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HB 329 File Contents

April 18, 1985 Meeting

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INTRODUCTION OF BILLS (House)(cont'd)

HB 328 (cont'd)

Introduced March 27 and referred to Labor & Commerce.

Child
Employment

HOUSE BILL NO. 329, by Reps. Shultz and Marrou. Would exclude from the definition of employment in the Alaska Employment Security Act (AS 23.20) "...service performed by a child under the age of 19 who is either in the employ of the child's father or mother or attending school and employed outside required school hours or during school vacation." Note: the law currently reads: "Exclusions from the definition of 'employment.' (a) In this chapter, unless the context otherwise requires, 'employment' does not include... service performed by a child under the age of 18 in the employ of the child's father or mother." The amendment would apply only to service performed after this law takes effect. Provides Act takes effect immediately.

Introduced March 27 and referred to Labor & Commerce, Judiciary.

Criminally &
Exploited
Children
(spec. Trooper
unit)

HOUSE BILL NO. 330, by Reps. Cotten, Hanley, Szymanski, Phillips, Taylor, Jenkins, Sund & Cotten. See SB 219, page 392, similar topic. Would establish in the Dept. of Public Safety, Division of State Troopers, a special unit for investigating incidents of missing children and the criminal exploitation of children. Would require the Commissioner of Public Safety to submit annually a report to the Legislature concerning the activities of the special unit. Provides Act takes effect July 1, 1985.

Introduced March 27 and referred to State Affairs, Judiciary, Finance.

Commercial
Fishing Gear
(2nd degree
theft)

HOUSE BILL NO. 331, by Reps. Thompson, Sund and Marrou. See Senate Bill 245, page 472, identical.

Introduced March 27 and referred to the House Special Committee on Fisheries, Judiciary, Finance.

Mobile Home
Park Eviction

HOUSE BILL NO. 332, by Reps. Gruenberg, Jenkins, Pourchot and Uehling. See Senate Bill 188, page 336, nearly identical --prohibits the eviction of a mobile home, mobile home park dweller or tenant (Senate version did not include tenant). Remaining language identical.

Introduced March 27 and referred to Judiciary.

Appropriation
(special)
(Small World)

HOUSE BILL NO. 333, by Rep. Thompson. Makes a special appropriation of the amount of \$1,007,975 to the Dept. of Community & Regional Affairs for payment as a grant to Small World, Inc., for construction of a nonprofit developmental daycare and preschool center in Kodiak. Appropriation to be disbursed in accordance with laws governing grants to named recipients. Provides Act takes effect immediately.

Introduced March 27 and referred to Community & Regional Affairs, Finance.

ANALYSIS OF HB 329

Section 1. AS 23.20.526 (a) (4) is amended to include a child under the age 19 and who is either employed by his father or mother or attending school and employed outside required school hours or during school vacation.

Section 2. The amendment to AS 23.20.526 (a) (4) in Sec. 1. of this Act applies to service performed after the effective date of this Act.

Section 3. Act takes effect immediately.

BACKGROUND OF HB 329

YOUNG PEOPLE CONTRIBUTE TO THE UNEMPLOYMENT COMPENSATION PROGRAM WHEREEVER THEY WORK UNLESS THEY ARE WORKING FOR THEIR FOLKS AND ARE UNDER 18.

SOME OF THESE YOUNG PEOPLE PUT THEMSELVES THROUGH SCHOOL BY WORKING PART TIME FOR SOME ONE OTHER THAN THEIR OWN PARENTS. THEY MAKE THEIR CONTRIBUTIONS TO THE UNEMPLOYMENT COMPENSATION PROGRAM BUT THEY DON'T WORK ENOUGH QUARTERS TO BE ABLE TO DRAW ANY BENEFITS. THIS BILL WILL EXEMPT THOSE PEOPLE UP TO THE AGE 19 AND WORKING ON A PART TIME BASIS FROM CONTRIBUTING.

THIS BILL HAS BEEN NEEDED FOR YEARS AND WILL ALLOW MORE TAKE HOME PAY FOR THE PERSON WORKING PART TIME WHO CAN'T DRAW ANY BENEFITS FROM UNEMPLOYMENT COMPENSATION.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
 Bill/Resolution No.: HB 329
 Title: "An Act excluding certain service from... Employment Sec. Act"
 Sponsor: Schultz and Harrou
 Requestor: House Labor & Commerce
 Date of Request: 04-01-85

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 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOT OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: John W. Shay, Jr. Phone: 465-2712
 Division: Employment Security Date: 04-02-85
 Approved by Commissioner: Jim Robison Date: 04-02-85
 Agency: Labor

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

7/1/84

Bill No. HB No. 329

Title

Date April 17, 1985

Contact:

"An Act excluding certain service from the definition of employment in the Alaska Employment Security Act; and providing for an effective date."

Harry Sturrock
465-2712
Eileen Plate
465-2700

The Department of Labor opposes the proposed exclusion from UI coverage of individuals under the age of 19 who are attending school, as proposed in HB 329. The current provision excludes individuals under the age of 18 who are engaged in "family" employment. This exclusion is narrow and specific. The proposed amendment in HB 329, by raising the age limit and including school attendees, rules out a much larger class of workers, many of whom we believe should be compensable under the principles of the Unemployment Insurance program.

