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Committee Substitute for  
House Bill 681  
Section-by-Section Analysis

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OVERVIEW

The Department of Labor, Employment Security Division, Unemployment Insurance Section, operating under AS 23.20 pays temporary unemployment insurance benefits to qualified individuals and collects contributions to support the level of benefits. Both employers and employees pay contributions into the trust fund, similar to paying insurance premiums.

HB 681 provides certain enhancements and housekeeping changes to AS 23.20, as follows:

- increases current unemployment insurance benefits
- ties weekly benefit amounts to wages in the state
- liberalizes the dependent's allowance
- establishes an employee surcharge so that employers do not bear the costs of the increase in the unemployment insurance weekly benefit amount.
- imposes a penalty on claimants who defraud the benefit system and improves the department's ability to collect delinquent employer contributions and to recover from claimants benefits which were fraudulently obtained.
- provides relief to claimants who presently are not eligible for full benefits because their employer has gone bankrupt and has not reported any earnings for them.

SECTION-BY-SECTION ANALYSIS

SECTION 1:

This section provides that a fish processor's surety bond, required under AS 16.10.290(a), may be attached for unpaid unemployment insurance taxes. Under this proposal, wages and payment for raw fish would continue to have first priority on any action against a bond. One fourth of the fish processors in the state are delinquent in paying their unemployment taxes. This resulted in a loss to the UI Trust Fund of about \$545,000 in calendar year 1984.

SECTION 2:

This section provides for deposit of the penalty imposed under AS 23.20.390(f) into the Training and Building Fund where other penalties and interest are deposited.

SECTION 3:

Section 3 is a housekeeping measure to provide for the 10% penalty on delinquent employer reports and taxes to be optional instead of mandatory. This provision is not presently enforced.

SECTIONS 4, 5, 6, 7, AND 8:

Sections 4, 6, 7, and 8 provide the funding mechanism for the adjustment to the benefit formula and schedule in Section 9. Section 8, provides for a surcharge on all employees to pay for the cost of the difference in benefits between the current schedule and the schedule that will be generated by the benefit formula on October 1, 1986. Employees will bear the cost of this one-time increase in benefits on an ongoing basis. Any subsequent increases in benefits that the formula generates will be financed under the rate determination methodology in current statute.

Sections 4 & 5 of the bill provides for nonprofit organizations, who reimburse the U.I. Trust Fund for payments made to their former employees, to continue to pay the full state share of extended benefits. Under current law nonprofit organizations pay 50% (the state share) with the federal share being 50% also. Under the Gramm-Rudman-Hollings Act, the federal share of extended benefit payments will decrease because it is subject to sequester. Sections 4 and 5 therefore, provide for nonprofits to continue to pay the full state share which may fluctuate as a result of fluctuation in the federal share.

SECTION 9:

This section modifies the unemployment insurance benefit schedule by providing a formula to define the amount of benefits to be paid. The formula ties the level of weekly benefits to the wages paid in Alaska. Benefits would adjust upward or downward annually as a result of changes in annual wages. The schedule is also expanded to provide higher benefits to higher wage earners as well as a modest increase for all recipients. This formula results in an increase in the maximum weekly benefit amount to \$246 the first year.

This section also liberalizes the provisions covering dependents allowance payments. Presently a dependent claimed by one parent cannot be claimed by the other parent until the first person's benefit year has expired (even if they have no remaining benefits to receive). This proposal allows each parent to claim the same dependents. Three dependents is the most that can be claimed by any one claimant.

SECTION 10:

This section provides for a penalty to be assessed on individuals who are disqualified for fraudulent receipt of benefits. Currently persons who fraudulently receive benefits are disqualified from receiving benefits for a specified period of time and must repay the benefits fraudulently received (similar to an interest-free loan). As a further disincentive for fraud, the department's proposal would provide for the same disqualification period and restitution requirement and add a penalty of 50% of the amount overpaid.

SECTIONS 11 AND 12:

Sections 11 and 12 establish provisions for liens and attachment of property to facilitate the collection of overpayments that are caused by fraudulent receipt of benefits.

SECTION 13:

Section 13 is a housekeeping measure that moves the definition of employer, as it relates to corporate officers, members or employees from AS 23.20.240 to AS 23.20.520(13). This places the definition of employer all in one place in the statute. This definition of employer would now apply throughout AS 23.20.

SECTION 15:

Section 15 expands the definition of wages to include earnings for work that an employee performs but is not paid because the employer files for bankruptcy. Under current law, an individual's eligibility for unemployment insurance cannot be based on this work because the wages were not paid.

SECTIONS 14, 16, AND 17:

These sections are housekeeping measures. Section 14 references AS 23.20.351, the section that now contains the benefit eligibility criteria. Section 16 and 17 repeal statutes that are either outdated or repetitive.

SECTION 18:

Provides for estimating collected surcharge in Section 6 of this act for 1987 and 1988.

SECTIONS 19, 20, AND 21:

These sections establish effective dates.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 681 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH 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 16.10.290(a) is amended to read:

10 (a) A fish processor or primary fish buyer shall file with the  
11 commissioner of labor a surety bond running to the State of Alaska  
12 conditioned upon the promise to pay (1) all persons furnishing labor  
13 to a fish processor or primary fish buyer, including contractual  
14 employee benefits; [AND] (2) independent registered commercial fisher-  
15 men for the price of the raw fishery resource purchased from them; and  
16 (3) unemployment insurance contributions. The surety or sureties must  
17 [SHALL] be satisfactory, in the determination of the commissioner.

18 \* Sec. 2. AS 23.20.130(d) is amended to read:

19 (d) The training and building fund consists of all interest and  
20 penalties collected under AS 23.20.185, 23.20.190, [AND] 23.20.195,  
21 and 23.20.390, and all sums recovered on official bond for losses  
22 sustained by the fund. Training and building fund money shall be  
23 deposited in the clearing account of the unemployment compensation  
24 fund for clearance only, and does not become a part of the fund. The  
25 unobligated amount in the training and building fund in excess of  
26 \$100,000 on the close of business of the 30th day following the last  
27 day of each fiscal year shall be transferred within 20 days to this  
28 state's account in the unemployment trust fund. The fund must [SHALL]  
29 be included in the budget submitted to the legislature under the

1 Executive Budget Act (AS 37.07). Funds available in the training and  
2 building fund shall be expended upon the direction of the department,  
3 with the approval of the governor, when it appears to the governor  
4 that the expenditure is necessary for but not limited to

5 (1) the proper administration of this chapter if no federal  
6 funds are available for the specific purpose for which the expenditure  
7 is to be made, and if the funds are not substituted for appropriations  
8 from federal funds that would be made available in the absence of  
9 those funds.

10 (2) the proper administration of this chapter, if appro-  
11 priations from federal funds have been requested but not yet received,  
12 and the training and building fund will be reimbursed upon receipt of  
13 the requested federal appropriation;

14 (3) the purposes specified in AS 23.15.611;

15 (4) the purposes specified in AS 23.20.075.

16 \* Sec. 3. AS 23.20.195(a) is amended to read:

17 (a) If the contributions are unpaid after 30 days from the date  
18 of mailing or personal delivery of a written demand for payment, the  
19 department may [SHALL] assess and collect in the same manner as con-  
20 tributions a penalty equal to 10 percent of the contributions due. In  
21 no event may the penalty be less than \$10 [\$1].

22 \* Sec. 4. AS 23.20.277(b) is amended to read:

23 (b) At the end of each calendar quarter, or at the end of any  
24 other period as determined by the department, the department shall  
25 bill each nonprofit organization[, ] or group of nonprofit organiza-  
26 tions, and government entity, that [WHICH] has elected to make pay-  
27 ments in place of contributions for either (1) a portion, as deter-  
28 mined in (m) of this section, of the benefits attributable to it, or  
29 (2) 100 percent of the amount attributable to the organization or

1 entity if the election under (n) of this section is made. A nonprofit  
2 organization, or group of nonprofit organizations, must be attributed  
3 an amount equal to the full amount of regular benefits plus the state  
4 share [ONE-HALF OF THE AMOUNT] of extended benefits paid during the  
5 quarter or other prescribed period that results from service in the  
6 employ of the nonprofit organization. A [AND IN THE CASE OF A] gov-  
7 ernment entity that [WHICH] has elected to make payments under this  
8 section must be attributed an amount equal to the full amount of the  
9 regular benefits plus the full amount of the extended benefits paid  
10 during the quarter or other prescribed period that results from [IS  
11 ATTRIBUTABLE TO] service in the employ of the government entity [NON-  
12 PROFIT ORGANIZATION].

13 \* Sec. 5. AS 23.20.277(e) is amended to read:

14 (e) At the end of each taxable year, the department shall deter-  
15 mine whether the total of payments for the year made by a nonprofit  
16 organization is less than, or in excess of, the total amount of regu-  
17 lar benefits plus the state share [ONE-HALF OF THE AMOUNT] of extended  
18 benefits paid to individuals during the taxable year based on wages  
19 attributable to service in the employ of the nonprofit organization;  
20 and in the case of a government entity that has elected to make pay-  
21 ments under this section, whether the total of payments for the year  
22 is less than, or in excess of, the total amount of regular benefits  
23 plus the total amount of extended benefits as determined in this  
24 subsection. Each organization whose total payments for the taxable  
25 year are less than the amount so determined is liable for payment of  
26 the unpaid balance to the fund in accordance with (f) of this section.  
27 If the total payments exceed the amount so determined for the taxable  
28 year, all or part of the excess may, at the discretion of the depart-  
29 ment, be refunded from the fund or retained in the fund as part of the

1 payments that [WHICH] may be required for the next taxable year.

