

ALASKA STATE LEGISLATURE

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Joint Armed Services

Judiciary
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REPRESENTATIVE ZACH FANSLER DISTRICT 38

TO: Rep. Neal Foster and Rep. Paul Seaton

FROM: Rep. Zach Fansler 

DATE: 3-30-17

RE: House Bill 141 Questions

Representative Wilson asked if there are federal or state requirements on how the employee contribution to a state unemployment program needs to be spent and whether spending 0.16% on Technical Vocational Education Program funding is legal.

Currently our research shows that there are no federal requirements regarding the usage of employee contributions to unemployment programs. This is something that is left for individual states to decide. In Alaska's case most employee contribution revenue is deposited into the UI Trust Fund to purchase unemployment insurance that pays benefits to unemployed workers. TVEP has also traditionally been one of the programs to use employee contributions as defined in statute by the legislature. Some of the contributions are deposited into the TVEP account and the rules associated with the spending of that money are defined in the TVEP statutes. As mentioned previously, TVEP was established with the purpose of enhancing the quality and accessibility of job training across the state, and aligning training with regional workforce demands. It is our understanding that the legislature felt that the best way to ensure a statewide training infrastructure was to have the funding go to specified training centers across the state based on the allocation established in statute. This program is established under AS 23.15.840(a). Additionally state statute requires these funds to be used for this program under AS 23.15.835

Under federal law, *employers* are liable for UI contributions. Federal grant funds are to be used to administer the state's UI program. Federal funds may not be used to administer a non-UI program. As you know, Alaska is one of three states that requires a UI contribution by employees. According to Ed Flanagan, Director, Alaska's Workforce Development, the administration of the Technical Vocational Education program (TVEP) and State Training and Employment Program (STEP) programs comes from the UI *employee* contribution. Therefore, no federal funds are used to administer TVEP. Mr.

Flanagan noted that Alaska is “squeaky clean” with regard to the non-use of federal funds for TVEP or STEP. There are no federal restrictions on the state’s use of *employee* contributions.

Additionally, a number of states collect non-UI taxes that are used for workforce training programs. These taxes are not deposited in the state’s unemployment fund but in a different fund designated by state law. Since federal grants funds may not be used to collect non-UI taxes, state laws typically provide that a portion of the revenues generated by the non-UI tax be used to pay for the collection of the tax. U.S. Department of Labor, Employment and Training Administration, Comparison of State Unemployment Laws, Financing Section, <https://workforcesecurity.doleta.gov/unemploy/comparison2016.asp>.

Representative Guttenberg asked about the cost of broadband for the Yuut Elitnaurviat. Dennis Dishion responded with these numbers. He included information for all our utilities, which is a HUGE part of our operation expense.

TVEP is what allows us to be operational and ready for Workforce Development in our region that leads directly to jobs for our customers.

While "Overhead" is often viewed negatively, the way we use this funding ensures our programs and partners can afford to be in our training space.

The following information is the past two fiscal year **MONTHLY** average.

\$ 1,487.72 Internet/Cell - Internet service, that only gives us 200 GB of data monthly, which we have to be very restrictive and diligent as to not go into overages

\$16,259.87 Electricity

\$23,215.64 Heating Fuel

\$ 4,316.37 Water/Sewer