

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

March 23, 2001

3:20 p.m.

**MEMBERS PRESENT**

Representative Lisa Murkowski, Chair  
Representative Andrew Halcro, Vice Chair  
Representative Kevin Meyer  
Representative Pete Kott  
Representative Norman Rokeberg  
Representative Harry Crawford

**MEMBERS ABSENT**

Representative Joe Hayes

**COMMITTEE CALENDAR**

HOUSE BILL NO. 58

"An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HB 58

SHORT TITLE: UNEMPLOYMENT COMPENSATION BENEFITS

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
01/16/01	0089	(H)	READ THE FIRST TIME - REFERRALS
01/16/01	0089	(H)	L&C, FIN
01/16/01	0089	(H)	FN 1: ZERO(LWF)
01/16/01	0089	(H)	FN 2: (ADM/VARIOUS DEPTS)
01/16/01	0089	(H)	GOVERNOR'S TRANSMITTAL LETTER
02/28/01		(H)	L&C AT 3:15 PM CAPITOL 17
02/28/01		(H)	Bill Postponed To 3/9/01
03/09/01		(H)	L&C AT 3:15 PM CAPITOL 17
03/09/01		(H)	Heard & Held
03/09/01		(H)	MINUTE(L&C)
03/23/01		(H)	L&C AT 3:15 PM CAPITOL 17

**WITNESS REGISTER**

REBECCA NANCE GAMEZ, Deputy Director  
Department of Labor and Workforce Development (DLWD)  
P.O. Box 21149  
Juneau, Alaska 99802-1149  
POSITION STATEMENT: Testified on HB 58 for the department.

RON HULL, Acting Director  
Division of Employment Security  
Department of Labor and Workforce Development (DLWD)  
P.O. Box 21149  
Juneau, Alaska 99802-1149  
POSITION STATEMENT: Testified on HB 58 for the division.

PAM LaBOLLE, President  
Alaska State Chamber of Commerce  
217 Second Street, Suite 201  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified on HB 58.

KIM GARNERO, Director  
Division of Finance  
Department of Administration  
P.O. Box 110204  
Juneau, Alaska 99811-0204  
POSITION STATEMENT: Testified on HB 58.

ROYCE ROCK, Business Manager  
Carpenters Union Local 1281  
407 Denali, Number 100  
Anchorage, Alaska 99501  
POSITION STATEMENT: Testified on HB 58.

CHUCK BLANKENSHIP, Assistant Director  
Division of Employment Security  
Department of Labor and Workforce Development (DLWD)  
P.O. Box 25509  
Juneau, Alaska 99802-5509  
POSITION STATEMENT: Answered question on HB 58.

**ACTION NARRATIVE**

TAPE 01-39, SIDE A  
Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce  
Standing Committee meeting to order at 3:20 p.m.

Representatives Murkowski, Halcro, Meyer, and Crawford were present at the call to order; Representatives Kott and Rokeberg arrived as the meeting was in progress.

HB 58-UNEMPLOYMENT COMPENSATION BENEFITS

Number 0046

CHAIR MURKOWSKI announced that the committee would hear HOUSE BILL NO. 58, "An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

CHAIR MURKOWSKI stated that the committee had asked the Division of Employment Security for additional information, which was received on 3/15/01; and she mentioned that there was a revised fiscal note.

Number 0139

REBECCA NANCE GAMEZ, Deputy Director, Department of Labor and Workforce Development (DLWD), explained the three things the bill does: it raises the maximum weekly unemployment insurance ("UI") benefit amount from \$248 to \$284 the first year; then it raises it from \$284 to \$320 a week in the second year; and then it ties it to the average weekly wage, which will allow the maximum weekly benefit amount to "flow" with the economy.

MS. GAMEZ commented that 35 states have economic indicators attached to their maximum weekly benefit amounts. [The DLWD] comes before this committee every four to six years, and tying this to the average weekly wage would change that; this would become a flexible rather than a static number in law.

CHAIR MURKOWSKI asked for confirmation of her understanding that it doesn't make a difference whether a person is a claimant from Alaska or from Ohio: if a person worked in Alaska and has been laid off, the claim can be made [against Alaska].

MS. GAMEZ responded affirmatively; however, she added that the reverse is true as well. A person can work in Ohio, come to Alaska, and file a wage claim against Ohio, which is why it is part of a larger national system.

MS. GAMEZ stated that [the department] was found out of compliance many years ago when out-of-state people used to be

given a \$20 bill and in-state people were given considerably more.

