

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

Anchorage, Alaska

April 22, 2020

3:33 p.m.

MEMBERS PRESENT

Representative Ivy Spohnholz, Chair
Representative Sara Hannan (via teleconference)
Representative Andi Story (via teleconference)
Representative Mel Gillis (via teleconference)
Representative Sara Rasmussen (via teleconference)

MEMBERS ABSENT

Representative Louise Stutes
Representative Zack Fields

COMMITTEE CALENDAR

PRESENTATION(S): UNEMPLOYMENT INSURANCE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

PATSY WESTCOTT, Director
Division of Employment & Training Services
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Provided an update on the Unemployment Insurance Program's response to COVID-19.

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

POSITION STATEMENT: Provided a PowerPoint presentation on unemployment trends.

ACTION NARRATIVE

3:33:29 PM

CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 3:33 p.m. Representatives Hannan (via teleconference), Gillis (via teleconference), Rasmussen (via teleconference), and Spohnholz were present at the call to order. Representative Story (via teleconference) arrived as the meeting was in progress.

PRESENTATION(S): Unemployment Insurance

3:35:24 PM

CHAIR SPOHNHOLZ announced that the first order of business would be a presentation from the Department of Labor & Workforce Development (DLWD) on issues surrounding unemployment in the state of Alaska.

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PATSY WESTCOTT, Director, Division of Employment & Training Services, Department of Labor & Workforce Development (DLWD), stated that prior to the onset of COVID-19, Alaska was experiencing record low unemployment. During that time, the Unemployment Insurance (UI) Program's call center had 44 frontline staff to process new claims. In response to the workload increase caused by COVID-19, DLWD diverted staff from other programs and brought back 27 retirees and former UI employees to respond to calls and adjudicate issues. Additionally, the department onboarded 100 short-term, nonpermanent staff from an Anchorage temporary staffing agency, Workplace Alaska, and the Alaska Labor Exchange System (ALEXsys). She noted that shortened training sessions were implemented to expedite the onboarding process. She reported that 75 percent of the calls they receive are completed from start to finish, while 25 percent are referred to a more experienced UI staff member. Furthermore, the call center hours have been expanded and staff is working overtime, including weekends. She said they have submitted a request for 100 additional short-term, nonpermanent employees to fulfill the anticipated workload increase in other areas of the program. She conveyed that training new staff while respecting CDC guidelines and social distancing has been a challenge. She said they identified additional training spaces to provide a safe and clean environment to accommodate the requirements. She turned attention to the workload. She noted that her data will differ

slightly from the numbers that Mr. Weller provides because exact numbers from recent days are considered "embargoed" until the U.S. Department of Labor (USDOL) releases their information.

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CHAIR SPOHNHOLZ sought clarification why solely Mr. Weller can provide exact information.

MS. WESTCOTT explained that Mr. Weller can provide exact information as of April 4, 2020, because those numbers have already been released by USDOL. She further noted that the numbers she provides are approximations as of April 20, 2020. She added that she cannot provide exact numbers until that data is released by USDOL.

CHAIR SPOHNHOLZ asked why the information cannot be provided before it's released by USDOL.

MS. WESTCOTT said it's a requirement of USDOL. She noted that the exact numbers could be shared if this were not a public meeting.

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MS. WESCOTT reported that from March 1 to April 20, 2020, the department processed 57,000 new claims for unemployment, of which 40,000 have been paid. She approximated that there are 12,000 individuals who don't qualify for regular unemployment insurance; however, they may qualify for the Pandemic Unemployment Assistance (PUA), which is a program for the self-employed, independent contractors and gig economy workers. Furthermore, there are approximately 11,000 individuals who have exhausted their regular unemployment insurance and are potentially eligible for the Federal Pandemic Unemployment Compensation (FPUC). Additionally, she reported that \$83 million in benefits have been paid. She turned attention to program changes. She explained that HB 308 included provisions that waived the work search and registration requirements. She said that the changes were effective on March 1; however, they were not put into production until April 3, which resulted in a group of people who filed during that time to be denied per those issues. She said they are working to reverse that. HB 308 also waived the one-week waiting period, which went into production on April 15. She stated that the department retriggered all previously served waiting weeks on April 17, with payments disbursed on April 20, 2020. She noted that the

programming for the increased per-dependent weekly benefit - another provision of HB 308 - has been challenging and is not yet in production.

CHAIR SPOHNHOLZ inquired as to the timeframe for implementing the new dependent allowance.

MS. WESTCOTT said she doesn't have one. She explained that the difficulty regarding the change to the dependent's allowance is that it has a definitive start and end date; however, the system isn't designed to apply changes to someone's monetary entitlement for only part of their benefit year. She said the programming team is considering coding this change similarly to the additional \$600 payment provision.

CHAIR SPOHNHOLZ questioned whether UI beneficiaries will be able to receive back payments once this problem is solved.

MS. WESTCOTT assured Chair Spohnholz that all [retroactive] UI payments will be made whole.

