

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	SB 132
Fiscal Note Number:	1
(S) Publish Date:	5/5/2023

Identifier: SB132-DOLWD-UI-04-25-23
 Title: EMPLOYMENT TAX FOR EDUCATION FACILITIES
 Sponsor: BISHOP
 Requester: (S) EDC

Department: Department of Labor and Workforce Development
 Appropriation: Employment and Training Services
 Allocation: Unemployment Insurance
 OMB Component Number: 2276

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2024	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2024 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
OPERATING EXPENDITURES	FY 2024	FY 2024					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Initial version.

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Division:	Employment and Training Services	Date:	04/25/2023 04:50 PM
Approved By:	Dan DeBartolo, Director	Date:	04/25/23
Agency:	DOLWD Administrative Services		

FISCAL NOTE ANALYSIS

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Analysis

This legislation imposes an Educational Tax on the wages and self-employment net earnings of every resident, non-resident, and part-year resident with income from a source in the state at a flat rate of \$30, and may require DOLWD to collect taxes paid by self-employed Alaskans, who are not currently taxed under Unemployment Insurance.

This zero fiscal note assumes that the Department of Revenue (DOR) will collect all the taxes related to this legislation.

Provided below (for reference) are cost details for the scenario where Department of Labor & Workforce Development (DOLWD) would collect the taxes on employment already subject to unemployment taxes and for self-employed individuals. The costs outlined below would be in addition to DOR's costs as the collection of the tax is only a small part of the process. Having DOLWD collect the taxes would not result in a cost savings to the state.

The Unemployment Insurance Administrative Grant from the U.S. Department of Labor may only be used for the administration of the state's Unemployment Insurance program. Therefore, any costs associated with this tax must be covered by the state. An explanation of the additional costs is included below. The amounts are in thousands.

Operating Costs:

- **Personal services:** \$443.0 annually

- Three full-time range 14 Accounting Technician 2 positions in Juneau for general collection. This is comparable to existing staff levels used to receipt other revenue sources collected by the Unemployment Insurance component.

- Two full-time range 14 Accounting Technician II positions in Juneau for Self-Employment Collection. This is comparable to existing staff levels used to receipt other revenue sources collected by the Unemployment Insurance component.

- **Services:** \$1,205.3 in FY2024; \$362.7 in FY2025 and future years.

- \$390.0 FY2024 for one-time costs associated with modifying existing information technology systems.

- Planning/Requirements Gathering/Design: estimated 400 hours, total cost of \$50.0;

- Developer Costs estimated to require just under 1,500 hours, total cost of \$200.0; and

- Testing/Remediation/Production Implementation: estimated 1,100 hours, total cost of \$140.0.

-\$624.0 in FY2024 for one-time costs associated with adjusting existing information technology systems to track self-employed Alaskans.

- Planning/Requirements Gathering/Design: estimated 640 hours, total cost of \$80.0;

- Developer Costs: estimated 2,400 hours, total cost of \$320; and

- Testing/Remediation/Production Implementation: estimated 1,760 hours, total cost of \$224.0.

- \$101.4 beginning in FY2025 for on-going information technology maintenance costs.

- \$190 in all years for DOLWD indirect costs and statewide core services.

- \$5.0 for regulations adoption, including legal review, printing and postage.

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Analysis

- **Commodities:** \$8.2 in FY2024 and FY2027; \$1.2 in FY2025, FY2026, FY2028 and FY2029.
 - \$1.2 in supply and equipment needs for the new positions annually.
 - \$7.0 in FY2024 and FY2027 to purchase and replace computers.

Annual Revenue Collection Estimate for Remittal to DOR:

Total estimated annual revenue collection: \$9,899.4
 Estimated 75% revenue collection in first year FY2024: \$7,424.5

Total estimated revenue for annual Wages based on Census Bureau’s ACS data—CY2021:

	Unique Individuals	Fee	Est. Revenue
Total	309,996	\$30	\$9,299.8

Total estimated net earnings from self-employment based on Census Bureau’s ACS data—CY2021:

	Unique Individuals	Fee	Est. Revenue
Total	19,985	\$30	\$599.5