CHAIR MURKOWSKI commented that if a person is working in Alaska, and Alaskan benefits are going to be claimed, that person ought to be at least making the claim here in Alaska before moving to Ohio.

Number 0446

REPRESENTATIVE HALCRO, referring to the handout entitled "Answers to House Labor and Commerce Committee Questions of March 9, 2001" from the department, stated that in looking in the history, "the practice was discontinued to avoid serious sanctions against our program." He pointed out that this was almost 30 years ago; was it voluntary by the state, he asked, or was it an actual mandate from Congress?

Number 0543

MS. GAMEZ replied that she couldn't speak to whether it was a congressional Act; however, there is now an interstate compact that all states and jurisdictions participating in the UI system are signatory to. Every state, Puerto Rico, Guam, and the District of Columbia are part of the compact that makes the interstate system run smoothly. There are some advantages to being a part of that, she said; for instance, when Alaskans move out of state, they can go elsewhere and receive [UI] funds while training in another state. Oftentimes, there are combined wage claims, so a person isn't just claiming against Alaska; if wages were earned in Ohio, for example, it takes those wages out of both the Alaska and Ohio trust funds to pay the claimant.

MS. GAMEZ explained that tracking the success of [the DLWD's] training programs, employment, and placement will be possible soon; right now, [the DLWD] has no capability to do that on an interstate basis. She said soon, if a person leaves the state, [the DLWD] will be able to know if those federal training dollars are still working for [the department]. The tracking system will be called the Wage Record Interchange System and is modeled after the benefit system.

MS. GAMEZ stated that it is a "bitter pill to swallow" when thinking about all of the dollars going out of the state in wages and UI benefits, although she believes a benefit comes back to the state and is reciprocal.

Number 0640

REPRESENTATIVE HALCRO said the concern is that every employer and employee pays into this fund, but there are some industries that have a higher impact on the UI fund; for instance, referring to chart 1, entitled "Alaska's Interstate UI claimants 1999 Distribution by Industry," a little over 30 percent of the claimants in the manufacturing category are in seafood processing. That industry obviously has more of a draw on the UI fund; meanwhile, other industries and employers might have a negligible effect. There has to be some kind of way to equal this out so other employers aren't bearing the burden for this one industry.

MS. GAMEZ responded that the UI program has a system called the experience-rating system that does just that. The more seasonal an industry - the more turnover - the higher the rate is proportionately.

Number 0754

CHAIR MURKOWSKI, referring to the statistics for interstate claims from the handout, said essentially 2,600 unemployed workers living in Alaska filed claims against other states as compared with over 10,000 claims filed against Alaska by those living outside [Alaska]. She asked whether Ms. Gamez attributes the bulk of that to those in the seafood processing industry.

MS. GAMEZ remarked that [Alaska] has the highest proportional rate of interstate claims. Last year, in-state [Alaskan claims] totaled \$107 million; the number of those living outside the state claiming against [Alaska] was the lowest that it had been in a long time, at about 18 percent or roughly \$19 million. She commented that the gap has been narrowed a bit.

Number 0861

MS. GAMEZ stated that [the DLWD] has focused on the seafood and processing industries. There are a lot of people coming up to work in both the seafood and tourism industries, she said, and these are the [employment sectors] for which [the DLWD] is trying to attract Alaskans; it is a challenge because some people don't want to do these jobs or they are not trained adequately to go to work at one of the higher-paying jobs. [The Department of Labor and Workforce Development] tries to focus the job training and employment service programs to train Alaskans for jobs that go to [nonresidents].

MS. GAMEZ pointed out that during the last hearing on this bill, the report of nonresidents working in Alaska was discussed. [The Department of Labor and Workforce Development] uses that report to target specific industries for training, and uses the state and federal dollars to target occupations in the hopes of making the connection for Alaskans. When she started with the department six years ago, she said, between 23 and 25 percent were interstate claimants, and now is down to 18 percent. She said she would like to think that [the DLWD] is partially to credit for making the training opportunities available for those industries that tend to have a higher nonresident population; there is a direct correlation between the job training and UI data that [the department] gets. It is a goal of the department to get that number down, she said, and [the DLWD] wants Alaskans to get those high-paying jobs.

CHAIR MURKOWSKI asked if there is any way to keep Alaskans for these jobs that are here, rather than having this constant out-migration.

