

HB

384

SCS HB 384 (L & C)

SCS HB 384 (L & C) makes several miscellaneous amendments, some of which are merely housekeeping amendments, to Alaska's unemployment insurance law. Under its more significant provisions, the bill:

- Sec. 1 - enhances the Department of Labor's ability to collect delinquent unemployment insurance contributions from fish processors and fish buyers by permitting the Department to attach their surety bonds for the delinquent contributions.
- Sec. 10-11 - provides stiffer penalties for individuals who fraudently obtain unemployment insurance benefits. Under current law, such individuals are only held liable for repaying the benefits fraudulently received and disqualified from receiving benefits for a specified period of time. As a further disincentive, this bill imposes a penalty of 50% of the benefits fraudulently received, and permits the Department to lien property for the collection of fraudently received benefits.
- Sec. 13 - corrects an inequity in the current law, which bases an individual's eligibility for unemployment insurance on wages paid by the employer. In cases where an employer has gone bankrupt and wages were earned by an employee but not paid, the employee may be determined ineligible for benefits totally or receive a reduced benefit as a result of having less qualifying wages, i.e. paid wages. The bill corrects this inequity by expanding the definition of wages to include wages earned but not paid because the employer has filed for bankruptcy.
- Sec. 14 - permits the Department of Labor to take part in a self-employment demonstration project if Alaska is selected as one of the three states to participate in the pilot project which is being initiated by the U.S. Department of Labor. The project will use the unemployment insurance system to promote self-employment, and is based upon programs undertaken in other countries, particularly Great Britain and France. The idea involves making unemployment insurance benefits available in the form of a self-employment allowance to targeted claimants who start their own businesses. While enrolled in the project, a participant's unemployment insurance benefits would continue to be paid; and, because participants in the project would be those claimants who would be most likely to receive all of their potential benefits anyway, the impact on the unemployment insurance trust fund would be negligible, if any. The project will be limited to a maximum of 200 participants per year during the three year life of the project. Based upon the experience of the three states which will participate in the project, at the end of the three year period, the U.S. Department of Labor will determine the feasibility of an expanded and ongoing program.

(This section of the bill was added in the Senate Labor & Commerce Committee)

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.

Section 5:

Under current law, an officer or employee of a corporation, or partner or employee of a partnership may be liable for delinquent unemployment taxes in a civil action if they have been determined to have the duty to pay the taxes. These individuals have no prior appeal rights regarding the determination of their duty to pay the taxes. This section provides a new section, AS 23.20.242, that allows these individuals to appeal, at an administrative level, the determination of "duty to pay", prior to civil action.

Section 6, 7 and 8:

Under current law, nonprofit organizations pay 50 percent of extended benefits (the state share) with the federal share being 50 percent. Under the Gramm-Rudman-Hollings Act (the federal Balanced Budget and Emergency Deficit Control Act of 1985), the federal share of extended benefit payments may decrease because it is subject to sequestration. This action will increase the state share of extended benefits payments. To offset the anticipated loss of some portion of the federal money, nonprofit organizations that choose to reimburse the department for benefits paid to their former employees, instead of paying contributions under AS 23.20.165, will, under the amendments to AS 23.20.277(b), (e), and (l) (secs. 5, 6, and 7 of the bill), be required to reimburse the department the full amount of the state's share of the benefits paid to their former employees. The amount charged government entities will not change because they currently reimburse 100 percent of extended benefits paid.

Section 9:

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 10:

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.

Sections 11 and 12:

These sections propose 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 13:

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 14:

The US Department of Labor (USDOL) is selecting three states to participate in a Self Employment Demonstration Project. The states selected for the demonstration project will be allowed to pay unemployment insurance benefits to participants while they start their own businesses. The federal legislation authorizing this project provides for the states to waive certain provisions for availability for work, work search, unemployed status and reduction of weekly benefits by earnings during the week. Section 14 allows Alaska to participate in this demonstration project if selected by the USDOL and also allows the department to waive certain eligibility provisions for participants in the program.

Section 15:

This section repeals two outdated subsections of AS 23.20.175.

Section 16:

This section sunsets Section 14 (the Self Employment Demonstration Project) at the termination date of the project.

Sections 17 and 18:

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.



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 Cramm-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), (c), 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.

