

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 31, 2008

3:04 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Jay Ramras
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 120(FIN)

"An Act relating to disclosure of certain information from the records of the Department of Labor and Workforce Development and limiting the use of the disclosed information, and to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

- MOVED CSSB 120(Fin) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 120

SHORT TITLE: UNEMPLOYMENT COMP: BENEFITS/RECORDS

SPONSOR(S): LABOR & COMMERCE

03/14/07	(S)	READ THE FIRST TIME - REFERRALS
03/14/07	(S)	L&C, FIN
03/22/07	(S)	L&C AT 1:30 PM BELTZ 211
03/22/07	(S)	Heard & Held
03/22/07	(S)	MINUTE(L&C)
04/24/07	(S)	L&C AT 1:30 PM BELTZ 211
04/24/07	(S)	Heard & Held
04/24/07	(S)	MINUTE(L&C)
04/26/07	(S)	L&C AT 4:30 PM FAHRENKAMP 203
05/02/07	(S)	L&C AT 5:30 PM FAHRENKAMP 203
01/17/08	(S)	L&C AT 1:30 PM BELTZ 211

01/17/08 (S) -- MEETING CANCELED --
 01/22/08 (S) L&C AT 1:30 PM BELTZ 211
 01/22/08 (S) Scheduled But Not Heard
 02/05/08 (S) L&C AT 1:30 PM BELTZ 211
 02/05/08 (S) <Bill Hearing Canceled>
 02/09/08 (S) L&C AT 1:30 PM BELTZ 211
 02/09/08 (S) Moved CSSB 120(L&C) Out of Committee
 02/09/08 (S) MINUTE(L&C)
 02/11/08 (S) L&C RPT CS 2DP 1AM NEW TITLE
 02/11/08 (S) DP: ELLIS, DAVIS
 02/11/08 (S) AM: STEVENS
 03/12/08 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/12/08 (S) Heard & Held
 03/12/08 (S) MINUTE(FIN)
 03/15/08 (H) FIN AT 10:00 AM HOUSE FINANCE 519
 03/15/08 (H) -- Continued from 03/14/08 --
 03/17/08 (S) FIN RPT CS 2DP 4NR NEW TITLE
 03/17/08 (S) DP: STEDMAN, ELTON
 03/17/08 (S) NR: HOFFMAN, THOMAS, DYSON, OLSON
 03/26/08 (S) TRANSMITTED TO (H)
 03/26/08 (S) VERSION: CSSB 120(FIN)
 03/27/08 (H) READ THE FIRST TIME - REFERRALS
 03/27/08 (H) L&C, FIN
 03/31/08 (H) L&C AT 3:00 PM CAPITOL 17

WITNESS REGISTER

DANA OWEN, Staff
 to Senator Johnny Ellis
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented SB 120 on behalf of the sponsor, the Senate Labor & Commerce Committee.

WAYNE STEVENS
 President, CEO
 Alaska State Chamber of Commerce
 Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 120.

PAULA SCAVERA, Legislative Liaison; Special Assistant
 Office of the Commissioner
 Department of Labor & Workforce Development (DLWD)
 Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 120.

JIM WILSON

Actuary
Division of Employment Security
Central Office
Department of Labor & Workforce Development (DLWD)
Juneau, Alaska

POSITION STATEMENT: Testified on SB 120.

DON ETHERIDGE, Lobbyist
for the Alaska State AFL-CIO
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 120.

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at [3:04:15 PM](#). Representatives Neuman, Gardner, Buch, Ramras, and Olson were present at the call to order. Representative s LeDoux and Gatto arrived as the meeting was in progress.

SB 120-UNEMPLOYMENT COMP: BENEFITS/RECORDS

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CHAIR OLSON announced that the only order of business would be CS FOR SENATE BILL NO. 120(FIN), "An Act relating to disclosure of certain information from the records of the Department of Labor and Workforce Development and limiting the use of the disclosed information, and to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

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DANA OWEN, Staff to Senator Johnny Ellis, Alaska State Legislature, on behalf of the sponsor, the Senate Labor and Commerce Committee, stated that SB 120 would raise the maximum weekly benefit amount for the unemployment insurance compensation benefits, which has not been raised since 1977. He said that SB 120 is a compromise bill such that each of the parties who worked on SB 120 has some reservations about parts of the bill. The parties support SB 120 since the bill attempts to address the issues raised by management and labor. This bill would raise the maximum weekly unemployment insurance (UI) benefit amount from \$248 per week to \$370, which will place Alaska at the median level nationwide. He outlined some issues,

pointing out that labor management supported raising the unemployment benefit to help people remain in their community, in Alaska, and because the "right thing to do." The business community agreed that it was time to raise the amount of unemployment insurance benefits. They argued that the system is too costly and worked to make SB 120 "cost neutral."

