

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 5, 2020

1:30 p.m.

MEMBERS PRESENT

Senator Click Bishop, Chair
Senator Gary Stevens, Vice Chair
Senator Joshua Revak
Senator Elvi Gray-Jackson

MEMBERS ABSENT

Senator Mia Costello

COMMITTEE CALENDAR

CONFIRMATION HEARING(S)

Alaska State Board of Public Accountancy
Donald Vieira - Palmer

- CONFIRMATION ADVANCED

State Board of Physical Therapy and Occupational Therapy
Lisa Radley - Anchorage

- CONFIRMATION ADVANCED

Board of Pharmacy
Justin Ruffridge - Soldotna

- CONFIRMATION ADVANCED

Board of Marital and Family Therapy
Kayla Green - Eagle River

- CONFIRMATION ADVANCED

SENATE BILL NO. 156

"An Act relating to unemployment insurance contribution rates;
and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 195

"An Act relating to election of a domestic insurer's board of directors."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 156

SHORT TITLE: EMPLOYER'S UNEMPLOYMENT INSURANCE RATE

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/22/20 (S) READ THE FIRST TIME - REFERRALS
01/22/20 (S) L&C, FIN
03/05/20 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 195

SHORT TITLE: BOARD OF DIRECTORS: DOMESTIC INSURERS

SPONSOR(S): LABOR & COMMERCE BY REQUEST

02/17/20 (S) READ THE FIRST TIME - REFERRALS
02/17/20 (S) L&C
03/05/20 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

DONALD VIERA, Appointee
Alaska State Board of Accountancy
Department of Commerce, Community and Economic Development
Palmer, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska State Board of Accountancy.

LISA RADLEY, Appointee
State Board of Physical Therapy and Occupational Therapy
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the State Board of Physical Therapy and Occupational Therapy.

JUSTIN RUFFRIDGE, Appointee
Board of Pharmacy
Department of Commerce, Community and Economic Development
Soldotna, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Pharmacy.

KAYLA GREEN, Appointee
Board of Marital and Family Therapy
Department of Commerce, Community and Economic Development
Eagle River, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Marital and Family Therapy.

CATHY MUNOZ, Deputy Commissioner
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Introduced SB 156 on behalf of the administration.

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

POSITION STATEMENT: Answered questions during the hearing on SB 156.

DON ETHERIDGE, Lobbyist
Alaska AFL-CIO
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to SB 156.

HEIDI DRYGAS, Consultant
Alaska State Pipe Trades Association
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to SB 156.

CHARLES MCKEE, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified with concerns about SB 156.

LORI WING HEIER, Director
Division of Insurance
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Presented SB 195 on behalf of the administration.

ACTION NARRATIVE

[1:30:40 PM](#)

CHAIR CLICK BISHOP called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at call to order were Senators Stevens, Gray-Jackson, and Chair Bishop. Senator Revak joined the meeting shortly thereafter. He noted that Senator Costello was watching online.

Confirmation Hearing(s)
Alaska State Board of Public Accountancy
State Board of Physical Therapy and Occupational Therapy
Board of Pharmacy
Board of Marital and Family Therapy

[1:31:41 PM](#)

CHAIR BISHOP announced the first order of business would be consideration of governor appointees. He asked each appointee to place their name and affiliation on the record, give a brief introduction, and discuss the reason for wanting to serve on the board or commission. He advised that public testimony would be taken after all appointees have testified and the names would be forwarded to the full body for consideration. He advised that the hearing was not a recommendation on any subsequent vote.

[1:32:39 PM](#)

DONALD VIERA, Appointee, Alaska State Board of Accountancy, Department of Commerce, Community and Economic Development (DCCED), Palmer, Alaska, stated that he served in the U.S. Air Force for 23 years until his retirement in 2005. He later worked as a government contractor for six years, developing computer scenarios for the training simulator. He then began his accounting career working as an auditor and preparing tax returns for businesses. After that, he opened his own firm in the Mat Su Valley. He said he would like to serve on the Alaska State Board of Accountancy to do his part to preserve the high accounting standards for certified public accountants (CPAs) in Alaska and to ensure that the CPA designation remains significant and meaningful in the years to come. The charter to protect the public interest demands this. He offered his view that he brings a wide array of experiences to the board because he came to the field in a non-traditional manner. He offered his view that this provides him with a unique perspective.