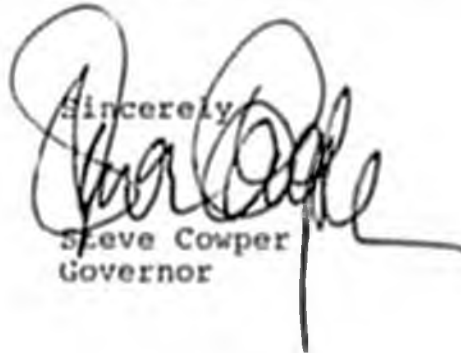
Section 12:

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,



Steve Cowper
Governor

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
SUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 8, 1988

SUBJECT: HB 384 (title amended)
(Unemployment insurance, and
priority for payment)

TO: Senator Tim Kelly, Chairman
Senate Labor & Commerce Committee

FROM: Teresa B. Cramer JBC
Legislative Counsel

Enclosed is an amendment to HB 384 (title am), making a technical change to the title and limiting the application of the payment priority established in the first section of the bill to the priority held by contributions to the unemployment compensation fund.

The first section of the bill poses a potential problem which the amendment seeks to resolve. The section adds unemployment insurance contributions to the obligations that can be paid from a fish processor's or fish buyer's surety bond and makes payment of those contributions the lowest priority for the use of the bond. That part of the section does not raise constitutional questions. However, the section also establishes a priority between the existing uses of the bond, making payment for labor as the first priority, followed by payment to fishermen for the raw fishery resource purchased from them as the second priority. Under Art. 2, sec. 13 of the Constitution of the State of Alaska, bills are required to be confined to a single subject. I have been unable to arrive at a subject that includes both the unemployment insurance provisions and the prioritization of bond proceeds between people who work for fish processors or buyers and people who sell fish to them. If the bill were challenged, a court might find that it violated the single subject requirement.

The second problem in the present form of the bill is that the second clause of the title, "establishing a priority for

Senator Tim Kelly
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payment," is vague. Since the same section of the constitution requires that the subject of a bill be expressed in the title, it would be advisable for the Senate to make a technical title amendment, permitted under the Uniform Rules, to clarify what kinds of payments are affected by the bill.

If I may be of further assistance, please advise.

Enclosure

TBC:gc
WKG2:106

A M E N D M E N T

Offered in the HOUSE

TO: HB 384 (title am)

Page 1, line 7, after "payment":

Insert "of proceeds from a surety bond of a fish processor or primary fish buyer"

Page 1, line 14:

Delete "in the following order of priority."

Page 1, line 18, after "contributions":

Insert "If the surety bond is insufficient to satisfy all obligations under this subsection, the obligations to persons furnishing labor and to independent registered commercial fishermen must be paid before unemployment insurance contributions are paid"

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 SENATE CS FOR HOUSE BILL NO. 384 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to unemployment insurance; estab-
7 lishing a priority for payment; and providing for an
8 effective date."

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

10 * Section 1. AS 16.10.290(a) is amended to read:

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

20 * Sec. 2. AS 23.20.195(a) is amended to read:

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

26 * Sec. 3. AS 23.20.205(c) is amended to read:

27 (c) If the amount assessed is not paid, or an appeal is not
28 filed under AS 23.20.220, within 30 days after [PERSONAL] service or
29 mailing of the notice, the department may [, SUBJECT TO AS 23.20.220,]

1 collect the amount stated in the assessment by the distraint, seizure
2 and sale of the property, goods, chattels and effects of the delin-
3 quent employer. Goods and property exempt from execution under the
4 laws of this state are exempt from distraint and sale under this
5 section.

6 * Sec. 4. AS 23.20.220(a) is amended to read:

