

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version: SB 50
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB050-DOLWD-UI-11-19-19
Title: EMPLOYMENT TAX FOR EDUCATION
FACILITIES
Sponsor: BISHOP
Requester: (S) L&C

Department: Department of Labor and Workforce Development
Appropriation: Employment and Training Services
Allocation: Unemployment Insurance
OMB Component Number: 2276

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2021 Appropriation Requested	Included in Governor's FY2021 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2021) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Updated to current fiscal year form.

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Agency: Office of Management and Budget

Phone: (907)465-5927
Date: 11/19/2019
Date: 11/19/19

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

BILL NO. SB 50

Analysis

This legislation imposes a \$30 Educational Facilities Maintenance and Construction tax on wages and on net earnings from self-employment of every resident individual, non-resident, and part-year resident individual with income from a source in the state. The tax shall be collected annually beginning January 1, 2020.

The legislation includes a clause to have the Department of Labor and Workforce Development (DOLWD) coordinate collection and reporting of the tax if it will result in a cost savings for the state. Otherwise, the Department of Revenue (DOR) shall coordinate collection and reporting of the tax.

This zero fiscal note assumes that DOR will collect all the taxes related to this legislation.

Provided below for reference are cost details for the scenario where DOLWD would collect the tax for employment already subject to unemployment taxes and for self-employed individuals.

The Unemployment Insurance Administrative Grant from the U.S. Department of Labor may only be used for the administration of the state's Unemployment Insurance program. Therefore, any costs associated with this state tax must be covered by the state. These costs include one-time information technology (IT) system changes estimated to total \$390,000 (see details below), and ongoing operating costs including ongoing IT system maintenance and three additional permanent full-time accounting technician II positions located in Juneau (see details below).

One-time IT System Capital Costs in FY2020 would include:

Planning/Requirements Gathering/Design estimated to require 400 hours at a cost of \$50,000;

Developer Costs estimated to require just under 1,500 hours at a cost of \$200,000; and

Testing/Remediation/Production Implementation estimated to require 1,100 hours at a cost of \$140,000 - for a total of nearly 3,000 hours and \$390,000.

Ongoing operating costs would include:

Personal Services costs of \$257,400 for three full-time range 14 accounting technician II positions in Juneau;

Services costs in FY2020 of \$105,900, which includes Department of Administration chargeback costs and DOLWD indirect costs;

Services costs in FY2021 and beyond of \$110,900, which includes Department of Administration chargeback costs, DOLWD indirect costs, and ongoing tax collection IT system maintenance costs of \$5,000;

Commodities costs of \$5,400 to cover supply and equipment needs for the new positions - for a total in FY2020 of \$368,700 and a total FY2021 and beyond of \$373,700.

DOLWD projects that it would collect \$12,144,400 in additional tax revenue based on the total number of covered employees in Alaska between December 31, 2017 and September 30, 2018, which was 404,814 jobs multiplied by \$30 per job.

If DOLWD was to also collect the tax for self-employment, additional information technology system changes are estimated to cost \$624,000 for a total capital expenditure of \$1,014,000. The system to collect from self-employed individuals would have to be built from the bottom up. No additional maintenance costs are required. No additional staff to collect the tax is required.

One-time IT System Capital Costs in FY2020 to collect tax for self-employed would include:

Planning/Requirements Gather/Design estimated to require 640 hours at a cost of \$80,000;

Developer Costs estimated to require 2400 hours at a cost of \$320,000; and

Testing/Remediation/Production Implementation estimated to require 1760 hours at a cost of \$224,000 - for a total cost of 4800 hours and \$624,000.

DOLWD does not collect data on self-employed individuals. According to the 2017 U.S. Census Bureau's American