

COMMITTEE REPORT

SENATE

FURTHER:

1/23/84

Date 5/1/84

Mr. President

The Committee on FINANCE considered SB 525

unemployment insurance bill

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation *4/25/84 169.1*
- recommends referral to _____ Committee *other notes accompanied bill*

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

 Chairman

 Chairman recommendation

Original sponsor: Labor and Commerce
Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 525 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to unemployment insurance; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.20.130(d) is amended to read:

10 (d) The training and building fund consists of all interest and
11 penalties collected under AS 23.20.185, 23.20.190, and 23.20.195 and
12 all sums recovered on official bond for losses sustained by the fund.
13 Training and building fund money shall be deposited in the clearing
14 account of the unemployment compensation fund for clearance only, and
15 does not become a part of the fund. The unobligated amount in the
16 training and building fund in excess of \$100,000 on the close of
17 business of the 30th day following the last day of each fiscal year
18 shall be transferred within 20 days to this state's account in the
19 unemployment trust fund. The fund shall be included in the budget
20 submitted to the legislature under the Executive Budget Act (AS 37.-
21 07). Funds available in the training and building fund shall be
22 expended upon the direction of the department, with the approval of
23 the governor, when it appears to the governor [HIM] that the expendi-
24 ture is necessary for but not limited to

25 (1) the proper administration of this chapter if no federal
26 funds are available for the specific purpose for which the expenditure
27 is to be made, and if the funds are not substituted for appropriations
28 from federal funds that [WHICH] would be made available in the absence
29 of those funds;

1 (2) the proper administration of this chapter, if [FOR
2 WHICH PURPOSE] appropriations from federal funds have been requested
3 but not yet received, and [IF] the training and building fund will be
4 reimbursed upon receipt of the requested federal appropriation;

5 (3) the purposes specified in AS 23.15.611;

6 (4) the purposes specified in AS 23.20.075.

7 * Sec. 2. AS 23.20.170 is amended by adding a new subsection to read:

8 (c) The standard rate of contributions with respect to employ-
9 ment is 5.4 percent of wages paid. Reductions from the standard rate
10 may only be made under this section and AS 23.20.280 - 23.20.310.

11 * Sec. 3. AS 23.20.290(c) is amended to read:

12 (c) Beginning January 1, 1981, the rate of contributions for
13 each employer is 82 percent of the average benefit cost rate multi-
14 plied by the employer's experience factor set out in column C of the
15 table in this subsection opposite the employer's [HIS] applicable rate
16 class set out in column A plus the fund solvency adjustment [CONTRI-
17 BUTION] required under (f) of this section. However, the rate of
18 contributions for an employer may not be less than one percent or more
19 than six and one-half percent. The rate of contributions for an
20 employer in rate class 21 may not be less than 5.4 percent. The rate
21 of contributions for an employer must be rounded to the nearest one-
22 hundredth of one percent.

COLUMN A	COLUMN B	COLUMN C
Rate Class	Cumulative Ratable Payroll	Experience Factor
	at least	but less than
	(percent)	(percent)
1	5	.40
2	5	10
		.45

1	3	10	15	.50
2	4	15	20	.55
3	5	20	25	.60
4	6	25	30	.65
5	7	30	35	.70
6	8	35	40	.80
7	9	40	45	.90
8	10	45	50	1.00
9	11	50	55	1.00
10	12	55	60	1.10
11	13	60	65	1.20
12	14	65	70	1.30
13	15	70	75	1.35
14	16	75	80	1.40
15	17	80	85	1.45
16	18	85	90	1.50
17	19	90	95	1.55
18	20	95	<u>99.99</u>	1.60
19	<u>21</u>	<u>99.99</u>		<u>1.65</u>

* Sec. 4. AS 23.20.290(e) is amended to read:

(e) The department shall determine the average benefit cost rate as follows:

(1) the department shall determine the amount of benefits paid to insured workers during the last three computation years;

(2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund and the amount of interest earned on the trust fund balance during those computation years;

(3) the department shall divide the amount determined in

1 (2) of this subsection by the total wages paid by all employers re-
 2 quired to pay contributions under this chapter during the first three
 3 of the last four computation years;

4 (4) the department shall determine the amount of total
 5 wages subject to contributions under this chapter paid during the
 6 preceding computation years;

7 (5) the department shall determine the amount of all wages
 8 paid to insured workers during the preceding computation year;

9 (6) the department shall subtract from the amount deter-
 10 mined in (5) of this subsection the amount of wages paid during the
 11 preceding computation year by employers who elect to reimburse the
 12 department under AS 23.20.276 and 23.20.277;

13 (7) the department shall divide the amount determined in
 14 (4) of this subsection by the amount determined in (6) of this sub-
 15 section; and

16 (8) the department shall divide the amount determined in
 17 (3) of this subsection by the amount determined in (7) of this sub-
 18 section.

19 * Sec. 5. AS 23.20.290(f) is repealed and reenacted to read:

20 (f) An employer shall pay a fund solvency adjustment equal to
 21 the contribution rate set out in column B of the table in this sub-
 22 section opposite the reserve rate of the fund set out in column A.
 23 However, the fund solvency adjustment rate of an employer may not
 24 increase or decrease more than three-tenths of one percent from one
 25 year to the next.

26 COLUMN A		COLUMN B
27 Reserve Rate		Fund Solvency Adjustment
28 at least	but less than	(percent)
29 (percent)	(percent)	

1	3.6		-0.4
2	3.5	3.6	-0.3
3	3.4	3.5	-0.2
4	3.3	3.4	-0.1
5	3.0	3.3	0.0
6	2.9	3.0	0.1
7	2.8	2.9	0.2
8	2.7	2.8	0.3
9	2.6	2.7	0.4
10	2.5	2.6	0.5
11	2.4	2.5	0.6
12	2.3	2.4	0.7
13	2.2	2.3	0.8
14	2.1	2.2	0.9
15	2.0	2.1	1.0
16		2.0	1.1

* Sec. 6. AS 23.20.350(d) is repealed and reenacted to read:

(d) An individual who is eligible under (a) of this section is entitled to receive the weekly benefit amount set out in column (B) of the table in this subsection that is opposite the amount set out in column (A) of the individual's base period wages determined under (c) of this section:

(A)		(B)
Base Period Wages		Weekly Benefit Amount
At Least	But less than	
0	1,000	\$ 0
1,000	1,250	38
1,250	1,500	40
1,500	1,750	42

1	1,750	2,000	44
2	2,000	2,250	46
3	2,250	2,500	48
4	2,500	2,750	50
5	2,750	3,000	52
6	3,000	3,250	54
7	3,250	3,500	56
8	3,500	3,750	58
9	3,750	4,000	60
10	4,000	4,250	62
11	4,250	4,500	64
12	4,500	4,750	66
13	4,750	5,000	68
14	5,000	5,250	70
15	5,250	5,500	72
16	5,500	5,750	74
17	5,750	6,000	76
18	6,000	6,250	78
19	6,250	6,500	80
20	6,500	6,750	82
21	6,750	7,000	84
22	7,000	7,250	86
23	7,250	7,500	88
24	7,500	7,750	90
25	7,750	8,000	92
26	8,000	8,250	94
27	8,250	8,500	96
28	8,500	8,750	98
29	8,750	9,000	100

1	9,000	9,250	102
2	9,250	9,500	104
3	9,500	9,750	106
4	9,750	10,000	108
5	10,000	10,250	110
6	10,250	10,500	112
7	10,500	10,750	114
8	10,750	11,000	116
9	11,000	11,250	118
10	11,250	11,500	120
11	11,500	11,750	122
12	11,750	12,000	124
13	12,000	12,250	126
14	12,250	12,500	128
15	12,500	12,750	130
16	12,750	13,000	132
17	13,000	13,250	134
18	13,250	13,500	136
19	13,500	13,750	138
20	13,750	14,000	140
21	14,000	14,250	142
22	14,250	14,500	144
23	14,500	14,750	146
24	14,750	15,000	148
25	15,000	15,250	150
26	15,250	15,500	152
27	15,500	15,750	154
28	15,750	16,000	156
29	16,000	16,250	158

1	16,250	16,500	160
2	16,500	16,750	162
3	16,750	17,000	164
4	17,000	17,250	166
5	17,250	17,500	168
6	17,500	17,750	170
7	17,750	18,000	172
8	18,000	18,250	174
9	18,250	18,500	176
10	18,500	18,750	178
11	18,750	19,000	180
12	19,000	19,250	182
13	19,250	19,500	184
14	19,500	19,750	186
15	19,750		188

* Sec. 7. AS 23.20.350(f) is repealed and reenacted to read:

(f) An individual who establishes a benefit year is eligible for an allowance for dependents in addition to the individual's weekly benefit amount. The department may require an individual claiming or receiving an allowance for dependents to produce income tax returns, birth certificates, notices of adoption or custody, social security account number of spouse, verification of support documents, or other information necessary to verify that the allowance is payable to the individual. The allowance for dependents

(1) is \$24 per week for each dependent, except that the total allowance for dependents paid to an individual may not exceed \$72 for each week of unemployment;

(2) is payable beginning with the week during the benefit year in which the individual claims an allowance for the dependent and

1 is payable for the remainder of the individual's eligibility for
2 regular, extended, or supplemental payments during the benefit year;

3 (3) may not be claimed for a new dependent after the end of
4 the benefit year or after the exhaustion of regular benefits in the
5 benefit year;

6 (4) may not be paid to an individual if

7 (A) that dependent has been claimed by another indi-
8 vidual;

9 (B) the other individual has been found eligible to
10 receive the allowance for the dependent; and

11 (C) the benefit year of the other individual has not
12 expired; and

13 (5) may be paid only if the department determines that no
14 other individual having an unexpired benefit year has been found
15 eligible for an allowance for the same dependent.

16 * Sec. 8. AS 23.20.350(g)(1) is amended to read:

17 (1) "dependent" means an individual's

18 (A) unmarried child, stepchild, legally adopted child,
19 or legal ward under 18 years of age who is

20 (i) lawfully in the individual's physical custody
21 at the time the individual claims the allowance for depen-
22 dents; or

23 (ii) dependent on the individual for more than 50
24 percent of support;

25 (B) unmarried child, stepchild, legally adopted child,
26 or legal ward of any age who is dependent on the individual for
27 more than 50 percent of support and who is prevented by infirmity
28 from engaging in a gainful occupation;

29 * Sec. 9. AS 23.20.362(c) is amended to read:

1 (c) The amount of benefits payable to an insured worker for a
2 week of unemployment shall be reduced by the amount of any severance
3 or termination payment, wages in lieu of dismissal notice, or payment
4 for vacation, sick leave, or holidays that is attributable to that
5 week [PAYMENT ATTRIBUTABLE TO THAT WEEK WHICH COMPENSATES THE INSURED
6 WORKER FOR A DISMISSAL FROM EMPLOYMENT WITHOUT NOTICE, OR FOR ACCRUED
7 VACATION, SICK LEAVE, OR HOLIDAYS].