7 Sec. 23.20.220. APPEAL OF ASSESSMENT [PETITION FOR HEARING AND
8 SUMMARY JUDGMENT]. (a) When a notice of assessment is delivered or
9 mailed to a delinquent employer, the employer may within 30 days file
10 an appeal [A PETITION] in writing with the department, stating that
11 the assessment is unjust or incorrect and requesting a hearing on it.
12 The period for filing an appeal may be extended for a reasonable
13 period if the employer shows that the appeal was delayed as a result
14 of circumstances beyond the employer's control. The appeal [PETITION]
15 shall set out the reasons the assessment is objected to and the amount
16 of contributions which the employer admits is due, and must be accom-
17 panied by a bond or deposit of other security in the amount of the
18 assessment to ensure [INSURE] collection. The department may waive
19 the security requirement if the employer submits proof of solvency or
20 reasonable assurance, as prescribed by regulations, that the contribu-
21 tions, interest and penalties due are not in jeopardy. If [NO PETI-
22 TION IS FILED WITHIN THE TIME PRESCRIBED, OR IF] the employer fails to
23 provide the required security, the collection under AS 23.20.205(c) is
24 not stayed and the assessment is prima facie correct. The procedures
25 in AS 23.20.415 apply to an appeal under this subsection. [HOWEVER,
26 THE DEPARTMENT MAY ENTERTAIN A SUBSEQUENT APPLICATION FOR REFUND, AND,
27 IF DENIED A REFUND, A HEARING ON THE APPLICATION IN ACCORDANCE WITH
28 AS 23.20.225.]

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

1 Sec. 23.20.242. APPEALS BY OFFICER, MEMBER, OR EMPLOYEE. The
2 department shall permit each officer or employee of a corporation or a
3 member or employee of a partnership who is required to pay the contri-
4 butions and interest owed by the corporation or partnership under
5 AS 23.20.165 - 23.20.278 to appeal individually under those pro-
6 visions.

7 * Sec. 6. AS 23.20.277(b) is amended to read:

8 (b) At the end of each calendar quarter, or at the end of any
9 other period as determined by the department, the department shall
10 bill each government entity, nonprofit organization, or group of
11 nonprofit organizations, that [WHICH] has elected to make payments in
12 place of contributions for benefits paid during the quarter or other
13 prescribed period that is attributable to service in the employ of the
14 government entity or nonprofit organization. In the case of nonprofit
15 organizations, the amount billed is an amount equal to the full amount
16 of regular benefits plus [ONE-HALF OF] the state share [AMOUNT] of
17 extended benefits and in the case of a government entity the amount
18 billed is [WHICH HAS ELECTED TO MAKE PAYMENTS UNDER THIS SECTION] an
19 amount equal to the full amount of the regular benefits plus the full
20 amount of the extended benefits paid [DURING THE QUARTER OR OTHER
21 PRESCRIBED PERIOD THAT IS ATTRIBUTABLE TO SERVICE IN THE EMPLOY OF THE
22 NONPROFIT ORGANIZATION].

23 * Sec. 7. AS 23.20.277(e) is amended to read:

24 (e) At the end of each taxable year, the department shall deter-
25 mine whether the total of payments for the year made by a nonprofit
26 organization is less than, or in excess of, the total amount of regu-
27 lar benefits plus the state share [ONE-HALF OF THE AMOUNT] of extended
28 benefits paid to individuals during the taxable year based on wages
29 attributable to service in the employ of the nonprofit organization;

1 and in the case of a government entity that has elected to make pay-
2 ments under this section, whether the total of payments for the year
3 is less than, or in excess of, the total amount of regular benefits
4 plus the total amount of extended benefits as determined in this
5 subsection. Each organization whose total payments for the taxable
6 year are less than the amount so determined is liable for payment of
7 the unpaid balance to the fund in accordance with (f) of this section.
8 If the total payments exceed the amount so determined for the taxable
9 year, all or part of the excess may, at the discretion of the depart-
10 ment, be refunded from the fund or retained in the fund as part of the
11 payments that [WHICH] may be required for the next taxable year.

12 * Sec. 8. AS 23.20.277(1) is amended to read:

13 (1) Each employer that is liable for payments in place of con-
14 tributions shall pay to the department for the fund the amount of
15 regular benefits plus the state share [AMOUNT OF ONE-HALF] of extended
16 benefits paid that are attributable to service in the employ of that
17 employer. However, a government entity that [WHICH] has elected to
18 make payments under this section is liable for the amount of regular
19 benefits plus the full amount of extended benefits that [WHICH] are
20 attributable to service in the employ of that entity. If benefits
21 paid to an individual are based on wages paid by more than one em-
22 ployer and one or more of these employers are liable for payments in
23 place of contributions, the amount payable to the fund by each em-
24 ployer that is liable for payments shall be determined by the depart-
25 ment in accordance with regulations adopted by the department.

