

HB

384

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/20/88

FURTHER REFERRALS: Finance

DATE: 2-18-88

The Labor & Commerce Committee has considered HB 384

"An Act relating to unemployment insurance; and providing for an effective date."

RECOMMENDS:

- replace with _____ 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:

Cliff Davidson

Cliff Davidson

John Keenan

Paul Wheeler

Ray Ellis

SIGNING OTHER RECOMMENDATIONS:

W. F. ... No Res

Scott ... NO RES

~~_____~~

Chairman's signature

FISCAL NOTE

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 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	0	97.0	97.0	97.0	97.0	97.0
---------	---	------	------	------	------	------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Attached

Prepared by: Joe Sitton, Director *JWS* Phone: 465-2712
Division: Employment Security Division Date: 1/28/88

Approved by Commissioner: Jim Sampson *J. Sampson* Date: 1/28/88
Agency: Labor

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

ANALYSIS OF FISCAL NOTE FOR

"An Act relating to Unemployment Insurance"

Section 9 of this bill provides for a penalty to be assessed claimants who are disqualified for the fraudulent receipt of unemployment insurance benefits. The penalty will be 50% of the benefits that were obtained fraudulently, and the penalties will be deposited in the general fund as unrestricted revenues. Calculations to arrived at estimated anticipated revenues are as follows:

Total detected fraudulent payments made per year	-	\$260,000
50% penalty on detected fraudulent payments	-	\$130,000
A 75% collection rate on the established penalties	-	\$ 97,500
Rounded off to	-	\$ 97,000/year

Assumptions:

1. An effective date of July 1, 1988.
2. Detected fraudulent payments will remain at about \$260,000/year thru 1992.
3. A 75% collection rate will be maintained. The other 25% are uncollectible because of people leaving the state, or otherwise not being able to pay back the funds.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 20, 1988

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. The bill makes miscellaneous amendments, including some that are merely housekeeping amendments, to current law. A section-by-section analysis of the bill follows.

SECTION-BY-SECTION ANALYSIS

Section 1:

The proposed amendment of AS 16.10.290(a) enhances the department's ability to collect delinquent unemployment insurance contributions from fish processors and fish buyers. The department's figures indicate that, as of January 1, 1987, 25 percent of all fish processors and buyers were delinquent in their contributions. Those delinquencies resulted in a loss to the unemployment trust fund of about \$720,000 as of that date. Under the proposed amendment, the department may assert claims for contributions against the fish processors' and buyers' surety bonds, such claims having next priority after claims for wages and for payment for raw fish.

Section 2:

The amendment of AS 23.20.195(a) in this section is a housekeeping measure providing for the 10 percent penalty on delinquent employer reports and taxes to be discretionary instead of mandatory. It also increases the minimum penalty to \$10 from \$1. This provision is not presently enforced in cases for which it is not cost effective to do so. A discretionary penalty would conform the statute to current practice, and remove the requirement on the department to assess and collect penalties regardless of whether the state actually loses money in doing so.

Sections 3 and 4:

The amendments to AS 23.20.205(c) and AS 23.20.220(a) in these sections clarify the procedures for the appeal by an employer of the department's assessment against the employer for unemployment contributions. The department may extend the 30-day appeal filing deadline for circumstances beyond the control of an employer. Also, the amendments clarify that if the employer files security with the appeal, the collection of the assessment will be stayed pending determination of the appeal.

In addition, extraneous language in AS 23.20.220 is being deleted.

Sections 5, 6, and 7:

Under current law, nonprofit organizations and governmental entities may elect to reimburse the Alaska Department of Labor after it has paid either regular or extended unemployment insurance benefits to an unemployed worker, instead of paying contributions ahead of time under AS 23.20.165. Under AS 23.20.406, extended benefits are payable to an unemployed worker only after that person (1) has exhausted his or her regular benefits and (2) is otherwise qualified under AS 23.20. In addition, extended benefits are only available during certain high unemployment periods. See AS 23.20.408. If a nonprofit organization does not pay contributions in advance under AS 23.20.165, then, currently, it must reimburse 100 percent of the regular benefits and 50 percent of the extended benefits paid by the Alaska Department of Labor. The federal government reimburses the other 50 percent of the extended benefits paid by the Alaska Department of Labor.

Under the Gramm-Rudman-Hollings Act (the federal Balanced Budget and Emergency Deficit Control Act of 1985), the federal share (currently 50 percent) of extended benefits payments might decrease because it is subject to sequestration. If that happens, under existing AS 23.20.277(b) the state would have to absorb the loss of federal money because the nonprofit organization share is fixed at 50 percent. To offset that loss, nonprofit organizations that choose to reimburse the department for benefits paid to their former employees will, under the amendments to AS 23.20.277(b), (e), and (1) (secs. 5, 6, and 7 of the bill), be required to reimburse the difference between the 100 percent of the extended benefits already paid by the department and the amount subsequently reimbursed by the federal government. The amount charged government entities will not change

because they already reimburse 100 percent of the extended benefits paid by the department.