8 * Sec. 10. AS 23.20.381 is amended by adding new subsections to read:

9 (h) Benefits based on services for an educational institution in
10 other than an instructional, research, or principal administrative
11 capacity may not be paid to an individual for a week of unemployment
12 that begins during the period between two successive academic years or
13 terms if the individual performed those services in the first of those
14 academic years or terms and there is a reasonable assurance that the
15 individual will perform those services in the second of those academic
16 years or terms. If an individual is denied benefits for any week
17 under this subsection and the individual is not later offered an
18 opportunity to perform services for the educational institution in the
19 second academic year or term, the individual is entitled to a retroac-
20 tive payment of benefits for each week for which the individual filed
21 a timely claim for benefits and for which benefits were denied solely
22 under this subsection.

23 (i) Benefits based on services described in (e) and (h) of this
24 section may not be paid to an individual for a week that begins during
25 an established and customary vacation period or holiday recess if the
26 individual performs those services in the period immediately before
27 the vacation period or holiday recess and there is a reasonable assur-
28 ance that the individual will perform those services in the period
29 immediately following the vacation period or holiday recess.

1 (j) Benefits based on services described in (e) and (h) of this
2 section shall be denied under (e), (h), and (i) of this section to an
3 individual who performed those services in an educational institution
4 while in the employ of an educational service agency. In this sub-
5 section, "educational service agency" means a governmental agency or
6 governmental entity that is established and operated exclusively for
7 the purpose of providing services to one or more educational insti-
8 tutions.

9 * Sec. 11. AS 23.20.406(c) is amended to read:

10 (c) Notwithstanding (a) and (b) of this section, an individual
11 is ineligible for payment of extended benefits for any week of unem-
12 ployment in the individual's [HIS] eligibility period if the depart-
13 ment finds that during that period the individual

14 (1) [HE] failed to accept an offer of suitable work as
15 defined under (k) of this section or failed to apply for suitable work
16 to which the individual [HE] was referred by the department; or

17 (2) [HE] failed to actively seek work as prescribed under
18 (f) of this section, except that the eligibility of the individual
19 will be determined under AS 23.20.378 without regard to the disquali-
20 fication provisions otherwise applicable under (d) of this section if
21 the individual is not actively engaged in seeking work because the
22 individual is (A) summoned for jury duty before a court of the United
23 States or any state; or (B) hospitalized for treatment of an emergency
24 or life-threatening condition.

25 * Sec. 12. AS 23.20.505 is amended by adding a new subsection to read:

26 (d) An individual is not considered "unemployed" in a week if

27 (1) the individual is not performing services during that
28 week because the individual is on leave from the regular employer of
29 the individual for a period of four weeks or less; and

1 (2) the leave is part of a work schedule consisting of
2 alternating periods of work and leave in which the hours of work for
3 one complete period of work and leave average at least 40 hours per
4 week.

5 * Sec. 13. AS 23.20.526(a)(22) is amended to read:

6 (22) service performed for a corporation by an employee of
7 the corporation if

8 (A) the corporation is incorporated under AS 10.05;

9 (B) the corporation is not a government corporation;

10 and

11 (C) the employee is an executive officer of the corpo-
12 ration who directl, or indirectly owns 25 percent or more of the
13 voting securities of the corporation [; AND

14 (D) THE EXECUTIVE OFFICER AGREES THAT THE SERVICES NOT
15 BE "EMPLOYMENT" UNDER THIS PARAGRAPH].

16 * Sec. 14. Sections 2, 3, 4 and 5 of this Act take effect January 1,
17 1985.

18 * Sec. 15. Sections 6 - 8 of this Act take effect October 1, 1984, and
19 apply to benefit years established after September 30, 1984.

20 * Sec. 16. Section 10 of this Act is retroactive to April 1, 1984.

21 * Sec. 17. Section 13 of this Act takes effect July 1, 1984.

22 * Sec. 18. Sections 1 and 9 - 12 of this Act take effect immediately in
23 accordance with AS 01.10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 525
 Title: "An Act relating to
 Unemployment Insurance"
 Sponsor: Senate Labor/Commerce
 Requestor: Senate Finance
 Date of Request: April 25, 1984

FISCAL DETAIL

Agency Affected: All
 Program Category Affected: All
 BRU, Program or Subprogram(s) Affected:
All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		169.1	463.3	518.6	522.4	526.6
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		169.1	463.3	518.6	522.4	526.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		126.8	347.5	389.0	391.8	395.0
FEDERAL FUNDS		11.8	32.4	36.3	36.6	36.9
OTHER		30.5	83.4	93.3	94.0	94.7
TOTAL		169.1	463.3	518.6	522.4	526.6

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Service benefits would increase for all agencies based on the projected increase in unemployment insurance paid to ex-state employees and seasonal employees.

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
 Division: Employment Security Division Date: 4/25/84
 Approved by Commissioner: Jim Robinson Date: 4/25/84
 Agency: Labor

LEG:A:4

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

FISCAL NOTE

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE
BILL/RESOLUTION NO: CSSB 525
TITLE: "An Act relating to Unemployment Insurance."
AGENCY AFFECTED: Department of Labor
Page 2

The following assumptions were made in preparing the forecasted costs:

1. State employment will continue to increase through FY 1986. Thereafter, state employment will level off with consolidation of administrative jobs and belt tightening being offset by jobs based on increased population.
2. There is no wage increase for calendar year 1984. The wages through FY 1986 reflect the recent agreement with APEA. A 5 percent yearly increase continues throughout the remainder of the forecast period.
3. As provided in this bill, the maximum weekly benefit amount paid for unemployment insurance claims will increase from \$155 to \$188, effective October 1, 1984.

As a result, the State of Alaska would be required to pay more in its personal service benefit costs for unemployment insurance. The total amount of the increased costs (which would affect all Departments in the State) is projected from past experience and a computerized modeling technique. The estimated increase in the average payment using this method is 12.7%. This increase would not occur immediately in FY '85, because claimants are paid for an entire year at the rates in effect when they first claim benefits. The total effect of the increase would not be felt until FY '87.

LEG:A:4

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSB 525
 Title: "An Act relating to
 Unemployment Insurance"
 Sponsor: Senate Labor/Commerce
 Requestor: Senate Finance
 Date of Request: April 25, 1984

FISCAL DETAIL

Agency Affected: Labor
 Program Category Affected: Social Services
 BRU, Program or Subprogram(s) Affected: Employment Security, Unemployment
 Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	5.0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS		5.0				
OTHER						
TOTAL	0	5.0	0	0	0	0

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Federal funds will be requested to fund reprogramming of automated programs.
 [125 hours x \$40 per hour.]

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr.
 Division: Employment Security Division
 Approved by Commissioner: Jim Robinson
 Agency: Labor

Phone: 465-2712
 Date: _____
 Date: 4/27/84

LFG:A:5
 Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 525
Title: "An Act relating to
Unemployment Insurance"
Sponsor: Senate Labor/Commerce
Requestor: Senate Labor/Commerce
Date of Request: March 7, 1984

FISCAL DETAIL

Agency Affected: All
Program Category Affected: All
BRU, Program or Subprogram(s) Affected: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		186.4	510.6	571.6	576.0	580.1
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		186.4	510.6	571.6	576.0	580.1
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		139.8	382.9	428.7	432.0	435.1
FEDERAL FUNDS		13.1	35.8	40.0	40.3	40.6
OTHER		33.5	91.9	102.9	103.7	104.4
TOTAL		186.4	510.6	571.6	576.0	580.1

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Service benefits would increase for all agencies based on the projected increase in unemployment insurance paid to ex-state employees and seasonal employees.

ANALYSIS: Attach a separate page for analysis

Prepared By: ¹⁰³ John W. Shay, Jr. Phone: 465-2712
Division: Employment Security Division Date: 3/12/84
Approved by Commissioner: ¹⁰³ Jim Robinson Date: 3/12/84
Agency: Labor

LEG:A:4

Distribution (by Agency preparing fiscal no)

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

FISCAL NOTE

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE
BILL/RESOLUTION NO: SB 525
TITLE: "An Act relating to Unemployment Insurance."
AGENCY AFFECTED: Department of Labor
Page 2

The following assumptions were made in preparing the forecasted costs:

1. State employment will continue to increase through FY 1986. Thereafter, state employment will level off with consolidation of administrative jobs and belt tightening being offset by jobs based on increased population.
2. There is no wage increase for calendar year 1984. The wages through FY 1986 reflect the recent agreement with APEA. A 5 percent yearly increase continues throughout the remainder of the forecast period.
3. As provided in this bill, the maximum weekly benefit amount paid for unemployment insurance claims will increase from \$156 to \$198, effective January 1, 1985.

As a result, the State of Alaska would be required to pay more in its personal service benefit costs for unemployment insurance. The total amount of the increased costs (which would affect all Departments in the State) is projected from past experience and a computerized modeling technique. The estimated increase in the average payment using this method is 14%. This increase would not occur immediately in FY '85, because claimants are paid for an entire year at the rates in effect when they first claim benefits. The total effect of the increase would not be felt until FY '87.

LEG:A:4

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 525
 Title: "An Act relating to Unemployment Insurance"
 Sponsor: Senate Labor/Commerce
 Requestor: Senate Labor/Commerce
 Date of Request: March 7, 1984

FISCAL DETAIL

Agency Affected: Labor
 Program Category Affected: Social Services
 BRU, Program or Subprogram(s) Affected: Employment Security, Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	5.0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		5.0				
OTHER						
TOTAL	0	5.0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Federal funds will be requested to fund reprogramming of automated programs.
 [125 hours x \$40 per hour.]

ANALYSIS: Attach a separate page for analysis

Prepared By: ¹²³ John W. Shav. Jr. Phone: 465-2712
 Division: Employment Security Division Date: 3/12/84
 Approved by Commissioner: ¹²³ Jim Robinson Date: 3/12/84
 Agency: Labor

LEG:A:5
 Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Rec'd 5/2/84

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 525
 Title: "An Act relating to
 Unemployment Insurance"
 Sponsor: Senate Labor/Commerce
 Requestor: Senate Finance
 Date of Request: April 25 1984

FISCAL DETAIL

Agency Affected: Labor
 Program Category Affected: Social Services
 BRU, Program or Subprogram(s) Affected:
Employment Security, Unemployment
 Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	5.0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		5.0				
OTHER						
TOTAL	0	5.0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Federal funds will be requested to fund reprogramming of automated programs.
 [125 hours x \$40 per hour.]

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
 Division: Employment Security Division Date: _____
 Approved by Commissioner: Jim Robison Date: 4/25/84
 Agency: Labor

LEG:A:5
 Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

K2 6/26/84

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/Resolution No.: CSSB 525
 Title: "An Act relating to
 Unemployment Insurance"
 Sponsor: Senate Labor/Commerce
 Requestor: Senate Finance
 Date of Request: April 25, 1984

FISCAL DETAIL
 Agency Affected: A11
 Program Category Affected: A11
 BRU, Program or Subprogram(s) Affected:
A11

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		169.1	463.3	518.6	522.4	526.6
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		169.1	463.3	518.6	522.4	526.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		126.8	347.5	389.0	391.8	395.0
FEDERAL FUNDS		11.8	32.4	36.3	36.6	36.9
OTHER		30.5	83.4	93.3	94.0	94.7
TOTAL		169.1	463.3	518.6	522.4	526.6

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Service benefits would increase for all agencies based on the projected increase in unemployment insurance paid to ex-state employees and seasonal employees.