26 * Sec. 9. AS 23.20.290(d) is amended to read:

27 (d) The [BEGINNING JANUARY 1, 1981, AND FOR EACH SUCCEEDING YEAR
28 THEREAFTER, THE] rate of contributions payable by each employee of an
29 employer who is subject to AS 23.20.165 is 18 percent of the average

1 benefit cost rate as determined in (e) of this section rounded to the
2 nearest 1/100th [ONE-TENTH] of one percent. However, the rate of
3 contributions for an employee may not be less than one-half percent or
4 more than one percent.

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

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

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

18 Sec. 23.20.391. LIEN. (a) A claim under AS 23.20.390 for
19 benefits that have been improperly paid as a result of a false state-
20 ment, misrepresentation, or omission, including a penalty as described
21 in AS 23.20.390(f), is a lien in favor of the state against the real
22 and personal property of the individual.

23 (b) The claim becomes a lien on property other than a motor
24 vehicle when the department files a notice of the lien with the re-
25 cording officer of the recording district in which the property is
26 located. The claim becomes a lien on a motor vehicle when the depart-
27 ment files a notice of the lien in the office of the commissioner of
28 public safety. Filing of the notice of lien is constructive notice to
29 creditors of the owner, and to subsequent purchasers and

1 encumbrancers, of the lien against the property described in the
2 notice.

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

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

11 Sec. 23.20.393. NOTICE OF ASSESSMENT; DISTRAINT AND SEIZURE.

12 (a) If the department's determination of liability under AS 23.20.390
13 is final and the individual has not made repayment within 90 days, the
14 department may issue a notice of assessment, specifying the amount
15 due, and may serve it on the individual. A peace officer or an au-
16 thorized representative of the department may serve the notice person-
17 ally or the department may mail the notice by certified or registered
18 mail with return receipt requested.

19 (b) If the notice is served by mail, the notice must be de-
20 posited in the post office, postage paid, and addressed to the indi-
21 vidual at the individual's last address of record. The date of ser-
22 vice is the date of delivery shown on the delivery receipt. However,
23 if the department determines that the addressee is deliberately avoid-
24 ing service, then the date of service is the day of mailing.

25 (c) If the amount assessed is not paid within 30 days after
26 personal service or mailing of the notice, the department may collect
27 the amount stated in the assessment by the distraint or seizure of the
28 property, assets, goods, and effects of the individual. Goods and
29 property exempt from execution under the laws of this state are exempt

1 from distraint under this section.

2 Sec. 23.20.394. NOTICE AND ORDER TO WITHHOLD AND DELIVER. (a)
3 The Department of Labor may issue to a person or to a political subdivi-
4 sion or other department of the state a notice and order to withhold
5 and deliver property of any kind if (1) the Department of Labor has
6 reason to believe that the person, political subdivision, or other
7 department possesses property that is due or owing under this chapter,
8 or is the property of another person; and (2) notice of assessment has
9 been served at least 30 days before the issuance of the notice and
10 order to withhold and deliver.

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

15 (c) If the person, political subdivision, or department pos-
16 sesses property, credits, or money subject to the claim of the depart-
17 ment, it shall deliver the property to the department immediately upon
18 demand.

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

24 * Sec. 13. AS 23.20.530(a) is amended to read:

25 (a) In this chapter, "wages" means all remuneration for service
26 from whatever source, including, but not limited to, insured work,
27 noninsured work, or self-employment; commissions, bonuses, back pay
28 and the cash value of all remuneration in a medium other than cash
29 shall be treated as wages; gratuities customarily received by an

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

20 * Sec. 14. WAIVER FOR SELF-EMPLOYMENT PROJECT. (a) If a demonstration
21 project to provide self-employment allowances to certain unemployed persons
22 in the state is approved by the federal Department of Labor under sec. 9152
23 of Public Law 100-203, the state Department of Labor may provide self-
24 employment allowances to unemployed persons under AS 23.20 during the term
25 of the demonstration project.

26 (b) The state Department of Labor may waive AS 23.20.360, 23.20.378,
27 23.20.379, 23.20.406, and 23.20.505 for a person who participates in a
28 project under this section to the extent required for the state to partici-
29 pate in the project.