SENATOR REVAK joined the committee.

[1:34:06 PM](#)

SENATOR STEVENS thanked him for 23 years of service to the country.

CHAIR BISHOP noted that his resume states he is a professor at the Mat-Su Valley College and passed on his regards to Talis Colberg.

MR. VIERA said he would relay the greeting.

[1:34:50 PM](#)

LISA RADLEY, Appointee, State Board of Physical Therapy and Occupational Therapy, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, stated that she received her physical therapy degree from Ithaca College in 2013 and worked in a national rehabilitation hospital in Washington, D.C. for two years. She moved to Alaska in 2017 as a travel therapist and loved it so much she decided to stay. Throughout her career, she has had to apply for many state occupational licenses and the jurisdictional requirements are vastly different. She would now like to help others pursue their careers and preserve the integrity of the profession. She would bring an open and unbiased mind to the board. She said that she looks forward to serving on the board since she views it as an opportunity to optimize and regulate the profession and improve patient care. She thanked members for their consideration.

[1:36:44 PM](#)

JUSTIN RUFFRIDGE, Appointee, Board of Pharmacy, Department of Commerce, Community and Economic Development (DCCED), Soldotna, Alaska, stated that he is the owner of Soldotna Pharmacy, Alpine Apothecary in Girdwood, and Juneau Drug Company. He said he has lived in Alaska most of his life. After he graduated from Washington State University with a Doctor of Pharmacy degree, he came back to the state to practice. He has been involved in a variety of pharmacy care, including compounding, dispensing, ambulatory care, and managed medication services. He has taught at the University of Alaska Anchorage through the pharmacy technology program and at the pharmacy school, which is a joint venture by the UAA and Idaho State University (ISU). He said he has served on the Soldotna City Council for the last few years and he hopes to continue public service to his community and to his profession. He views service on the board as an opportunity to help mold and shape a very quickly changing world of pharmacy. Alaska is a prime location to be at the forefront of these changes, he said.

SENATOR STEVENS asked him to comment on the problems that pharmacies face to stock the medicines that the public needs. He related that the legislature has frequently been briefed on the

issues surrounding the coronavirus, including concern that some of the ingredients are being made in China.

MR. RUFFRIDGE responded that it is too soon to answer that question in its entirety. He acknowledged that the news has reported on the shortages of hand sanitizers and face masks. He agreed that one of the biggest problems pharmacies has is obtaining pure products from the drug manufacturers. Since it is not known what medications may be effective in treating the coronavirus, it is hard to say which ones will be an ongoing issue. The alternative issue that may arise is people trying to get medication early in case of a quarantine and pharmacies running out. He said he did not foresee any problem with generic drugs but some more uncommon or specialty drugs may pose a problem in the future. He offered his view that Alaska is relatively well prepared for access to medications in more populated areas. However, there is greater concern in rural Alaska. People living in nursing homes are the most at-risk population, he said.

[1:40:56 PM](#)

SENATOR REVAK asked his perspective of the opioid epidemic and the role the pharmacy board should play.

MR. RUFFRIDGE answered that pharmacy boards in the U.S. will play a major role. The Prescription Drug Monitoring Program (PDMP) has been at the forefront of conversations. He noted that some bills are currently before the legislature regarding the PDMP. The board supports moving forward to address the issues related to opioid prescription drugs. Funding and who gets access has been at the forefront of some of the conversations, he said. He offered his view that the PDMP has been shown to be remarkably effective at reducing the prescribing of opiates. However, the prescribing of opiates has been a subsection of the pie. There is still an issue with opiates on the street, which is an issue that pharmacies, historically, have not had any bearing or control over. As opiates disappear from the prescription route, the more illicit type of opiates will be sought out and those are the most dangerous ones. He said some things that have been put in place, including limits on the initial supply of opiates, have been appropriate and well done in the state. Some concerns the board should address moving forward are enforcement issues, including who checks the PDMS and who does not, and what to do when the database is not used. He characterized the PDMP as the biggest tool at the pharmacy board's disposal.