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
 Division: Employment Security Division Date: 4/25/84
 Approved by Commissioner: Jam Robinson Date: 4/25/84
 Agency: Labor

LEG:A.4
 Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

12/1/83

FISCAL NOTE

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE
BILL/RESOLUTION NO: CSSB 525
TITLE: "An Act relating to Unemployment Insurance."
AGENCY AFFECTED: Department of Labor
Page 2

The following assumptions were made in preparing the forecasted costs:

1. State employment will continue to increase through FY 1986. Thereafter, state employment will level off with consolidation of administrative jobs and belt tightening being offset by jobs based on increased population.
2. There is no wage increase for calendar year 1984. The wages through FY 1986 reflect the recent agreement with APEA. A 5 percent yearly increase continues throughout the remainder of the forecast period.
3. As provided in this bill, the maximum weekly benefit amount paid for unemployment insurance claims will increase from \$156 to \$188, effective October 1, 1984.

As a result, the State of Alaska would be required to pay more in its personal service benefit costs for unemployment insurance. The total amount of the increased costs (which would affect all Departments in the State) is projected from past experience and a computerized modeling technique. The estimated increase in the average payment using this method is 12.7%. This increase would not occur immediately in FY '85, because claimants are paid for an entire year at the rates in effect when they first claim benefits. The total effect of the increase would not be felt until FY '87.

LEG:A:4



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 26, 1984

MEMORANDUM

TO: Representative Joe Hayes

FROM: David Teal *DT*
Legislative Analyst

RE: Provisions for Financing Unemployment Compensation
Research Request 84-101

Among other provisions, SB 525 would increase the maximum amount of unemployment compensation from the current level of \$156 per week to a new maximum of \$198.¹ According to the Department of Labor, this change in the benefit schedule would cause Alaska employers to contribute an additional \$21.5 million to the unemployment insurance system during the next four years.

You asked me to review the provisions for financing Alaska's unemployment insurance system in order to determine the possibility of reducing the fiscal impact on employers of implementing SB 525. The result of that review is a proposal that:

- increases current benefits by \$12.1 million per year (i.e., the proposal retains the benefit schedule contained in SB 525);
- decreases employer contributions by \$12.5 million per year without shifting the financing burden to some other group; and
- maintains the adequacy of the trust fund.

Details of the proposal are discussed below. A table is included to aid your comparison of the current law, SB 525 and the proposed revisions to SB 525. The table shows values through 1988 because three years are required to absorb the full impact of a change in the benefit schedule. A shorter period would understate the amount of contributions required to finance an increase in benefits.

¹These benefit amounts do not include allowance for dependents. Additional weekly benefits of \$24 per dependent can be claimed by those who are eligible.

TABLE 1
 Unemployment Insurance Benefits and Contributions
 State of Alaska--1985 through 1988
 (in millions of dollars)

	Benefits Paid By Alaska		Employer Contributions		Reserve Ratio in 1988*
	Amount	Change from Current Amount	Amount	Change from Current Amount	
Current Law	\$342.8	--	\$328.7	--	5.2%
HB 525	391.0	\$48.2	350.2	\$21.5	4.7
Proposal	391.0	48.2	278.5	(50.2)	3.2

*The reserve ratio is defined as the trust fund balance divided by total wages paid in the state. It is often used as a measure of the ability of the trust fund to pay future benefits.

Source: Alaska Department of Labor

* * * * *

The above table shows that the proposed revisions to SB 525 would require employer contributions of \$71.7 million less (over a four-year period) than can be expected under the current version of the bill. The reduced contributions would be the result of two possible revisions to the existing mechanism for financing Alaska's unemployment insurance system.

Revision #1. Classify the interest earnings of the trust fund as income to the fund for the purpose of determining contribution rates.

Revision #2. Alter the solvency tax provisions to reduce employers' contributions when the trust fund is determined to be adequate.

Interest earnings of the trust fund are currently excluded from the formula which determines contribution rates. Because the financing system is designed to recover benefit outlays regardless of the size of the trust fund, the trust fund balance will spiral upward at a compound rate of growth unless this deficiency is corrected. Inclusion of

interest earnings in the rate formula would lower contributions required of employers and employees. This deficiency in the financing mechanism can be corrected by the following amendment to AS 23.20.290(e):

(2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund and the amount of interest earned on the trust fund balance during those computation years;

The second proposed revision to the law modifies AS 23.20.290(f) to give employers tax credits when the trust fund is judged to be adequate. Current law assesses additional contributions when the trust fund is judged to be inadequate but has no provision for tax credits.² The figures in Table 1 are based on the following additions to the solvency tax table contained in section 290 (f):³

Reserve Rate		Fund Solvency Contribution (percent)
at least (percent)	but less than (percent)	
3.4		-.4
3.3	3.4	-.3
3.2	3.3	-.2
3.1	3.2	-.1
3.0	3.1	0.0
2.9	3.0	.1

At reserve rates of less than 2.9 percent, the solvency tax table remains as shown in AS 23.20.290(f). (For your convenience, a copy of AS 23.20.290 is attached to this memorandum.) The modifications should cause Alaska's reserve ratio to stabilize at about three percent. The current reserve ratio is about 3.2 percent.

²If the solvency tax table in AS 23.20.290(f) is modified, several references to "solvency contributions" should be changed to refer to "solvency adjustments" in order to eliminate confusion.

³Assuming interest were included in the formula for determining contribution rates, the impact of the solvency tax revision would diminish once the reserve ratio falls to three percent. Because the period of analysis is relatively short (four years), the figures in Table 1 make the solvency tax revision more attractive than it would appear if the period of analysis were longer.

Representative Hayes
April 26, 1984
Page 4

As shown in the attached graph, Alaska's 1982 reserve ratio (i.e., balance to wage ratio) was the highest of any state. Alaska's reserve ratio has increased since that time, and Department of Labor projections show that Alaska's reserve ratio will continue to increase under current law and under SB 525.

As you know, the reserve ratio is often used as a measure of the adequacy of a trust fund to pay future benefits. It is difficult to judge the point at which a trust fund is adequate because there is no accepted standard for reserve ratios. However, it is clear that systems which respond quickly to increases in benefit outlays do not need as large a reserve balance as systems that respond more slowly. Many states use experience of 20 years or more to determine contribution rates. These states respond very slowly and therefore require a larger balance to achieve a given level of adequacy. Alaska's system uses only three years of experience, placing it among those states with the quickest reaction to changes in benefit outlays.

In addition, Alaska's financing system differs from those of other states in that a large trust fund balance does not necessarily have a stabilizing effect on contribution rates when benefit outlays increase. Even if the trust fund were as large as the Permanent Fund, contribution rates under the current law would be determined solely by the level of benefits paid. That is, the system is designed so that the trust fund balance can increase to keep pace with economic growth, but can decrease only under unusual circumstances.

* * *

This subject is extremely complex and, given the time available to complete this request, I have not given adequate coverage to all the issues that deserve to be addressed in this memorandum. Some points you may wish to consider in your deliberation of the proposed revisions to SB 525 are listed below.

- The two tax revisions suggested in this memorandum are independent. Either could be implemented separately, with or without a change in the benefit schedule.
- The solvency tax revision would reduce contributions only for employers, while the inclusion of interest would reduce contributions by both employers and employees.
- "Excess" contributions are a drain on Alaska's economy. However, contributions during a period of economic growth may be preferable to contributions made during a period of economic

Representative Hayes
April 26, 1984
Page 5

decline. A delay in implementing the suggested provisions would increase the trust fund balance. A large trust fund balance would generate interest that could be used to reduce contributions if Alaska experiences an economic downturn in the future.

I would be pleased to expand the scope of this memorandum or to discuss the subject at your convenience. Please call the agency if you would like additional information.

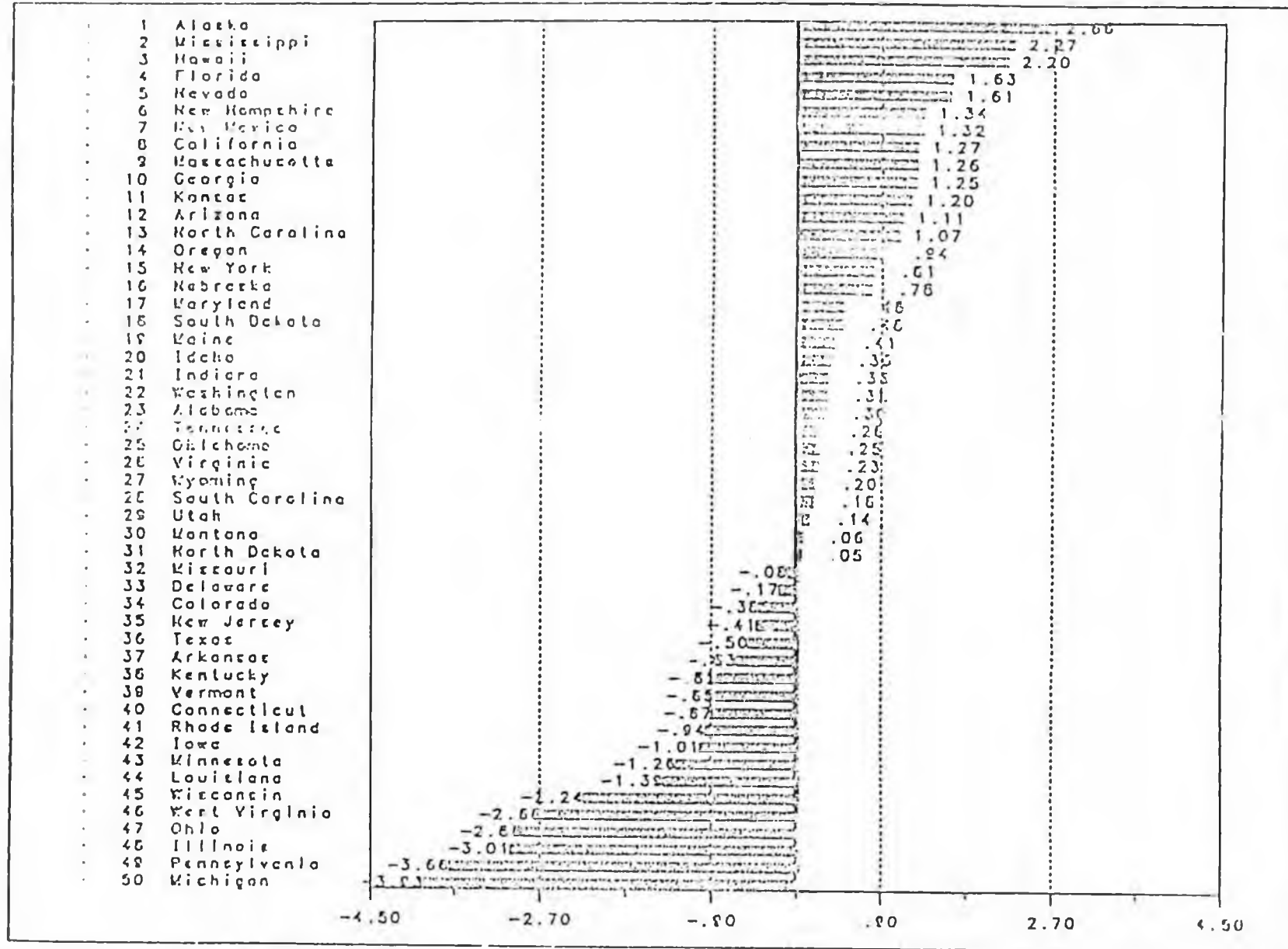
DT

Attachments

Trust Fund Balance
As A Percent Of Wages

(Outstanding Loans Deducted)

(Fund As % of Wages)



(b) This penalty does not attach if within 30 days after mailing or personal delivery of the demand, arrangements for payments are made with the department, and payment is made in accordance with the arrangements.