- 1 * Sec. 15. AS 23.20.175(a) and 23.20.175(b) are repealed.
- 2 * Sec. 16. Section 14 of this Act is repealed June 30, 1992.
- 3 * Sec. 17. Section 9 of this Act takes effect January 1, 1989.
- 4 * Sec. 18. Except for sec. 9, this Act takes effect immediately under
- 5 AS 01.10.070(c).

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STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 384
PUBLISH DATE: HOUSE 2/19/88

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 *JS* 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.

go0188hL
Cramer
4/13/88

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 SENATE CS FOR HOUSE BILL NO. 384 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to unemployment insurance; estab-
7 lishing a priority for payment; and providing for an
8 effective date."

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

10 * Section 1. AS 16.10.290(a) is amended to read:

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

20 * Sec. 2. AS 23.20.195(a) is amended to read

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

26 * Sec. 3. AS 23.20.205(c) is amended to read:

27 (c) If the amount assessed is not paid, or an appeal is not
28 filed under AS 23.20.220, within 30 days after [PERSONAL] service or
29 mailing of the notice, the department may [, SUBJECT TO AS 23.20.220,]

1 collect the amount stated in the assessment by the distraint, seizure
2 and sale of the property, goods, chattels and effects of the delin-
3 quent employer. Goods and property exempt from execution under the
4 laws of this state are exempt from distraint and sale under this
5 section.

6 * Sec. 4. AS 23.20.220(a) is amended to read:

7 Sec. 23.20.220. APPEAL OF ASSESSMENT [PETITION FOR HEARING AND
8 SUMMARY JUDGMENT]. (a) When a notice of assessment is delivered or
9 mailed to a delinquent employer, the employer may within 30 days file
10 an appeal [A PETITION] in writing with the department, stating that
11 the assessment is unjust or incorrect and requesting a hearing on it.
12 The period for filing an appeal may be extended for a reasonable
13 period if the employer shows that the appeal was delayed as a result
14 of circumstances beyond the employer's control. The appeal [PETITION]
15 shall set out the reasons the assessment is objected to and the amount
16 of contributions which the employer admits is due, and must be accom-
17 panied by a bond or deposit of other security in the amount of the
18 assessment to ensure [INSURE] collection. The department may waive
19 the security requirement if the employer submits proof of solvency or
20 reasonable assurance, as prescribed by regulations, that the contribu-
21 tions, interest and penalties due are not in jeopardy. If [NO PETI-
22 TION IS FILED WITHIN THE TIME PRESCRIBED, OR IF] the employer fails to
23 provide the required security, the collection under AS 23.20.205(c) is
24 not stayed and the assessment is prima facie correct. The procedures
25 in AS 23.20.415 apply to an appeal under this subsection. [HOWEVER,
26 THE DEPARTMENT MAY ENTERTAIN A SUBSEQUENT APPLICATION FOR REFUND, AND,
27 IF DENIED A REFUND, A HEARING ON THE APPLICATION IN ACCORDANCE WITH
28 AS 23.20.225.]

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

1 Sec. 23.20.242. LIABILITY OF OFFICER, MEMBER, OR EMPLOYEE. An
2 officer or employee of a corporation or a member or employee of a
3 partnership who is required to pay the contributions and interest owed
4 by the corporation or partnership under AS 23.20.165 - 23.20.278 shall
5 be ^{PERMITTED TO INDIVIDUALLY APPEAL TO THE COURT} treated as an employer under those provisions.

6 * Sec. 6. AS 23.20.277(b) is amended to read:

7 (b) At the end of each calendar quarter, or at the end of any
8 other period as determined by the department, the department shall
9 bill each government entity, nonprofit organization, or group of
10 nonprofit organizations, that [WHICH] has elected to make payments in
11 place of contributions for benefits paid during the quarter or other
12 prescribed period that is attributable to service in the employ of the
13 government entity or nonprofit organization. In the case of nonprofit
14 organizations, the amount billed is an amount equal to the full amount
15 of regular benefits plus [ONE-HALF OF] the state share [AMOUNT] of
16 extended benefits and in the case of a government entity the amount
17 billed is [WHICH HAS ELECTED TO MAKE PAYMENTS UNDER THIS SECTION] an
18 amount equal to the full amount of the regular benefits plus the full
19 amount of the extended benefits paid [DURING THE QUARTER OR OTHER
20 PRESCRIBED PERIOD THAT IS ATTRIBUTABLE TO SERVICE IN THE EMPLOY OF THE
21 NONPROFIT ORGANIZATION].