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REPRESENTATIVE HANNAN asked for the meaning of the term "production" in the context of these programs.

MS. WESTCOTT explained that once a change is put into production it is live and effectively part of the current payment distribution system.

REPRESENTATIVE HANNAN asked what people can do if they have continuously been denied.

MS. WESTCOTT said individuals who are applying for unemployment insurance don't need to do anything other than continue to file. She explained that if they filed a new claim between March 1 and April 3, 2020 and were denied due to work search waiver and registration requirements, they will receive a new notice of allowance once the status of their claim is reversed.

REPRESENTATIVE HANNAN asked about the self-employed, independent contractors and gig economy workers who became eligible under [federal legislation].

MS. WESTCOTT explained that once the Pandemic Unemployment Assistance (PUA) program is in production, they will run a crossmatch from the regular UI system to establish claims for

those claimants in the PUA system. Those claimants, she said, will receive a different notice advising them as to whether they are, in fact, eligible for the PUA. She encouraged workers in that sector to continue to file on the regular UI system so the department will have record of that data to convert to the PUA system. She announced that the department is starting to accept applications specifically for the PUA program; however, applicants will need to provide proof of income, wages, or earnings from the year 2019 to show that they were attached to the labor force. She noted that there is information on the department's website about the application process.

CHAIR SPOHNHOLZ clarified that HB 308 was an expansion of Alaska's unemployment insurance benefit, while PUA is part of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. She summarized that people who applied for traditional unemployment insurance benefits after April 3 will be approved. People who applied before April 3 will receive back payments if they are eligible and were denied. She said, "we are flying the plane at the same time they are building the plane." She added that in the coming weeks, the increase in the per-dependent benefit will be accommodated; however, the date is still to be determined.

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MS. WESTCOTT returned attention to the federal programs. She explained that the Federal Pandemic Unemployment Compensation (FPUC) program adds \$600 a week to the regular unemployment benefits that people already receive. FPUC, she said, went into production on April 10, with first payments disbursed on April 13. She noted that the first payable week was April 4, and every eligible claimant has been caught up. The Pandemic Unemployment Assistance (PUA) program for self-employed, independent contractors and gig economy workers is under contract with a vendor to implement a stand-alone system to make the payments. She added that they started to accept applications on April 20. She explained that another provision of the CARES Act, the Pandemic Emergency Unemployment Compensation (PEUC) program, extends the eligibility period by 13 weeks. She said that this is important in Alaska because there is a sector of seasonal employees who typically work in the summer and file for unemployment in the winter. These workers have almost exhausted their regular unemployment insurance benefits. The PEUC program will add 13 weeks of regular unemployment compensation, including the additional \$600 from FPUC, for those who have exhausted their regular benefits.

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MS. WESTCOTT addressed several enhancements that have been implemented, such as weekly versus biweekly filing, so that individuals can receive payments on a weekly basis, which went to production on April 9. Watson, a virtual chat feature, was added to the unemployment insurance website on April 17 to answer questions about unemployment insurance and the new federal programs. A third enhancement, she said, is the My Alaska help desk - in partnership with the Department of Administration (DOA) - to troubleshoot issues that filers may have with getting through MyAlaska to file a claim.

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MS. WESTCOTT turned attention to funding. She said the department received \$1.45 million upfront from USDOL for increased administrative costs due to workload, as well as \$72 million to accommodate the additional \$600 weekly payment. She added that they submitted a supplemental budget request (SBR) for the FPUC implementation costs and are working on SBRs for PEUC and PUA, which are all federally funded. She noted that if work is available to individuals and they refuse it without good cause, it is considered fraud. She stated that there are stiff penalties for fraudulent activity against the program. She emphasized that the intent of the program is to pay individuals who are unemployed through no fault of their own.

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REPRESENTATIVE RASMUSSEN asked how the UI program will know if individuals are engaging in that kind of fraudulent activity.

MS. WESTCOTT explained that the UI website has extensive information on how to report potential fraud. Additionally, she said, the program is actively engaged in reaching out to employers to notify them of their ability to report fraudulent activity. She added that that they also have an investigative team and a quality control team that conduct random audits on all claims that are filed.

REPRESENTATIVE RASMUSSEN asked if the division has adequate staff levels for auditing, given the substantial increase of Alaskans on unemployment insurance.

MS. WESTCOTT said one of the reasons she requested an additional 100 employees is to add positions to the Benefit Payment Control (BPC) unit for exactly that purpose.

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REPRESENTATIVE HANNAN asked if people who need to stay home to take care of their kids are still eligible to collect benefits. She questioned whether that would be considered fraudulent activity.

MS. WESTCOTT said there are provisions in federal law regarding refusal of suitable work and a lack of good cause. She added that when work is refused, good cause must be considered, which will change in each situation.

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CHAIR SPOHNHOLZ clarified that when the legislature expanded access to unemployment under HB 308, it clearly identified Alaskans who need to stay home with their children because of childcare or school closures. She said that was one of the categories of Alaskans that she was intended to be covered by unemployment insurance under HB 308.