2 \* Sec. 6. AS 23.20.277 is amended by adding new subsections to read:

3 (m) An employer who is liable for payments in place of contribu-  
4 tions shall reimburse the department, for the fund, a percentage of  
5 the amount of benefits that is attributable to it under (b) of this  
6 section. The percentage shall be calculated and in effect on January  
7 1 of each year, and must be calculated by the following formula:  
8  $(PBC-PYS)/PBC$ , in which

9 (1) PBC = projected benefit cost, which is the amount that  
10 would have been paid on all weekly claims filed during the 12-month  
11 period ending the preceding June 30 by individuals employed by employ-  
12 ers who elected to make payments under (b) of this section, if the  
13 claims had been paid under the benefit schedule in effect the Octo-  
14 ber 1 following that 12-month period; and

15 (2) PYS = prior year surcharge, which is the total amount  
16 of surcharge collected under AS 23.20.290(g) during the 12-month  
17 period ending the preceding June 30.

18 (n) A nonprofit organization or government entity may elect to  
19 not collect from individuals in its employ the surcharge described in  
20 AS 23.20.290(g) and may instead reimburse the department, for the  
21 fund, 100 percent of the amount of benefits attributable to it under  
22 (b) of this section. The election shall be made in the same manner as  
23 an election of payments in place of contributions under AS 23.20.276.

24 \* Sec. 7. AS 23.20.290(e) is amended to read:

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

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

29 (2) the department shall subtract from the amount

1 determined in (1) of this subsection the amount of any benefits reim-  
2 bursed to the fund, [AND] the amount of interest earned on the trust  
3 fund balance, and the amount of revenue collected through the employee  
4 surcharge in (g) of this section during those computation years;

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

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

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

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

18 (7) the department shall divide the amount determined in  
19 (4) of this subsection by the amount determined in (6) of this sub-  
20 section; and

21 (8) the department shall divide the amount determined in  
22 (3) of this subsection by the amount determined in (7) of this sub-  
23 section.

24 \* Sec. 8. AS 23.20.290 is amended by adding a new subsection to read:

25 (g) A surcharge is payable by an insured worker to the depart-  
26 ment for the unemployment trust fund. An employer shall deduct the  
27 surcharge from the individual's wages, and treat it in the manner  
28 provided for handling employee contributions in AS 23.20.165(c). The  
29 surcharge payable by an insured worker in the employ of an employer

1 who makes contributions under AS 23.20.165 is .6 percent of wages  
2 paid. The surcharge payable by an insured worker in the employ of an  
3 employer who is subject to AS 23.20.277 or 23.20.278 is .2 percent of  
4 wages paid, unless the employer elects to fully reimburse the depart-  
5 ment under AS 23.20.277(n). For purposes of this subsection, "wages"  
6 do not include that part of remuneration described in AS 23.20.175-  
7 (c)(2).

8 \* Sec. 9. AS 23.20 is amended by adding a new section to read:

9 Sec. 23.20.351. AMOUNT OF BENEFITS. (a) An individual who is  
10 paid at least \$1,000 in wages during the individual's base period for  
11 employment covered by this chapter is eligible to receive benefits  
12 under this chapter if those wages were paid in at least two of the  
13 calendar quarters of the individual's base period.

14 (b) For the purpose of computing the benefits payable under this  
15 chapter, the base period wages of an insured worker are determined as  
16 follows:

17 (1) if the insured worker is paid 90 percent or more of the  
18 worker's wages in the calendar quarter of the worker's base period in  
19 which the worker was paid the greatest amount of wages, the base  
20 period wages are the wages paid in the quarters of the base period  
21 other than the one in which the greatest amount of wages were paid,  
22 multiplied by 10; and

23 (2) if the insured worker is paid less than 90 percent of  
24 the worker's wages in the calendar quarter of the worker's base period  
25 in which the worker was paid the greatest amount of wages, the base  
26 period wages are the wages paid to the worker during the base period.

27 (c) Each year the department shall compute a schedule of bene-  
28 fits for claims that are effective after September 30 of that year.  
29 The schedule shall be based on data compiled from claims effective

1 during the preceding calendar year.

2 (d) An individual who is eligible under (a) of this section, and  
3 whose claim is effective after September 30, 1986, is entitled to  
4 receive a weekly benefit amount as follows:

5 (1) if the individual's base period wage is equal to or  
6 greater than the wage of the claimant who is at the 75th percentile of  
7 all claimants eligible during the time period used in computing the  
8 schedule under (c) of this section, the individual is entitled to the  
9 maximum weekly benefit amount; the maximum weekly benefit amount is 48  
10 percent of the average weekly wage of the person at the 75th percen-  
11 tile of all claimants eligible during the time period used in comput-  
12 ing the schedule, rounded to the nearest even-numbered dollar;

13 (2) the weekly benefit amount for an eligible claimant who  
14 is not covered by (1) of this subsection is calculated under the  
15 following formula:  $wba = mb - 2((mw-bpw)/250)$ , rounded to the next  
16 lower even-numbered dollar, or 10 percent of the state average weekly  
17 wage for the time period used in computing the schedule under (c) of  
18 this section, rounded to the nearest even-numbered dollar, whichever  
19 is greater;

20 (3) in (2) of this subsection,

21 (A) wba = weekly benefit amount;

22 (B) mb = maximum weekly benefit, as provided in (1)  
23 of this subsection;

24 (C) mw = the base period wage of the person at the  
25 75th percentile of all claimants eligible during the time period  
26 used in computing the schedule; and

27 (D) bpw = the claimant's base period wage.

28 (e) An individual described in (d) of this section is entitled  
29 to receive a weekly benefit under this chapter for the number of weeks

1 set out in column (B) of the table in this subsection opposite the  
2 applicable earnings ratio of the individual set out in column (A):

3 (A)	(B)
4 Earnings Ratio	Number of Weeks
5 less than 1.49	16
6 1.50 - 1.99	18
7 2.00 - 2.49	20
8 2.50 - 2.99	22
9 3.00 - 3.49	24
10 3.50 or more	26

11 (f) An individual who establishes a benefit year after  
12 September 30, 1986, is eligible for an allowance for dependents in  
13 addition to the individual's weekly benefit amount. The department  
14 may require an individual claiming or receiving an allowance for  
15 dependents to produce income tax returns, birth certificates, notices  
16 of adoption or custody, social security account number of spouse,  
17 verification of support documents, or other information necessary to  
18 verify that the allowance is payable to the individual. The allowance  
19 for dependents

20 (1) is \$24 per week for each dependent, except that the  
21 total allowance for dependents paid to an individual may not exceed  
22 \$72 for each week of unemployment;

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

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

1 benefit year.

2 (g) In this section,

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

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

6 (i) lawfully in the individual's physical custody  
7 at the time the individual claims the allowance for depen-  
8 dents; or

9 (ii) dependent on the individual for more than 50  
10 percent of support;

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

15 (2) "earnings ratio" means the ratio obtained by dividing  
16 the total base period wages of the insured worker by the wages paid in  
17 the quarter of the base period in which the worker was paid the great-  
18 est amount of wages;

19 (3) "state average weekly wage" means the average annual  
20 wage, as defined in AS 23.20.520, divided by 52.

21 \* Sec. 10. AS 23.20.390 is amended by adding a new subsection to read:

22 (f) In addition to the liability under (a) of this section for  
23 the amount of benefits improperly paid, an individual who is disqual-  
24 ified from receipt of benefits under AS 23.20.387 is liable to the  
25 department for a penalty in an amount equal to 50 percent of the  
26 benefits that were obtained by knowingly making a false statement or  
27 misrepresenting a material fact, or knowingly failing to report a  
28 material fact, with the intent to obtain or increase benefits under  
29 this chapter. The department may, in accordance with regulations

1 adopted under this chapter, waive the collection of a penalty under  
2 this section. The department shall transfer the penalty collected to  
3 the training and building fund.

4 \* Sec. 11. AS 23.20 is amended by adding a new section to read:

5 Sec. 23.20.391. LIEN. (a) A claim for benefits that have been  
6 improperly paid as a result of a false statement, misrepresentation,  
7 or omission, as described in AS 23.20.390(f), including a penalty, not  
8 paid when due is a lien in favor of the state against all the real and  
9 personal property of the individual.

10 (b) The claim becomes a lien when the department files a notice  
11 of the lien with the recording officer of the recording district in  
12 which the property is located. The claim becomes a lien on a motor  
13 vehicle when the department files a notice of the lien in the office  
14 of the commissioner of public safety. Filing of the notice of lien is  
15 constructive notice to creditors of the owner, and to subsequent  
16 purchasers and encumbrancers, of the lien against the property de-  
17 scribed in the notice.

18 (c) The department may release a notice of lien by filing a  
19 certificate of release in the manner prescribed for the filing of a  
20 notice of lien. The department may not file a certificate of release  
21 until the amount of the claim, including a penalty, if any, is paid,  
22 or until it receives assurance of payment that it considers adequate,  
23 or until the individual is absolved from liability under AS 23.20.-  
24 390(b).

25 \* Sec. 12. AS 23.20 is amended by adding new sections to read:

26 Sec. 23.20.393. NOTICE OF ASSESSMENT, DISTRAINT AND SEIZURE.

27 (a) If the department's determination of liability under AS 23.20.-  
28 390(f) is final and the individual has not made repayment within 90  
29 days, the department may issue a notice of assessment, specifying the

1 amount due, and may serve it on the individual. A peace officer or an  
2 authorized representative of the department may serve the notice  
3 personally or the department may mail the notice by certified or  
4 registered mail with return receipt requested.

5 (b) If the notice is served by mail, the notice shall be depos-  
6 ited in the post office, postage paid, and addressed to the individual  
7 at the individual's last address of record. The date of service is  
8 considered to be the day of delivery shown on the delivery receipt.  
9 However, if the department determines that the addressee is deliber-  
10 ately avoiding service, then the date of service is the day of mail-  
11 ing.

