

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSHB 494(FIN)
 (H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): _____ Department: **Labor and Workforce Development**
 Title: Electronic Payment for State Business RDU: **Employment Security**
 Component: **Unemployment Insurance**
 Sponsor: **Representative Kott**
 Requester: **Governor** Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Attached Analysis.

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 Approved by: Greg O'Claray, Commissioner
 Agency: Department of Labor and Workforce Development

Phone: 465-5933
 Date/Time: 3/16/04 3:29 PM
 Date: 3/16/2004

ANALYSIS: (continued)

This legislation would make disbursements issued under AS 23.20 subject to a new section of statute, AS 37.25.050. AS 37.25.050 provides that disbursements can only be made through an electronic funds transfer (EFT) or through an electronic payment card unless doing so would cause substantial hardship to the recipient.

Section 3304 of the Federal Unemployment Tax Act (FUTA) prohibits the use of Unemployment Insurance Trust Fund monies for any purpose other than the actual benefit payment.

The use of electronic fund transfers (EFT):

The Unemployment Insurance Program already provides an EFT option. Estimated annual increase in cost to have all claimants move to this option would be \$30,000. This is based on set-up and monthly maintenance fees in the current direct deposit contract. The cost increase would be offset by savings from not having to produce printed benefit checks.

The use of a debit card:

Estimated initial implementation costs could be as high as \$269,500. Annual costs thereafter are estimated at \$63,000.

Other methods:

Amendments to AS 37.25.050 authorizes the Commissioner of Revenue to adopt regulations that would clarify when a state agency could use alternative disbursement methods. This provides an avenue for disbursing a paper check to a claimant if electronic disbursement would cause the claimant substantial hardship. Although it is not clear what constitutes "substantial hardship", this would not raise an issue with section 301(a)(1), of the Social Security Act.