(c) Penalties collected under this section shall periodically be transferred from the clearing account to the training and building fund. (§ 513 ch 5 ESLA 1955; am § 4 ch 106 SLA 1969; am § 22 ch 9 SLA 1980; am §§ 60, 61 ch 59 SLA 1982)

Effect of amendments. The 1982 amendment corrected an error in the designation of subsection (c). As originally enacted in § 4, ch. 106, SLA 1969, subsection (c) was designated as subsection (d).

Article 4. Experience Rating.

Section

290. Rate determination.

Sec. 23.20.290. Rate determination. (a) The department shall determine each eligible employer's ratable payroll. The department shall then put all eligible employers in the order of their average quarterly decline quotients beginning with the smallest average decline quotient and shall determine, with respect to each employer, the cumulative ratable payroll during the four consecutive quarters ending with the computation date of the employer together with all employers who precede him on the list.

(b) The department shall segregate the employers into groups in accordance with cumulative ratable payroll. The limits of the groups are those set out in column B of the table in (c) of this section. Each of these groups shall be identified by the rate class number in column A which is opposite the figures in column B which represent the percentage limits of each group. An employer shall be assigned the experience factor in column C which is opposite the rate class in which the greater part of the employer's ratable payroll falls. If one-half of the employer's ratable payrolls falls in one class, and one-half in another, he shall be assigned to the lower numbered rate class. No employer may be assigned to a higher numbered rate class than is assigned to another employer with the same average quarterly decline quotient.

(c) Beginning January 1, 1981, the rate of contributions for each employer is 82 percent of the average benefit cost rate multiplied by the employer's experience factor set out in column C of the table in this subsection opposite his applicable rate class set out in column A plus the fund solvency contribution required under (f) of this section. However, the rate of contributions for an employer may not be less than one percent or more than six and one-half percent. The rate of contributions for an employer must be rounded to the nearest one-hundredth of one percent.

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§ 22 ch 9 SLA

SLA 1969, subsec.
as subsection (d)

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COLUMN A

COLUMN B

COLUMN C

Rate Class

Cumulative
Ratable Payroll

Experience
Factor

	at least (percent)	but less than (percent)	
1		5	40
2	5	10	45
3	10	15	50
4	15	20	55
5	20	25	60
6	25	30	65
7	30	35	70
8	35	40	80
9	40	45	90
10	45	50	1.00
11	50	55	1.00
12	55	60	1.10
13	60	65	1.20
14	65	70	1.30
15	70	75	1.35
16	75	80	1.40
17	80	85	1.45
18	85	90	1.50
19	90	95	1.55
20	95		1.60

(d) Beginning January 1, 1981, and for each succeeding year thereafter, the rate of contributions payable by each employee of an employer who is subject to AS 23.20.165 is 18 percent of the average benefit cost rate as determined in (e) of this section rounded to the nearest one-tenth of one percent. However, the rate of contributions for an employee may not be less than one-half percent or more than one percent.

(e) The department shall determine the average benefit cost rate as follows:

(1) the department shall determine the amount of benefits paid to insured workers during the last three computation years;

(2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund during those computation years;

(3) the department shall divide the amount determined in (2) of this subsection by the total wages paid by all employers required to pay contributions under this chapter during the first three of the last four computation years;

(4) the department shall determine the amount of total wages subject to contributions under this chapter paid during the preceding computation years;

(5) the department shall determine the amount of all wages paid to insured workers during the preceding computation year;

(6) the department shall subtract from the amount determined in (5) of this subsection the amount of wages paid during the preceding computation year by employers who elect to reimburse the department under AS 23.20.276 and 23.20.277;

(7) the department shall divide the amount determined in (4) of this subsection by the amount determined in (6) of this subsection; and

(8) the department shall divide the amount determined in (3) of this subsection by the amount determined in (7) of this subsection.

(f) An employer shall pay a fund solvency contribution equal to the contribution rate set out in column B of the table in this subsection opposite the reserve rate of the fund set out in column A. However, the fund solvency contribution rate of an employer may not increase or decrease more than three-tenths of one percent from one year to the next.

COLUMN A Reserve Rate		COLUMN B Fund Solvency Contribution (percent)
at least (percent)	but less than (percent)	
3.2		0.0
2.9	3.2	0.1
2.8	2.9	0.2
2.7	2.8	0.3
2.6	2.7	0.4
2.5	2.6	0.5
2.4	2.5	0.6
2.3	2.4	0.7
2.2	2.3	0.8
2.1	2.2	0.9
2.0	2.1	1.0
	2.0	1.1

(§ 557 ch 5 ESLA 1955; added by § 11 ch 60 SLA 1960; am §§ 7, 8 ch 43 SLA 1973; am §§ 33—66 ch 9 SLA 1980; am § 5 ch 115 SLA 1982)

Effect of amendments. — The 1982 amendment, in subsection (e), deleted "100" at the end of the "but less than" column of column B.

Article 6. Benefits.

Section	Section
340. Initial determination	381. Other disqualifications
350. Amount of benefits	382. Benefits while attending approved vocational training course
353. Supplemental state benefits	383. Labor dispute disqualification
360. Earnings deducted from weekly benefit amount	390. Recovery of improper payments
375. Filing requirements	392. Deductions from back pay awards
378. Able to work and available for suitable work	401. Child support interception
	405. Exemption of benefits

Original sponsor: Labor and Commerce
Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 525 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to unemployment insurance, and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.20.130(d) is amended to read:

10 (d) The training and building fund consists of all interest and
11 penalties collected under AS 23.20.185, 23.20.190, and 23.20.195 and
12 all sums recovered on official bond for losses sustained by the fund.
13 Training and building fund money shall be deposited in the clearing
14 account of the unemployment compensation fund for clearance only, and
15 does not become a part of the fund. The unobligated amount in the
16 training and building fund in excess of \$100,000 on the close of
17 business of the 30th day following the last day of each fiscal year
18 shall be transferred within 20 days to this state's account in the
19 unemployment trust fund. The fund shall be included in the budget
20 submitted to the legislature under the Executive Budget Act (AS 37.-
21 07). Funds available in the training and building fund shall be
22 expended upon the direction of the department, with the approval of
23 the governor, when it appears to the governor [HIM] that the expendi-
24 ture is necessary for but not limited to

25 (1) the proper administration of this chapter if no federal
26 funds are available for the specific purpose for which the expenditure
27 is to be made, and if the funds are not substituted for appropriations
28 from federal funds that [WHICH] would be made available in the absence
29 of those funds;

1 (2) the proper administration of this chapter, if [FOR
 2 WHICH PURPOSE] appropriations from federal funds have been requested
 3 but not yet received, and [IF] the training and building fund will be
 4 reimbursed upon receipt of the requested federal appropriation;

5 (3) the purposes specified in AS 23.15.611;

6 (4) the purposes specified in AS 23.20.075.

7 * Sec. 2. AS 23.20.170 is amended by adding a new subsection to read:

8 (c) The standard rate of contributions with respect to employ-
 9 ment is 5.4 percent of wages paid. Reductions from the standard rate
 10 may only be made under this section and AS 23.20.280 - 23.20.310.

11 * Sec. 3. AS 23.20.290(c) is amended to read:

12 (c) Beginning January 1, 1981, the rate of contributions for
 13 each employer is 82 percent of the average benefit cost rate multi-
 14 plied by the employer's experience factor set out in column C of the
 15 table in this subsection opposite the employer's [HIS] applicable rate
 16 class set out in column A plus the fund solvency adjustment [CONTRI-
 17 BUTION] required under (f) of this section. However, the rate of
 18 contributions for an employer may not be less than one percent or more
 19 than six and one-half percent. The rate of contributions for an
 20 employer in rate class 21 may not be less than 5.4 percent. The rate
 21 of contributions for an employer must be rounded to the nearest one-
 22 hundredth of one percent.

COLUMN A	COLUMN B	COLUMN C
Rate Class	Cumulative	Experience
	Ratable Payroll	Factor
	at least	but less than
	(percent)	(percent)
1	5	.40
2	5	10
		.45

1	3	10	15	.50
2		15	20	.55
3	5	20	25	.60
4	6	25	30	.65
5	7	30	35	.70
6	8	35	40	.80
7	9	40	45	.90
8	10	45	50	1.00
9	11	50	55	1.00
10	12	55	60	1.10
11	13	60	65	1.20
12	14	65	70	1.30
13	15	70	75	1.35
14	16	75	80	1.40
15	17	80	85	1.45
16	18	85	90	1.50
17	19	90	95	1.55
18	20	95	<u>99.99</u>	1.60
19	<u>21</u>	<u>99.99</u>		<u>1.65</u>

* Sec. 4. AS 23.20.090(e) is amended to read:

(e) The department shall determine the average benefit cost rate as follows:

(1) the department shall determine the amount of benefits paid to insured workers during the last three computation years;

(2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund and the amount of interest earned on the trust fund balance during those computation years;

(3) the department shall divide the amount determined in

1 (2) of this subsection by the total wages paid by all employers re-
 2 quired to pay contributions under this chapter during the first three
 3 of the last four computation years;

4 (4) the department shall determine the amount of total
 5 wages subject to contributions under this chapter paid during the
 6 preceding computation years;

7 (5) the department shall determine the amount of all wages
 8 paid to insured workers during the preceding computation year;

9 (6) the department shall subtract from the amount deter-
 10 mined in (5) of this subsection the amount of wages paid during the
 11 preceding computation year by employers who elect to reimburse the
 12 department under AS 23.20.276 and 23.20.277;

13 (7) the department shall divide the amount determined in
 14 (4) of this subsection by the amount determined in (6) of this sub-
 15 section; and

16 (8) the department shall divide the amount determined in
 17 (3) of this subsection by the amount determined in (7) of this sub-
 18 section.