12 (c) If the amount assessed is not paid within 30 days after  
13 personal service or mailing of the notice, the department may collect  
14 the amount stated in the assessment by the distraint or seizure of the  
15 property, assets, goods, and effects of the individual. Goods and  
16 property exempt from execution under the laws of this state are exempt  
17 from distraint under this section.

18 Sec. 23.20.394. NOTICE AND ORDER TO WITHHOLD AND DELIVER. (a)  
19 The department may issue to a person or a political subdivision or  
20 department of the state a notice and order to withhold and deliver  
21 property of any kind if

22 (1) the department has reason to believe that the person,  
23 political subdivision, or department possesses property that is due or  
24 owing, or is the property of another person; and

25 (2) notice of assessment has been served at least 30 days  
26 before the issuance of the notice and order to withhold and deliver.

27 (b) A peace officer or an authorized representative of the  
28 department may serve the notice and order to withhold and deliver.  
29 The person, political subdivision, or department upon whom service is

1 made shall answer the notice within 10 days.

2 (c) If the person, political subdivision, or department possess-  
3 es property, credits, or money subject to the claim of the department,  
4 it shall deliver the property to the department immediately upon  
5 demand.

6 (d) If a person fails to answer the notice and order to withhold  
7 and deliver within the time prescribed, the superior court in the  
8 judicial district in which the order is served may enter a judgment by  
9 default against the person for the full amount claimed by the depart-  
10 ment in the notice to withhold and deliver, together with costs.

11 \* Sec. 13. AS 23.20.520(13) is amended to read:

12 (13) "employer"

13 (A) means

14 (i) [(A)] an employing unit which for some portion  
15 of a day within the calendar year has or had in employment  
16 one or more individuals; and

17 (ii) [(B)] for the effective period of its election  
18 under AS 23.20.325, an employing unit which has elected to  
19 become subject to this chapter; and

20 (B) includes an officer or employee of a corporation or  
21 a member or employee of a partnership who, as an officer, em-  
22 ployee, or member, is under a duty to pay contributions, inter-  
23 est, and penalties;

24 \*\* Sec. 14. AS 23.20.520(21) is amended to read:

25 (21) "insured worker" means an individual who, with respect  
26 to a base period, meets the wage and employment requirements of  
27 AS 23.20.350 or 23.20.351, as applicable;

28 \* Sec. 15. AS 23.20.530(a) is amended to read:

29 (a) In this chapter, "wages" means all remuneration for service

1 from whatever source, including, but not limited to, insured work,  
2 noninsured work, or self-employment; commissions, bonuses, back pay  
3 and the cash value of all remuneration in a medium other than cash  
4 shall be treated as wages; gratuities customarily received by an  
5 individual in the course of service from persons other than the indi-  
6 vidual's employing unit may be treated as wages received from the  
7 employing unit only to the extent the individual reports the gratu-  
8 ities to the employing unit. The reasonable cash value of remunera-  
9 tion in a medium other than cash, and the reasonable amount of gratu-  
10 ities, shall be estimated and determined in accordance with regu-  
11 lations adopted by the department; notwithstanding AS 23.20.350(a),  
12 back pay awards shall be allocated to the weeks or quarters with  
13 respect to which the pay was earned. If the remuneration of an indi-  
14 vidual is not based upon a fixed period of time or if the individual's  
15 wages are paid in irregular intervals or in a manner which does not  
16 extend regularly over the period of employment, the wages shall be  
17 allocated to weeks or quarters in accordance with regulations adopted  
18 by the department. The regulations shall, so far as possible, produce  
19 results reasonably similar to those that [WHICH] would prevail if the  
20 individual's wages were paid at regular intervals. Wages earned for  
21 services performed, but not paid because the employer has filed for  
22 bankruptcy, are considered wages for the quarter in which they were  
23 earned.

24 .\* Sec. 16. AS 23.20.175(a), 23.20.190(e), 23.20.210(f), and 23.20.-  
25 277(1) are repealed.

26 \* Sec. 17. AS 23.20.350 is repealed.

27 \* Sec. 18. In 1987 and 1988, the percentage calculated under AS 23.-  
28 20.277(m), added by sec. 6 of this Act, shall be based on the estimated  
29 collected surcharge.

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\* Sec. 19. Sections ~~8~~ 9, 11, 12, and 14 of this Act take effect October 1, 1986.

\* Sec. 20. Sections 4, 5, 6, 7, <sup>8</sup> and 18 of this Act take effect January 1, 1987.

\* Sec. 21. Section 17 of this Act takes effect October 1, 1988.

Table 3-11. Payment Data, State Interim Benefits, 1984-1985

YEAR	NUMBER OF FIRST PAYMENTS	NUMBER OF WEEKS PAID	AMOUNT OF PAYMENTS	AVERAGE DURATION IN WEEKS	AVERAGE WEEKLY BENEFIT AMOUNT
1984	1,328	10,210	\$1,310,049	7.7	\$128.31
1985	1,464	11,970	\$1,743,616	8.2	\$145.67

## Recipients by Census Area, 1985

Area Code	Censu. Areas and Subareas	Number of Recipients	Percent of Total Recipients	Number of Weeks Paid	Percent of Total Weeks	Amount Paid	Percent of Total Amount
010	ALEUTIAN ISLANDS CA	7	0.5X	52	0.4X	\$5,558	0.3X
020	ANCHORAGE BOROUGH	523	35.7	4,265	35.6	622,397	35.7
050	BETHEL CA	107	7.3	810	6.8	129,490	7.4
060	BRISTOL BAY BOROUGH	1	0.1	9	0.1	666	.0
070	DILLINGHAM CA	9	0.6	82	0.7	7,677	0.4
090	FAIRBANKS NORTH STAR BOR.	190	13.0	1,587	13.3	271,624	15.6
100	HAIKES BOROUGH	2	0.1	24	0.2	2,758	0.2
110	JUNEAU BOROUGH	24	1.6	174	1.5	23,439	1.3
122	KENAI PENINSULA BOROUGH	138	9.4	1,279	10.7	171,118	9.8
130	KETCHIKAN GATEWAY BOROUGH	0	0.0	0	0.0	0	0.0
140	KOBUK CA	77	5.3	571	4.8	82,556	4.7
150	KODIAK ISLAND BOROUGH	13	0.9	97	0.8	13,415	0.8
170	KATANUSKA-SUSITNA BOROUGH	127	8.7	1,032	8.6	142,687	8.2
180	NOME CA	66	4.5	532	4.4	72,337	4.1
185	NORTH SLOPE BOROUGH	17	1.2	106	0.9	18,818	1.1
201	PRINCE OF WALES-OUTER KETCH.	17	1.2	104	0.9	13,624	0.8
270	SITKA BOROUGH	11	0.8	69	0.6	9,522	0.5
231	SKAGWAY-YAKUTAT-ANGDON CA	19	1.3	170	1.4	20,399	1.2
240	SOUTHEAST FAIRBANKS CA	8	0.5	65	0.5	7,074	0.4
261	VALDEZ-CORDOVA CA	6	0.4	52	0.4	,561	0.3
270	WADE HAMPTON CA	30	2.0	267	2.2	40,293	2.3
280	WRANGELL-PETERSBURG CA	9	0.6	84	0.7	12,701	0.7
290	YUKON-KOYUKUK CA	57	3.9	492	4.1	63,659	3.7
	AREA UNKNOWN	6	0.4	47	0.4	7,243	0.4
	IN-STATE TOTALS	1,464	100.0X	11,970	100.0X	\$1,743,616	100.0X

Note: 43 recipients filed claims from more than one area in 1985 and are assigned to the area in which they received the greatest amount of payments.

SOURCE: Alaska Department of Administration, Monthly Expenditure Journal.

# STATE OF ALASKA

## DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

P.O. BOX 1149  
JUNEAU, ALASKA 99802  
PHONE: (907) 465-2700

April 1, 1986

The Honorable Mike Navarre, Chairman  
Labor & Commerce Committee  
House of Representatives  
P.O. Box V  
Juneau, AK 99811

Dear Representative Navarre:

The Department of Labor would like to make five amendments to House Bill 681, as set out on the enclosed pages.

Also enclosed for your information is an explanation of each of the amendments.

I would appreciate your help in incorporating these amendments during the Labor and Commerce Committee's review of the bill.

Thank you.

Sincerely,



Jim Robison  
Commissioner

Enclosures

Department of Labor

Rationale/Explanation  
of Proposed Amendments  
to House Bill 681

Amendment 1:

Under current law nonprofit organizations pay 50% of extended benefits (the state share) with the federal share being 50%. Under the Gramm-Rudman-Hollings Act (The Balanced Budget and Emergency Deficit Control Act of 1985) the federal share of extended benefit payments will drop because it is subject to sequester. This action will increase the state share. This amendment therefore, adjusts the 50% formula to require nonprofit organizations, who reimburse the UI Trust Fund for payments made to their former employees instead of paying contributions to the fund, to continue to pay the total state share of extended benefits. There will be no change in the amount charged government entities because they currently reimburse 100% of extended benefits paid.

Amendment 2:

In addition to incorporating amendment #1 into the other subsection of AS 23.20.277 where the formula for non-profit organizations is also referenced, this amendment corrects the computation set out in AS 23.20.290(e)(2) which is used in determining employer tax rates. The need to amend this paragraph was overlooked when House Bill 681 was originally drafted. The amendment is needed so that the change in employee contributions provided in House Bill 681 is taken into account when employer tax rates are calculated. Without this amendment, an inflated employer tax rate would occur.

Amendment 3:

The reference to subsection (b) in line 22 of page 5 is incorrect. The proper reference is subsection (c) and the amendment proposed corrects this error.

Amendment 4:

The formula on lines 1 and 2 of page 6 is incorrectly displayed; and the amendment proposed corrects this error.

Amendment 5:

The reference to subsection (b) in line 4 of page 6 is incorrect. The proper reference is subsection (c) and the proposed amendment corrects this error.

