

H B

2 6 8

# HOUSE COMMITTEE REPORT

(7)

Date referred: 4/13/87

FURTHER REFERRALS: Finance

DATE: 4/23/87  
HB 268

The Labor & Commerce Committee has considered

"An Act relating to unemployment insurance."

**RECOMMENDS:**

- replace with CS HB 268 (L+C)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

Doree Donley

[Signature]

Cliff Davidson

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

[Signature] W. A. [Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Doree Donley  
Chairman's signature

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HL+C

4-23-87

1:30 p.m.

Original sponsor: Rules/Governor

BY THE LABOR AND  
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 268 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the use of employee contributions  
7 for unemployment insurance; and clarifying provisions  
8 related to repayment of advances to the unemployment  
9 trust fund."

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

11 \* Section 1. AS 23.20.135(b) is amended to read:

12 (b) The department, or a designee of the department, shall  
13 immediately deposit, upon receipt, all money payable to the fund in  
14 the clearing account. Refunds of contributions erroneously collected  
15 and payable under AS 23.20.225 and 23.20.526(a)(11) may be paid from  
16 the clearing account in the same manner, or from the training and  
17 building fund. Interest and penalty payments may not be refunded from  
18 the unemployment compensation fund. After clearance, all money in the  
19 clearing account, except for that portion of employee contributions  
20 under AS 23.20.140, shall be immediately deposited with the United  
21 States Secretary of the Treasury to the credit of the account of this  
22 state in the unemployment trust fund established and maintained under  
23 42 U.S.C. 1104 (sec. 904, Social Security Act), as amended.

24 \* Sec. 2. AS 23.20.140 is amended to read:

25 Sec. 23.20.140. ADVANCES. When, in accordance with 42 U.S.C.  
26 1321 - 1324 (Title XII, Social Security Act), as amended, the balance  
27 in the unemployment trust fund reaches a point where the governor must  
28 apply for an advance in order to obtain for the state and its citizens  
29 the advantages available under 42 U.S.C. 1321 - 1324, the department

1 shall notify the governor and take other action which is appropriate  
2 to obtain an advance to the unemployment trust fund and arrange for  
3 its repayment in accordance with 42 U.S.C. 1321 - 1324.  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

A M E N D M E N T

By Ulmer

TO: HB 268

Page 2, after line 1:

Insert a new bill section to read:

\*\* Sec. 3. AS 23.20.378(c) is amended to read:

(c) An insured worker is disqualified for waiting-week credit or benefits for a week of unemployment while the insured worker is pursuing an academic education [ATTENDS AN ESTABLISHED SCHOOL IN A COURSE OF STUDY PROVIDING ACADEMIC INSTRUCTION OF 10 OR MORE CREDIT HOURS PER WEEK, OR THE EQUIVALENT]. A disqualification under this subsection begins with the first week of academic instruction and ends with the week immediately before the first full week in which the insured worker is no longer attending classes if the insured worker certifies that the period of nonattendance will last at least 60 days. However, an insured worker who was working at least 30 hours a week while pursuing an academic education is not disqualified for waiting-week credit or benefits under this subsection if the insured worker became unemployed because the worker was laid off or the worker's job was eliminated. In this subsection,

(1) "pursuing an academic education" means attending an established school in a course of study providing academic instruction of 10 or more credit hours per week, or the equivalent;

(2) [THE TERM] "school" includes primary schools, secondary

schools, and institutions of higher education."

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

743-268

The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to unemployment insurance.

AS 23.20 contains a comprehensive scheme for both the collection of unemployment insurance contributions from employers and employees and for the payment of unemployment insurance benefits to unemployed workers in the State of Alaska. The economic conditions in the State of Alaska over the past couple of years have created a situation in which, at the same time that employee and employer contributions to the unemployment compensation fund have decreased, the payment of benefits out of that fund has dramatically increased. The result will be that by or near the end of 1987, the ability of the state to pay unemployment insurance benefits will be in jeopardy because the fund balance will be reduced to near zero.

Therefore, in accordance with existing AS 23.20.140, the state will need to obtain advances from the federal government in order to support the payment of unemployment insurance benefits until such time as the economic conditions in the State of Alaska turn around and employer and employee contributions once again are sufficient to keep the fund solvent.