SENATOR REVAK agreed that opiates are a big concern and he is pleased to see that he is aware of the issues.

[1:44:05 PM](#)

KAYLA GREEN, Appointee, Board of Marital and Family Therapy, Department of Commerce, Community and Economic Development, Eagle River, Alaska, stated that she grew up in Anchorage and has been in Alaska for 35 years. She listed the boards and volunteer positions she holds. She said that she wants to serve to be part of the solution rather than part of the problem. She enjoys working with families.

[1:45:53 PM](#)

CHAIR BISHOP stated that in accordance with AS 39.05.080, the Senate Labor and Commerce Standing Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Alaska State Board of Public Accountancy
Donald Vieira - Palmer

State Board of Physical Therapy and Occupational Therapy
Lisa Radley - Anchorage

Board of Pharmacy
Justin Ruffridge - Soldotna

Board of Marital and Family Therapy
Kayla Green - Eagle River

[Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection].

SB 156-EMPLOYER'S UNEMPLOYMENT INSUR RATE

[1:47:47 PM](#)

CHAIR BISHOP announced the consideration of SENATE BILL NO. 156, "An Act relating to unemployment insurance contribution rates; and providing for an effective date."

He noted that this is the first hearing and public testimony is scheduled.

[1:48:08 PM](#)

CATHY MUNOZ, Deputy Commissioner, Department of Labor and Workforce Development (DOLWD), Juneau, Alaska, introduced SB 156 on behalf of the administration by paraphrasing the following prepared statement: [Original punctuation provided.]

Good afternoon Chairman Bishop and members of the Committee.

For the record, my name is Cathy Muñoz - Deputy Commissioner of the DOL/WD

With me is Economist Lennon Weller, and in the audience, Employment Security Analyst Chalise Fisk.

Thank you for the opportunity to present SB 156 - an act relating to unemployment insurance contribution rates.

Alaska's Employment Security Tax is a state tax on wages. Employer rates are found in Title 23, Chapter 20 of the Alaska Employment Security Act. The act is designed to promote employment security and provide a partial wage replacement for qualified unemployed workers.

The national Unemployment Insurance system was created in 1935 by the Social Security Act. Congress chose to create a national system of compensation for the unemployed based on an insurance model, rather than an entitlement program.

Currently, the Alaska statute for employer contribution rates requires a minimum rate of 1% for all rate classes. SB 156 seeks to lower the minimum contribution rate for employers in rate classes 1 through 9 and set the minimum rates to correlate with an employer's experience rating.

An experience rating is assigned to an employer based on their experience with the program and the consistency of their payroll. For example, a business with 2 or 3 year-round employees with low employee turn-over over-time would have a lower experience rating to reflect this stability in their workforce.

Employers who experience large fluctuations in their workforce and payroll are assigned higher experience rates.

For businesses in rate classes 1 through 9, the current minimum 1% tax is significantly greater than the experience factor for those businesses. These lower experience rated businesses produce fewer unemployed workers in need of Unemployment Insurance Benefits, and thus have lower impacts on the UI Trust Fund - the fund which pays the benefit.

At this time, approximately 4700 employers pay more contributions than necessary.

The proposed change will not impact the weekly benefit amounts payable to unemployed workers, but will result in more proportionate contributions for employers in all rate classes. The proposed change will also not adversely impact the sustainability of the UI Trust Fund.

I appreciate the Committee's consideration of this legislation.

Mr. Weller has additional information on the Unemployment Insurance Trust Fund, and how it works, and we both are available for questions at the end of his presentation.

Thank you Chairman Bishop.

[1:51:47 PM](#)

CHAIR BISHOP summarized his understanding that businesses in the UI tax rate classes 1-9 are those who provide year-round employment.

MS. MUNOZ answered yes.

CHAIR BISHOP related that Alaska has a high seasonal population, but since employees in classes 1-9 work are year-round workers, their experience rate should be lower.

MS. MUNOZ answered that is correct. The experience factor of the business over time is also considered, so several quarters of tax submissions are reviewed when making the determination.