Amendments 6, 7 and 8. The proposed amendment corrects errors in the effective dates for various provisions; and aligns the effective date provisions with the renumbering of the bill sections that will be required to incorporate the above-described amendments.

Department of Labor  
Proposed Amendments to  
House Bill 681

1. Amend lines 3 and 4 on page 3 to read:

equal to the full amount of regular benefits plus the state share  
[ONE-HALF OF THE AMOUNT] of extended benefits paid during the  
quarter or other pre-

2. Following line 11 on page 3, add two new sections to read:

Sec. 5. AS 23.20.277(e) is amended to read:

(e) At the end of each taxable year, the department shall determine whether the total of payments for the year made by a nonprofit organization is less than, or in excess of, the total amount of regular benefits plus the state share [ONE-HALF OF THE AMOUNT] of extended benefits paid to individuals during the taxable year based on wages attributable to service in the employ of the nonprofit organization; and in the case of a government entity that has elected to make payments under this section, whether the total of payments for the year is less than, or in excess of, the total amount of regular benefits plus the total amount of extended benefits as determined in this subsection. Each organization whose total payments for the taxable year are less than the amount so determined is liable for payment of the unpaid balance to the fund in accordance with

(f) of this section. If the total payments exceed the amount so determined for the taxable year, all or part of the excess may, at the discretion of the department, be refunded from the fund or retained in the fund as part of the payments which may be required for the next taxable year.

Sec. 6. AS 23.20.290(e)(2) is amended to read:

(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, and the amount of revenue collected through the employee surcharge in (g) of this section during those computation years;

Note to drafter: Existing bill sections 5-19 would be renumbered 7-21, respectively.

3. Amend line 22 on page 5 to read:

schedule under (c) of this section, the individual is entitled to  
the

4. Amend lines 1 and 2 on page 6 to read:

$wba = mb - 2[(mw - bpw) \div 250]$  rounded to the next lower even numbered

5. Amend line 4 on page 6 to read:

time period used in computing the schedule under (c) of this

6. Amend line 10 on page 12 to read:

\* Sec. 19. Sections 8, 9, 11, 12, 13, and 15 of this Act

7. Amend line 12 on page 12 to read:

\* Sec. 20. Sections 4, 5, 6, and 7 of this Act take effect  
January 1, 1987.

8. Amend line 13 on page 12 to read:

\* Sec. 21. Section 18 of this Act takes effect October 1, 1988.

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 2/27/86

**REQUEST**

Bill/Resolution No. : HB 681  
 Title : "An Act relating to unemployment insurance...."  
 Sponsor : Governor  
 Requestor : Labor and Commerce  
 Date of Request : 2/6/86

**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		150.0				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		60.0	180.0	180.0	180.0	180.0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>210.0</b>	<b>180.0</b>	<b>180.0</b>	<b>180.0</b>	<b>180.0</b>

CAPITAL						
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REVENUE *	0	150.0	170.0	177.0	184.0	191.0
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND	0	60.0	180.0	180.0	180.0	180.0
FEDERAL FUNDS		150.0				
OTHER						
<b>TOTAL</b>	<b>0</b>	<b>210.0</b>	<b>180.0</b>	<b>180.0</b>	<b>180.0</b>	<b>180.0</b>

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

\* Training and Building Fund

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

Phone : 465-2712  
 Date : 2/27/86

Approved by Commissioner : Jim Robison  
 Agency : Labor

Date : 2/27/86

Distribution (by Agency preparing fiscal note):

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

# CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 681

This bill proposes to provide for an automatic adjustment of the weekly unemployment insurance (UI) amount. The adjustment will be based on fluctuations in the annual average weekly wage. It is expected that this adjustment will result in an increase in the weekly benefit amount. This will impact our UI trust fund balance as well as the State Interim Benefit (SIB) grant payments.

The law change will require modifications to our computer programs, which is estimated at \$150,000 in contractual monies (one-time expense). These modifications will be paid for out of federal funds.

The increase in general funds is anticipated in the SIB grant payments. This was determined by calculating the amount of benefits each 1985 SIB claimant would have received had the proposed schedule been in effect and multiplying the increase from the old schedule by the number of weeks that claimant was paid SIB benefits. The proposed change in the dependent allowance was then added. All variables are assumed to remain the same through FY 1991. The supplemental interim benefits are paid from late May to early September. Since the effective date of this legislation is October 1, 1986, the FY 1987 funding request will only cover anticipated costs for May and June 1987, and is estimated at \$60,000.

In addition to the increased costs associated with this bill there would be additional revenues to the Training and Building Fund (T & B Fund).

Section 8 of the bill would create a specific penalty on individuals who fraudulently receive unemployment insurance benefits. The penalty of 50% of the fraudulently obtained benefits would be transferred to the T & B fund upon collection.

We estimate \$150,000 would be collected in FY 87, \$170,000 in 1988, and a 4% increase per year beyond 1988.

## Assumptions:

1. Based on actual recovery of \$250,000 in FY 85, 50% or \$125,000 would have been deposited to the T & B fund that year. With an estimated 30% increase in benefits effective October 1, 1986 if this bill passes, we estimate \$300,000 would be recovered, so \$150,000 deposited to the T & B fund in FY 87.
2. Benefits and hence penalty recoveries would increase 4% per year from 1988 to 1991.
3. The bill would be effective July 1, 1986.

Introduced: 2/17/86  
Referred: Labor & Commerce  
Judiciary and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 681

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH 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 16.10.290(a) is amended to read:

10 (a) A fish processor or primary fish buyer shall file with the  
11 commissioner of labor a surety bond running to the State of Alaska  
12 conditioned upon the promise to pay (1) all persons furnishing labor  
13 to a fish processor or primary fish buyer, including contractual  
14 employee benefits; [AND] (2) independent registered commercial fisher-  
15 men for the price of the raw fishery resource purchased from them; and  
16 (3) unemployment insurance contributions. The surety or sureties must  
17 [SHALL] be satisfactory, in the determination of the commissioner.

18 \* Sec. 2. AS 23.20.130(d) is amended to read:

19 (d) The training and building fund consists of all interest and  
20 penalties collected under AS 23.20.185, 23.20.190, [AND] 23.20.195,  
21 and 23.20.390, and all sums recovered on official bond for losses  
22 sustained by the fund. Training and building fund money must [SHALL]  
23 be deposited in the clearing account of the unemployment compensation  
24 fund for clearance only, and does not become a part of the fund. The  
25 unobligated amount in the training and building fund in excess of  
26 \$100,000 on the close of business of the 30th day following the last  
27 day of each fiscal year must [SHALL] be transferred within 20 days to  
28 this state's account in the unemployment trust fund. The fund must  
29 [SHALL] be included in the budget submitted to the legislature under

1 the Executive Budget Act (AS 37.07). Funds available in the training  
2 and building fund must [SHALL] be expended upon the direction of the  
3 department, with the approval of the governor, when it appears to the  
4 governor that the expenditure is necessary for but not limited to

5 (1) the proper administration of this chapter if no federal  
6 funds are available for the specific purpose for which the expenditure  
7 is to be made, and if the funds are not substituted for appropriations  
8 from federal funds that would be made available in the absence of  
9 those funds;

10 (2) the proper administration of this chapter, if appro-  
11 priations from federal funds have been requested but not yet received,  
12 and the training and building fund will be reimbursed upon receipt of  
13 the requested federal appropriation;

14 (3) the purposes specified in AS 23.15.611;

15 (4) the purposes specified in AS 23.20.075.

16 \* Sec. 3. AS 23.20.195(a) is amended to read:

17 (a) If the contributions are unpaid after 30 days from the date  
18 of mailing or personal delivery of a written demand for payment, the  
19 department may [SHALL] assess and collect in the same manner as con-  
20 tributions a penalty equal to 10 percent of the contributions due. In  
21 no event may the penalty be less than \$10 [\$1].

22 \* Sec. 4. AS 23.20.277(b) is amended to read:

23 (b) At the end of each calendar quarter, or at the end of any  
24 other period as determined by the department, the department shall  
25 bill each nonprofit organization[, ] or group of nonprofit organiza-  
26 tions, and government entity, which has elected to make payments in  
27 place of contributions for either (1) a portion, as determined in (m)  
28 of this section, of the benefits attributable to it, or (2) 100 per-  
29 cent of the amount attributable to the organization or entity if the

1 election under (n) of this section is made. A nonprofit organization,  
2 or group of nonprofit organizations, must be attributed an amount  
3 equal to the full amount of regular benefits plus one-half of the  
4 amount of extended benefits paid during the quarter or other pre-  
5 scribed period that results from service in the employ of the nonprof-  
6 it organization. A [AND IN THE CASE OF A] government entity which has  
7 elected to make payments under this section must be attributed an  
8 amount equal to the full amount of the regular benefits plus the full  
9 amount of the extended benefits paid during the quarter or other  
10 prescribed period that results from [IS ATTRIBUTABLE TO] service in  
11 the employ of the government entity [NONPROFIT ORGANIZATION].

12 \* Sec. 5. AS 23.20.277 is amended by adding new subsections to read:

13 (m) An employer who is liable for payments in place of contribu-  
14 tions shall reimburse the department, for the fund, a percentage of  
15 the amount of benefits that is attributable to it under (b) of this  
16 section. The percentage must be calculated and in effect on January 1  
17 of each year, and must be calculated by the following formula:  
18 PBC-PYS, in which

19 PBC

20 (1) PBC = projected benefit cost, which is the amount that  
21 would have been paid on all weekly claims filed during the 12-month  
22 period ending the preceding June 30 by individuals employed by employ-  
23 ers who elected to make payments under (b) of this section, if the  
24 claims had been paid under the benefit schedule in effect the October  
25 1 following that 12-month period; and

26 (2) PYS = prior year surcharge, which is the total amount  
27 of surcharge collected under AS 23.20.290(g) during the 12-month  
28 period ending the preceding June 30; however, the percentage calculat-  
29 ed under this subsection in 1987 and 1988 will be based on estimated

1 collected surcharge.