Number 1008

MS. GAMEZ remarked that the UI program enables many Alaskans to stay here. Many people in the trades will go outside [Alaska], and when workers are needed, [Alaska] can't get them, and they end up being imported; oftentimes UI compensation is the thing that allows Alaska to keep the expertise in-state, as opposed to depending on bringing people in - that coupled with the nonresident hire report and the targets that are set in the job training sector which are all interrelated. It is a huge policy issue, she emphasized, and is something that [the DLWD] continues to tackle because of the permanent fund and the cross-match that can be done on wages. [The Department of Labor and Workforce Development] is in a unique position to know what those industries are and how to go about targeting them, which is being done, she said.

MS. GAMEZ offered to meet with committee members to talk about the job training sector within the Division of Employment Security to further explain the linkages.

Number 1153

RON HULL, Acting Director, Division of Employment Security, Department of Labor and Workforce Development (DLWD), added that seafood processing is an industry that the division works

specifically with, and that the division has opened an office in Naknek to try to get Alaskans into those jobs. "We" have made some inroads in this area, he remarked.

REPRESENTATIVE HALCRO asked: For how many claimants is going through job training and actively looking for work in the state a priority? And how many return to the Lower 48 after the season ends?

MS. GAMEZ replied that [the DLWD] targets training on Alaskans. Training is going on during the off-season, so [the department] is focusing it on the people who stay in-state. It is a federal program, and there are limitations; however, [the DLWD] can't [deny] people who choose to live here. She said training is oftentimes counter-cyclical to working.

REPRESENTATIVE HALCRO expressed the desire to make sure that the UI benefit is a livable one between jobs; however, someone who is just here seasonally with no desire to stay in the state beyond the season is a concern - the person who goes home to the [Lower 48] and collects UI for as long as it allows, waiting for the season to start again.

Number 1204

MS. GAMEZ confirmed that Representative Halcro had a valid point. She said the longest duration of benefits that a person could get is 26 weeks, with the average duration for all claims against [Alaska] at 14.9 weeks. She said the conclusion that she draws is that people are looking for work or staying in-state and are unable to work because of the weather. There are few claimants that exhaust benefits, whether living in or out of the state. In addition, she said, [Alaska] has the lowest maximum weekly benefit amount in the Western region; a person would do better filing against another state rather than filing against [Alaska]. She said there is nothing that [the DLWD] can do to discriminate against the people who file against the state and then leave.

REPRESENTATIVE HALCRO referred to pages 4 and 5 of the handout entitled "Answers to House Labor and Commerce Committee Questions of March 9, 2001." He pointed out that it says that workers with claims against other states are not asked to participate in profiling services but are registered with the employment service office nearest to the resident. He asked Ms. Gamez to further explain this information.

Number 1279

MS. GAMEZ explained that the worker profiling and reemployment services started as a pilot program funded through the United States Department of Labor (USDOL). There is a statistical model that [the division] matches against the claimant population to identify people who are likely to exhaust UI benefits; however, there are exemptions to that, such as for a person who has a labor attachment to a certain field through a union hall. Most people are pretty happy about it, she remarked; it's kind of a "job-club" atmosphere in which people come together to learn about interviewing skills, job leads, how to dress for an interview, and how to give a good interview.

MS. GAMEZ said the reason interstate claimants aren't profiled is because the funding isn't available to do it; however, she added, it is being looked at. She said she feels very strongly that if Alaskans have to leave for whatever reason and go elsewhere, she would hope that they would get those intensive employment services. The reciprocity issue is very important to [the department], and [these services] will be added in the future. She said there is a finite amount of dollars, and [the DLWD] tends not to include them in the statistical sample at this point.

Number 1376

REPRESENTATIVE CRAWFORD emphasized that [Alaska] pays the lowest UI weekly benefit amount in the Western region.

Number 1455

PAM LaBOLLE, President, Alaska State Chamber of Commerce, stated that [business community members] have been slow to really understand this. She said Ed Flanagan, Commissioner, Department of Labor and Workforce Development, came to speak to the chamber's board of directors about six weeks ago, and the understanding amongst the [business membership], she said, was that the maximum weekly benefit amount was going to be raised from \$248 to \$284, and that was the "sum" of it. Earlier this week she had decided to read the bill and found it difficult [to understand], so the department gave her a study guide and now there is some concern.