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MR. OWEN explained that although the state lags behind in recipient benefits, Alaska also ranks among the highest in unemployment benefit costs in the nation, he noted. He surmised that SB 120 does not meet the goal of being "cost neutral," but that the bill comes as close to the goal as is practicable. The Senate Labor & Commerce committee worked to lower the costs of the overall system, he said. However, the system has some structural issues due to a large number of seasonal employees that drive unemployment insurance (UI) costs up.

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MR. OWEN stated that SB 120 shifts costs away from businesses to employees in two ways: Currently, 80 percent of the cost of UI is covered by employers and 20 percent is covered by employees. He highlighted that Alaska is one of two states that assess the UI, but that two additional states have the ability to assess UI "on the books" but don't apply it.

MR. OWEN noted that SB 120 would change the proportional shift of UI by reducing the amount to 73 percent for employers and increasing the amount to 27 percent for employees. He noted that the Senate Finance Committee added provisions to phase in those amounts over a two year period, but the result is still the same. He said that the second thing SB 120 does to reduce cost to employers is to increase the amount of earnings necessary during the qualifying period from \$1,000 to \$2,500. He noted that the qualifying earnings have not been raised since the 1970s. He surmised that people support the bill since addressing UI benefits is something that needs to be done and the bill represents a good faith effort.

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MR. OWEN referred to items in the packet: A letter from Wayne Stevens, Alaska Chamber of Commerce, offers supports SB 149, although not enthusiastically. An item labeled, "Key Vote" from to the National Federation of Independent Business - ALASKA

(NFIB), also offers support for SB 120. He referred to a bar chart labeled, "Unemployment Insurance Maximum Weekly Benefit Amount by State", which notes that Alaska ranks 48th in the nation. He referred to a chart labeled, "Alaska's Maximum Weekly Benefit Unemployment insurance, 1966 to 2006" that demonstrates that this is the longest period of time without an increase to the maximum weekly benefit amount allowable. He referred to a chart, labeled, "Average-Wage Replacement Rates" that lists Alaska at 25.8 percent while the average nationwide is at 34.6 percent. The UI system was intended to replace 50 percent of wages when a person loses his/her job, he offered. While no state has reached the benchmark, Alaska is dead last at 25.8 percent, he highlighted. He referred to a chart, labeled "Estimated Annual Unemployment Insurance Employee Tax Cost, if the Maximum Weekly Benefit Amount (MWBA) increases to \$370, effective January 2009," which he said demonstrates the effect of bill on employees. He noted the current employee contribution is set at \$157 annually. Under SB 120, that amount would rise to \$194 in 2013 when SB 149 would be fully implemented, which represents a \$37 increase overall. He referred to a chart labeled, "Estimated Maximum Cost per Worker for Average Employer" that shows the projected effect on employers for estimated tax contributions per employee. He explained that the amount employers paid was \$584 in 2007, dropped to \$470 in 2008 and is expected to rise to \$495 in 2014 under the provisions in proposed SB 120. He characterized the UI Trust Fund as a well managed UI Trust Fund.

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REPRESENTATIVE BUCH asked for the total amount that is currently in the UI Trust Fund.

MR. OWEN pointed out that Mr. Wilson would testify and could answer any technical questions. In further response to Representative Buch, Mr. Owen answered that four states have the authority to assess employees a fee, but only two states currently assess a fee. In further response to Representative Buch, Mr. Owen advised that he did not know the UI percentages assessed in the other states.

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REPRESENTATIVE GARDNER inquired as to whether the qualifying amount that would be raised from \$1,000 to \$2,500 in SB 120 is an adjusted dollar amount.

MR. OWEN answered that the qualifying amount is in nominal dollars and not in adjusted dollars.

REPRESENTATIVE NEUMAN referred to the sponsor's statement which mentions that SB 120 adds language that protects the privacy of individuals claiming UI benefits. He asked for clarification of any items not currently required by federal law.