2 (n) A nonprofit organization or government entity may elect to  
3 not collect from individuals in its employ the surcharge described in  
4 AS 23.20.290(g) and may instead reimburse the department, for the  
5 fund, 100 percent of the amount of benefits attributable to it under  
6 (b) of this section. This election must be made in the same manner as  
7 an election of payments in place of contributions, as described in  
8 AS 23.20.276.

9 \* Sec. 6. AS 23.20.290 is amended by adding a new subsection to read:

10 (g) A surcharge is payable by an insured worker to the depart-  
11 ment for the unemployment trust fund. An employer shall deduct the  
12 surcharge from the individual's wages, and treat it in the manner  
13 provided for handling employee contributions in AS 23.20.165(c). The  
14 surcharge payable by an insured worker in the employ of an employer  
15 who makes contributions under AS 23.20.165 is .6 percent of wages  
16 paid. The surcharge payable by an insured worker in the employ of an  
17 employer who is subject to AS 23.20.277 or AS 23.20.278 is .2 percent  
18 of wages paid, unless the employer elects to fully reimburse the  
19 department under AS 23.20.277(n). For purposes of this subsection,  
20 "wages" do not include that part of remuneration described in AS 23.-  
21 20.175(c)(2).

22 \* Sec 7. AS 23.20 is amended by adding a new section to read:

23 Sec. 23.20.351. AMOUNT OF BENEFITS. (a) An individual who is  
24 paid at least \$1,000 in wages during the individual's base period for  
25 employment covered by this chapter is eligible to receive benefits  
26 under this chapter if those wages were paid in at least two of the  
27 calendar quarters of the individual's base period.

28 (b) For the purpose of computing the benefits payable under this  
29 chapter, the base period wages of an insured worker are determined as

1 follows:

2 (1) if the insured worker is paid 90 percent or more of the  
3 worker's wages in the calendar quarter of the worker's base period in  
4 which the worker was paid the greatest amount of wages, the base  
5 period wages are the wages paid in the quarters of the base period  
6 other than the one in which the greatest amount of wages were paid,  
7 multiplied by 10; and

8 (2) if the insured worker is paid less than 90 percent of  
9 the worker's wages in the calendar quarter of the worker's base period  
10 in which the worker was paid the greatest amount of wages, the base  
11 period wages are the wages paid to the worker during the base period.

12 (c) Each year the department will compute a schedule of benefits  
13 for claims that are effective after September 30 of that year. The  
14 schedule will be based on data compiled from claims effective during  
15 the preceding calendar year.

16 (d) An individual who is eligible under (a) of this section, and  
17 whose claim is effective after September 30, 1986, is entitled to  
18 receive a weekly benefit amount as follows:

19 (1) if the individual's base period wage is equal to or  
20 greater than the wage of the claimant who is at the 75th percentile of  
21 all claimants eligible during the time period used in computing the  
22 schedule under (b) of this section, the individual is entitled to the  
23 maximum weekly benefit amount; the maximum weekly benefit amount is 48  
24 percent of the average weekly wage of the person at the 75th percen-  
25 tile of all claimants eligible during the time period used in comput-  
26 ing the schedule, rounded to the nearest even-numbered dollar;

27 (2) the weekly benefit amount for an eligible claimant who  
28 is not covered by (1) of this subsection is calculated under the  
29 following formula:

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( mw-bpw )

$wba = mb - 2( 250 )$ , rounded to the next lower even-numbered dollar, or 10 percent of the state average weekly wage for the time period used in computing the schedule under (b) of this section, rounded to the nearest even-numbered dollar, whichever is greater;

(3) in (2) of this subsection,

(A) wba = weekly benefit amount;

(B) mb = maximum weekly benefit, as provided in (1) of this subsection;

(C) mw = the base period wage of the person at the 75th percentile of all claimants eligible during the time period used in computing the schedule; and

(D) bpw = the claimant's base period wage.

(e) An individual described in (d) of this section is entitled to receive a weekly benefit under this chapter for the number of weeks set out in column (B) of the table in this subsection opposite the applicable earnings ratio of the individual set out in column (A):

(A)	(B)
Earnings Ratio	Number of Weeks
less than 1.49	16
1.50 -- 1.99	18
2.00 -- 2.49	20
2.50 -- 2.99	22
3.00 -- 3.49	24
3.50 or more	26

(f) An individual who establishes a benefit year after September 30, 1986, is eligible for an allowance for dependents in addition to the individual's weekly benefit amount. The department

1 may require an individual claiming or receiving an allowance for  
2 dependents to produce income tax returns, birth certificates, notices  
3 of adoption or custody, social security account number of spouse,  
4 verification of support documents, or other information necessary to  
5 verify that the allowance is payable to the individual. The allowance  
6 for dependents

7 (1) is \$24 per week for each dependent, except that the  
8 total allowance for dependents paid to an individual may not exceed  
9 \$72 for each week of unemployment;

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

15 (3) may not be claimed for a new dependent after the end of  
16 the benefit year or after the exhaustion of regular benefits in the  
17 benefit year.

18 (g) In this section,

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 (2) "earnings ratio" means the ratio obtained by dividing  
3 the total base period wages of the insured worker by the wages paid in  
4 the quarter of the base period in which the worker was paid the great-  
5 est amount of wages;

6 (3) "state average weekly wage" means the average annual  
7 wage, as defined in AS 23.20.520, divided by 52.

8 \* Sec. 8. AS 23.20.390 is amended by adding a new subsection to read:

9 (f) In addition to the liability under (a) of this section for  
10 the amount of benefits improperly paid, an individual who is disqual-  
11 ified from receipt of benefits under AS 23.20.387 is liable to the  
12 department for a penalty in an amount equal to 50 percent of the  
13 benefits that were obtained by knowingly making a false statement or  
14 misrepresenting a material fact, or knowingly failing to report a  
15 material fact, with the intent to obtain or increase benefits under  
16 this chapter. The department may, in accordance with regulations  
17 adopted under this chapter, waive the collection of a penalty under  
18 this section. The department shall transfer the penalty collected to  
19 the training and building fund.

20 \* Sec. 9. AS 23.20 is amended by adding a new section to read:

21 Sec. 23.20.391. LIEN. (a) A claim for benefits that have been  
22 improperly paid as a result of a false statement, misrepresentation,  
23 or omission, as described in AS 23.20.390(f), including a penalty, not  
24 paid when due is a lien in favor of the state against all the real and  
25 personal property of the individual.

26 (b) The claim becomes a lien when the department files a notice  
27 of the lien with the recording officer of the recording district in  
28 which the property is located. The claim becomes a lien on a motor  
29 vehicle when the department files a notice of the lien in the office

1 of the commissioner of public safety. Filing of the notice of lien is  
2 constructive notice to creditors of the owner, and to subsequent  
3 purchasers and encumbrancers, of the lien against the property de-  
4 scribed in the notice.

5 (c) The department may release a notice of lien by filing a  
6 certificate of release in the manner prescribed for the filing of a  
7 notice of lien. The department may not file a certificate of release  
8 until the amount of the claim, including a penalty, if any, is paid,  
9 or until it receives assurance of payment which it considers adequate,  
10 or until the individual is absolved from liability under AS 23.20.-  
11 390(b).

12 \* Sec. 10. AS 23.20 is amended by adding a new section to read:

13 Sec. 23.20.393. NOTICE OF ASSESSMENT, DISTRAINT AND SEIZURE.

14 (a) If the department's determination of liability under AS 23.20.-  
15 390(f) is final and the individual has not made repayment within 90  
16 days, the department may issue a notice of assessment, specifying the  
17 amount due, and may serve it on the individual. A peace officer or an  
18 authorized representative of the department may serve the notice  
19 personally or the department may mail the notice by certified or  
20 registered mail with return receipt requested.

21 (b) If the notice is served by mail, the notice must be deposit-  
22 ed in the post office, postage paid, and addressed to the individual  
23 at the individual's last address of record. The date of service is  
24 considered to be the day of delivery shown on the delivery receipt.  
25 However, if the department determines that the addressee is deliber-  
26 ately avoiding service, then the date of service is the day of mail-  
27 ing.

28 (c) If the amount assessed is not paid within 30 days after  
29 personal service or mailing of the notice, the department may collect

1 the amount stated in the assessment by the distraint or seizure of the  
2 property, assets, goods, and effects of the individual. Goods and  
3 property exempt from execution under the laws of this state are exempt  
4 from distraint under this section.

5 \* Sec. 11. AS 23.20 is amended by adding a new section to read:

6 Sec. 23.20.394. NOTICE AND ORDER TO WITHHOLD AND DELIVER. (a)

7 The department may issue to a person or a political subdivision or  
8 department of the state a notice and order to withhold and deliver  
9 property of any kind if (1) the department has reason to believe that  
10 the person, political subdivision, or department possesses property  
11 that is due or owing, or is the property of another person; and (2)  
12 notice of assessment has been served at least 30 days before the  
13 issuance of the notice and order to withhold and deliver.

14 (b) A peace officer or an authorized representative of the  
15 department may serve the notice and order to withhold and deliver.  
16 The person, political subdivision, or department upon whom service is  
17 made shall answer the notice within 10 days.

18 (c) If the person, political subdivision, or department possess-  
19 es property, credits, or money subject to the claim of the department,  
20 it shall deliver the property to the department immediately upon  
21 demand.

22 (d) If a person fails to answer the notice and order to withhold  
23 and deliver within the time prescribed, the superior court in the  
24 judicial district in which the order is served may enter a judgment by  
25 default against the person for the full amount claimed by the depart-  
26 ment in the notice to withhold and deliver, together with costs.