22 * Sec. 7. AS 23.20.277(e) is amended to read:

23 (e) At the end of each taxable year, the department shall deter-
24 mine whether the total of payments for the year made by a nonprofit
25 organization is less than, or in excess of, the total amount of regu-
26 lar benefits plus the state share [ONE-HALF OF THE AMOUNT] of extended
27 benefits paid to individuals during the taxable year based on wages
28 attributable to service in the employ of the nonprofit organization;
29 and in the case of a government entity that has elected to make

1 payments under this section, whether the total of payments for the
2 year is less than, or in excess of, the total amount of regular bene-
3 fits plus the total amount of extended benefits as determined in this
4 subsection. Each organization whose total payments for the taxable
5 year are less than the amount so determined is liable for payment of
6 the unpaid balance to the fund in accordance with (f) of this section.
7 If the total payments exceed the amount so determined for the taxable
8 year, all or part of the excess may, at the discretion of the depart-
9 ment, be refunded from the fund or retained in the fund as part of the
10 payments that [WHICH] may be required for the next taxable year.

11 • Sec. 8. AS 23.20.277(1) is amended to read:

12 (1) Each employer that is liable for payments in place of con-
13 tributions shall pay to the department for the fund the amount of
14 regular benefits plus the state share [AMOUNT OF ONE-HALF] of extended
15 benefits paid that are attributable to service in the employ of that
16 employer. However, a government entity that [WHICH] has elected to
17 make payments under this section is liable for the amount of regular
18 benefits plus the full amount of extended benefits that [WHICH] are
19 attributable to service in the employ of that entity. If benefits
20 paid to an individual are based on wages paid by more than one em-
21 ployer and one or more of these employers are liable for payments in
22 place of contributions, the amount payable to the fund by each em-
23 ployer that is liable for payments shall be determined by the depart-
24 ment in accordance with regulations adopted by the department.

25 • Sec. 9. AS 23.20.290(d) is amended to read:

26 (d) The [BEGINNING JANUARY 1, 1981, AND FOR EACH SUCCEEDING YEAR
27 THEREAFTER, THE] rate of contributions payable by each employee of an
28 employer who is subject to AS 23.20.165 is 18 percent of the average
29 benefit cost rate as determined in (e) of this section rounded to the

1 nearest 1/100th [ONE-TENTH] of one percent. However, the rate of
2 contributions for an employee may not be less than one-half percent or
3 more than one percent.

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

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

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

17 Sec. 23.20.391. LIEN. (a) A claim under AS 23.20.390 for
18 benefits that have been improperly paid as a result of a false state-
19 ment, misrepresentation, or omission, including a penalty as described
20 in AS 23.20.390(f), is a lien in favor of the state against the real
21 and personal property of the individual.

22 (b) The claim becomes a lien on property other than a motor
23 vehicle when the department files a notice of the lien with the re-
24 cording officer of the recording district in which the property is
25 located. The claim becomes a lien on a motor vehicle when the depart-
26 ment files a notice of the lien in the office of the commissioner of
27 public safety. Filing of the notice of lien is constructive notice to
28 creditors of the owner, and to subsequent purchasers and encum-
29 brancers, of the lien against the property described in the notice.

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

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

9 Sec. 23.20.393. NOTICE OF ASSESSMENT; DISTRAINT AND SEIZURE.

10 (a) If the department's determination of liability under AS 23.20.390
11 is final and the individual has not made repayment within 90 days, the
12 department may issue a notice of assessment, specifying the amount
13 due, and may serve it on the individual. A peace officer or an au-
14 thorized representative of the department may serve the notice person-
15 ally or the department may mail the notice by certified or registered
16 mail with return receipt requested.

17 (b) If the notice is served by mail, the notice must be de-
18 posited in the post office, postage paid, and addressed to the indi-
19 vidual at the individual's last address of record. The date of ser-
20 vice is the date of delivery shown on the delivery receipt. However,
21 if the department determines that the addressee is deliberately avoid-
22 ing service, then the date of service is the day of mailing.

23 (c) If the amount assessed is not paid within 30 days after
24 personal service or mailing of the notice, the department may collect
25 the amount stated in the assessment by the distraint or seizure of the
26 property, assets, goods, and effects of the individual. Goods and
27 property exempt from execution under the laws of this state are exempt
28 from distraint under this section.

