

# FISCAL NOTE

No: 2

**STATE OF ALASKA**  
**1999 LEGISLATIVE SESSION**

Bill Version: HB 87

(H) Publish Date: 3/5/99

Revision Date/Time (Note if correction): Revised 3-1-99  
 Title: Unemployment Trust Fund

Department Affected: Labor  
 BRU: Employment Security

Sponsor: House Rules  
 Requestor: House Labor & Commerce

Component: Unemployment Insurance  
 COMPONENT SERIAL NO. 2276

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

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

OPERATING	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

<b>CAPITAL</b>						
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<b>CHANGE IN REVENUE FUND SOURCE #</b>	700.0 1002	700.0 1002	700.0 1002			
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY99) impact: \$ 0.0

**ANALYSIS:** (Attach a separate page if necessary)  
 See Attached.

Prepared by: Rebecca Gamez, Director *Donald E. Hill* Phone: 465-5933  
 Division: Employment Security Division Date/Time: 3/1/99 1:37 PM  
 Approved by Commissioner: Ed Flanagan, Commissioner  
 Agency: Department of Labor Date: 3/1/99

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ATTACHMENT  
Fiscal Note for HB 87

House Bill 87 provides statutory language to allow a federal "Reed Act" distribution conditional on requirements established in the federal Balanced Budget Act of 1997.

A federal "Reed Act" distribution is a transfer of excess collections of Federal Unemployment Tax Act (FUTA) tax. When adequate funds have been collected to meet federal ceilings on sub-accounts in FUTA then the excess is made available for distribution back to the states.

Current state statute A.S. 23.20.145 (f) allows these "Reed Act" funds to be used for the payment of unemployment benefits and the administration of both the employment services and the unemployment insurance programs. The Balanced Budget Act of 1997 specified that a distribution scheduled for federal fiscal years 1999, 2000, and 2001 would be limited to the administration of the Unemployment Insurance program. The act also required that states pass enabling legislation in order to receive these funds.

The national distribution is anticipated to be \$100 million annually for the three years. Each state's share of the "Reed Act" distribution will be prorated based on the percentage of FUTA tax receipts collected from that state. Alaska's estimated share of the \$100 million is anticipated to be between \$600,000 and \$700,000.

Under federal procedures, states have two years from the time the "Reed Act" funds are appropriated by the state legislature to obligate these funds. It is expected these funds will be utilized to enhance data processing upgrades beginning in FY2001 and will likely be applied to the existing FY2000 capital budget request to redesign the automated Unemployment Insurance tax system. That request is currently before the legislature and is included in HB 52 and SB 32 in the amount of \$2,600,000.