

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

April 12, 2017

3:21 p.m.

**MEMBERS PRESENT**

Representative Sam Kito, Chair  
Representative Adam Wool, Vice Chair  
Representative Andy Josephson  
Representative Louise Stutes  
Representative Chris Birch  
Representative Gary Knopp  
Representative Colleen Sullivan-Leonard

**MEMBERS ABSENT**

Representative Mike Chenault (alternate)  
Representative Bryce Edgmon (alternate)

**COMMITTEE CALENDAR**

HOUSE BILL NO. 142

"An Act relating to unemployment insurance benefits; increasing the maximum weekly unemployment insurance benefit rate; and providing for an effective date."

- MOVED CSHB 142 (L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 142

SHORT TITLE: UNEMPLOYMENT COMPENSATION BENEFITS

SPONSOR(s): REPRESENTATIVE(S) TUCK

02/24/17	(H)	READ THE FIRST TIME - REFERRALS
02/24/17	(H)	L&C, FIN
03/29/17	(H)	L&C AT 3:15 PM BARNES 124
03/29/17	(H)	Heard & Held
03/29/17	(H)	MINUTE (L&C)
04/12/17	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE CHRIS TUCK

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, reviewed the changes in the proposed committee substitute, Version O, for HB 142.

KENDRA KLOSTER, Staff  
Representative Chris Tuck  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Tuck, prime sponsor of HB 142, answered a question regarding HB 142.

ED FLANAGAN, Director  
Division of Employment & Training Services  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions related to HB 142.

LENNON WELLER, Economist  
Research and Analysis  
Division of Administrative Services  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions related to HB 142.

DENNIS KNEBEL, President  
Anchorage Central Labor Council  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

#### **ACTION NARRATIVE**

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**CHAIR SAM KITO** called the House Labor and Commerce Standing Committee meeting to order at 3:21 p.m. Representatives Kito, Sullivan-Leonard, Stutes, Knopp, Birch, Josephson, and Wool were present at the call to order.

^#hb142

#### **HB 142-UNEMPLOYMENT COMPENSATION BENEFITS**

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CHAIR KITO announced that the only order of business would be HOUSE BILL NO. 142, "An Act relating to unemployment insurance

benefits; increasing the maximum weekly unemployment insurance benefit rate; and providing for an effective date."

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REPRESENTATIVE WOOL moved to adopt the proposed committee substitute (CS) for HB 142, Version 30-LS0530\0, Wayne, 4/6/17, as the working document.

CHAIR KITO objected for purposes of discussion.

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REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, as prime sponsor, reviewed the two changes in Version 0 of HB 142. Regarding the first change [on page 9, line 13], he stated that Section 2, subsection (h), was amended by adding the word "annually" to specify that the department shall provide for increases annually. Regarding the second change, he said Section 2, subsection (i), was amended to remove the requirement for publication of the notice of changes to the benefit schedule in the Alaska Administrative Code. He explained that such notices are not published in the administrative code, so this was an error in the drafting and that language was removed.

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REPRESENTATIVE SULLIVAN-LEONARD requested clarification of where the changes were made.

CHAIR KITO replied that the changes are on page 9, Section 2, and requested Ms. Kloster to answer further.

KENDRA KLOSTER, Staff, Representative Chris Tuck, Alaska State Legislature, on behalf of Representative Tuck, prime sponsor of HB 142, stated that the word "annually" was added to [Section 2, subsection (h)], on page 9, line 13.

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CHAIR KITO withdrew his objection to the motion to adopt the proposed committee substitute (CS) for HB 142, Version 30-LS0530\0, Wayne, 4/6/17, as the working document. Therefore, Version 0 was before the committee.

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REPRESENTATIVE WOOL inquired about the change in Section 2, subsection (h), which provides that [annually] after December 31, 2019, the department shall increase weekly benefit amounts by \$2 for each \$250 [by which an individual's base period wages exceed \$59,500]. He asked whether the cap of \$510 for \$59,500 would be lifted after December 31, 2019, and he requested further clarification.

REPRESENTATIVE TUCK responded that it depends on and is based upon the average Alaskan income and there is a formula.