Since 1982, the federal government has charged interest on the advances it makes to states. Under federal law (42 U.S.C. 1322(b)(5)), the interest may not be paid from employer contributions, nor may it be paid from the unemployment compensation fund. The Department of Labor has determined that interest can, however, be paid from a portion of employee contributions to the fund. This bill clarifies the Department of Labor's authority to pay the interest on advances by using employee contributions.

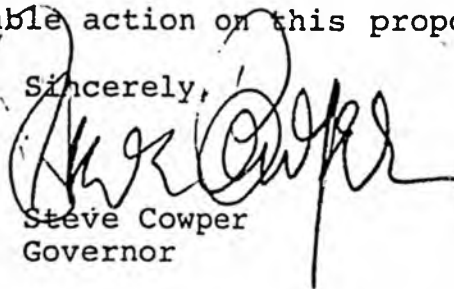
Hon. Ben Grussendorf

Page 2

Section 2 of the bill is a housekeeping measure that simply makes a related provision make sense.

I recommend prompt and favorable action on this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper  
Governor

ai

STATE OF ALASKA 1987 LEGISLATIVE SESSION No. 1  
FISCAL NOTE

Bill Version : HB 268  
Publish Date : HOUSE 4/13/87

REQUEST: \_\_\_\_\_

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

Title: "An Act relating to  
Unemployment Insurance."

Sponsor: Governor

Requestor: \_\_\_\_\_

Agency Affected: Labor  
BRU: Employment Security

Components: Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

[Empty box for analysis]

Prepared by: Harry Steenock Joe Sixton, Director Phone: 465-2712  
Division: Employment Security Date: 3/19/87

Approved by Commissioner: Jim Sampson Date: 3/19/87  
Agency: Labor

- Distribution (by preparer):
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)
  - Senate Secretary

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

Bill Version: HB 268  
Publish Date: \_\_\_\_\_

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: "An Act relating to unemployment insurance."  
Sponsor: Governor  
Requestor: House Labor and Commerce

Agency Affected: Labor  
BRU: Employment Security

Components: Unemployment Insurance

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by: Joe Sitton Phone: 465-2712  
Division: Employment Security Date: 4/14/87  
Approved by Commissioner: Jim Sampson Date: 4/14/87  
Agency: Labor

Distribution (by preparer):

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

# STATE OF ALASKA

## DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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

April 15, 1987

Honorable Ben Grussendorf  
Speaker  
House of Representatives  
P.O. Box V  
Juneau, AK 99811

Dear Mr. Speaker:

The Department of Labor has one critical piece of legislation, House Bill 268, that I would like to bring to your attention.

As you may be aware, the economic downturn throughout the state is literally draining Alaska's Unemployment Insurance Trust Fund. We project that this fund, which is comprised of employee and employer payroll contributions that are used to pay unemployment insurance benefits to unemployed workers, will be insolvent by early 1988.

As background information, I would explain that Alaska's employer and employee contribution rates are designed to be responsive to benefit outlays. However, the formula did not anticipate the sharp and prolonged economic decline being experienced. Accordingly, aside from drastically reducing benefit outlays immediately, it does not appear that any corrective measures can be instituted in time to arrest depletion of the Trust Fund. Other states which have encountered solvency problems have also found that by the time the impact is realized on a Trust Fund, there is not sufficient time to implement corrective measures to reverse the trend. In addition, the corrective measures themselves are unattractive in recessionary periods as they serve to fuel further economic decline.

As Governor Cowper explained in his transmittal letter for House Bill 268, the federal government will advance the money to permit the continued payment of benefits. However, interest on the advanced money cannot be paid from the Trust Fund. Legislation is, therefore, needed to permit using employee contributions, which presently go into the Trust Fund, to pay the interest. House Bill 268, introduced April 13, effects the necessary statute change.

Honorable Ben Grussendorf

-2-

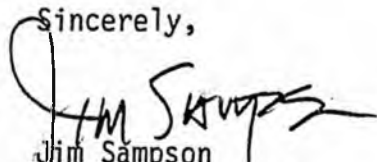
April 15, 1987

We need to have this legislation in place before the end of 1987, and due to the short time remaining in this legislative session, I wanted to make you aware of the situation.

It is expected that economic recovery, combined with the self-correcting mechanisms built into our existing unemployment insurance law, will return the fund to a solvent condition in 1991.

Thank you.

Sincerely,



Jim Sampson  
Commissioner

JS:cm  
10401