[1:52:32 PM](#)

SENATOR STEVENS asked if the rates for seasonal industries, such as the salmon fisheries, would remain high but would not be increased to a higher rate.

MS. MUNOZ answered that is correct. She explained that currently, the minimum unemployment tax rate is one percent, but in rate classes 1-9, the experience factor is closer to .4 to .9 percent. However, this change will not impact the sustainability of the Unemployment Insurance Trust Fund (UI Trust Fund). The rates for the other businesses would remain comparable to the current rates.

SENATOR STEVENS related that industries that make greater use of unemployment insurance would be asked to pay more of their fair share.

MS. MUNOZ replied those employers would pay the same rate as they are currently paying. The bill addresses the disparity of payment for the lower classes, who are currently paying more than their impact on the UI Trust Fund. She explained that employees in those rate classes draw fewer unemployment benefits, so they do not impact the sustainability of the fund.

[1:54:13 PM](#)

SENATOR REVAK asked if the issue is that the employers with more experience are overpaying and therefore causing the UI Trust Fund to have surplus funds.

MS. MUNOZ answered that there are 20 rate classes plus a penalty class, rate 21. Those businesses rated in classes 1-9 tend to have a more stable employment base and fewer fluctuations in their payroll, yet they pay a greater proportion of [unemployment insurance] taxes than the impact their employee base has on the UI Trust Fund.

SENATOR REVAK asked if that is causing the UI Trust Fund to grow.

MS. MUNOZ answered yes. She deferred further comment to Mr. Weller.

[1:55:26 PM](#)

LENNON WELLER, Economist, Research and Analysis Section, Division of Administrative Services, Department of Labor and Workforce Development (DOLWD), Juneau, Alaska, stated that SB 156 would lower the floor for minimum tax rates specifically for

rate classes 1-9. Currently, by statute the DOLWD cannot assign a rate less than one percent, even if the projected cost calculations warrant it.

SENATOR REVAK asked if tax rates are reduced if there would still be enough to cover unemployment liabilities.

MR. WELLER answered yes; the system would still be able to respond to any costs and fluctuations. Also, the department can adjust tax rates to meet the costs and achieve the department's target for full solvency. This bill would simply allow the department to have greater flexibility at a greater range of costs than allowed by the current structure.

[1:56:45 PM](#)

SENATOR GRAY-JACKSON summarized her understanding that SB 156 will not affect the weekly benefit amounts, that the UI Trust Fund is sound, and that the bill will decrease the balance in the UI Trust Fund. She reminded everyone of what happened years ago when the state underfunded the Public Employees Retirement System and expressed concern that SB 156 could adversely affect the future soundness of the UI Trust Fund.

MS. MUNOZ responded that the presentation would show why the proposal is justified and why the department believes the fund can sustain the reduction.

[1:57:48 PM](#)

MR. WELLER added that the department issues an annual actuarial report that provides a comprehensive financial analysis of Alaska's UI system. The latest report reflects the calendar year 2018 data. It is a great source for those interested in the various metrics of the system and how it is faring, he said.

He read the first two paragraphs of the unemployment insurance financing since it provides a nice introduction on how the system functions:

Every state has a trust fund designed solely to pay unemployment insurance liabilities and to meet those liabilities, a UI system must function well and maintain its solvency.

In 1980, the Alaska legislature implemented the bulk of the current system. Tax rates adjust annually to reflect changes in benefit costs, wages, and the trust

fund reserve ratio while the base in which taxes are assessed adjust to changes in statewide average wages.

He explained that this essentially means that the current structure of the financing system is designed to respond to a very wide range of costs. This is built in by the main component, which is the cost recapture portion of tax rates reflected in any given year. There is also a targeted reserve ratio, which is based on historical experience from the program. He offered his view that the presentation will show it is quite adequate in meeting most of any potential liabilities.

[1:59:50 PM](#)

MR. WELLER began the PowerPoint presentation, "Unemployment Insurance Financing Metrics in Alaska 1980's to Current." He displayed a chart of the UI Trust Fund End-of-Year Balance, Benefit Costs, and Payroll Contributions, 1981 -2019.