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

1 The Department of Labor may issue to a person or to a political subdi-
2 vision or other department of the state a notice and order to withhold
3 and deliver property of any kind if (1) the Department of Labor has
4 reason to believe that the person, political subdivision, or other
5 department possesses property that is due or owing under this chapter,
6 or is the property of another person; and (2) notice of assessment has
7 been served at least 30 days before the issuance of the notice and
8 order to withhold and deliver.

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

13 (c) If the person, political subdivision, or department pos-
14 sesses property, credits, or money subject to the claim of the depart-
15 ment, it shall deliver the property to the department immediately upon
16 demand.

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

22 * Sec. 13. AS 23.20.530(a) is amended to read:

23 (a) In this chapter, "wages" means all remuneration for service
24 from whatever source, including, but not limited to, insured work,
25 noninsured work, or self-employment; commissions, bonuses, back pay
26 and the cash value of all remuneration in a medium other than cash
27 shall be treated as wages; gratuities customarily received by an
28 individual in the course of service from persons other than the indi-
29 vidual's employing unit may be treated as wages received from the

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

18 * Sec. 14. WAIVER FOR SELF-EMPLOYMENT PROJECT. (a) If a demonstration
19 project to provide self-employment allowances to certain unemployed persons
20 in the state is approved by the federal Department of Labor under sec. 9152
21 of Public Law 100-203, the state Department of Labor may provide self-
22 employment allowances to unemployed persons under AS 23.20 during the term
23 of the demonstration project.

24 (b) The state Department of Labor may waive AS 23.20.360, 23.20.378,
25 23.20.379, 23.20.406, and 23.20.505 for a person who participates in a
26 project under this section to the extent required for the state to partici-
27 pate in the project.

28 * Sec. 15. AS 23.20.175(a), ~~23.20.175(b)~~, and 23.20.240(f) are re-
29 pealed.

1 * Sec. 16. Section 14 of this Act is repealed June 30, 1992.

2 * Sec. 17. Section 9 of this Act takes effect January 1, 1989.

3 * Sec. 18. Except for sec. 9 of this Act, this Act takes effect immedi-
4 ately under AS 01.10.070(c).

4/11/88

A M E N D M E N T

Offered in the Senate Labor & Commerce Committee

Proposed by Gary L. Jenkins

TO: HB 384 (Title am)

(1) Page 1, Line 27: Delete the phrase "with the required security".

As amended the line would read;

(c) If the amount assessed is not paid, or an appeal is not filed as required in AS 23.20.220, within 30 days after [PERSONAL] ...

(2) Page 4, Line 20: Insert a new section to read:

* Sec. 8. AS 23.30.279. LIABILITY OF OFFICER, MEMBER OR EMPLOYEE. In this article, "employer" as defined in AS 23.²⁰~~30~~.520 also includes, but is not limited to, an officer or employee of a corporation or a member or employee of a partnership who, as an officer, employee, or member, is under a duty to pay the contributions required by this chapter provided that when such officer, member or employee is individually assessed any contributions and/or interest due, they shall be permitted to individually appeal the assessment as provided in this chapter.

Renumber subsequent sections of the bill accordingly.

(3) Page 8, Line 11: Amend to read as follows:

* Sec. 12. AS 23.20.175 (a) and (b) and AS 23.20.240 (f) are repealed.

DEPARTMENT OF LABOR

AMENDMENT TO: HB 384 (title am)

1. Page 4, after line 27:

Insert a new bill section to read:

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

Sec. 23.20.384. UNEMPLOYMENT INSURANCE PROVISION WAIVER AND SELF-EMPLOYMENT PROJECT. (a) If a demonstration project to provide self-employment allowances to unemployed persons in the state is approved by the federal Department of Labor under sec. 9152 of P.L. 100-203, the department may provide self-employment allowances to unemployed persons.

(b) The department may waive AS 23.20.360, 23.20.378, 23.20.379, 23.20.406, and 23.20.505 for a person who participates in a project under this section.

