



THE STATE

ofALASKA

GOVERNOR BILL WALKER

Re: HB 142

Dear Representative Seaton and
Representative Foster:

Department of Labor
and
Workforce
Development

January 30, 2018

Representative Paul Seaton, Co-Chair
Representative Neal Foster, Co-Chair
House Finance Committee
Alaska State Capitol, Room 510
Juneau, AK 99801

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In the House Finance Committee on May 9, 2017, Representative Wilson asked the department for a response to issues raised in a letter from Dennis DeWitt of the National Federation of Independent Business (NFIB) to HB 142 sponsor Representative Tuck opposing the proposed legislation. The department sent a letter of response to the committee on May 18, 2017, but ask that you replace that letter with the more up to date response provided heretn.

The Department of Labor and Workforce Development is sensitive to employer tax rates and understands the burden placed on Alaska's employers. The current average tax rate is 1.5% on the taxable Wage Base (in 2018, the first \$39,500 of annual wages), of which the employee pays .5%. This is the lowest rate in over 20 years.

The most important objective of the unemployment insurance system is the provision of temporary, partial wage replacement to involuntarily unemployed individuals who have demonstrated a prior attachment to the labor force. Unemployment benefits help meet necessary and non-deferrable expenses.

HB 142 seeks a partial wage replacement that enables skilled workers to remain in their communities while looking for new employment. Alaska's maximum weekly benefit amount has not increased for nine years. Thirty-six states have automatic adjustments to their maximum weekly benefit to eliminate situations where the weekly benefit amount is simply inadequate.

Alaska is currently 52nd (including D.C., Puerto Rico, and the Virgin Islands) in the nation in regards to the unemployment insurance wage replacement rate. In addition, Alaska is 38th in the nation for its Maximum Weekly Benefit Amount and 40th in the nation in terms of the Average Weekly Benefit Amount. While the department understands the concerns of Mr. DeWitt regarding increased costs to employers, it is important to consider that through many economic downturns in Alaska's past, adequate unemployment benefits have played a major role in sustaining Alaska communities and businesses until economic conditions improved. The current maximum weekly benefit is clearly not adequate for that task. The department respectfully disagrees with the NFIB position on HB 142.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg Cashen". The signature is fluid and cursive, with the first name "Greg" and last name "Cashen" clearly distinguishable.

Greg Cashen
Acting Commissioner