He explained that slide 3 shows the interaction between benefit costs, which is the payment of UI benefits, net contributions, i.e., tax revenue directed to the program, and the resulting UI Trust fund balance. He pointed out that the net UI contributions or tax revenues fluctuate normally in accordance with benefit costs. There is a counter cyclical function to the tax rates, such that as benefit costs rise, the tax rates will rise in order to recapture the amount paid out above and beyond the revenues during those periods. This will also bring the UI Trust Fund balance into the statutory target range for full solvency before the next recession.

[2:01:11 PM](#)

SENATOR STEVENS asked why the fund balance shows such remarkable ups and down, particularly the decline in 2009.

MR. WELLER replied it was the result of the national Great Recession in 2009. The unemployment insurance program is designed to compensate for loss of wages, so it tracks with the cyclical changes in the economy. As unemployment rises, unemployment claims increase during those times, which results in accelerated benefit costs. This results in a drop in the UI Trust Fund balance, he said. The system responds. As costs increase, tax rates, based on a three-year moving average, start to respond and as the balance moves outside the target range, an additional solvency adjustment is made to help return the fund balance to its ideal target

SENATOR STEVENS noted that the benefit costs are much more stable than the contributions but questioned why the fund balance showed such a precipitous decline from \$350 million to \$250 million.

MR. WELLER explained that on an annual basis during 2009-2013, the UI fund paid out \$180 million more in benefits than it collected in tax revenue. He emphasized that this is by intention because the system is not meant to shock employers from one year to the next. In addition, since the fund has a reserve ratio target between 3.0-3.3 percent of covered wages, the nominal value of the fund tends to grow over time. With those components in place, it allows the system to absorb these large shocks and to subsequently recover.

[2:04:44 PM](#)

CHAIR BISHOP remarked that the reason the system works is because David Teal helped to design it.

[2:05:30 PM](#)

MR. WELLER reviewed slide 4, the Unemployment Insurance Trust Fund Reserve Rate the Measure of Solvency 1981 - 2020:

He said this slide shows the UI Trust Fund balance reflected as the reserve ratio, which is the balance of the fund as a percentage of wages covered at any given point in time. He directed attention to the shaded gray line that shows the targeted range of 3.0-3.3 percent. Ideally, the blue line would run right through it. However, the system is built to withstand fluctuations in benefit costs, so it finds itself outside of the range as often as not. For example, it fell as low as 1.6 percent in 1988 and reached as high as 4.75 percent in the mid-1990s. Right now, the reserve ratio is 3.82 percent, which is nearly a half of a percentage point beyond statutory and historical targets for full solvency. He said the financing side of the system is stuck and unresponsive to the low costs.

[2:07:32 PM](#)

MR. WELLER reviewed slide 5, U.S. DOL, Measures of Trust Fund Adequacy:

He stated that the U.S. Department of Labor (DOL) has its own metrics for solvency. Ideally, the state would like to be at 100 percent of the U.S. DOL recommendation for reserves to cover recessionary costs, but the reserve amount is currently 160 percent of the recommendation. He directed attention to the terms on the graph, the high cost multiple and the average high

cost multiple. The high cost multiple is a high-water mark that represents a benefit cost rate of well over 4 percent, but this is not the state's statutory target. However, the state is getting close to 80 percent of that rate he said. He offered his view that the average high cost multiple is the measure more widely used as the appropriate metric of solvency to give the fund the ability to weather recessionary costs.

[2:08:50 PM](#)

MR. WELLER reviewed slide 6, Unemployment Insurance Average Benefit Cost Rate, ABCR 1985-2020:

He explained that the main driver of tax rates in any given year is the average benefit cost rate. It is technically three years of benefit costs as a percentage of three years of covered wages, or a three-year moving average that drives the primary portion of tax rates in any given year. This shows a long-term downward trend in the cost rates. The red line signifies the threshold when the average tax classes (classes 10 and 11) hit the minimum 1 percent rate. In 2020, the rate for the employers' share is .93 percent, which is the first year it has fallen below the 1 percent threshold.

CHAIR BISHOP remarked that the state is on the right side of the ledger.