CHAIR KITO further explained that on December 31, 2019, the department would review the average annual salary and if the average annual salary is above \$59,500, then for every \$250 above what the average annual salary is, \$2 will be added to the weekly benefit.

REPRESENTATIVE WOOL offered his understanding that \$59,500 is the statewide average and is not for an individual.

REPRESENTATIVE TUCK replied correct.

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REPRESENTATIVE STUTES inquired whether the prior year is the qualifying wage period.

REPRESENTATIVE TUCK replied he is unsure whether it is a full year and requested that a department representative be allowed to provide the answer.

ED FLANAGAN, Director, Division of Employment & Training Services, Department of Labor & Workforce Development (DLWD), replied yes, that is the base year and it is the full year prior. He explained that there is a lag of one quarter, so if somebody opened a claim today [via online as it is no longer done in person] it would be based on calendar year 2016. If someone had opened a claim before [January 1, 2017,] it would have been based on October 1, 2015, and through one year. It is a full year, he reiterated, and everything the person has earned in wages in a full year.

REPRESENTATIVE STUTES offered her understanding that it is a full year, meaning 12 months from the beginning of the last quarter from which the claimant is filing.

MR. FLANAGAN responded yes, with a quarter in between.

MR. FLANAGAN further pointed out that the average annual wage right now is \$53,000. He explained that the \$59,500 is where the division runs out the schedule to come up with the [weekly] benefit [depicted in the third column under Section 1] and this benefit is half of the average weekly wage. He clarified that after December 31, 2019, an adjustment would occur only if the average annual wage has gone up, and it is not projected to go up for the next two to three years at least.

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REPRESENTATIVE KNOPP inquired about the amount of weekly benefit that would be received, as depicted in the third column [under Section 1].

MR. FLANAGAN answered that if the bill were to pass, this is the benefit schedule that would be in effect. It is very easy to get confused, he said, because the base year is one thing and the average annual wage is another. Should the average annual wage go up to, for example, \$59,000, there would at that point be an increase in the [weekly] amount. He explained that this is the way the state has always raised the increase when it does make an adjustment - the state runs the schedule out longer so there is not the situation which is referred to now under current law where somebody who makes \$84,000 in his or her base year gets the same benefit as someone who makes \$42,000. It acknowledges that some people are going to need more to maintain their lifestyle.

REPRESENTATIVE KNOPP posed a scenario in which the state averages \$59,000 or \$59,250 for a number of years, then a recession occurs, and everybody is laid off and their unemployment benefits are at about \$508. He asked whether the state is going to get to that point and said his concern is that Alaska doesn't lead the nation in unemployment insurance benefits and causing people to be incentivized to not be aggressively looking for work. Another of his concerns, he continued, is that by increasing these rates it will increase the cost to employers - a jump of 42 percent over five years by 2023. He asked whether he is accurate with this number.

MR. FLANAGAN stressed that that is over what is projected had nothing been done for employees who make \$39,000, which is currently the maximum and the point at which contributions by both employers and employees stop.

REPRESENTATIVE KNOPP stated he hopes the committee will consider the contribution rate. He offered his belief that employers are paying 6.5 [percent] and employees 1.5 and said he would like for the committee to talk about the rates that employees pay versus what employers pay. He also noted that state employees are eligible for unemployment insurance benefits, but that the employees don't contribute while the state does.

MR. FLANAGAN replied that if HB 142 were passed, Alaska would never be the state with the highest maximum weekly benefit amount because there are other states that gear it towards as much as 60 percent of the average annual wage. For example, Washington is currently at \$690, which is much higher than where Alaska would be with this bill. He offered his belief that Washington's benefits automatically adjust, as do the benefits in many states. Regarding Representative Knopp's first question, Mr. Flanagan said that if a person were making \$59,000 when this bill is passed, then yes, the person would get \$508 because that is based on the current average annual wage, which is \$53,000. When the average annual wage gets up to \$59,000, which would be several years from now, the maximum benefit would be about \$570 or \$580 due to the automatic adjustor. Regarding Representative Knopp's second question about contribution rates, Mr. Flanagan said they do fluctuate but that the employee rate is currently at the statutory minimum for employees of 0.5 [percent]. He added that the employee rate has a minimum of 0.5 and a maximum of 1.0 and noted that Alaska is one of three states in which employees pay anything. The current employer contribution is, on average, about 1.01 [percent]. The employer minimum is 1 percent and there is no maximum on the employer contribution.