19 * Sec. 5. AS 23.20.290(f) is repealed and reenacted to read:

20 (f) An employer shall pay a fund solvency adjustment equal to
 21 the contribution rate set out in column B of the table in this sub-
 22 section opposite the reserve rate of the fund set out in column A.
 23 However, the fund solvency adjustment rate of an employer may not
 24 increase or decrease more than three-tenths of one percent from one
 25 year to the next.

26 COLUMN A		COLUMN B
27 Reserve Rate		Fund Solvency Adjustment
28 at least	but less than	(percent)
29 (percent)	(percent)	

1	3.6		-0.4
2	3.5	3.6	-0.3
3	3.4	3.5	-0.2
4	3.3	3.4	-0.1
5	3.0	3.3	0.0
6	2.9	3.0	0.1
7	2.8	2.9	0.2
8	2.7	2.8	0.3
9	2.6	2.7	0.4
10	2.5	2.6	0.5
11	2.4	2.5	0.6
12	2.3	2.4	0.7
13	2.2	2.3	0.8
14	2.1	2.2	0.9
15	2.0	2.1	1.0
16		2.0	1.1

* Sec. 6. AS 23.20.350(d) is repealed and reenacted to read:

(d) An individual who is eligible under (a) of this section is entitled to receive the weekly benefit amount set out in column (B) of the table in this subsection that is opposite the amount set out in column (A) of the individual's base period wages determined under (c) of this section:

(A)		(B)
Base Period Wages		Weekly Benefit Amount
At Least	But less than	
0	1,000	\$ 0
1,000	1,250	38
1,250	1,500	40
1,500	1,750	42

1	1,750	2,000	44
2	2,000	2,250	46
3	2,250	2,500	48
4	2,500	2,750	50
5	2,750	3,000	52
6	3,000	3,250	54
7	3,250	3,500	56
8	3,500	3,750	58
9	3,750	4,000	60
10	4,000	4,250	62
11	4,250	4,500	64
12	4,500	4,750	66
13	4,750	5,000	68
14	5,000	5,250	70
15	5,250	5,500	72
16	5,500	5,750	74
17	5,750	6,000	76
18	6,000	6,250	78
19	6,250	6,500	80
20	6,500	6,750	82
21	6,750	7,000	84
22	7,000	7,250	86
23	7,250	7,500	88
24	7,500	7,750	90
25	7,750	8,000	92
26	8,000	8,250	94
27	8,250	8,500	96
28	8,500	8,750	98
29	8,750	9,000	100

1	9,000	9,250	102
2	9,250	9,500	104
3	9,500	9,750	106
4	9,750	10,000	108
5	10,000	10,250	110
6	10,250	10,500	112
7	10,500	10,750	114
8	10,750	11,000	116
9	11,000	11,250	118
10	11,250	11,500	120
11	11,500	11,750	122
12	11,750	12,000	124
13	12,000	12,250	126
14	12,250	12,500	128
15	12,500	12,750	130
16	12,750	13,000	132
17	13,000	13,250	134
18	13,250	13,500	136
19	13,500	13,750	138
20	13,750	14,000	140
21	14,000	14,250	142
22	14,250	14,500	144
23	14,500	14,750	146
24	14,750	15,000	148
25	15,000	15,250	150
26	15,250	15,500	152
27	15,500	15,750	154
28	15,750	16,000	156
29	16,000	16,250	158

1	16,250	16,500	160
2	16,500	16,750	162
3	16,750	17,000	164
4	17,000	17,250	166
5	17,250	17,500	168
6	17,500	17,750	170
7	17,750	18,000	172
8	18,000	18,250	174
9	18,250	18,500	176
10	18,500	18,750	178
11	18,750	19,000	180
12	19,000	19,250	182
13	19,250	19,500	184
14	19,500	19,750	186
15	19,750		188

* Sec. 7. AS 23.20.350(f) is repealed and reenacted to read:

(f) An individual who establishes a benefit year is eligible for an allowance for dependents in addition to the individual's weekly benefit amount. The department may require an individual claiming or receiving an allowance for dependents to produce income tax returns, birth certificates, notices of adoption or custody, social security account number of spouse, verification of support documents, or other information necessary to verify that the allowance is payable to the individual. The allowance for dependents

(1) is \$24 per week for each dependent, except that the total allowance for dependents paid to an individual may not exceed \$72 for each week of unemployment;

(2) is payable beginning with the week during the benefit year in which the individual claims an allowance for the dependent and

1 is payable for the remainder of the individual's eligibility for
2 regular, extended, or supplemental payments during the benefit year;

3 (3) may not be claimed for a new dependent after the end of
4 the benefit year or after the exhaustion of regular benefits in the
5 benefit year;

6 (4) may not be paid to an individual if

7 (A) that dependent has been claimed by another indi-
8 vidual;

9 (B) the other individual has been found eligible to
10 receive the allowance for the dependent; and

11 (C) the benefit year of the other individual has not
12 expired; and

13 (5) may be paid only if the department determines that no
14 other individual having an unexpired benefit year has been found
15 eligible for an allowance for the same dependent.

16 * Sec. 8. AS 23.20.350(g)(1) is amended to read:

17 (1) "dependent" means an individual's

18 (A) unmarried child, stepchild, legally adopted child,
19 or legal ward under 18 years of age who is

20 (i) lawfully in the individual's physical custody
21 at the time the individual claims the allowance for depen-
22 dents; or

23 (ii) dependent on the individual for more than 50
24 percent of support;

25 (B) unmarried child, stepchild, legally adopted child,
26 or legal ward of any age who is dependent on the individual for
27 more than 50 percent of support and who is prevented by infirmity
28 from engaging in a gainful occupation;

29 * Sec. 9. AS 23.20.362(c) is amended to read:

1 (c) The amount of benefits payable to an insured worker for a
2 week of unemployment shall be reduced by the amount of any severance
3 or termination payment, wages in lieu of dismissal notice, or payment
4 for vacation, sick leave, or holidays that is attributable to that
5 week [PAYMENT ATTRIBUTABLE TO THAT WEEK WHICH COMPENSATES THE INSURED
6 WORKER FOR A DISMISSAL FROM EMPLOYMENT WITHOUT NOTICE, OR FOR ACCRUED
7 VACATION, SICK LEAVE, OR HOLIDAYS].

8 * Sec. 10. AS 23.20.381 is amended by adding new subsections to read:

9 (h) Benefits based on services for an educational institution in
10 other than an instructional, research, or principal administrative
11 capacity may not be paid to an individual for a week of unemployment
12 that begins during the period between two successive academic years or
13 terms if the individual performed those services in the first of those
14 academic years or terms and there is a reasonable assurance that the
15 individual will perform those services in the second of those academic
16 years or terms. If an individual is denied benefits for any week
17 under this subsection and the individual is not later offered an
18 opportunity to perform services for the educational institution in the
19 second academic year or term, the individual is entitled to a retroac-
20 tive payment of benefits for each week for which the individual filed
21 a timely claim for benefits and for which benefits were denied solely
22 under this subsection.

23 (i) Benefits based on services described in (e) and (h) of this
24 section may not be paid to an individual for a week that begins during
25 an established and customary vacation period or holiday recess if the
26 individual performs those services in the period immediately before
27 the vacation period or holiday recess and there is a reasonable assur-
28 ance that the individual will perform those services in the period
29 immediately following the vacation period or holiday recess.

1 (j) Benefits based on services described in (e) and (h) of this
2 section shall be denied under (e), (h), and (i) of this section to an
3 individual who performed those services in an educational institution
4 while in the employ of an educational service agency. In this sub-
5 section, "educational service agency" means a governmental agency or
6 governmental entity that is established and operated exclusively for
7 the purpose of providing services to one or more educational insti-
8 tutions.

9 * Sec. 11. AS 23.20.406(c) is amended to read:

10 (c) Notwithstanding (a) and (b) of this section, an individual
11 is ineligible for payment of extended benefits for any week of unem-
12 ployment in the individual's [HIS] eligibility period if the depart-
13 ment finds that during that period the individual

14 (1) [HE] failed to accept an offer of suitable work a
15 defined under (k) of this section or failed to apply for suitable wor
16 to which the individual [HE] was referred by the department; or

17 (2) [HE] failed to actively seek work as prescribed unde
18 (f) of this section, except that the eligibility of the individual
19 will be determined under AS 23.20.378 without regard to the disquali
20 fication provisions otherwise applicable under (d) of this section i
21 the individual is not actively engaged in seeking work because th
22 individual is (A) summoned for jury duty before a court of the Unite
23 States or any state; or (B) hospitalized for treatment of an emergenc
24 or life-threatening condition.

25 * Sec. 12. AS 23.20.505 is amended by adding a new subsection to read

26 (d) An individual is not considered "unemployed" in a week if

27 (1) the individual is not performing services during th
28 week because the individual is on leave from the regular employer
29 the individual for a period of four weeks or less; and

1 (2) the leave is part of a work schedule consisting of
2 alternating periods of work and leave in which the hours of work for
3 one complete period of work and leave average at least 40 hours per
4 week.

5 * Sec. 13. AS 23.20.526(a)(22) is amended to read:

6 (22) service performed for a corporation by an employee of
7 the corporation if

8 (A) the corporation is incorporated under AS 10.05;

9 (B) the corporation is not a government corporation;

10 and

11 (C) the employee is an executive officer of the corpo-
12 ration who directly or indirectly owns 25 percent or more of the
13 voting securities of the corporation [; AND

14 (D) THE EXECUTIVE OFFICER AGREES THAT THE SERVICES NOT
15 BE "EMPLOYMENT" UNDER THIS PARAGRAPH];

16 * Sec. 14. Sections 2, 3, 4 and 5 of this Act take effect January 1,
17 1985.

18 * Sec. 15. Sections 6 - 8 of this Act take effect October 1, 1984, and
19 apply to benefit years established after September 30, 1984.

20 * Sec. 16. Section 10 of this Act is retroactive to April 1, 1984.

21 * Sec. 17. Section 13 of this Act takes effect July 1, 1984.

22 * Sec. 18. Sections 1 and 9 - 12 of this Act take effect immediately in
23 accordance with AS 01.10.070(c).
24
25
26
27
28
29

Original sponsor: Labor and Commerce
Committee

4/27 Version

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 525 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to unemployment insurance; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.20.130(d) is amended to read:

10 (d) The training and building fund consists of all interest and
11 penalties collected under AS 23.20.185, 23.20.190, and 23.20.195 and
12 all sums recovered on official bond for losses sustained by the fund.
13 Training and building fund money shall be deposited in the clearing
14 account of the unemployment compensation fund for clearance only, and
15 does not become a part of the fund. The unobligated amount in the
16 training and building fund in excess of \$100,000 on the close of
17 business of the 30th day following the last day of each fiscal year
18 shall be transferred within 20 days to this state's account in the
19 unemployment trust fund. The fund shall be included in the budget
20 submitted to the legislature under the Executive Budget Act (AS 37.-
21 07). Funds available in the training and building fund shall be
22 expended upon the direction of the department, with the approval of
23 the governor, when it appears to the governor [HIM] that the expendi-
24 ture is necessary for but not limited to

25 (1) the proper administration of this chapter if no federal
26 funds are available for the specific purpose for which the expenditure
27 is to be made, and if the funds are not substituted for appropriations
28 from federal funds that [WHICH] would be made available in the absence
29 of those funds;

1 (2) the proper administration of this chapter, if [FOR
2 WHICH PURPOSE] appropriations from federal funds have been requested
3 but not yet received, and [IF] the training and building fund will be
4 reimbursed upon receipt of the requested federal appropriation;

5 (3) the purposes specified in AS 23.15.611;

6 (4) the purposes specified in AS 23.20.075.

