

ALASKA AFL-CIO

3333 Denali Street, Suite 125 · Anchorage, Alaska 99503 · 907-258-6284 · Fax 777-7276

VINCE BELTRAMI
Executive President



BRUCE LUDWIG
Secretary / Treasurer

February 20, 2013

**Honorable Mike Dunleavy
Alaska Senate
Alaska State Capitol
Juneau, AK 99801**

Dear Senator Dunleavy:

Thank you for the opportunity to comment on SB 25. Overall we find the bulk of this bill to be necessary housekeeping for the Department of Labor. However, we do have problems with the proposed Section 5.

This section would allow the Commissioner to relieve in-whole or in-part planned increases into the Unemployment Trust Fund account if certain criteria were met. We are opposed to this section because we feel that it will result in tinkering with a formula that has served the workers and employers of the state of Alaska well for decades. This formula allowed us to weather the recent downturn in the economy. As we all know, Alaska was not as hard hit as other states, but our fund is still down dramatically. In 2008, the fund had a balance of \$345,276,095. In 2012, the fund was down to \$234,551,319, a drop of over \$110,724,776.

This year, according to the formula, employers and employees would have a small increase to help restore the balances in the fund. Our fund is solvent. That is a credit to the people who developed and implemented the fund. This automatic, formula-drive system removes politics and guess-work from funding this incredibly important fund. For over 30 years this formula has worked perfectly and we do not think it needs to be adjusted.

We are also concerned with the proposed limits to how the funds would be replenished if the UI Trust Fund were too low. This proposed bill section would hamper the state's ability to collect funds by limiting the amount that could be levied on the employers in any given year.

For example according to Dept of Labor documents the increase levied on employers in 2012 was 2.38% and employees .6%. If the department relieves 1% of the proposed contribution and finds itself underfunded , the bill would limit future increases to 3/10 of 1%. At that rate, it would take over four years to recover from even one reduction of 1%.

The formula currently in place works. It has proven itself since its inception and has never been exploited in the fashion proposed by this bill, which has the potential of undermining the health of the UI Trust Fund.

The Alaska AFL-CIO opposes the unnecessary portion of the bill proposed in Section 5.

Sincerely,



**Vince Beltrami
President
Alaska AFL-CIO**