MS. LaBOLLE stated that one of the things that makes it difficult is that 42 states [or jurisdictions], including Puerto Rico and the District of Columbia, are using a different



formula, the high-quarter formula; only six are on the formula that Alaska is on, the annual-wage formula; and four are on the average-weekly-wage formula. Alaska is one of nine states that give a supplemental benefit for dependent children, so the maximum weekly benefit amount ranges - depending on the number of dependent children that might be involved - from \$248 to \$320. According to some information from the [DLWD], on average an unemployed Alaskan's [UI] check replaces less than 30 percent of the average weekly wage. She also understood that with the two steps involved in this legislation, it would increase it to 50 percent, which is two-thirds of an increase, she said, which seems like a "hefty" step. And then it is tied to a formula, rather than having it reviewed by the legislature, which looks at the current circumstances to determine what the economic climate is.

Number 1622

MS. LaBOLLE stated that as employers, [chamber members] have always felt that it is important to have real people looking at the increases that are going to happen in taxes rather than having an automatic formula. The other thing that happens, she said, is that when there is a downturn in the economy, the [high rate] is still being paid and it's harder to be reacted to quickly. All in all, she commented, there is enough concern at this point that she would hope that the committee would give [the chamber] a little more time to get some employer feedback for the committee on this issue.

Number 1712

REPRESENTATIVE CRAWFORD said by tying [the indicator] to the average weekly wage when the [downturn] happens, [benefits] will actually go down; [Alaska] won't be left at the high wage [rate] like the way the [system] is set up presently, which is one of the reasons he thinks this is a far better solution because it can fluctuate with the economy much better than if it were tied to the consumer price index (CPI) or some indicator that really doesn't go down. The average weekly wage does fluctuate over the years.

MS. LaBOLLE responded that since the legislature meets essentially every six months, there is an opportunity to react quickly to an economic trend, rather than doing away with the formula.

REPRESENTATIVE CRAWFORD asked if [the legislature] had lowered it before.

MS. LaBOLLE said she didn't know the history of UI in Alaska.

Number 1774

REPRESENTATIVE CRAWFORD stated that in the last 25 years it hasn't happened, and he feels that it would be politically unfeasible for [the legislature] to go in and lower the unemployment benefits, especially when heading into an [economic] downturn.

MS. LaBOLLE suggested perhaps not lowering it but keeping it from increasing at the very time when employers are hurting the most with the "downed" economy.

REPRESENTATIVE CRAWFORD stated that he thought it lowered as the economy went down.

Number 1880

MS. LaBOLLE said it has been viewed too simply by a lot of people, and that is why there hasn't been a great deal of concern. There is probably a good case for increasing the benefit amount; however, she didn't know to what extent. In 1997 it was increased, so it is time to increase it to some level. She reiterated that there is concern about tying it to a formula. She pointed out that the increase is approximately \$10 million in taxes over two years, which sounds excessive.

MS. LaBOLLE said the employer's amount would be a .2 percent increase in the tax rate, and the employee's amount would be a .0003 percent increase in the tax rate, so the employers are going to get the biggest "jolt."

REPRESENTATIVE MEYER asked Ms. LaBOLLE which of the employers she represents would be most impacted by this.

MS. LaBOLLE replied that it would be [employers] in construction, hotels, and restaurants where there is a greater turnover because it is experienced-rated. So the more it is used, the higher the tax rate is going to be and the more that will be paid.

REPRESENTATIVE MEYER stated that during the minimum wage legislation, the committee heard from a lot of employers, but with this topic there has been [no testimony from employers].

MS. LaBOLLE commented that [employers] haven't understood that it involves two steps, and would increase to 50 percent from the current 30 percent of the average weekly wage and would stay there.

Number 2052

REPRESENTATIVE ROKEBERG explained that there is a significant "disconnect" between the activities that go on [at the legislature] and in the business community of this state. He asked Ms. LaBOLLE if she would agree that it is in large part a fault of the press - that they report the end of activities, when bills are passed, with the exception of the budget or a few of the "sexier" media issues that get ongoing press.

MS. LaBOLLE stated that people could turn on the television and watch what is going on if they really care. Also, she said, it behooves anyone, while the legislature is in session, to watch what is going on or at least have some basic connection to the process. She doesn't absolve her members, business, or any citizen of Alaska if something happens to them because of an action of the legislature that they weren't aware of, she added.

Number 2149

REPRESENTATIVE ROKEBERG stated that the Gavel-to-Gavel Alaska coverage of this committee numbers half a dozen times or less, although that is more than in prior years.

REPRESENTATIVE HALCRO, returning attention to HB 58, said regardless of the concept of the bill, Ms. LaBOLLE is opposed to the formula theory whereby the department is going to establish regulations to figure how to revise and increase the average weekly wage every year; he asked Ms. LaBOLLE if that is correct.

