as burdening the future and passing debt on to future generations.

A: The federal debt is a very serious issue, and significant action must be taken to undo the fiscal impacts of the last eight years and return to the surpluses left by the Clinton Administration. Unfortunately, **state action on the stimulus cannot have any impact**. All funds have already been appropriated by the federal government, and any moneys not accepted by Alaska will be re-routed to other states that are willing to take advantage of them – many of which have already stated their willingness to do so due to the hardships caused by the current economic downturn.

Q: A major consideration for some has been potential strings attached to federal funds, and what a change in statute now means for the future.

A: Any changes to state statute that are made to maximize federal funding are done freely, after a detailed examination of the positive and negative attributes of the package. While the unemployment insurance section of the stimulus explicitly prohibits sunset clauses or temporary provisions, there is **no prohibition on future legislatures re-examining the program** and making whatever changes they see fit.

Q: Doesn't increasing our reliance on federal funding create a potential loss of state sovereignty? Many are concerned that the stimulus funds represent a marked increase in moneys contingent on compliance with federal mandates.

A: The fiscal year 2010 operating budget contains approximately \$2.8 billion in federal funds, almost all attached to highly specific instructions on how it may be spent. Since its inception, the state of Alaska has received tens of billions of dollars from the federal government, and our delegation to Congress, most notably Sen. Ted Stevens, has made careers out of maximizing the number of federal dollars that flow into our state.