REPRESENTATIVE HANNAN echoed her colleague's sentiments. She asked if the burden of proof would fall on the parent.

MS. WESTCOTT said she can't give a definitive yes or no. She explained that the department would look at each individual circumstance and consider whether the parent has alternatives for childcare, for example, which is required by USDOL.

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REPRESENTATIVE HANNAN sought clarification on how the additional \$600 payment from the federal CARES Act will be delivered to recipients.

MS. WESTCOTT explained that it will show up as one payment combined with the regular unemployment benefit that people already receive.

CHAIR SPOHNHOLZ asked if Alaskans are concerned about working because they feel their workplace is unsafe. She asked how the UI program is dealing with those situations.

MS. WESTCOTT said they have received a few inquiries along those lines and haven't issued any determinations because the idea of reopening the economy just came up. She stated that each circumstance is different and that she can't definitively say who will be approved or denied. She emphasized that they would look at the threat of exposure very seriously, adding that some individuals are in a more vulnerable population than others.

CHAIR SPOHNHOLZ opined that people who are more vulnerable to complications from COVID 19 should have access to wage replacement.

MS. WESTCOTT agreed.

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LENNON WELLER, Economist, Research & Analysis, Administrative Services Division, Department of Labor & Workforce Development (DLWD), provided a PowerPoint presentation on unemployment trends during the COVID-19 pandemic. He directed attention to the chart displaying initial claims in the past 53 weeks on slide 2. He explained that pre-COVID-19, benefit claims were trending between 800-1000 on a weekly basis; however, the week that ended March 28, 14,590 people filed initial claims for benefits.

MR. WELLER continued to slide 3. He indicated that the chart shows initial claims filed in the previous six weeks. He pointed out that the six-week total is 50,153 initial claims. He addressed March claimants on slide 4. He said that that 14,245 claimants received at least one week of benefits in the month of March.

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CHAIR SPOHNHOLZ asked if the terms "initial claims" and "new claims" are being used interchangeably.

MR. WELLER answered yes.

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MR. WELLER directed attention to slide 5. He said that the week beginning March 15 is when most of the new claimants filed. On slide 6, he addressed a breakdown by industry of new claimants that were paid at least one week in March. He pointed out that a majority of those claimants worked in the foodservice

industry; health, accommodation, transportation, and trade were also largely represented by the claimants. He continued to slide 7, which showed claimants by geography with claims beginning on March 1. He indicated that Anchorage makes up nearly half of these individuals, with a total of 2,067 claimants, as Anchorage has the largest number of jobs in the foodservice, retail, trade, and healthcare industries.

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MR. WELLER directed attention to slide 8. He pointed out that on an annual average basis in calendar year (CY) 2019, approximately 60 percent [of new claimants] are male; however, the majority of new march claimants are female. Furthermore, between 60-70 percent of claimants in both categories do not claim dependents. He addressed claimants by age group on slide 9. He said the new March claimants tend to skew younger than the CY 2019 claimant population. He said this could be reflective of the industries that COVID-19 has impacted. Slide 10 shows the two categories of claimants by base period earnings. He explained that the COVID-related group - the new March claimants - tend to skew lower on the earnings scale, which could also be related to the disproportionately impacted industries affected by COVID-19.

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MR. WELLER directed attention to slide 11, which shows the unemployment insurance benefit costs from January through July 2020. He said that in January through March, between \$8 million and \$10 million is paid out in benefits. He pointed out that in April through July, the forecast predicts upwards of \$40 million [per month] will be paid in benefits.

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CHAIR SPOHNHOLZ asked how long the state could continue to pay that much more in unemployment benefits.

MR. WELLER said as of April 20, the fund reflected \$474.1 million, which means it would be just under 8 months before the fund would be insolvent at this level of benefit costs.

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REPRESENTATIVE STORY questioned whether an individual who bought inventory for their business in the tourism industry would qualify for unemployment.

MS. WESTCOTT encouraged the individual in question to get in touch with the Department of Commerce, Community & Economic Development (DCCED) regarding federal programs that offer small business loans and to file a claim for regular UI. She added that to be eligible under the Pandemic Unemployment Assistance (PUA) program, he or she would be required to show an attachment to the labor market in 2019 in order to qualify. If the individual were not self employed in 2019 and employed through other means, he or she could qualify for regular UI, despite trying to venture into the self-employment sector.

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CHAIR SPOHNHOLZ pointed out that people who own small businesses should be eligible to apply for the Small Business Administration (SBA) loan program. She noted that it ran out of funding; however, the federal government is expected to refund the program again this week. She said there are a lot of options for small businesses, adding that hopefully, every Alaskan business will have access to those programs. She directed attention to the DLWD publication, "Alaska Economic Trends April 2020" [included in the committee packet], which provided ample information on unemployment and impacted industries.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:49 p.m.