MS. LaBOLLE answered affirmatively; she also answered affirmatively regarding her preference for legislative review.

REPRESENTATIVE CRAWFORD reiterated that it wouldn't be raised every year; this is tied to the average weekly wage, which fluctuates, unlike the CPI, which relentlessly moves forward. He said the average weekly wage has dropped numerous times over the last 20 years. When he came [to Alaska] in 1975 to work on

the pipeline, [Alaska] had some of the highest UI benefits in the country, and over the years it has gone down since it's a politicized system, and [Alaska] is now one of the lowest in the country. If [Alaska had an indicator] tied to the average weekly wage, he explained, the legislature wouldn't have to go back in and find out what the proper wage replacement ought to be. It is imperative to tie it to some sort of formula so that the process doesn't have to be politicized every two or three years. He said he didn't know if 50 percent of replacement wage is the proper percentage but said it is imperative that it be tied to a formula so it can be flexible, to fit the economy.

Number 2300

KIM GARNERO, Director, Division of Finance, Department of Administration, said the fiscal note is the cost to the state, as an employer, for the proposed increase in benefits. She had originally calculated the impact on the working reserves by assuming that all former state employees would receive increased benefits. The DLWD's actuary analyzed the actual claimant information, however, and found that only about 60 percent get maximum benefits. That refined analysis resulted in \$293,000 for the weekly benefit amount of \$284, and \$498,000 for the maximum weekly benefit amount of \$320, phased in by fiscal year. Following the last committee meeting, she said, "we" got together and aligned the assumptions. Using the DLWD's numbers, the state employees not covered by the working reserves were "backed out"; the DLWD's original numbers covered the whole state including the University of Alaska, the railroad, and the Alaska Housing Finance Corporation (AHFC), which are not covered by the working reserves.

REPRESENTATIVE ROKEBERG said the mathematical formula cut the fiscal note for 2002 by over 60 percent, instead of the 40 percent; is that because of the actuarial formulation, he asked. He clarified that he is referring to the change between 2002 in the original fiscal note of \$295,000 down to \$95,000, which is \$200,000 less.

Number 2419

CHAIR MURKOWSKI said the University of Alaska, the railroad, and AHFC were "backed out."

MS. GARNERO explained that the original numbers were too simplistic and she feels much better with the actuary's numbers going into the fiscal note.

REPRESENTATIVE HALCRO referred to the analysis notes provided by Ms. Garnero. He asked if there were fiscal notes from any of the other agencies.

MS. GARNERO replied that she had spoken with the payroll manager and the human resources manager last Friday in Fairbanks [at the university], but it was the beginning of spring break. "We" sent them the information, she said, and will get on the phone with them upon returning to the office.

TAPE 01-39, SIDE B  
Number 2442

ROYCE ROCK, Business Manager, Carpenters Union Local 1281, via teleconference, spoke in support of HB 58. The Western Alaska Building Construction Trades Council, he said, brought this as one of its main items to focus on during this legislative session. He said the UI benefit is just not enough to cover the bills, and people are forced to go outside of Alaska.

REPRESENTATIVE HALCRO asked Mr. Rock to outline how UI affects his carpenters.

MR. ROCK estimated that in the wintertime 60 percent of the membership is drawing UI. He said [UI] isn't something to make one whole, but is something to get one through the hard times. He pointed out that Alaska is number 50 out of 50 [states regarding benefits], when Alaska is normally a leader. Regarding the issue of going up to 50 percent replacement [of the average weekly wage], Mr. Rock said the federal guidelines are at 50 percent, and this just shows how far behind the "curve" [Alaska has] been for many years. He said maybe what should be looked at is how much money was saved by not having [Alaska's UI benefits] up where they should have been.

REPRESENTATIVE HALCRO asked Mr. Rock if the majority of the members stay here and wait for work or go south looking to work there.

MR. ROCK remarked that most of them would try to stay here if possible because a person must be in-state to sign the out-of-work list; if a person wants to go to work in early spring, the only way that person is going to get to the top of that list is by physically being here to sign the list. He said if finances were hit hard, a person would have to leave the state; however, it sets the person back even more when returning in the spring.

REPRESENTATIVE CRAWFORD asked Mr. Rock if he's ever had any out-of-state workers ask him what Alaska's UI benefits were before making the decision whether to come up or not.

Number 2337

MR. ROCK replied in the negative.