[2:10:22 PM](#)

MR. WELLER reviewed slide 7, Alaska, UI Contribution Rates Employer and Employee, CY1981-CY2020:

He stated that this slide shows how costs are borne into rates. It shows a long-term downward trend. Rates fluctuate in every year, consistent with the system goals to respond to changes in costs as tax rates rise and vice versa, as costs drop the rates also drop. In the last four years the average rates class 10 and 11 have been stuck at the minimum of 1 percent.

[2:11:11 PM](#)

MR. WELLER reviewed slide 8, 1985 -2020, Count of Tax Classes at Statutory Min. 1% in a given tax year, Total of 20 Tax Classes subject to 1% Min:

He said that from the 1980s on, at least one rate class or two is subject to the statutory minimum because of the experience rating system in statute. He explained that 40 percent of the employer's share becomes a very small value. Therefore, 1 percent tends to be higher than the calculation. However, since

2017, the number of tax classes subject to the minimum 1 percent has risen precipitously, which is primarily a driver of reduced costs, the trust fund balance recovers, and the tax rates have not been able to respond. In 2020, 18 of 20 rate classes subject to the 1 percent minimum were at that level.

[2:12:37 PM](#)

MR. WELLER reviewed slide 9, 2020 Rate Classes 1-9 Current Statute V. Proposed Change:

He explained that the final slide projects how SB 156 would impact tax rates in 2020 if it had been in place, using current calculations. The red line shows the 1 percent statutory requirement and what the rates classes 1-9 paid. He related a scenario in which no minimum was in place. He said given the state's costs, including the solvency adjustment, the projected rate class one would be paying -0.02 percent. This is because 40 percent of the employer portion of the benefit cost rate calculates to .38 percent, but there is currently a .04 credit adjustment for solvency since the fund is beyond its target rate so rate class 1 would be in negative territory. He said he would not suggest doing that. Under the bill, .04 of a percent would be applied, such that by using a new minimum rate, the class 1 rate would receive a 60 percent decrease on employer taxes for 2020.

[2:14:39 PM](#)

MR. WELLER summarized stating that the DOLWD views the change in SB 156 as trying to bring the UI tax rate in line with the statutory goals. It would essentially lower the floor, such that tax rates will be allowed to adjust to the statutory targets.

[2:15:15 PM](#)

SENATOR STEVENS directed attention to the employer and employee chart [on slide 7]. He asked what would happen to the chart if SB 156 goes into effect.

MR. WELLER answered that it would not have changed anything up until 2017 because the rates are above the threshold. However, costs are so low, the system cannot respond. He said the average tax for rate classes 10 and 11, which is reflected in the gray bar, would not be affected since this bill would only affect rate classes 1-9. Employees must pay the current rates of a minimum of one-half a percent and employers must pay a minimum of 1 percent.

[2:17:05 PM](#)

CHAIR BISHOP reported that under the bill 13 employers would save more than \$100,000, and 177 employers would save between \$10,000 and \$100,000. He offered to provide members the chart that shows the scope of the change for employers under SB 156.

[2:18:41 PM](#)

MS. MUNOZ reviewed the sectional analysis for SB 156.

Section 1:

Amends Alaska Statute 23.20.290 tax rate contributions for employers in rate classes 1-9. The applicable minimum tax rate is reduced from the current minimum 1% to correspond to the employer's experience factor set out in column C. The amended tax rates are found in column D.

Section 2:

Provides for an effective date of January 1, 2021.

[2:19:42 PM](#)

CHAIR BISHOP opened public testimony on SB 156.

[2:20:04 PM](#)

DON ETHERIDGE, Lobbyist, Alaska AFL-CIO, Juneau, Alaska, spoke in opposition to the SB 156. He expressed concern that there has not been any increase in over ten years in the weekly unemployment benefit to the worker, yet this bill would cut the fund. He drew a parallel with the PERS/TRS [Public Employees' Retirement System/Teachers' Retirement System]. He expressed concern that people are leaving the state because they cannot live on their weekly benefits, so before cutting the UI rate, it the state should consider increasing benefits to retain workers in the state. He agreed with Senator Gray-Jackson about the PERS/TRS fiasco. He recalled that at one time the PERS/TRS was funded at 110 percent, so excess funds were used elsewhere, and the system got in trouble. Alaska is only one of two states where the employee pays into the UI benefit and it is time to give back to the employee, he said.

