



**GENERAL  
TEAMSTERS  
LOCAL 959  
STATE OF ALASKA**

*Affiliated with the International Brotherhood of Teamsters*  
Rick Boyles, Secretary-Treasurer  
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February 12, 2013

The Honorable Mike Dunleavy  
Alaska Senator  
Chair, Labor & Commerce  
Capitol Room 510  
Juneau, AK 99801

Re: Senate Bill 25-Unemployment Compensation Fund

Dear Senator Dunleavy:

General Teamsters Local 959 represents approximately 7000 members in every industry in the state, with the exception of fisheries. We are also an employer, with 35 employees. On behalf of the local and our members I want to go on record opposing the SB 25-Unemployment Compensation (UI) Fund, specifically section 5 of the bill.

Alaska's UI Fund has been in place since 1980 and continues to stand the test of solvency even during tough economic times. The contribution rates are adjusted based on economic changes each year. For example, the rate calculation is based on the current wage rate and allows for an adjustment to keep the UI fund solvent. The calculation of an individual employer's contribution rate is based on three factors: (1) average benefit cost rate, (2) the employer's individual experience rate relating to fluctuation in payroll reported, and (3) trust fund solvency factor, which is only applied when needed to keep the fund healthy. Contribution calculations use three years of data to lessen the impact of changing economic conditions. The rate calculation structure is the primary factor in keeping the UI Fund solvent.

Based on the above, Alaska's UI Fund is structurally formulated as one of the best (if not the best) in the country. It has weathered economic recessions, unlike the approximate thirty states that have insolvent Trust funds. Those states were forced to borrow money from the Federal government to cover their obligations. Many of those states still owe the Federal government billions of dollars. Some would believe this was due to an excessive amount of benefits paid to laid-off workers but there are reports that show historically those states made low, or no contributions, to the funds leaving them unable to sustain even a modest downturn in the economy. Additionally, Alaska is one of three states that require employees and employers to make contributions to the fund. This is another sound mechanism of the formula.

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The UI Fund has worked well for all working Alaskans and employers of Alaska. Contributions, increased or decreased, have been moderate over the years without severe fluctuations. For example from 2004 – 2012 average employers UI contributions were as high as 2.50% to as low as 1.15%. To modify a system that is working—and has been working well—makes no sense. It can be difficult to calculate or predict the unemployment rate for next year no matter how good your actuary is. And, no one could predict the economic crisis we recently experienced. If it ain't broke, don't fix it.

For the above reasons we ask that you VOTE NO on SB 25.

Thank you for your time and consideration of this very important matter.

Sincerely,

TEAMSTERS LOCAL 959



Rick Boyles  
Secretary-Treasurer

c: Vice-Chair Senator Micciche  
Senator Olson  
Senator Stedman  
Senator Ellis

RB:mk 020813 to Sen Dunleavy Vote No on SB25