MS. GAMEZ continued with her comments. She announced that the DLWD is going to be having a "UI 101" session to take some of the mystery out of this. She clarified that the current wage replacement is 38.8 percent; the reason [the DLWD] wanted to tie this to the indicator, the average weekly wage, is because if it were tied to the CPI, it would always go up. In 1995 and 1996 it would have gone down, she said, had this formula been in place. In addition, \$10 million [in taxes on employers] is a lot of money, but it would be over a seven-year period of time, not something that would happen in one or two years. It is something that is easier to manage than a big jump, and it would then fluctuate with the economy.

Number 2192

MS. GAMEZ explained that the UI fund doesn't "ding" the employers when the economy is down; the trust fund reserves are at a level where benefits can be paid without impacting the employers at that point in time. It really self-balances, she said. Regarding the dependent allowance, she said [Alaska] is one of four states with this allowance. Twelve or fifteen years ago, "they" tried to get rid of the allowance, and it ended up going up substantially per dependent. Per claim, she said, Alaska's average dependent allowance is \$20.21, so the impact isn't that great; when looking at the charts and graphs, it doesn't have a significant impact on them at all.

MS. GAMEZ stated that in terms of the high-turnover occupations, [the department] thinks that tying the maximum weekly benefit amount to the average weekly wage does allow an accurate accountability of what is happening in the state. The CPI would always go up, and [the DLWD] thought this was a reasonable thing to do; 35 states have it tied to some sort of indicator, whether it is the average weekly wage, the CPI, or something else. It is self-adjusting, rather than putting a static number in statute. She said it would be nice to keep more people in the state during the wintertime so that employers have a pool of trained workers to draw from when the busy season starts up.

REPRESENTATIVE HALCRO mentioned that Ms. LaBOLLE had stated that she was worried about the effect of an [economic downturn]. He referred to page 7, subsection (k) of the bill, where it outlines exactly how [the DLWD] is going to come up with the average annual wage on a yearly basis. He noted that it determines the average annual wage based on the preceding 12-month period. The gas pipeline, if developed, would create thousands of new jobs, he noted, and the average weekly wage would go through the "roof" because of this one spike. Now the project is gone and suddenly the average wage is [high] because the last 12 months are being looked at. That isn't a realistic assessment of the current wage, he said, and asked if there are any protections that address this.

MR. HULL referred to chart 4, entitled "Estimated Max Cost per Worker for Average Employer (5 years to reach cost of proposal)" from the committee's packet. He stated that the trust fund is not set up to react quickly, and in this particular case, if this were passed in 2002, the full impact wouldn't be felt by the employer until 2007.

REPRESENTATIVE HALCRO stated that if [the legislature] adopts this legislation, a method would be set in motion by which the DLWD can review the average weekly wage every year, look back over the last 12 months, and decide to set the next 12 months based on that. He asked what [methodology was used] for setting the average weekly wage.

Number 1978

CHUCK BLANKENSHIP, Assistant Director, Division of Employment Security, Department of Labor and Workforce Development (DLWD), responded that the "look-back" is based on the average wages in the state for the previous state fiscal year, which is as current as it gets. Each December, he said, that same period would be looked at again, and if there were an increase in wages one year, the benefit amount would go up; if the increase in wages had been transitory and disappeared the following January, however, the benefit amount could drop back down.

MR. BLANKENSHIP, referring to a packet given to committee members the week before, pointed out that a chart showed a 12-year period of increases to 50 percent of the average weekly wage, which he pointed out is a fairly flat graph; there was a drop in 1995 and 1996, and had [Alaska's] maximum benefit been tied to 50 percent of the average weekly wage, it would have

actually decreased at that point. During this period of time [the Department of Labor] came to the legislature asking for an increase in the maximum benefit amount of \$60. During that same period of time, had [Alaska] been tied to the 50 percent wage replacement, the increases would have been \$32.

Number 1946

MR. BLANKENSHIP explained that the increases gained by coming to the legislature and asking for them had caused more of a spike and had a more significant impact on the employer tax rate because it took effect right away. It might not have had an impact at all, depending on the solvency of the trust fund at the time. He said the actuary was telling him that given the picture of employment growth in the state now and the relatively fair economy, the projected rate increases for the next five or six years may not even occur.

REPRESENTATIVE HALCRO noted that it clearly states the following [subsection (h)] on page 6 of the bill: "if the average weekly wage in this state, calculated under (k) of this section, has increased by an increment amount established by the department in the regulations." He pointed out that it talks about how [the department] accounts for increases, but doesn't say anything about when the average weekly wage "bottoms out."