[2:22:50 PM](#)

HEIDI DRYGAS, Consultant, Alaska State Pipe Trades Association, Fairbanks, Alaska, spoke in opposition to SB 156. She echoed the concerns Mr. Ethridge articulated. She said that the fund is healthy. In fact, the formula has worked for decades, she said. She offered her view that any bill that addresses unemployment

insurance that does not increase the maximum weekly benefit amount is an incomplete bill. The maximum weekly benefit amount is stagnant at \$370 and it has not been increased in over 11 years.

[2:23:59 PM](#)

SENATOR STEVENS asked what happens if nothing is done and the fund keeps growing. He also asked how the weekly employee unemployment insurance benefit could be increased.

MS. DRYGAS answered that it would be done by introducing a bill, such as the one the Walker administration introduced. Her opinion is that the statute needs to have an automatic adjustment because the legislature does not touch it very often. She reported that Alaska is eighth in the nation for weekly wages, but the replacement ratio is 52nd, behind all the states and some territories. She said that Alaska used to be one of the leaders in the maximum weekly benefit amount, but it is now 38th in the country. As Mr. Ethridge said, it is a significant problem and one reason Alaska is losing seasonal workers in the pipe trades.

[2:26:13 PM](#)

SENATOR GRAY-JACKSON commented that it seems that increasing weekly benefits would be a good idea.

MS. DRYGAS agreed.

[2:26:48 PM](#)

CHARLES MCKEE, representing self, Anchorage, Alaska, expressed concerns about SB 156. He said he is the beneficiary of the McKee Trust. He noted that he submitted five pages of written testimony. He said that he was an injured worker who was denied workers' compensation. He provided some details of his case.

[2:31:16 PM](#)

CHAIR BISHOP asked where Alaska is ranked for wage replacement by state.

[2:31:52 PM](#)

MS. MUNOZ answered that Alaska is ranked 39th in the nation for its weekly benefit amount of \$370.00, 46th for its average weekly benefit amount of \$249.00, 18th for its average weekly wage of \$885.00, and 52nd for its replacement ratio of 32 percent.

[2:32:32 PM](#)

CHAIR BISHOP held SB 156 in committee for further consideration.

SB 195-BD OF DIRECTORS: DOMESTIC INSURERS

[2:32:48 PM](#)

CHAIR BISHOP announced the consideration of SENATE BILL NO. 195, "An Act relating to election of a domestic insurer's board of directors." He noted that public testimony was noticed for this hearing.

[2:33:19 PM](#)

LORI WING HEIER, Director Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, stated that in 2019, Moda Assurance Company (MODA), the state's new health insurer, applied for a Certificate of Insurance. She described the Certificate of Authority (COA) process as long and tedious. Since the last COA was issued more than 35 years ago, the division found that the Alaska statutes did not reflect current business practices and Moda's COA would be out of compliance. Further investigation revealed that two other domestic insurers, Alaska National and Umialik, were out of compliance. These certificates of insurance were issued in the 1980s, but this never come to light. Subsequent national research indicates that 44 other states eliminated the COA requirement from their statutes and that is what SB 195 proposes to do, she said.

MS. WING HEIER said SB 195 updates the statute by saying that when an insurance company that is domiciled in the State of Alaska elects its board of directors, the individuals do not need to be stockholders or members. This allows insurance companies to have a diverse membership and subject-matter experts serve on their boards.

MS. WING HEIER reiterated that to the best of her knowledge, the existing statute had not been enforced in over 35 years.

[2:35:21 PM](#)

CHAIR BISHOP polled the members and found they did not need a sectional analysis. He commented that the bill seems straightforward. He noted that she indicated that 44 states have done this.

MS. WING HEIER agreed.

[2:35:36 PM](#)

CHAIR BISHOP found no questions and stated he would hold SB 195 in committee.

MS. WING HEIER offered to talk to and answer committee members' questions before the next meeting.

[2:36:54 PM](#)

There being no further business to come before the committee, Chair Bishop adjourned the Senate Labor and Commerce Standing Committee meeting at 2:36 p.m.