7 * Sec. 2. AS 23.20.170 is amended by adding a new subsection to read:

8 (c) The standard rate of contributions with respect to employ-
9 ment is 5.4 percent of wages paid. Reductions from the standard rate
10 may only be made under this section and AS 23.20.280 - 23.20.310.

11 * Sec. 3. AS 23.20.290(c) is amended to read:

12 (c) Beginning January 1, 1981, the rate of contributions for
13 each employer is 82 percent of the average benefit cost rate multi-
14 plied by the employer's experience factor set out in column C of the
15 table in this subsection opposite the employer's [HIS] applicable rate
16 class set out in column A plus the fund solvency contribution required
17 under (f) of this section. However, the rate of contributions for an
18 employer may not be less than one percent or more than six and one-
19 half percent. The rate of contributions for an employer in rate class
20 21 may not be less than 5.4 percent. The rate of contributions for an
21 employer must be rounded to the nearest one-hundredth of one percent.

COLUMN A	COLUMN B	COLUMN C
Rate Class	Cumulative Ratable Payroll	Experience Factor
	at least	but less than
	(percent)	(percent)
1	5	.40
2	10	.45
3	15	.50

1	4	15	20	.55
2	5	20	25	.60
3	6	25	30	.65
4	7	30	35	.70
5	8	35	40	.80
6	9	40	45	.90
7	10	45	50	1.00
8	11	50	55	1.00
9	12	55	60	1.10
10	13	60	65	1.20
11	14	65	70	1.30
12	15	70	75	1.35
13	16	75	80	1.40
14	17	80	85	1.45
15	18	85	90	1.50
16	19	90	95	1.55
17	20	95	<u>99.99</u>	1.60
18	<u>21</u>	<u>99.99</u>		<u>1.65</u>

* Sec. 4. AS 23.20.350(d) is repealed and reenacted to read:

(d) An individual who is eligible under (a) of this section is entitled to receive the weekly benefit amount set out in column (B) of the table in this subsection that is opposite the amount set out in column (A) of the individual's base period wages determined under (c) of this section:

(A)		(B)
Base Period Wages		Weekly Benefit Amount
At Least	But less than	
0	1,000	\$ 0
1,000	1,250	38

1	1,250	1,500	40
2	1,500	1,750	42
3	1,750	2,000	44
4	2,000	2,250	46
5	2,250	2,500	48
6	2,500	2,750	50
7	2,750	3,000	52
8	3,000	3,250	54
9	3,250	3,500	56
10	3,500	3,750	58
11	3,750	4,000	60
12	4,000	4,250	62
13	4,250	4,500	64
14	4,500	4,750	66
15	4,750	5,000	68
16	5,000	5,250	70
17	5,250	5,500	72
18	5,500	5,750	74
19	5,750	6,000	76
20	6,000	6,250	78
21	6,250	6,500	80
22	6,500	6,750	82
23	6,750	7,000	84
24	7,000	7,250	86
25	7,250	7,500	88
26	7,500	7,750	90
27	7,750	8,000	92
28	8,000	8,250	94
29	8,250	8,500	96

1	8,500	8,750	98
2	8,750	9,000	100
3	9,000	9,250	102
4	9,250	9,500	104
5	9,500	9,750	106
6	9,750	10,000	108
7	10,000	10,250	110
8	10,250	10,500	112
9	10,500	10,750	114
10	10,750	11,000	116
11	11,000	11,250	118
12	11,250	11,500	120
13	11,500	11,750	122
14	11,750	12,000	124
15	12,000	12,250	126
16	12,250	12,500	128
17	12,500	12,750	130
18	12,750	13,000	132
19	13,000	13,250	134
20	13,250	13,500	136
21	13,500	13,750	138
22	13,750	14,000	140
23	14,000	14,250	142
24	14,250	14,500	144
25	14,500	14,750	146
26	14,750	15,000	148
27	15,000	15,250	150
28	15,250	15,500	152
29	15,500	15,750	154

1	15,750	16,000	156
2	16,000	16,250	158
3	16,250	16,500	160
4	16,500	16,750	162
5	16,750	17,000	164
6	17,000	17,250	166
7	17,250	17,500	168
8	17,500	17,750	170
9	17,750	18,000	172
10	18,000	18,250	174
11	18,250	18,500	176
12	18,500	18,750	178
13	18,750	19,000	180
14	19,000	19,250	182
15	19,250	19,500	184
16	19,500	19,750	186
17	19,750		188

* Sec. 5. AS 23.20.350(f) is repealed and reenacted to read:

(f) An individual who establishes a benefit year is eligible for an allowance for dependents in addition to the individual's weekly benefit amount. The department may require an individual claiming or receiving an allowance for dependents to produce income tax returns, birth certificates, notices of adoption or custody, social security account number of spouse, verification of support documents, or other information necessary to verify that the allowance is payable to the individual. The allowance for dependents

(1) is \$24 per week for each dependent, except that the total allowance for dependents paid to an individual may not exceed \$72 for each week of unemployment;

1 (2) is payable beginning with the week during the benefit
2 year in which the individual claims an allowance for the dependent and
3 is payable for the remainder of the individual's eligibility for
4 regular, extended, or supplemental payments during the benefit year;

5 (3) may not be claimed for a new dependent after the end of
6 the benefit year or after the exhaustion of regular benefits in the
7 benefit year;

8 (4) may not be paid to an individual if

9 (A) that dependent has been claimed by another indi-
10 vidual;

11 (B) the other individual has been found eligible to
12 receive the allowance for the dependent; and

13 (C) the benefit year of the other individual has not
14 expired; and

15 (5) may be paid only if the department determines that no
16 other individual having an unexpired benefit year has been found
17 eligible for an allowance for the same dependent.

18 * Sec. 6. AS 23.20.350(g)(1) is amended to read:

19 (1) "dependent" means an individual's

20 (A) unmarried child, stepchild, legally adopted child,
21 or legal ward under 18 years of age who is

22 (i) lawfully in the individual's physical custody
23 at the time the individual claims the allowance for depen-
24 dents; or

25 (ii) dependent on the individual for more than 50
26 percent of support;

27 (B) unmarried child, stepchild, legally adopted child,
28 or legal ward of any age who is dependent on the individual for
29 more than 50 percent of support and who is prevented by infirmity

1 from engaging in a gainful occupation;

2 * Sec. 7. AS 23.20.362(c) is amended to read:

3 (c) The amount of benefits payable to an insured worker for a
4 week of unemployment shall be reduced by the amount of any severance
5 or termination payment, wages in lieu of dismissal notice, or payment
6 for vacation, sick leave, or holidays that is attributable to that
7 week [PAYMENT ATTRIBUTABLE TO THAT WEEK WHICH COMPENSATES THE INSURED
8 WORKER FOR A DISMISSAL FROM EMPLOYMENT WITHOUT NOTICE, OR FOR ACCRUED
9 VACATION, SICK LEAVE, OR HOLIDAYS].

10 * Sec. 8. AS 23.20.381 is amended by adding new subsections to read:

11 (h) Benefits based on services for an educational institution in
12 other than an instructional, research, or principal administrative
13 capacity may not be paid to an individual for a week of unemployment
14 that begins during the period between two successive academic years or
15 terms if the individual performed those services in the first of those
16 academic years or terms and there is a reasonable assurance that the
17 individual will perform those services in the second of those academic
18 years or terms. If an individual is denied benefits for any week
19 under this subsection and the individual is not later offered an
20 opportunity to perform services for the educational institution in the
21 second academic year or term, the individual is entitled to a retroac-
22 tive payment of benefits for each week for which the individual filed
23 a timely claim for benefits and for which benefits were denied solely
24 under this subsection.

25 (i) Benefits based on services described in (e) and (h) of this
26 section may not be paid to an individual for a week that begins during
27 an established and customary vacation period or holiday recess if the
28 individual performs those services in the period immediately before
29 the vacation period or holiday recess and there is a reasonable

1 assurance that the individual will perform those services in the
2 period immediately following the vacation period or holiday recess.

3 (j) Benefits based on services described in (e) and (h) of this
4 section shall be denied under (e), (h), and (i) of this section to an
5 individual who performed those services in an educational institution
6 while in the employ of an educational service agency. In this
7 subsection, "educational service agency" means a governmental agency
8 or governmental entity that is established and operated exclusively
9 for the purpose of providing services to one or more educational
10 institutions.

11 * Sec. 9. AS 23.20.406(c) is amended to read:

12 (c) Notwithstanding (a) and (b) of this section, an individual
13 is ineligible for payment of extended benefits for any week of unem-
14 ployment in the individual's [HIS] eligibility period if the depart-
15 ment finds that during that period the individual

16 (1) [HE] failed to accept an offer of suitable work as
17 defined under (k) of this section or failed to apply for suitable work
18 to which the individual [HE] was referred by the department; or

19 (2) [HE] failed to actively seek work as prescribed under
20 (f) of this section, except that the eligibility of the individual
21 will be determined under AS 23.20.378 without regard to the dis-
22 qualification provisions otherwise applicable under (d) of this
23 section if the individual is not actively engaged in seeking work
24 because the individual is (A) summoned for jury duty before a court of
25 the United States or any state; or (B) hospitalized for treatment of
26 an emergency or life-threatening condition.

27 * Sec. 10. AS 23.20.505 is amended by adding a new subsection to read:

28 (d) An individual is not considered "unemployed" in a week if

29 (1) the individual is not performing services during that

1 week because the individual is on leave from the regular employer of
2 the individual for a period of four weeks or less; and

3 (2) the leave is part of a work schedule consisting of
4 alternating periods of work and leave in which the hours of work for
5 one complete period of work and leave average at least 40 hours per
6 week.

7 * Sec. 11. AS 23.20.526(a)(22) is amended to read:

8 (22) service performed for a corporation by an employee of
9 the corporation if

10 (A) the corporation is incorporated under AS 10.05;

11 (B) the corporation is not a government corporation;

12 and

13 (C) the employee is an executive officer of the corpo-
14 ration who directly or indirectly owns 25 percent or more of the
15 voting securities of the corporation [; AND

16 (D) THE EXECUTIVE OFFICER AGREES THAT THE SERVICES NOT
17 BE "EMPLOYMENT" UNDER THIS PARAGRAPH].