Number 1807

MR. BLANKENSHIP read in part from subsection (j), page 7, "The commissioner shall report to the governor and the legislature if the average weekly wage in this state decreases to the extent that an adjustment in weekly benefit amounts set in (d) ... is appropriate for the proper administration". He said [the DLWD] was advised by the Office of the Attorney General that decreases would have to be done with proper notice to the governor and to the legislature, which is why subsection (j) is in there. He said the key point in the proposed language under subsection (h) is that this law would set forth that the methodology may not result in a new weekly benefit amount that exceeds 50 percent replacement of the average weekly wage. So if the calculation were to come up with an average weekly wage that was more than twice what the existing benefit amount would be, this statute would prevent [the DLWD] from paying a replacement [wage] of greater than 50 percent.

Number 1746



REPRESENTATIVE HALCRO referred to page 6, line 16, "The department shall adopt regulations to establish a methodology to calculate new amounts that increase the highest weekly benefit". He said this doesn't say that new amounts will be calculated, but specifically talks about an increase. And he doesn't believe it addresses how decreases will be dealt with other than reporting them back to the legislature and the governor.

Number 1713

MR. BLANKENSHIP explained that in his understanding the language prohibiting those increases from being in excess of 50 percent of the average weekly wage would also require [the DLWD] to look at decreases. He stated that the first section extends the benefit schedule to \$284 and is "hard-coded"; however, nothing from \$284 [forward] is then "hard-coded" - it is a new game every year based on 50 percent of the average weekly wage, but just extends the schedule up to that point. So there would be no formal benefit schedule in place until the average weekly wage is calculated and the new maximum set.

MR. HULL referred to page 5 of the bill and said the increments for the first year go up to \$284, but uses the same formula, the \$250 increments to the \$2 increase in benefits to the \$320 amount and doesn't allow it to go over \$320 by regulation.

CHAIR MURKOWSKI asked for clarification that it could go over \$320 as long as the average weekly wage is not in excess of 50 percent.

MR. HULL answered affirmatively and said it could go under that amount, too, but stays with the 50 percent. What it is saying is that it can't go over 50 percent. He clarified that line 16 refers to an extension of the formula on page 5, out to \$320 in the second year.

Number 1578

CHAIR MURKOWSKI asked about the "magic" behind the numbers. Right now [Alaska] is at \$248, she said, and under this proposal would go to \$284 and then to \$320 in the subsequent year.

MR. BLANKENSHIP commented that [the DLWD] currently knows the average weekly wage, 50 percent of which would be approximately \$320 or \$318.

CHAIR MURKOWSKI stated that according to the chart provided by [the DLWD], the average weekly wage in 1999 was \$639.50. She asked for clarification that 50 percent of that is taken to get to the \$320, which is where [the DLWD] wants to be in two years.

Number 1525

MR. BLANKENSHIP clarified that he thought the \$284 was just a midpoint to avoid putting the full increase in one year. He said regarding the \$620 average weekly wage, the actuaries feel that the 1999 figure is relatively "flat," the same as for 2000 and 2001.

CHAIR MURKOWSKI referred to the dependent allowance. She said she's heard that between four and six states allow for this. In the documentation supplied by the division, she said, she understood that there is an allowance of \$24 per dependent for a maximum of three dependents. And the average weekly amount for the dependent allowance averaged over all the claimants is \$20.21. She asked if she is comparing "apples to apples" in saying that if taking the current amount of \$248, and adding \$20.21, which is the average overall [for a dependent allowance], the weekly benefit amount is not \$248, but \$268.

Number 1443

MR. BLANKENSHIP replied that it is an awkward statement since only 45 percent of the claimants receive a dependent allowance. So as far as the statement goes, it would be correct to say that averaged over the entire population it would be an additional \$20.21 per claimant per week; however, over 50 percent of the people are not getting that, which is why [the DLWD] decided to stay with the maximum weekly benefit amount as something that could be compared among the entire population.

MR. HULL explained that if a person were getting the maximum benefit amount, then Chair Murkowski's aforementioned statements would be correct; however, not everyone gets the maximum weekly benefit amount. He added that the \$248 is the maximum weekly benefit amount, not the average.

Number 1396

REPRESENTATIVE ROKEBERG asked for clarification that the \$20.21 is the average for all the claimants.

