

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 58(L&C)
 (H) Publish Date: 4/10/01

Revision Date/Time (Note if correction): **(Cor. 3/16/01)** Dept. Affected: Various
 Title: "An Act relating to the calculation and payment BRU: Various
of unemployment compensation benefits..." Component: Various
 Sponsor: Rules Committee
 Requester: (H)L&C Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	95.6	257.4	323.7	325.0	325.0	325.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	95.6	257.4	323.7	325.0	325.0	325.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type) various	95.6	257.4	323.7	325.0	325.0	325.0
TOTAL	95.6	257.4	323.7	325.0	325.0	325.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has a fiscal impact on the employer charge percentage charged all state agencies using the working reserves for unemployment insurance. The Fund Source is all funding sources that include Personal Services. The costs are based on a 3-year average annual usage (\$3,932,804 for FY 98 through FY 00).

The Alaska Department of Labor conducted an analysis of affected claimants to determine the estimates reflected above. Their analysis is attached. The methodology has been provided to the University of Alaska for their use in preparing a fiscal note on this proposed legislation.

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 Division: Finance Date/Time 03/20/01
 Approved by: Jim Duncan, Commissioner Date 3/22/01
 Agency: Department of Administration

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Dept. of Administration's Fiscal Note

The original fiscal note for HB 58 was prepared by Dept. of Administration with the following estimates:

FY 2002	\$295 (Thousands)
FY 2003	\$590
FY 2004	\$590
FY 2005	\$590
FY 2006	\$590
FY 2007	\$590

The estimate of increased cost of HB 58 was based on the value of a working reserve fund for reimbursable state UI costs during the last three fiscal years. The reserves covered State Agencies, Courts, and Legislative Agencies, but not the University. The first part of the legislation raises the Maximum Weekly Benefit Amount (MWBA) from \$248 to \$284, which calculates to an increase of 15 percent. The fiscal note was prepared with an assumed 15 percent cost increase. In the note cost for the first year, FY2002, assumed 15% for half the year, since the new WBA would be in effect for only 6 months of the state fiscal year. The 15% for each full year after was then applied for FY 2003 – 2007.

Some basic facts about HB 58 are that the Maximum WBA would rise from the current \$248 to \$284 during the calendar year 2002. In the following calendar year ,2003, the MWBA would be determined by a formula based on the prevailing state average wage. Current data indicate that the resulting WBA would be set at approximately \$320.

The cost increase for state FY 2002 would include the increase for one-half of calendar year 2002, in which a MWBA of \$284 would be in place. The cost for state FY 2003 would include the increase for the second half of CY 2002, with a MWBA of \$284, PLUS the increase for the first half of CY 2003, in which a MWBA of roughly \$320 would be in place. The following state fiscal years, starting with FY 2004 would be impacted by the increases associated with the MWBA of roughly \$320.

The actual costs of the proposed legislation will be determined by the payment of benefits under the new benefit schedule, to qualified unemployed state employees. We know that most of the current state employee benefit recipients are not receiving the maximum benefit amount, and will not qualify for the new proposed maximum WBA's.

The fiscal note assumption of a 15% increase in cost, based on a 15% increase MWBA, is a conservative approach, but probably overstates the cost for the first year or two. The preparation of the fiscal note did not seem to take into account the second change in MWBA, from \$284 to roughly \$320, another 13 percent increase. These two factors together have a somewhat self-canceling effect, and the resulting estimates in the later fiscal years are not unreasonable.

Dept. of Labor & WD, R&A's estimates

A. R&A's initial estimates include costs beyond those covered by the Fiscal Note

To generate its taxable employer cost estimates for HB 58, research and analysis used a special claimant file which stratifies claim payment activity by the qualifying wages of claimants. We have used CY 1998 as a representative year. The costs for 1998 were lower than 1999, and a bit higher than 2000, and are a reasonable representative of our current economy. In looking at state of Alaska reimbursable costs for the fiscal note, we followed the same approach, limiting our data to claimants with a state "ownership" code. Unlike the Department of Administration fiscal note, our original estimate included the University of

Alaska, The Alaska Railroad, Etc. Running the state claimant data through our model gave us the following rough results:

The annual cost increase resulting from a new Max WBA of \$284 would be approximately \$ 293,000.

The annual cost increase resulting from a new Max WBA of \$320 would be approximately \$ 498,000.

The claimants covered in the state data include every state entity, including the university, railroad, legislative branch, courts, etc. These estimates, therefore, cover a larger group than the DOA was considering in its fiscal note. Using these inclusive numbers we generated the following FY estimates, calculating the FY costs according to the effective WBA in place (see paragraph 4 above): FY 02 - \$147,000, FY 03 - \$396,000, FY 04 - \$498,000, FY 05 to 07 - \$500,000.

B. R&A adjusts its estimates to conform to the same parameters of coverage in the fiscal note developed by the Department of Administration

When we examine the reported amount of state total reimbursable costs, for the same group covered by the DOA's fiscal note, during the last three fiscal years (source ETA 2112 report), the average figure is \$ 3.9 million. These costs were predominantly State Administration, with minor costs for academic, fee agents, and elections.

When we estimated the total cost of benefits paid to all "state" claimants (the "larger" group), in our special claimant file, we came up with a figure of \$ 6.3 Million.

Using the two estimates, we calculated the ratio between the two data sets as approximately 65%. We then applied a 0.65 factor to the raw FY figures above to get the following estimates:

FY 2002	\$ 095,550
FY 2003	\$ 257,400
FY 2004	\$ 323,700
FY 2005	\$ 325,000
FY 2006	\$ 325,000
FY 2007	\$ 325,000

Looking at the various data sources, all created for different purposes, was a classic attempt to compare apples and oranges and get a simple definitive result. The cost figures we have created are as much a product of measured logic as they are of accounting and forecasting, which in the end is how most estimates are generated

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