MR. OWEN answered that the confidentiality provisions in SB 120 are based precisely on federal government requirements. In further response to Representative Neuman, Mr. Owen noted that Sections 1-8 of the bill provide for the confidentiality provisions. He elaborated that Section 1 clarifies that the Department of Labor & Workforce Development (DLWD) may not release UI information to a person for a civil or administrative matter for purposes not directly involving the presentation or protest of a claim under state law. He noted that Section 2 would allow disclosure of UI information to the United States Secretary of Health and Human Services for the purpose of child support enforcement.

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MR. OWEN, in response to Representative Neuman, answered that the pressure from the federal government is the impetus for SB 120. He offered his understanding that the state may face severe penalties if it does not amend its UI statutes by October 2008, among those would be a loss of \$19.1 million in federal payments to the state and potentially costs of an additional \$87 million to employers.

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DON ETHERIDGE, Lobbyist, Alaska State AFL-CIO, stated that the AFL-CIO supports SB 120. While he opined that the AFL-CIO is not totally happy with the final negotiations, that it supports the bill and stands by the negotiations.

WAYNE STEVENS, President, CEO, Alaska State Chamber of Commerce, stated that the State Chamber of Commerce supports SB 120. He characterized SB 120 as a compromise bill that helps keep the UI taxes down. He urged members to support SB 120.

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REPRESENTATIVE GARDNER noted that members heard earlier testimony that rates are higher due to the seasonal work force.

She inquired as to whether other states with seasonal work forces struggle with UI costs.

MR. STEVENS answered that seasonality is an issue in many states. He pointed out that the taxable wage level, which is the amount the employer's assessment is based on, was \$19,200 in the 1980, but is currently set at \$31,300. However, during the same period of time the amount the employer contributes has risen while the benefit amount has not been increased.

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MR. STEVENS, in response to Representative Neuman, explained that SB 120 was a thorough process undertaken during last year and both sides raised issues. The process led to a compromise that reaches the goal of increasing the benefit and ensuring that the state is in compliance with federal law. He noted that the state could lose \$130 million in funding and expressed his concern that those costs would be shifted to business. He characterized the process as one with "good give and take from all parties." He said that "everyone can walk out of the room and say that we've done what we set out to do, keep costs down and increase the weekly benefit amount." In further response to Representative Neuman, Mr. Stevens stated that there were a number of organizations that represented the perspectives of the employee and the employer.

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PAULA SCAVERA, Legislative Liaison; Special Assistant, Office of the Commissioner, Department of Labor & Workforce Development (DLWD), in response to Representative Buch, replied that the other state that assesses an employee unemployment insurance tax is New Jersey and by statute that amount is set at \$101.25 annually per employee.

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MS. SCAVERA, in response to Representative Buch, clarified that the \$101.25 is the entire unemployment tax amount that an employee in New Jersey would pay for the unemployment insurance tax program. In further response to Representative Buch, Ms. Scavera stated that she thought the UI Trust fund contains approximately \$230 million, which she opined is a healthy figure.

REPRESENTATIVE GARDNER inquired as to whether the seasonal work force in other states results in a burdensome employer UI assessment rate.

MS. SCAVERA answered that Arizona has a large seasonal workforce, but only pay \$240, which is lower than Alaska's rate, but she noted its rules for qualifying varies from Alaska. She related that she attends an annual meeting on UI and has discovered that the rates and rules between states varies so it is difficult to compare costs and rates for UI in other states.

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REPRESENTATIVE GARDNER related her understanding that Alaska faces long standing issues with respect to unemployment insurance such that employers feel burdened and that employees receive a lower rate of compensation than in other states. She inquired as to whether the reason is due to a large seasonal workforce.

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JIM WILSON, Actuary, Division of Employment Security, Central Office, Department of Labor & Workforce Development (DLWD), stated that 20 years ago, Alaska had a larger construction and transportation industry, which resulted in a greater percent of the total economy. However, seasonality is less of an impact now than it was 20 years ago, although it still represents a big component, he said. Alaska's economy has grown considerably and the trades have matured, he opined. Thus, the trade and service industries offer more year round employment than ever before. However, the seasonal component is still a factor in higher cost of Alaska's system.

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REPRESENTATIVE RAMRAS affirmed the seasonal aspect of Alaska's labor force. He related his own business experiences in Fairbanks such that he employs 200 year round, but that his labor force swells to 300 in the summer. He also highlighted that due to new techniques such as "tenting" buildings in the winter that some industries such as the construction industry can operate all year.

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on SB 120.

3:37:03 PM

REPRESENTATIVE LEDOUX moved to report the CSSB 120(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 120(FIN) was reported from the House Labor and Commerce Standing Committee.

3:37:23 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:37 p.m.