18 * Sec. 12. Sections 2 and 3 of this Act take effect January 1, 1985.

19 * Sec. 13. Sections 4 - 6 of this Act take effect October 1, 1984, and
20 apply to benefit years established after September 30, 1984.

21 * Sec. 14. Section 8 of this Act is retroactive to April 1, 1984.

22 * Sec. 15. Section 11 of this Act takes effect July 1, 1984.

23 * Sec. 16. Sections 1 and 7 - 10 of this Act take effect immediately in
24 accordance with AS 01.10.070(c).

BILL ANALYSIS

Section 1. This is a "housekeeping" amendment which would make a technical change to the training and building fund provision so that unobligated money in the training and building fund could be held an additional 30 days past the end of the fiscal year. The law currently requires that any unobligated money over \$100,000 in the training and building fund must lapse to the unemployment trust fund on the last day of the fiscal year. This money is obligated in appropriations bills prior to the end of the fiscal year, but the bills are often not signed until after the end of the fiscal year. The money is therefore not technically obligated until after the money has already lapsed back to the unemployment trust fund. The proposed amendment solves this "accounting" problem by holding the money in the training and building fund until the appropriation is signed.

Sections 2 and 3. The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) amended the Federal Unemployment Tax Act (FUTA) to increase the gross FUTA tax on employers from 3.5 percent to 6.2 percent. It also increased the additional credit against the FUTA tax for contributions to a state unemployment fund from 2.7 percent to 5.4 percent. These amendments are effective January 1, 1985. Because of the language of the FUTA, all employers in the state cannot be guaranteed the full FUTA credit of 5.4 percent unless the state law includes a maximum (standard) state tax rate of at least 5.4 percent.

Section 2 of the bill amends AS 23.20.170 to enact a standard rate of 5.4 percent. Rates below 5.4 percent would continue to be granted under AS 23.20.290.

Section 3 of the bill amends AS 23.20.290 by adding a 21st rate class comprised of employers with the highest quarterly decline quotients whose cumulative payroll is .01 percent of the total payroll in the state. This small minority of employers would receive a rate not less than 5.4 percent. The FUTA requires that the 5.4 percent rate be actually assessed at least one employer in the state, in order for all employers in the state to be guaranteed the maximum additional FUTA credit of 5.4 percent. This amendment meets the requirements of the FUTA with the least distortion to the present rate structure.

Section 4. This section amends the benefit schedule in AS 23.20.350(d) to provide a maximum UI weekly benefit amount of \$198, not counting dependents allowance. This increase will provide approximately two-thirds of claimants with replacement of 50 percent of their average weekly wages. Federal benefit adequacy guidelines suggest that a state's benefit schedule should provide 50 percent wage replacement for at least 80 percent of claimants. However, Alaska's liberal eligibility provisions make application of the federal guidelines too costly. The benefit schedule was amended in 1980 to provide a maximum weekly benefit of \$150. This schedule did replace 50 percent of wages for approximately two-thirds of claimants, but wage inflation since 1980 has steadily eroded this level of wage replacement. Although a small increase of \$6 was approved in 1982, only about 56 percent of claimants receive 50 percent wage replacement under the current schedule. The proposed schedule would increase costs to the trust fund by about 14 percent.

Sections 5 and 6. These two sections would change the requirements for the receipt of dependents allowance. The amendments do not change the amount of the allowance.

Under the current statute, an individual claiming dependents allowance must certify (and be able to prove) that he or she is providing more than 50 percent of the dependents' support. The dependents must be claimed when the claimant first files for benefits, and the number of dependents cannot be changed during the benefit year unless the claimant acquires an additional dependent by birth or adoption. These two features of the present law -- the "primary support" requirement and the requirement that dependents must be claimed at the beginning of the benefit year -- are not necessary for the administration of the dependents provision, and they may frustrate its purpose.

In households where both parents work, the children are jointly supported. However, under the "primary support" requirement only one parent may claim dependents in the household, even though the other parent may be providing a larger percentage of his or her wages for support of the children. The proposed changes would pay dependents allowance to either parent having physical custody of the child. The same dependent could not be claimed by both parents, but a parent could claim any dependents in the household which are not being claimed by the other parent. The "primary support" requirement has been retained as an alternative, so that a non-custodial parent may qualify for the dependents allowance. In other words, "dependent" has been redefined to mean one who is either in the physical custody of the claimant or dependent on the claimant for more than 50 percent of support. However, to claim a dependent over 18 years of age the claimant would still be required to show primary support, the same as in the current law.

The proposed changes would also allow a claimant to add dependents (up to a limit of three) for any reason while drawing regular benefits during his benefit year. For example, a claimant whose wife is claiming their two children would not be able to claim the children when he first files his claim. However, he would be able to claim the children after his wife's benefit year ends, for the remainder of his own benefit year. Under the current law, this claimant would be unable to claim the dependents for his entire benefit year, even if he filed only one week before the end of his wife's benefit year.

Section 7. This section amends AS 23.20.362(c) by adding severance and termination payments to the list of income which is deducted from UI benefits. Under the provision as it now stands, wages in lieu of dismissal notice, and payments for accrued vacation, sick leave, and holidays are deducted dollar for dollar from UI benefits payable. These payments are treated differently from regular wage payments, which are deducted under AS 23.20.360 at the rate of \$.75 for every \$1 earned for the week in excess of \$50. The vacation, sick, and holiday pay, and wages in lieu of notice, unlike regular wage payments, do not show any new attachment to the labor market, but are paid on the basis of past employment. The more strict dollar-for-dollar deduction for these payments is justifiable on the basis that unemployment insurance should not be paid for a week if the claimant is already receiving a "wage replacement" for that week based on his previous work, such as these payments are. However, because of the language of the provision, "severance" and "termination" pay are not deductible, even though the rationale for deducting them is the same as for the other "wage replacement" payments.

Section 8. AS 23.20.381(e) currently disqualifies an individual working in an instructional, research, or principal administrative capacity in an educational institution, during the period between two academic years or terms, or during a period of paid sabbatical leave. This provision is required in all state laws for conformity with Sec. 3304 (a)(6)(A) of the Federal Unemployment Tax Act (FUTA).

The FUTA has now been amended by Public Law 98-21 to extend the disqualification to:

1. All employees of educational institutions.
2. Employees of "educational service agencies" serving in educational institutions.
3. Any established vacation period or holiday recess.

These changes are required in all state laws to avoid denial of certification for the FUTA tax offset credit and administrative grants.

Section 9. Section 202 of the Federal-State Extended Unemployment Compensation Act previously required the indefinite disqualification of an extended benefit claimant who did not actively engage in seeking work, regardless of the reason the claimant did not seek work. This requirement has been relaxed by P.L. 98-21. A State is now permitted to apply regular state able and available provisions if the extended benefit claimant failed to seek work because he was hospitalized or on jury duty. This is entirely optional, but we recommend enactment of conforming legislation to take advantage of the relaxation of federal requirements.

Section 10. This amendment to AS 23.20.505 addresses circumstances under which workers on "R and R" might qualify as "unemployed" and thus be potentially eligible for benefits under the Act. Under current Sec. 505 a person is "unemployed" for a week in which he performs no service and receives no wages. This allows potential abuse by individuals who are fully employed but receive "R and R" for a week (or more) as part of their regular work schedule. For example, an individual may work 60 hours per week for two weeks and then receive a week off. This "two weeks on, one week off" schedule may continue indefinitely. This individual is technically unemployed under Sec. 505 during his week off. But we do not believe it is correct to pay benefits when the employment relationship has not been severed and the individual is actually fully employed, i.e., working an average of at least 40 hours per week or receiving "excess" earnings (prorated over the period of work and leave).

Section 11. AS 23.20.526(a) was amended in 1982 by adding paragraph (22) to exclude from UI coverage certain corporate officers who control at least 25 percent of corporate stock. Subparagraph (D) of paragraph (22) specifies that the corporate officer must agree to noncoverage. The U.S. Department of Labor now believes that subparagraph (D) constitutes a waiver of benefit rights. This raises an issue of conformity with Sec. 303(a)(1) of the Social Security Act, which is interpreted as forbidding any waiver, assignment, pledge, or encumbrance of a right to unemployment compensation. (Such a waiver would also be contrary to AS 23.20.395.)

This conformity issue could result in the withholding of administrative grants to Alaska. The proposed repeal of subparagraph (D) would remove the "waiver", resulting in an outright exclusion of coverage for these corporate officers and resolving the conformity problem.

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

3/7/84

Date

3/22/84

Mr. President

The Committee on LABOR AND COMMERCE considered SB 525
unemployment insurance; efd.

and (a majority of the committee) (the committee) reports it back with
the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Handwritten signatures]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signature]

Chairman

[Handwritten signature]

Chairman Recommendation

Introduced: 3/7/84
Referred: Labor and Commerce and
Finance

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 525

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to unemployment insurance; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 23.20.130(d) is amended to read:

10 (d) The training and building fund consists of all interest and
11 penalties collected under AS 23.20.185, 23.20.190₁ and 23.20.195 and
12 all sums recovered on official bond for losses sustained by the fund.
13 Training and building fund money shall be deposited in the clearing
14 account of the unemployment compensation fund for clearance only, and
15 does not become a part of the fund. The unobligated amount in the
16 training and building fund in excess of \$100,000 on the close of
17 business of the 30th day following the last day of each fiscal year
18 shall be transferred within 20 days to this state's account in the
19 unemployment trust fund. The fund shall be included in the budget
20 submitted to the legislature under the Executive Budget Act (AS 37.-
21 07). Funds available in the training and building fund shall be
22 expended upon the direction of the department, with the approval of
23 the governor, when it appears to the governor [HIM] that the expendi-
24 ture is necessary for but not limited to

25 (1) the proper administration of this chapter if no federal
26 funds are available for the specific purpose for which the expenditure
27 is to be made, and if the funds are not substituted for appropriations
28 from federal funds that [WHICH] would be made available in the absence
29 of those funds;

1 (2) the proper administration of this chapter, if [FOR
2 WHICH PURPOSE] appropriations from federal funds have been requested
3 but not yet received, and [IF] the training and building fund will be
4 reimbursed upon receipt of the requested federal appropriation;

5 (3) the purposes specified in AS 23.15.611;

6 (4) the purposes specified in AS 23.20.075.

7 * Sec. 2. AS 23.20.170 is amended by adding a new subsection to read:

8 (c) The standard rate of contributions with respect to employ-
9 ment is 5.4 percent of wages paid. Reductions from the standard rate
10 may only be made under this section and AS 23.20.280 - 23.20.310.

11 * Sec. 3. AS 23.20.290(c) is amended to read:

12 (c) Beginning January 1, 1981, the rate of contributions for
13 each employer is 82 percent of the average benefit cost rate multi-
14 plied by the employer's experience factor set out in column C of the
15 table in this subsection opposite the employer's [HIS] applicable rate
16 class set out in column A plus the fund solvency contribution required
17 under (f) of this section. However, the rate of contributions for an
18 employer may not be less than one percent or more than six and one-
19 half percent. The rate of contributions for an employer in rate class
20 21 may not be less than 5.4 percent. The rate of contributions for an
21 employer must be rounded to the nearest one-hundredth of one percent.

