



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Labor and
Workforce Development**

Office of the Commissioner

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January 30, 2018

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

Re: HB 142

Dear Representative Seaton and Representative Foster:

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 herein.

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".

Greg Cashen
Acting Commissioner



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**Department of Labor and
Workforce Development**

Division of Employment and Training Services

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April 5, 2017

Honorable Representative Sam Kito
Alaska State Capitol, Room 403
Juneau, Alaska 99801

Re: House Bill 142, corrections to March 29, 2017 hearing testimony

Dear Representative Kito:

This is to provide correction to statements made during testimony on House Bill (HB) 142 on March 29, 2017. In response to a question regarding the duration of unemployment benefits, I stated the minimum duration of weeks potentially allowable on an unemployment insurance claim was 18. The minimum duration is 16 weeks.

In response to questions raised by Representative Birch regarding the impact of the diversions from the employee's portion of unemployment insurance contributions for the State Training and Employment Program (STEP) and Technical and Vocational Education Program (TVEP) I stated that employees may pay more in the long run if trust fund solvency required additional contributions, in which case those would be apportioned 73% to employers and 27% to employees. In fact, the trust fund solvency factor does not work this way. While determination of tax rates is based upon a 73/27 split of the actual benefit costs to the program, when the trust fund solvency formula requires funding in addition to regular tax payments, a solvency factor is applied to employer rates only. Employees do not pay more in this case, as their contribution rate is solely reflective of program costs, and is not impacted by the diversion of part of their tax contributions for STEP and TVEP.

I apologize for the errors in my testimony. Please let me know if this letter is sufficient correction, or if you would like to address this on the record at the next hearing for HB 142.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ed Flanagan".

Ed Flanagan
Director