

# Fiscal Note

State of Alaska  
2023 Legislative Session

Bill Version: SB 132  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB132-DOLWD-UI-04-25-23  
Title: EMPLOYMENT TAX FOR EDUCATION  
FACILITIES  
Sponsor: BISHOP  
Requester: (S) EDC

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)

|                               | FY2024<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2024<br>Request | Out-Year Cost Estimates |            |            |            |            |            |
|-------------------------------|--------------------------------------|--|-------------------------|------------|------------|------------|------------|------------|
|                               |                                      |  | FY 2024                 | FY 2025    | FY 2026    | FY 2027    | FY 2028    | FY 2029    |
| <b>OPERATING EXPENDITURES</b> |                                      |  |                         |            |            |            |            |            |
| Personal Services             |                                      |  |                         |            |            |            |            |            |
| Travel                        |                                      |  |                         |            |            |            |            |            |
| Services                      |                                      |  |                         |            |            |            |            |            |
| Commodities                   |                                      |  |                         |            |            |            |            |            |
| Capital Outlay                |                                      |  |                         |            |            |            |            |            |
| Grants & Benefits             |                                      |  |                         |            |            |            |            |            |
| Miscellaneous                 |                                      |  |                         |            |            |            |            |            |
| <b>Total Operating</b>        | <b>0.0</b>                           | <b>0.0</b>                                     | <b>0.0</b>              | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

**Fund Source (Operating Only)**

|              |            |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| None         |            |            |            |            |            |            |            |            |
| <b>Total</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

**Positions**

|           |  |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |  |

**Change in Revenues**

|              |            |            |            |            |            |            |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| None         |            |            |            |            |            |            |            |            |
| <b>Total</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

**Estimated SUPPLEMENTAL (FY2023) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2024) 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? **Yes**  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version/comments:**

Initial version.

|   |                                  |
|---|----------------------------------|
| Prepared By: <u>Patsy Westcott, Director</u>      | Phone: <u>(907)465-5543</u>      |
| Division: <u>Employment and Training Services</u> | Date: <u>04/25/2023 04:50 PM</u> |
| Approved By: <u>Dan DeBartolo, Director</u>       | Date: <u>04/25/23</u>            |
| Agency: <u>DOLWD Administrative Services</u>      |                                  |

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2023 LEGISLATIVE SESSION

BILL NO. SB 132

### Analysis

This legislation imposes an Educational Tax on the wages and self-employment net earnings of every resident, non-resident, and part-year resident with income from a source in the state at a flat rate of \$30, and may require DOLWD to collect taxes paid by self-employed Alaskans, who are not currently taxed under Unemployment Insurance.

This zero fiscal note assumes that the Department of Revenue (DOR) will collect all the taxes related to this legislation.

Provided below (for reference) are cost details for the scenario where Department of Labor & Workforce Development (DOLWD) would collect the taxes on employment already subject to unemployment taxes and for self-employed individuals. The costs outlined below would be in addition to DOR's costs as the collection of the tax is only a small part of the process. Having DOLWD collect the taxes would not result in a cost savings to the state.

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 tax must be covered by the state. An explanation of the additional costs is included below. The amounts are in thousands.

#### Operating Costs:

- **Personal services:** \$443.0 annually

- Three full-time range 14 Accounting Technician 2 positions in Juneau for general collection. This is comparable to existing staff levels used to receipt other revenue sources collected by the Unemployment Insurance component.

- Two full-time range 14 Accounting Technician II positions in Juneau for Self-Employment Collection. This is comparable to existing staff levels used to receipt other revenue sources collected by the Unemployment Insurance component.

- **Services:** \$1,205.3 in FY2024; \$362.7 in FY2025 and future years.

- \$390.0 FY2024 for one-time costs associated with modifying existing information technology systems.

- Planning/Requirements Gathering/Design: estimated 400 hours, total cost of \$50.0;

- Developer Costs estimated to require just under 1,500 hours, total cost of \$200.0; and

- Testing/Remediation/Production Implementation: estimated 1,100 hours, total cost of \$140.0.

-\$624.0 in FY2024 for one-time costs associated with adjusting existing information technology systems to track self-employed Alaskans.

- Planning/Requirements Gathering/Design: estimated 640 hours, total cost of \$80.0;

- Developer Costs: estimated 2,400 hours, total cost of \$320; and

- Testing/Remediation/Production Implementation: estimated 1,760 hours, total cost of \$224.0.

- \$101.4 beginning in FY2025 for on-going information technology maintenance costs.

- \$190 in all years for DOLWD indirect costs and statewide core services.

- \$5.0 for regulations adoption, including legal review, printing and postage.

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Analysis

- **Commodities:** \$8.2 in FY2024 and FY2027; \$1.2 in FY2025, FY2026, FY2028 and FY2029.
  - \$1.2 in supply and equipment needs for the new positions annually.
  - \$7.0 in FY2024 and FY2027 to purchase and replace computers.

Annual Revenue Collection Estimate for Remittal to DOR:

Total estimated annual revenue collection: \$9,899.4  
Estimated 75% revenue collection in first year FY2024: \$7,424.5

Total estimated revenue for annual Wages based on Census Bureau’s ACS data—CY2021:

|       | Unique Individuals | Fee  | Est. Revenue |
|-------|--------------------|------|--------------|
| Total | 309,996            | \$30 | \$9,299.8    |

Total estimated net earnings from self-employment based on Census Bureau’s ACS data—CY2021:

|       | Unique Individuals | Fee  | Est. Revenue |
|-------|--------------------|------|--------------|
| Total | 19,985             | \$30 | \$599.5      |