Section 8:

This amendment of AS 23.20.290(d) provides for rounding the employee contribution to the nearest one-hundredth of one percent. Current law requires rounding to the nearest one-tenth of one percent. Under current AS 23.20.290(c), however, the employer contribution is to be rounded to the nearest one-hundredth, so employers currently pay or collect one tax rounded to one-hundredth and another rounded to one-tenth on the same wages. The amendment provides more consistency for employers.

Section 9:

Under proposed AS 23.20.390(f), individuals who fraudulently obtain benefits incur an additional monetary penalty of 50 percent of the amount improperly received, unless the department waives the penalty, with any penalties collected to go to the general fund. Currently, under AS 23.20.387, a person who fraudulently receives benefits is disqualified from receiving benefits for a specified period of time, and, under AS 23.20.390(a), must repay the benefits fraudulently received (a situation similar to an interest-free loan). As a further disincentive for fraud, the 50 percent penalty is proposed.

Section 10:

This section proposes new AS 23.20.391, 23.20.393, and 23.20.394, which establish provisions for liens and attachment of property to facilitate the collection of overpayments that are caused by fraudulent receipt of benefits. The three proposed statutes are based on existing AS 23.20.200, 23.20.205, and 23.20.215, respectively, regarding liens on the property of an employer for failure to make the required contributions. Proposed AS 23.20.391(b), which tracks existing AS 23.20.200(b), refers to the lien being "constructive notice to creditors" and is intended to establish the priority of the state over unsecured and unrecorded creditors, whether prior or subsequent, as well as subsequent secured creditors.

Section 11:

Under current law, an individual's eligibility for unemployment insurance benefits is based upon wages paid to the

individual. Thus, if an individual works for an employer who files for bankruptcy and does not pay its employees, the individual does not qualify for unemployment benefits. The proposed amendment to AS 23.20.530(a) in this section rectifies this situation. This section expands the definition of "wages" to include earnings for work that an employee performs but is not paid for because the employer files for bankruptcy.

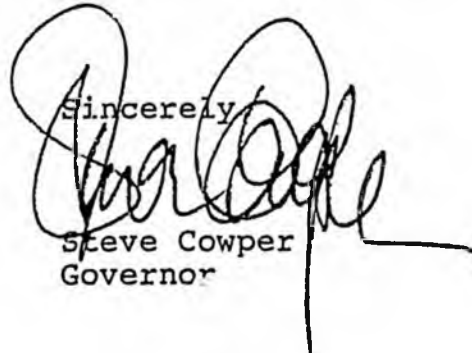
Section 12:

This section repeals two outdated subsections of AS 23.20.175.

Sections 13 and 14:

These sections provide for effective dates, with the amendment regarding the rounding of employee contributions taking effect January 1, 1989, and the other changes taking effect immediately.

Sincerely,

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

Steve Cowper
Governor

STATE OF ALASKA 1988 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST:
 Revision Date: _____
 Title: "An Act relating to
 Unemployment Insurance..."
 Sponsor: Rules Committee
 Requestor: Governor

Bill Version: HR 384
 Publish Date: HOUSE 1/20/88

Agency Affected: Labor
 BRU: Employment Services
 Components: Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	110.0	110.0	110.0	110.0	110.0	110.0
---------	-------	-------	-------	-------	-------	-------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See Attached

Prepared by: Joe Sitton, Director Phone: 465-2712
 Division: Employment Security Division Date: 12/7/87

Approved by Commissioner: Jim Simpson Date: 12/7/87
 Agency: Labor

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

HB 384
HOUSE 1/20/88

ANALYSIS OF FISCAL NOTE FOR

"An Act relating to unemployment insurance..."

Section 9 of this bill provides for a penalty to be assessed claimants who are disqualified for the fraudulent receipt of unemployment insurance benefits. The penalty will be 50% of the benefits that were obtained fraudulently, and the penalties will be deposited in the general fund as unrestricted revenues. Calculations to arrive at estimated anticipated revenues are as follows:

Total detected fraudulent payments made per year	-	\$300,000
50% penalty on detected fraudulent payments	-	\$150,000
A 75% collection rate on the established penalties	-	\$112,500
Rounded off to	-	\$110,000/year

Assumptions:

1. An effective date of July 1, 1988.
2. Detected fraudulent payments will remain at about \$300,000/year thru 1992.
3. A 75% collection rate will be maintained. The other 25% are uncollectible because of people leaving the state, or otherwise not being able to pay back the funds.