Not all of these individuals are full-time students with minimal labor force attachment. Many of them actually reverse the normal pattern of school attendance and work --- attending school only a few hours per day or week and working virtually full-time. The proposed amendment would deny these individuals along with full-time students. In addition, many of these younger workers are (or will be) attempting to enter the labor market for the first time, and they will tend to experience longer periods of unemployment while establishing themselves in an occupation. We believe it is consistent with the purpose of the UI program that wage credits be available to these workers during this period.

While we agree that students who are not in the labor market and not attempting to find work when filing UI claims should be denied benefits, current eligibility criteria in the Act are already sufficient to disqualify these individuals (see AS 23.20.378(c)). Disqualifying ineligible individuals when they file is by far more equitable than simply denying coverage in advance to a whole class of individuals without regard to what their labor market attachment may be at the time they actually file claims.

Of course, one presumed result of the proposed amendment would be a net tax savings to employers in industries with a significant "student" work force. While no precise statistics are available at this time, the effect can be predicted, and we believe the perceived savings may be illusory.

Each employer is required to pay a federal unemployment tax of 6% (plus a .2% surcharge) on the first \$7,000 of wages of each employee. A credit of up to 90% of the basic federal tax (i.e. a credit of 5.4% leaving a net tax plus surcharge of .8%) is available to an employer who pays into an approved state UI trust fund.

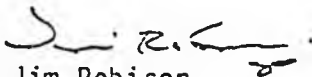
POSITION PAPER/Department of Labor

The credit is two tiered: the first tier is the amount of state tax the employer actually pays on his covered employees, and the second tier is the amount the employer would have paid on his covered employees if taxed at the highest state rate. Because both federal and state unemployment taxes are aggregated in figuring the credit, the available credit is dependent on the number of employees covered under state law and the amount of wages paid to them. Employers would continue to be liable for the 6.2% federal tax on the first \$7,000 in wages of the affected employees. In order to realize a net tax savings the employer must pay sufficient taxable wages to remaining employees to generate enough federal tax credit to make up for the loss of credit on the affected employees and/or realize sufficient state tax savings after excluding the "student" employees to offset the additional federal tax liability on these employees caused by the loss of the credit. Unless the employer pays yearly wages well in excess of the \$7,000 federal tax base on his student employees or has sufficient other highly paid employees to generate "excess" credit, the employer may actually pay an increased total federal/state tax under the proposed exclusion, as described in the example shown on the attached.

During 1984, 1,566 youth, 19 years and younger, were paid unemployment insurance benefits. Although these persons were not students when being paid UI, it is assumed a majority of them earned these wages qualifying them for UI while attending school.

There will also be additional administrative and record keeping problems associated with the proposed exclusion. Employers would be required to verify the age and school attendance of the excluded employees, and both of these factors would vary over time.

Approved


Jim Robison
Commissioner

EXAMPLE

Assumptions: Food Service establishment: 10 employees; 2 management and 8 youth.
Managers earn \$30,000 per year and youth earn \$7,000 per year.
Current average state UI rate for food service is 2.4%. State UI wage base is \$21,800.
FUTA charges for employer is 6.2% of \$7,000 (.8% if state law in conformity).

CURRENT LAW

State UI

\$21,800 x 2 =	\$43,600
\$ 7,000 x 8 =	\$56,000
Total Covered Wages:	\$99,600
UI Rate:	x .024
Total State UI tax pd by employer	\$2,390.40

FUTA

Total FUTA wages

10 x \$7,000 =	\$70,000
FUTA rate (.8%) =	x .008
Total FUTA employer pays:	\$ 560.00

State UI Tax	\$ 2,390.40
FUTA Tax	\$ 560.00
Total Tax pd by Employer	\$ 2,950.40

PROPOSED LAW

State UI

\$21,800 x 2 =	\$43,600
UI Rate:	x .024
State UI tax pd by employer	\$1,046.40

FUTA

Total FUTA wages

10 x \$7,000 =	\$70,000
FUTA max. rate =	x .062
FUTA takes	\$ 4,340.00
minus credit for 2 covered employees:	
\$21,800 x 5.4% =	\$-2,354.40
Total FUTA for empl.	\$ 1,985.60

State UI Tax	\$ 1,046.40
FUTA Tax	\$ 1,985.60
Total Tax pd by Employer	\$ 3,032.00

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 01/31/86

REQUEST

Bill/Resolution No. : HB 329
 Title : "An Act excluding certain service from ... Employment Security Act"

Sponsor : Schultz & Marrou
 Requestor : House Labor & Commerce
 Date of Request : 3-1-85

FISCAL DETAIL

Agency Affected : Labor
 BRU : Employment Security

Components : Unemployment Insurance

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : John W. Shay, Jr. Director
 Division : Employment Security

Phone : 465-2712
 Date : 02/03/86

Approved by Commissioner : Jim Robison
 Agency : Labor

Date : 02/03/86

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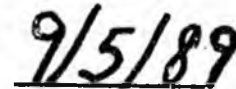


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