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LENNON WELLER, Economist, Research & Analysis, Division of Administrative Services, Department of Labor & Workforce Development (DLWD), noted that he serves as the actuary for the unemployment insurance system. Speaking to Representative Knopp's questions, he said the average rate for an employer is 1.01 percent, which is just off the 1.0 percent minimum rate for employers, with the maximum being 6.5 percent.

REPRESENTATIVE KNOPP offered his understanding that Mr. Weller is saying a maximum rate of 6.5 percent.

MR. WELLER replied correct and added that no employer can be charged more than that.

REPRESENTATIVE KNOPP offered his understanding that 6.5 percent is not where the rate is at.

MR. WELLER responded that the rate is currently at one-hundredth of a percentage point off the minimum rate.

REPRESENTATIVE KNOPP asked what the contribution rate is for the Technical and Vocational Education Program (TVEP).

MR. WELLER answered that the current contribution rate for the TVEP program is 0.16 percent.

REPRESENTATIVE KNOPP inquired whether the 0.16 percent is a component of the 1.01 percent that employers are paying.

MR. WELLER replied that it is a portion of what employees pay. Employees currently pay a half a percentage point, of which 0.16 is attributed towards the TVEP program.

REPRESENTATIVE KNOPP asked whether part of the conversation here should include state employees not making any contributions.

MR. FLANAGAN replied that generally employers with relatively low rates of unemployment are what determine it. But they like to be reimbursable, he continued, and the state is one that is reimbursable. School districts and public employers generally can elect to ...

REPRESENTATIVE KNOPP inquired as to the cost to the state.

MR. FLANAGAN responded that if it were economical, he thinks the state would elect to be a contributory employer as generally reimbursable is a better deal.

MR. WELLER confirmed that Mr. Flanagan's response is correct.

[3:37:48 PM](#)

REPRESENTATIVE WOOL stated he has concerns like those of Representative Knopp. He said he is in favor of increasing the payout above what it was before, but that in his own business life he has sometimes encountered people who would prefer to collect unemployment than to work and they tell him that they can come work when their unemployment finishes. While the bill would provide a higher payout, he continued, a person would have to make more money to get more money. He offered his

understanding that claims today are filed electronically rather than in person and inquired whether it is verified that claimants are seeking employment as is required.

MR. FLANAGAN answered yes and said [the division] does confirm [that claimants are seeking employment]. [The division] does spot checks because it cannot check everybody and routinely does audits, he explained. If someone says they went to "so-and-so" to apply for a job, the division will contact "so-and-so" to verify if the person went. The division does catch people, he continued, and this is where overpayments that the division is recovering come from. Folks collecting unemployment while working under the table are violating the law, he added, and if the division finds out about it the division will pursue the violator to recoup the benefits plus a 50 percent penalty. In egregious cases the division will prosecute if the division can get a prosecutor to do so.

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DENNIS KNEBEL, President, Anchorage Central Labor Council, testified in support of HB 142. He stated that the council is an organization of unions that represent employees throughout the Anchorage Bowl. It exists to serve the goals established by its members and the council believes that economic health of the community depends on strong, vibrant workforce. He said the council demands that a government be responsive to the people. The council requires folks to participate in the community so that every citizen has the education and tools for success. He reported that on March 15, 2017, the council unanimously passed a resolution urging the Alaska State Legislature to increase the maximum unemployment benefit. Alaska ranks forty-fourth in average weekly benefits, currently at \$252, he pointed out, and Alaska significantly trails the states of Washington, Oregon, and California in weekly unemployment benefits. Right now, he continued, Alaska is in an economic downturn and the state's laid off skilled workforce needs financial security. To be successful in the community, local employers must maintain a skilled labor pool to draw from when the economy picks up. He urged HB 142 be passed.

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REPRESENTATIVE WOOL moved to report CSHB 142, Version 30-LS0530\0, Wayne, 4/6/17, out of committee with individual recommendations and the accompanying fiscal notes. There being

no objection, CSHB 142(L&C) was reported from the House Standing Labor and Commerce Committee.

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**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:42 p.m.