2. Renumber the following bill sections accordingly.

3. Page 8, line 13:

Delete "9--12"

Insert "9--13"

MEMORANDUM

State of Alaska

TO: Bob Evans
Legislative Liaison
Office of the Governor

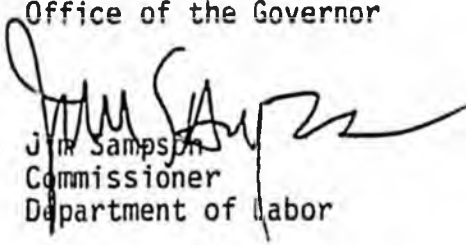
DATE: April 8, 1988

FILE NO:

TELEPHONE NO: 465-2700

SUBJECT: Small Business
Development

FROM:


Jim Sampson
Commissioner
Department of Labor

The Department of Labor would like to participate in a pilot project, sponsored by the U.S. Department of Labor that would encourage unemployed Alaskans to start small businesses.

The concept uses the unemployment insurance system to promote self-employment, and is based upon programs initiated in other countries, particularly Great Britain and France. The idea involves making unemployment insurance benefits available in the form of a self-employment allowance, to targeted claimants who become self-employed. In addition, claimants would receive training in operating a business and other support services such as management assistance to help them gain a solid foothold in the business world. The Small Business Development Centers of the University of Alaska would assist in the effort, as well as the Department of Commerce and Economic Development and the Department of Community and Regional Affairs. They are supportive of the pilot project.

Inasmuch as certain statutorily mandated unemployment insurance eligibility criteria would have to be waived for persons participating in the project, a change to our unemployment insurance law would be required. Draft language for the statute change is attached, and it could be incorporated into House Bill No. 384 which is presently before the Senate Labor and Commerce Committee.

Also attached is an Executive Summary on the pilot project which provides more detailed information on it.

Inasmuch as states that wish to be considered for the pilot project must submit their proposals by May 2, 1988, we will need to move on this immediately if we are going to submit a proposal, particularly in view of the statute change which will be required prior to that time.

Thank you.

JS/EP/kmc
09903

Attachments

THE SELF-EMPLOYMENT DEMONSTRATION PROJECT

EXECUTIVE SUMMARY

Description

The Secretary of Labor is soliciting bids for the "Three-State Self-Employment Demonstration Project," established under Sec. 9152 of the Omnibus Reconciliation Act of 1987. Three states will be chosen to participate in the project which will run for three years beginning January 1989.

The project will test the supposition that some unemployed individuals wish to establish their own businesses, and that these ventures would have a greater survival rate, if the claimants did not lose thousands of dollars in potential unemployment compensation because of employment security laws. This project is modeled after similar projects in Europe, in which the initial pilot projects quickly became nationwide programs. These programs were shown to be effective in creating jobs (1.5 to 2 jobs for each participant in England, for example).

The Alaska Department of Labor would provide initial screening of applicants who are already receiving UI benefits, targeting the "structurally" unemployed—those who are most likely to claim all of their potential benefits. This project would also test the ability of employment security agencies to work with economic development agencies by providing counseling, screening, and other assistance from the Small Business Development Centers, working in cooperation with the Department of Commerce and Economic Development, the University of Alaska, and other state and local organizations. The project would be limited to a maximum of 200 participants per year.

UI Trust Fund and Taxes

While enrolled in the project a participant's benefits would continue to be paid out of the UI trust fund, the same as if they were covered under the regular or extended benefits programs. Because participants in the project would be those claimants who would be most likely to receive all of their potential benefits anyway, the impact on the trust fund and employer and employee taxes would be negligible.

Administrative Costs

The Small Business Development centers would be able to provide counseling, guidance, and screening at no additional cost. The U.S. Department of Labor would fund the research and evaluation activities for the demonstration, including the experimental design, monitoring, and evaluation of the demonstration project.

Administrative costs associated with the payment of benefits may not be funded from federal funds, and must be appropriated from state funding sources. The Employment Security Division has estimated these costs for 200 participants per year, including initial start-up costs (printing of forms, training of personnel, etc.) as follows (in thousands of dollars):

SFY 89	January-June, 1989	30.0
SFY 90		35.0
SFY 91		35.0
SFY 92	July-December, 1991	20.0
Total administrative costs		120.0

Employment Security Laws

The Secretary of Labor has waived applicable federal requirements for availability for work, acceptance of suitable work, and work search for participants enrolled in the project. Alaska would have to make similar changes in the Alaska statutes. The necessary language is attached.