



ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Legislative Finance Division

430 Main St., Juneau, Alaska
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September 8, 2021

The Honorable Senator Bishop
Co-Chair, Senate Finance Committee
Alaska State Capitol Room 516
Juneau, AK 99801

The Honorable Senator Stedman
Co-Chair, Senate Finance Committee
Alaska State Capitol Room 518
Juneau, AK 99801

Dear Co-Chairs Bishop and Stedman,

Thank you for inviting Legislative Finance Division to discuss CSHB 3003(FIN) on Wednesday, September 8, 2021. Responses to questions from the committee hearing are included below:

1. Senator Stedman asked for follow-up information on questions previously submitted to DLWD regarding the UI Trust Fund Repayment amendment.

a) How was the requested amount of \$50.4 million calculated?

The \$50.4 million was calculated by taking the total estimated deposit needed to bring the trust fund balance to a level that would not trigger a “solvency adjustment,” and reducing it by the CRF deposit estimate of \$24 million. This appropriation is written as a not to exceed so that if the actual CRF deposit is higher than the original estimate, then the ARP deposit would be reduced. The final CRF and ARPA deposit amounts should be known by mid-next week.

b) How are the employers impacted by this deposit?

The deposit would eliminate the need for a solvency adjustment to employers’ calendar year 2022 tax rates. The solvency adjustment is a feature of the annual tax rate calculation designed to move the trust fund balance to a point between 3.0 and 3.3 percent of total wages paid by employers covered by the UI system. That level is designed to ensure there is enough money in the fund to absorb periods of very high unemployment and prevent the fund from being emptied and unable to pay unemployment insurance benefits.

Very broadly, eliminating the solvency adjustment would reduce tax rates by an estimated four-tenths of a percent in 2022.

The solvency adjustment is just one part of most employers total tax rate, therefore, the deposit would not necessarily mean employers' 2022 tax rates would be held constant with their 2021 tax rates.

c) If the key threshold amount to avoid a solvency adjustment is not deposited to the UI Trust, what happens to the employers?

In short, employers would pay higher taxes in calendar year 2022, than they would if the additional funding is not deposited.

d) Why is this request time sensitive?

The calendar year 2022 tax rate is based on the UI Trust Fund balance as of September 30, 2021 so that is the reason for the urgency. Following is the text from the statute:

AS 23.20.310

(10) "reserve rate" means the ratio of the total amount available for benefits in the unemployment trust fund on September 30, immediately following the computation date, to the payroll of employers required to pay contributions under the provisions of AS 23.20.165 for the 12 consecutive calendar months ending on the computation date, expressed as a percentage.

e) At one point during session, using unobligated Coronavirus Relief Funding (CRF) was considered. Do you know if any CRF has been deposited for this purpose?

There will be a CRF deposit and the actual deposit amount will be known by the end of this week.

f) Can you verify that the fund this refers to is established in AS 23.20.130? Or should it be in one of the subaccounts?

The deposit would need to be reflected in the official UI trust fund identified in AS 23.20.130.

g) Senator Stedman asked if there was any waiver flexibility to that date.

OMB is not familiar with any sort of waiver flexibility to that date.

2. Senator Hoffman asked for plan details regarding the \$1 million COVID Fed grant for economic development planning; particularly what the "regional balance" will look like.

Legislative Finance understands DCCED has yet to apply for this grant and has requested that the distribution information be provided by DCCED as soon as it is available.

If we can be of further assistance please do not hesitate to contact my office.

Sincerely,



Alexei Painter
Director