22	COLUMN A		COLUMN B		COLUMN C
23	Rate Class		Cumulative		Experience
24			Ratable Payroll		Factor
25		at least		but less than	
26		(percent)		(percent)	
27	1		5		.40
28	2	5	10		.45
29	3	10	15		.50

1	4	15	20	.55
2	5	20	25	.60
3	6	25	30	.65
4	7	30	35	.70
5	8	35	40	.80
6	9	40	45	.90
7	10	45	50	1.00
8	11	50	55	1.00
9	12	55	60	1.10
10	13	60	65	1.20
11	14	65	70	1.30
12	15	70	75	1.35
13	16	75	80	1.40
14	17	80	85	1.45
15	18	85	90	1.50
16	19	90	95	1.55
17	20	95	<u>99.99</u>	1.60
18	<u>21</u>	<u>99.99</u>		<u>1.65</u>

19 * Sec. 4. AS 23.20.350(d) is amended to read:

20 (d) An individual who is eligible under (a) of this section is
 21 entitled to receive the weekly benefit amount set out in column (B) of
 22 the table in this subsection that [WHICH] is opposite the amount set
 23 out in column (A) of the individual's base period wages determined
 24 under (c) of this section:

(A)		(B)
Base Period Wages		Weekly Benefit Amount
At Least	But less than	
28	0 1,000	\$ 0
29	1,000 1,250	34

1	1,250	1,500	36
2	1,500	1,750	38
3	1,750	2,000	40
4	2,000	2,250	42
5	2,250	2,500	44
6	2,500	2,750	46
7	2,750	3,000	48
8	3,000	3,250	50
9	3,250	3,500	52
10	3,500	3,750	54
11	3,750	4,000	56
12	4,000	4,250	58
13	4,250	4,500	60
14	4,500	4,750	62
15	4,750	5,000	64
16	5,000	5,250	66
17	5,250	5,500	68
18	5,500	5,750	70
19	5,750	6,000	72
20	6,000	6,250	74
21	6,250	6,500	76
22	6,500	6,750	78
23	6,750	7,000	80
24	7,000	7,250	82
25	7,250	7,500	84
26	7,500	7,750	86
27	7,750	8,000	88
28	8,000	8,250	90
29	8,250	8,500	92

1	8,500	8,750	94
2	8,750	9,000	96
3	9,000	9,250	98
4	9,250	9,500	100
5	9,500	9,750	102
6	9,750	10,000	104
7	10,000	10,250	106
8	10,250	10,500	108
9	10,500	10,750	110
10	10,750	11,000	112
11	11,000	11,250	114
12	11,250	11,500	116
13	11,500	11,750	118
14	11,750	12,000	120
15	12,000	12,250	122
16	12,250	12,500	124
17	12,500	12,750	126
18	12,750	13,000	128
19	13,000	13,250	130
20	13,250	13,500	132
21	13,500	13,750	134
22	13,750	14,000	136
23	14,000	14,250	138
24	14,250	14,500	140
25	14,500	14,750	142
26	14,750	15,000	144
27	15,000	15,200	146
28	15,200	15,400	148
29	15,400	15,600	150

1	15,600	15,800	152
2	15,800	16,000	154
3	16,000	<u>16,200</u>	156
4	<u>16,200</u>	<u>16,400</u>	158
5	<u>16,400</u>	<u>16,600</u>	160
6	<u>16,600</u>	<u>16,800</u>	162
7	<u>16,800</u>	<u>17,000</u>	164
8	<u>17,000</u>	<u>17,200</u>	166
9	<u>17,200</u>	<u>17,400</u>	168
10	<u>17,400</u>	<u>17,500</u>	170
11	<u>17,600</u>	<u>17,800</u>	172
12	<u>17,800</u>	<u>18,000</u>	174
13	<u>18,000</u>	<u>18,200</u>	176
14	<u>18,200</u>	<u>18,400</u>	178
15	<u>18,400</u>	<u>18,600</u>	180
16	<u>18,600</u>	<u>18,800</u>	182
17	<u>18,800</u>	<u>19,000</u>	184
18	<u>19,000</u>	<u>19,200</u>	186
19	<u>19,200</u>	<u>19,400</u>	188
20	<u>19,400</u>	<u>19,600</u>	190
21	<u>19,600</u>	<u>19,800</u>	192
22	<u>19,800</u>	<u>20,000</u>	194
23	<u>20,000</u>	<u>20,200</u>	196
24	<u>20,200</u>		198

25 * Sec. 5. AS 23.20.350(f) is repealed and reenacted to read:

26 (f) An individual who establishes a benefit year is eligible for
27 an allowance for dependents in addition to the individual's weekly
28 benefit amount. The department may require an individual claiming or
29 receiving an allowance for dependents to produce income tax returns,

1 birth certificates, notices of adoption or custody, social security
2 account number of spouse, verification of support documents, or other
3 information necessary to verify that the allowance is payable to the
4 individual. The allowance for dependents

5 (1) is \$24 per week for each dependent, except that the
6 total allowance for dependents paid to an individual may not exceed
7 \$72 for each week of unemployment;

8 (2) is payable beginning with the week during the benefit
9 year in which the individual claims an allowance for the dependent and
10 is payable for the remainder of the individual's eligibility for
11 regular, extended, or supplemental payments during the benefit year;

12 (3) may not be claimed for a new dependent after the end of
13 the benefit year or after the exhaustion of regular benefits in the
14 benefit year;

15 (4) may not be paid to an individual if

16 (A) that dependent has been claimed by another indi-
17 vidual;

18 (B) the other individual has been found eligible to
19 receive the allowance for the dependent; and

20 (C) the benefit year of the other individual has not
21 expired; and

22 (5) may be paid only if the department determines that no
23 other individual having an unexpired benefit year has been found
24 eligible for an allowance for the same dependent.

25 * Sec. 6. AS 23.20.350(g)(1) is amended to read:

26 (1) "dependent" means an individual's

27 (A) unmarried child, stepchild, legally adopted child,
28 or legal ward under 18 years of age who is

29 (i) lawfully in the individual's physical custody

1 at the time the individual claims the allowance for depen-
2 dents; or

3 (ii) dependent on the individual for more than 50
4 percent of support;

5 (B) unmarried child, stepchild, legally adopted child,
6 or legal ward of any age who is dependent on the individual for
7 more than 50 percent of support and who is prevented by infirmity
8 from engaging in a gainful occupation;

9 * Sec. 7. AS 23.20.362(c) is amended to read:

10 (c) The amount of benefits payable to an insured worker for a
11 week of unemployment shall be reduced by the amount of any severance
12 or termination payment, wages in lieu of dismissal notice, or payment
13 for vacation, sick leave, or holidays which is attributable to that
14 week [PAYMENT ATTRIBUTABLE TO THAT WEEK WHICH COMPENSATES THE INSURED
15 WORKER FOR A DISMISSAL FROM EMPLOYMENT WITHOUT NOTICE, OR FOR ACCRUED
16 VACATION, SICK LEAVE, OR HOLIDAYS].

17 * Sec. 8. AS 23.20.381 is amended by adding new subsections to read:

18 (h) Benefits based on services for an educational institution in
19 other than an instructional, research, or principal administrative
20 capacity shall not be paid to an individual for a week of unemployment
21 that begins during the period between two successive academic years or
22 terms if the individual performed those services in the first of those
23 academic years or terms and there is a reasonable assurance that the
24 individual will perform those services in the second of those academic
25 years or terms. If an individual is denied benefits for any week
26 under this subsection and the individual is not later offered an
27 opportunity to perform services for the educational institution in the
28 second academic year or term, the individual is entitled to a retroac-
29 tive payment of benefits for each week for which the individual filed

1 a timely claim for benefits and for which benefits were denied solely
2 under this subsection.

3 (i) Benefits based on services described in (e) and (h) of this
4 section shall not be paid to an individual for a week that begins
5 during an established and customary vacation period or holiday recess
6 if the individual performs those services in the period immediately
7 before the vacation period or holiday recess and there is a reasonable
8 assurance that the individual will perform those services in the
9 period immediately following the vacation period or holiday recess.

10 (j) Benefits based on services described in (e) and (h) of this
11 section shall be denied under (e), (h), and (i) of this section to an
12 individual who performed those services in an educational institution
13 while in the employ of an educational service agency. For the purpose
14 of this subsection, "educational service agency" means a governmental
15 agency or governmental entity that is established and operated exclu-
16 sively for the purpose of providing services to one or more education-
17 al institutions.

18 * Sec. 9. AS 23.20.406(c) is amended to read:

19 (c) Notwithstanding (a) and (b) of this section, an individual
20 is ineligible for payment of extended benefits for any week of unem-
21 ployment in the individual's [HIS] eligibility period if the depart-
22 ment finds that during that period

23 (1) the individual [HE] failed to accept an offer of suit-
24 able work as defined under (k) of this section or failed to apply for
25 suitable work to which the individual [HE] was referred by the depart-
26 ment; or

27 (2) the individual [HE] failed to actively seek work as
28 prescribed under (f) of this section, except that the eligibility of
29 the individual will be determined under AS 23.20.378 without regard to

1 the disqualification provisions otherwise applicable under (d) of this
2 section if the individual is not actively engaged in seeking work
3 because the individual is (A) summoned for jury duty before a court of
4 the United States or any state; or (B) hospitalized for treatment of
5 an emergency or life-threatening condition.

6 * Sec. 10. AS 23.20.505 is amended by adding a new subsection to read:

7 (d) An individual is not considered "unemployed" in a week if

8 (1) the individual is not performing services during that
9 week because the individual is on leave from the regular employer of
10 the individual for a period of four weeks or less; and

11 (2) the leave is part of a work schedule consisting of
12 alternating periods of work and leave in which the hours of work for
13 one complete period of work and leave average at least 40 hours per
14 week.

15 * Sec. 11. AS 23.20.526(a)(22) is amended to read:

16 (22) service performed for a corporation by an employee of
17 the corporation if

18 (A) the corporation is incorporated under AS 10.05;

19 (B) the corporation is not a government corporation;

20 and

21 (C) the employee is an executive officer of the corpo-
22 ration who directly or indirectly owns 25 percent or more of the
23 voting securities of the corporation [; AND

24 (D) THE EXECUTIVE OFFICER AGREES THAT THE SERVICES NOT
25 BE "EMPLOYMENT" UNDER THIS PARAGRAPH].

26 * Sec. 12. Sections 2 and 3 of this Act take effect January 1, 1985.

27 * Sec. 13. Sections 4 - 6 of this Act take effect October 1, 1984, and
28 apply to benefit years established after September 30, 1984.

29 * Sec. 14. Section 11 of this Act takes effect July 1, 1984.

1 * Sec. 15. Sections 1 and 7 - 10 of this Act take effect immediately in
2 accordance with AS 01.10.070(c).