MR. BLANKENSHIP answered affirmatively. And of those claimants receiving a dependent allowance, the average is about \$40.00 a week. Responding to a question about whether 45 percent of the claimants receive this allowance, Mr. Blankenship stated that he believed this to be correct.

REPRESENTATIVE HALCRO stated that according to the fact sheet entitled "Q&A's" supplied by the department, the average weekly amount paid to claimants for dependents is \$44.94. And in Alaska approximately 44.5 percent of the claimants receive dependent allowances. He asked what percentage of interstate claimants claim dependents.

Number 1218

MR. BLANKENSHIP clarified that [Alaska] is one of 12 states [that pay a dependent allowance]. He responded that in studying that, [the DLWD] has found that there is generally a lesser amount of dependent allowance going out of state than staying in the state.

REPRESENTATIVE ROKEBERG asked if there is any way that [Alaska] could deny the allowance for out-of-state claimants and still stay within the federal guidelines.

MR. BLANKENSHIP responded in the negative. He stated that he believed the numbers given in the handout for the dependent allowance were spread over the entire population, both in and out of state; and there is a slightly higher percentage of rural claimants receiving the dependent allowance.

REPRESENTATIVE HALCRO asked what the highest unemployment [rate] on a yearly basis is.

Number 1146

MR. BLANKENSHIP verified that it would be around 6.9 or 7 percent. He explained that [Alaska] just "triggered" onto the federal extended benefit program on March 10, 2001, that required a state-insured unemployment rate of 6 percent. [The department] doesn't believe that it is going to be up that high for more than three months. January and February are the highest claimant months, he said; Alaska didn't hit the 6 percent this year until the second or third week in February, and he thinks it will end in May. The economy has been good, UI is low, and the employment picture overall has been expanding the last several years, he remarked.

CHAIR MURKOWSKI pointed out that Mr. Rock had indicated that the desired goal with the federal wage [replacement] is 50 percent of the average weekly wage. She said according to the [department's] chart, [Alaska] is at 46 percent, and she asked if there is a federal statute that indicates this.

MR. BLANKENSHIP remarked that the program has been around for 65 years and some of this information isn't in federal regulation. The program guidelines over the past 25 years, he said, have been that a 50 percent wage replacement is desirable for the majority of those people receiving benefits. The last guideline that [the department] saw that came out in writing from the United States Department of Labor (USDOL) was in response to its need to come up with performance standards for the Government Performance Results Act. One of the standards that [the USDOL] has asked the states to shoot for is a maximum weekly benefit amount approaching 75 percent of the average weekly wage.

Number 1009

REPRESENTATIVE ROKEBERG asked for the nominal dollar increases and the percentage against the base of the increases made by the legislature in 1984, 1990, and 1996, which are the last three increases that [Alaska] had, which went into effect in 1985, 1991, and 1997.

MR. BLANKENSHIP stated that the dollar amounts of the increases in 1980, 1981, and 1982 in [Alaska] were \$150; the next increase was to \$156; the increase in 1985 was to \$188; in 1991, to \$212; and in 1997, to \$248.

REPRESENTATIVE HALCRO referred to chart 2.1, entitled "Amount of UI Payments, Regular Benefits 1985-1999." He asked if this is a "look-back," had this bill been adopted years ago.

Number 0853

MR. HULL commented that this was not the chart being referred to, and remarked that it was in the handout provided to the committee on [March 9, 2001] entitled "Alaska's Maximum Weekly Benefit Amount Compared with 50 Percent Average Weekly Earnings".

MR. BLANKENSHIP added that it reflected an 11-year period. Responding to the question as to why [the division] feels that if this formula had been in place years ago, there would have

been a decline, Mr. Blankenship stated that with the multiple periods in-between increases - for which [the department] came back to the legislature and asked for increases - the state kept playing catch-up after falling behind. And because of that, during the decade of the 1990s, [the department] asked for an increase of \$60. Referring to a chart supplied by the DLWD entitled "Number of two dollar increases in Calculation of 50% Average Weekly Earnings," he said had [Alaska] already been tied into a percentage of the average weekly wage for a maximum benefit amount, [Alaska] would have increased the maximum benefit amount by \$32, with less dramatic increases in tax rates.

Number 0667

CHAIR MURKOWSKI stated that the bill would be held over because she is concerned about the "double-jump" and the "tie-in." She said recognizing the impact to employers and how they have not given input, she isn't sure if they are not concerned about it or don't understand the full extent of the issue.

[HB 58 was held over.]

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:50 p.m.