27 \* Sec. 12. AS 23.20.520(13) is amended to read:

28 (13) "employer" (A) means (i) [(A)] an employing unit which  
29 for some portion of a day within the calendar year has or had in

1 employment one or more individuals; and (ii) [(B)] for the effective  
2 period of its election under AS 23.20.325, an employing unit which has  
3 elected to become subject to this chapter; and (B) includes an officer  
4 or employee of a corporation or a member or employee of a partnership  
5 who, as an officer, employee, or member, is under a duty to pay con-  
6 tributions, interest, and penalties;

7 \* Sec. 13. AS 23.20.520(21) is amended to read:

8 (21) "insured worker" means an individual who, with respect  
9 to a base period, meets the wage and employment requirements of  
10 AS 23.20.350 or 23.20.351, as applicable;

11 \* Sec. 14. AS 23.20.530(a) is amended to read:

12 (a) In this chapter, "wages" means all remuneration for service  
13 from whatever source, including, but not limited to, insured work,  
14 noninsured work, or self-employment; commissions, bonuses, back pay  
15 and the cash value of all remuneration in a medium other than cash  
16 shall be treated as wages; gratuities customarily received by an  
17 individual in the course of service from persons other than the indi-  
18 vidual's employing unit may be treated as wages received from the  
19 employing unit only to the extent the individual reports the gratu-  
20 ities to the employing unit. The reasonable cash value of remunera-  
21 tion in a medium other than cash, and the reasonable amount of gratu-  
22 ities, shall be estimated and determined in accordance with regu-  
23 lations adopted by the department; notwithstanding AS 23.20.350(a),  
24 back pay awards shall be allocated to the weeks or quarters with  
25 respect to which the pay was earned. If the remuneration of an indi-  
26 vidual is not based upon a fixed period of time or if the individual's  
27 wages are paid in irregular intervals or in a manner which does not  
28 extend regularly over the period of employment, the wages shall be  
29 allocated to weeks or quarters in accordance with regulations adopted

1 by the department. The regulations shall, so far as possible, produce  
2 results reasonably similar to those which would prevail if the indi-  
3 vidual's wages were paid at regular intervals. Wages earned for  
4 services performed, but not paid because the employer has filed for  
5 bankruptcy, are considered wages for the quarter in which they were  
6 earned.

7 \* Sec. 15. AS 23.20.175(a), 23.20.190(e), 23.20.240(f), and 23.20.-  
8 277(1) are repealed.

9 \* Sec. 16. AS 23.20.350 is repealed.

10 \* Sec. 17. Sections 3, 4, 6, 7, 9, 10, 11, 12, 13 and 15 of this Act  
11 take effect October 1, 1986.

12 \* Sec. 18. Section 5 of this Act takes effect January 1, 1987.

13 \* Sec. 19. Section 16 of this Act takes effect October 1, 1988.

Base Period Wage (\$)	Number of Claimants 1985	Current Weekly Benefit Amount (\$)	Proposed Weekly Benefit Amount (\$)	Current Employee Tax (Contributing) (\$)	Proposed Employee Tax (Contributing) (\$)	Proposed Employee Tax (Reimbursable) (\$)
1,000	283	38	56	5.00	11.00	2.00
1,250	277	40	56	6.25	13.75	2.50
1,500	310	42	56	7.50	16.50	3.00
1,750	333	44	56	8.75	19.25	3.50
2,000	357	46	56	10.00	22.00	4.00
2,250	391	48	56	11.25	24.75	4.50
2,500	419	50	56	12.50	27.50	5.00
2,750	455	52	56	13.75	30.25	5.50
3,000	495	54	56	15.00	33.00	6.00
3,250	444	56	58	16.25	35.75	6.50
3,500	412	58	59	17.50	38.50	7.00
3,750	431	60	62	18.75	41.25	7.50
4,000	514	62	64	20.00	44.00	8.00
4,250	523	64	66	21.25	46.75	8.50
4,500	510	66	68	22.50	49.50	9.00
4,750	497	68	70	23.75	52.25	9.50
5,000	515	70	72	25.00	55.00	10.00
5,250	550	72	74	26.25	57.75	10.50
5,500	527	74	76	27.50	60.50	11.00
5,750	496	76	78	28.75	63.25	11.50
6,000	491	78	80	30.00	66.00	12.00
6,250	543	80	82	31.25	68.75	12.50
6,500	499	82	84	32.50	71.50	13.00
6,750	517	84	86	33.75	74.25	13.50
7,000	511	86	88	35.00	77.00	14.00
7,250	498	88	90	36.25	79.75	14.50
7,500	549	90	92	37.50	82.50	15.00
7,750	477	92	94	38.75	85.25	15.50
8,000	527	94	96	40.00	88.00	16.00
8,250	512	96	98	41.25	90.75	16.50
8,500	458	98	100	42.50	93.50	17.00
8,750	520	100	102	43.75	96.25	17.50
9,000	474	102	104	45.00	99.00	18.00
9,250	502	104	106	46.25	101.75	18.50
9,500	471	106	108	47.50	104.50	19.00
9,750	447	108	110	48.75	107.25	19.50
10,000	488	110	112	50.00	110.00	20.00
10,250	439	112	114	51.25	112.75	20.50
10,500	442	114	116	52.50	115.50	21.00
10,750	443	116	118	53.75	118.25	21.50
11,000	497	118	120	55.00	121.00	22.00

Base Period Wage (\$)	Number of Claimants 1985	Current Weekly Benefit Amount (\$)	Proposed Weekly Benefit Amount (\$)	Current Employee Tax (Contributing) (\$)	Proposed Employee Tax (Contributing) (\$)	Proposed Employee Tax (Reimbursable) (\$)
11,250	447	120	122	56.25	123.75	22.50
11,500	471	122	124	57.50	126.50	23.00
11,750	449	124	126	59.75	129.25	23.50
12,000	412	126	128	60.00	132.00	24.00
12,250	442	129	130	61.25	134.75	24.50
12,500	486	130	132	62.50	137.50	25.00
12,750	392	132	134	63.75	140.25	25.50
13,000	432	134	136	65.00	143.00	26.00
13,250	442	136	138	66.25	145.75	26.50
13,500	437	138	140	67.50	148.50	27.00
13,750	433	140	142	68.75	151.25	27.50
14,000	455	142	144	70.00	154.00	28.00
14,250	436	144	146	71.25	156.75	28.50
14,500	443	146	148	72.50	159.50	29.00
14,750	438	148	150	73.75	162.25	29.50
15,000	401	150	152	75.00	165.00	30.00
15,250	428	152	154	76.25	167.75	30.50
15,500	409	154	156	77.50	170.50	31.00
15,750	419	156	158	78.75	173.25	31.50
16,000	406	158	160	80.00	176.00	32.00
16,250	413	160	162	81.25	178.75	32.50
16,500	376	162	164	82.50	181.50	33.00
16,750	395	164	166	83.75	184.25	33.50
17,000	392	166	168	85.00	187.00	34.00
17,250	379	168	170	86.25	189.75	34.50
17,500	358	170	172	87.50	192.50	35.00
17,750	372	172	174	88.75	195.25	35.50
18,000	335	174	176	90.00	198.00	36.00
18,250	369	176	178	91.25	200.75	36.50
18,500	350	178	180	92.50	203.50	37.00
18,750	368	180	182	93.75	206.25	37.50
19,000	350	182	184	95.00	209.00	38.00
19,250	355	184	186	96.25	211.75	38.50
19,500	347	186	188	97.50	214.50	39.00
19,750	353	188	190	98.75	217.25	39.50
20,000	325	190	192	100.00	220.00	40.00
20,250	307	192	194	101.25	222.75	40.50
20,500	330	194	196	102.50	225.50	41.00
20,750	343	196	198	103.75	228.25	41.50
21,000	297	198	200	105.00	231.00	42.00
21,250	317	199	202	106.25	233.75	42.50
21,500	295	198	204	107.50	236.50	43.00
21,750	291	199	206	108.75	237.60	43.20
22,000	270	198	208			
22,250	264	199	210			
22,500	278	199	212			
22,750	268	199	214			
23,000	266	198	216			
23,250	282	198	218			
23,500	244	199	220			
				↓	↓	↓
				108.75	237.60	43.20

Base Period Wage (\$)	Number of Claimants 1985	Current Weekly Benefit Amount (\$)	Proposed Weekly Benefit Amount (\$)	Current Employee Tax (Contributing) (\$)	Proposed Employee Tax (Contributing) (\$)	Proposed Employee Tax (Reimbursable) (\$)
33,750	202	188	222	108.75	237.60	43.20
34,000	253	188	224			
34,250	249	189	226			
34,500	242	189	228			
34,750	279	189	230			
35,000	260	189	232			
35,250	227	188	234			
35,500	224	189	236			
35,750	240	188	233			
36,000	209	188	240			
36,250	207	188	242			
36,500	205	188	244			
36,750	189	189	246			
37,000	192	188	248			
37,250	186	188	246			
37,500	191	188	248			
37,750	221	188	246			
38,000	193	188	246			
38,250	189	189	246			
38,500	188	188	246			
38,750	170	188	246			
39,000	162	188	246			
39,250	151	188	246			
39,500	159	188	246			
39,750	164	188	246			
40,000	176	188	246			
40,250	11,201	188	246			

108.75

237.60

43.20

108.75

237.60

43.20

Table 2. WAGE REPLACEMENT MODEL, PROPOSED SCHEDULE 56/246

INPUT:

BENEFIT YEAR BEGINNING		1985
MINIMUM BASE PERIOD WAGE	= \$	1,000
MINIMUM WEEKLY BENEFIT AMOUNT	= \$	56
MAXIMUM WEEKLY BENEFIT AMOUNT		246

OUTPUT:

TOTAL CLAIMANTS	=	54,320
% WAGE REPLACEMENT 2/3 CLMTS	=	49.2%
% CLMTS WITH MIN 50 % WAGE REPL	=	61.4%

BASE PERIOD WAGE (\$)	AVERAGE WEEKLY WAGE (\$)	NUMBER OF CLAIMANTS	WEEKLY BENEFIT AMOUNT (\$)	CUMULATIVE PERCENT CLAIMANTS	WEEKLY WAGE REPLACEMENT
1,000	19.23	283	56	0.5%	291.2%
1,250	24.04	277	56	1.0%	233.0%
1,500	28.85	318	56	1.6%	191.1%
1,750	33.65	333	56	2.2%	166.4%
2,000	38.46	367	56	2.9%	145.6%
2,250	43.27	391	56	3.6%	129.4%
2,500	48.08	419	56	4.4%	116.5%
2,750	52.88	455	56	5.2%	105.9%
3,000	57.69	485	56	6.1%	97.1%
3,250	62.50	444	58	6.9%	92.8%
3,500	67.31	443	60	7.8%	89.1%
3,750	72.12	491	62	8.7%	86.0%
4,000	76.92	514	64	9.6%	83.2%
4,250	81.73	523	66	10.6%	80.8%
4,500	86.54	510	68	11.5%	78.6%
4,750	91.35	497	70	12.4%	76.6%
5,000	96.15	515	72	13.4%	74.9%
5,250	100.96	550	74	14.4%	73.3%
5,500	105.77	527	76	15.4%	71.9%
5,750	110.58	496	78	16.3%	70.5%
6,000	115.38	494	80	17.2%	69.3%
6,250	120.19	543	82	18.2%	68.2%
6,500	125.00	499	84	19.1%	67.2%
6,750	129.81	517	86	20.0%	66.3%
7,000	134.62	511	88	21.0%	65.4%
7,250	139.42	498	90	21.9%	64.6%
7,500	144.23	549	92	22.9%	63.8%
7,750	149.04	477	94	23.8%	63.1%
8,000	153.85	527	96	24.8%	62.4%
8,250	158.65	512	98	25.7%	61.8%
8,500	163.46	458	100	26.6%	61.2%
8,750	168.27	520	102	27.5%	60.6%
9,000	173.08	474	104	28.4%	60.1%
9,250	177.88	502	106	29.3%	59.6%
9,500	182.69	471	108	30.2%	59.1%
9,750	187.50	447	110	31.0%	58.7%
10,000	192.31	488	112	31.9%	58.2%
10,250	197.12	438	114	32.7%	57.8%
10,500	201.92	442	116	33.5%	57.4%
10,750	206.73	443	118	34.3%	57.1%
11,000	211.54	487	120	35.2%	56.7%

*5/30 26,000*

*60  
12  
good sample  
2*

Table 2. WAGE REPLACEMENT MODEL, PROPOSED SCHEDULE 56/246

BASE PERIOD WAGE (\$)	AVERAGE WEEKLY WAGE (\$)	NUMBER OF CLAIMANTS	WEEKLY BENEFIT AMOUNT (\$)	CUMULATIVE PERCENT CLAIMANTS	WEEKLY WAGE REPLACEMENT
11,250	216.35	447	122	36.0%	56.4%
11,500	221.15	471	124	36.9%	56.1%
11,750	225.96	449	126	37.7%	55.8%
12,000	230.77	412	128	38.5%	55.5%
12,250	235.58	442	130	39.3%	55.2%
12,500	240.38	486	132	40.2%	54.9%
12,750	245.19	392	134	40.9%	54.7%
13,000	250.00	432	136	41.7%	54.4%
13,250	254.81	442	138	42.5%	54.2%
13,500	259.62	437	140	43.3%	53.9%
13,750	264.42	433	142	44.1%	53.7%
14,000	269.23	455	144	45.0%	53.5%
14,250	274.04	436	146	45.8%	53.3%
14,500	278.85	443	148	46.6%	53.1%
14,750	283.65	438	150	47.4%	52.9%
15,000	288.46	401	152	48.1%	52.7%
15,250	293.27	428	154	48.9%	52.5%
15,500	298.08	409	156	49.7%	52.3%
15,750	302.88	419	158	50.5%	52.2%
16,000	307.69	406	160	51.2%	52.0%
16,250	312.50	413	162	52.0%	51.8%
16,500	317.31	376	164	52.7%	51.7%
16,750	322.12	395	166	53.4%	51.5%
17,000	326.92	382	168	54.1%	51.4%
17,250	331.73	379	170	54.8%	51.2%
17,500	336.54	358	172	55.4%	51.1%
17,750	341.35	372	174	56.1%	51.0%
18,000	346.15	385	176	56.8%	50.8%
18,250	350.96	369	178	57.5%	50.7%
18,500	355.77	350	180	58.2%	50.6%
18,750	360.58	368	182	58.8%	50.5%
19,000	365.38	350	184	59.5%	50.4%
19,250	370.19	355	186	60.1%	50.2%
19,500	375.00	347	188	60.8%	50.1%
19,750	379.81	353	190	61.4%	50.0%
20,000	384.62	325	192	62.0%	49.9%
20,250	389.42	307	194	62.6%	49.8%
20,500	394.23	330	196	63.2%	49.7%
20,750	399.04	343	198	63.8%	49.6%
21,000	403.85	287	200	64.4%	49.5%
21,250	408.65	317	202	64.9%	49.4%
21,500	413.46	295	204	65.5%	49.3%
21,750	418.27	291	206	66.0%	49.3%
22,000	423.08	270	208	66.5%	49.2%
22,250	427.88	264	210	67.0%	49.1%
22,500	432.69	278	212	67.5%	49.0%
22,750	437.50	268	214	68.0%	48.9%
23,000	442.31	266	216	68.5%	48.8%
23,250	447.12	282	218	69.0%	48.8%
23,500	451.92	244	220	69.5%	48.7%

Table 2. WAGE REPLACEMENT MODEL, PROPOSED SCHEDULE 56/246

BASE PERIOD WAGE (\$)	AVERAGE WEEKLY WAGE (\$)	NUMBER OF CLAIMANTS	WEEKLY BENEFIT AMOUNT (\$)	CUMULATIVE PERCENT CLAIMANTS	WEEKLY WAGE REPLACEMENT
23,750	456.73	282	222	79.0%	48.6%
24,000	461.54	263	224	70.5%	48.5%
24,250	466.35	249	226	70.9%	48.5%
24,500	471.15	242	228	71.4%	48.4%
24,750	475.96	239	230	71.8%	48.3%
25,000	480.77	260	232	72.3%	48.3%
25,250	485.59	227	234	72.7%	48.2%
25,500	490.38	221	236	73.1%	48.1%
25,750	495.19	240	239	73.6%	48.1%
26,000	500.00	209	240	73.9%	48.0%
26,250	504.81	207	242	74.3%	47.9%
26,500	509.62	206	244	74.7%	47.9%
26,750	514.42	188	246	75.1%	47.8%
27,000	519.23	192	246	75.4%	47.4%
27,250	524.04	196	246	75.8%	46.9%
27,500	528.85	191	246	76.1%	46.5%
27,750	533.65	221	246	76.5%	46.1%
28,000	538.46	193	246	76.9%	45.7%
28,250	543.27	188	246	77.2%	45.3%
28,500	548.08	188	246	77.6%	44.9%
28,750	552.89	170	246	77.9%	44.5%
29,000	557.69	162	246	78.3%	44.1%
29,250	562.50	151	246	78.5%	43.7%
29,500	567.31	159	246	78.8%	43.4%
29,750	572.12	164	246	79.1%	43.0%
30,000	576.92	176	246	79.4%	42.6%
30,250	581.73	11,201	246	100.0%	42.3%

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House Bill 681  
Section-by-Section Analysis

OVERVIEW

The Department of Labor, Employment Security Division, Unemployment Insurance Section, operating under AS 23.20 pays temporary unemployment insurance benefits to qualified individuals and collects contributions to support the level of benefits. Both employers and employees pay contributions into the trust fund, similar to paying insurance premiums.

HB 681 provides certain enhancements and housekeeping changes to AS 23.20, as follows:

- increases current unemployment insurance benefits
- ties weekly benefit amounts to wages in the state
- liberalizes the dependent's allowance
- establishes an employee surcharge so that employers do not bear the costs of the increase in the unemployment insurance weekly benefit amount.
- imposes a penalty on claimants who defraud the benefit system and improves the department's ability to collect delinquent employer contributions and to recover from claimants benefits which were fraudulently obtained.
- provides relief to claimants who presently are not eligible for full benefits because their employer has gone bankrupt and has not reported any earnings for them.

SECTION-BY-SECTION ANALYSIS

SECTION 1:

This section provides that a fish processor's surety bond, required under AS 16.10.290(a), may be attached for unpaid unemployment insurance taxes. Under this proposal, wages and payment for raw fish would continue to have first priority on any action against a bond. One fourth of the fish processors in the state are delinquent in paying their unemployment taxes. This resulted in a loss to the UI Trust Fund of about \$545,000 in calendar year 1984.

SECTION 2:

This section provides for deposit of the penalty imposed under AS 23.20.390(f) into the Training and Building Fund where other penalties and interest are deposited.

### SECTION 3:

Section 3 is a housekeeping measure to provide for the 10% penalty on delinquent employer reports and taxes to be optional instead of mandatory. This provision is not presently enforced.

### SECTIONS 4, 5, AND 6:

Sections 4, 5, and 6 provide the funding mechanism for the adjustment to the benefit formula and schedule in Section 7. Section 6, provides for a surcharge on all employees to pay for the cost of the difference in benefits between the current schedule and the schedule that will be generated by the benefit formula on October 1, 1986. Employees will bear the cost of this one-time increase in benefits on an ongoing basis. Any subsequent increases in benefits that the formula generates will be financed under the rate determination methodology in current statute.

Sections 4 & 5 of the bill address how nonprofit organizations and government entities will be charged for the amount of benefits paid to their former employees, recognizing the level of benefits financed by the surcharge.

### SECTION 7:

This section modifies the unemployment insurance benefit schedule by providing a formula to define the amount of benefits to be paid. The formula ties the level of weekly benefits to the wages paid in Alaska. Benefits would adjust upward or downward annually as a result of changes in annual wages. The schedule is also expanded to provide higher benefits to higher wage earners as well as a modest increase for all recipients. This formula results in an increase in the maximum weekly benefit amount to \$246 the first year.

This section also liberalizes the provisions covering dependents allowance payments. Presently a dependent claimed by one parent cannot be claimed by the other parent until the first person's benefit year has expired (even if they have no remaining benefits to receive). This proposal allows each parent to claim the same dependents. Three dependents is the most that can be claimed by any one claimant.

### SECTION 8:

This section provides for a penalty to be assessed on individuals who are disqualified for fraudulent receipt of benefits. Currently persons who fraudulently receive benefits are disqualified from receiving benefits for a specified period of time and must repay the benefits fraudulently received (similar to an interest-free loan). As a further disincentive for fraud, the department's proposal would provide for the same

disqualification period and restitution requirement and add a penalty of 50% of the amount overpaid.

**SECTIONS 9, 10, AND 11:**

Sections 9, 10, and 11 establish provisions for liens and attachment of property to facilitate the collection of overpayments that are caused by fraudulent receipt of benefits.

**SECTION 12:**

Section 12 is a housekeeping measure that moves the definition of employer, as it relates to corporate officers, members or employees, from AS 23.20.240 to AS 23.20.520(13). This places the definition of employer all in one place in the statute. This definition of employer would now apply throughout AS 23.20.

**SECTION 14:**

Section 14 expands the definition of wages to include earnings for work that an employee performs but is not paid because the employer files for bankruptcy. Under current law, an individual's eligibility for unemployment insurance cannot be based on this work because the wages were not paid.

**SECTIONS 13, AND 15**

These sections are housekeeping measures. Section 13 references AS 23.20.351, the section that now contains the benefit eligibility criteria. Section 15 repeals statutes that are either outdated or repetitive.

**SECTIONS 16, 17, 18, AND 19**

These sections establish effective dates.

Position Paper  
HB 681  
An Act Relating to Unemployment Insurance

This bill adds a new section AS 23.20.351 which establishes a formula for computing unemployment insurance benefits which would be tied to State average weekly wage and would be adjusted annually. The proposed formula raises benefits from their current levels.

The bill establishes an employee surcharge (proposed AS 23.20.290(g)) to finance the initial increase in benefits under the proposed formula. Two options are provided for nonprofit organizations and government entities who have chosen to reimburse the Department of Labor for benefits paid. These are: (1) they can collect the surcharge and pay an amount determined by the formula in proposed AS 23.20.277(m) or (2) under proposed AS 23.20.277(m), reimburse the Department of Labor the full amount of their respective shares and forego collection of the surcharge.

Additional penalties are assessed individuals fraudulently obtaining benefits and additional facilities are provided for their collection. Proposed amendments also enhance the Department of Labor's ability to collect contributions from delinquent employers. Also included are housekeeping amendments.

Summary

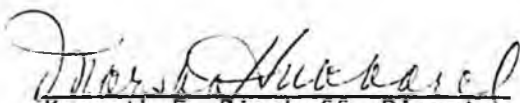
Section 6 of this act provides for an employee surcharge to assist the employer in the cost of the additional unemployment insurance benefits. Section 5 of the act allows the employer the option of collecting or not collecting the surcharge from employers. If surcharge is not collected the employer would need to pay 100% of the cost.

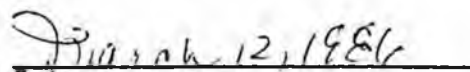
In order for the State to collect the surcharge from covered employees, major changes to the statewide payroll will be required. The one time cost to change the payroll system, forms, procedures, etc., is estimated at \$115.0. Ongoing annual cost will be \$20.0 per year.

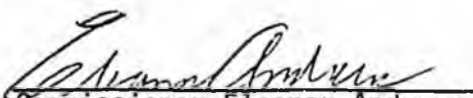
Position

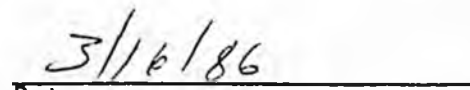
The State would select the option of collecting the surcharge from employers in order to keep employer cost for unemployment insurance to a minimum.

If gross wages for covered employees were \$500 million, the surcharge at 0.2% would be \$1.0 million.

  
Kenneth E. Bischoff, Director  
Division of Finance

  
Date

  
Commissioner Eleanor Andrews  
Department of Administration

  
Date

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No.: HB 681  
Title: An act relating to unemployment insurance.

FISCAL DETAIL  
Agency Affected: Administration  
BRU: Finance

Sponsor: Rules Committee  
Requestor: Governor  
Date of Request: 2-17-86

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
<b>OPERATING</b>						
PERSONAL SERVICES	0	125.0	20.0	20.0	20.0	20.0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>125.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	125.0	20.0	20.0	20.0	20.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>125.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

POSITIONS:

FULL-TIME	0	2.25	0.5	0.5	0.5	0.5
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary      See Attached

Prepared By: Kenneth E. Bischoff *KES*  
 Division: Finance

Phone: 465-2240  
 Date: 3-5-86

Approved by Commissioner: Eleanor Andrews  
 Agency: Department of Administration

Date: 3/16/86

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

CONTINUATION of FISCAL NOTE ANALYSIS

For HB 681

The operation of the automated payroll system and associated manual processes involved in paying employee salaries, assessing employer charges, and the taking of employee contributions is a daily function of the Division of Finance, Department of Administration (DOA).

Section 6 of this act (HB 681) provides for a surcharge to be deducted from individual employee's wages and held in trust until needed for payment |AS 23.23.165(c)-.

The bill allows the State two options for collecting the surcharge:

1. The employer may assume the surcharge as an employer cost and not assess the employee in accordance with Section 5(n) of the bill.

This option would not require payroll system changes but employer costs would increase based on a formula defined by Section 5(m) of the bill. If the formula resulted in a cost of .2 percent of gross wages paid by the State, and gross wages were \$500 million, then the increase in employer costs would be \$1.0 million.

2. The employer may assess the employee in accordance with Section 6(g) of the bill.

We assume that the State would choose this second option as it would be less costly in terms of employer costs. The dollars reflected on the front page and in the following analysis reflect the impact of this employee surcharge option.

The impact of the second option on the automated payroll system, reports, forms, and manual processes of having to assess, maintain records, report and transmit surcharge contributions is very significant.

Each type of employee contribution requires additional data fields for the amounts. These fields must be established in numerous files, on numerous forms, and in numerous reports as well as the addition of computer program logic to calculate, pass, and record amounts collected.

One-time costs to implement this new employee surcharge are as follows:

1. Programming efforts that would be required to process changed forms, process expanded payroll files, and make changes to calculation programs and reporting programs are estimated at three programmers full-time for six months, for a cost of approximately \$100,000.
2. One-time efforts of approximately 500 hours would be required by Payroll Section technicians in order to make Administrative Manual changes, procedure changes, forms changes, and to train agencies prior to implementation.

On-going additional effort that would be required in the Payroll Section, DOA, is estimated at 775 hours per year. This new employee tax or surcharge would affect nearly every payroll warrant we write. New reporting, adjusting, calculating, and account balancing efforts would all be required.

In summary, the impact on the Division of Finance is as follows:

Cost of programming changes to the payroll and affected subsystems - (18 months at \$5,550/mo) . . . . .	\$100,000
One-time cost to change forms, procedures, etc. (500 hours at an average of \$30/hour) . . . . .	<u>15,000</u>
TOTAL ONE-TIME COST . . . . .	\$115,000
Additional on-going annual cost (775 hours at \$26.50/hour) . . . . .	\$ 20,000

APPROPRIATION/COA/AC  
 APPROPRIATION EXPENDITURES BY ACCOUNT  
 1-15 STATE OF ALASKA ORIG:85  
 COA:1985 IN MILLIONS  
 ENTITY NUMBER - DESCRIPTION

REN:0011115 REN:00429 01/10/86  
 STATE OF ALASKA HISTORICAL  
 AUTHORIZED DISBURSE ENCUMBER UNOBLIG.

ENTITY NUMBER	DESCRIPTION	084	738-	0	146
S**	71000 PERSONAL SERVICES	0	501-	0	531-
S**	71100 WAGES	0	511-	0	512-
S**	71150 REGULAR DUTY	0	511-	0	512-
S**	71170 REGULAR COMPENSATION	0	0	0	0
S**	71200 ADDITIONAL REGULAR	0	23-	0	23-
S**	71300 PREMIUM PAY	0	21-	0	21-
S**	71320 OVERTIME	0	0	0	0
S**	71360 SHIFT DIFFERENTIAL	0	0	0	0
S**	71390 STANDBY PAY	0	0	0	0
S**	71450 PENALTY PAY	0	0	0	0
S**	71480 DOUBLE TIME PAY	0	0	0	0
S**	71550 OTHER TAXABLE COMP	0	0	0	0
S**	71560 RETROACTIVE PAY	0	0	0	0
S**	71580 TOOLS/UNIFORMS	0	0	0	0
S**	71600 BENEFITS	0	166-	0	166-

FOR NEXT SECTION ENTER== NUMBER YEAR LIMIT ==  
 PF1=MENU PF3=PAGE FORWARD PF5=RT REQUEST MAINTENANCE



# RECORDS CERTIFICATION



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Signature of Camera Operator

  
Date