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

REQUEST: _____

Bill Version: SB2161
Publish Date: _____

Revision Date: _____

Agency Affected: Labor
BRU: Employment Security

Title: "An Act relating to
Unemployment Insurance."

Sponsor: Governor

Components: Unemployment Insurance

Requestor: _____

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						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

Prepared by: Joe Sixton, Director
Division: Employment Security

Phone: 465-2712
Date: 3/19/87

Approved by Commissioner: Jim Sampson
Agency: Labor

Date: 3/19/87

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

SB 260 cont'd

AS 36.30.380, which requires approval of proposed contractors' accounting systems, would be repealed. This section appears to require the state to approve all accounting systems for contracts awarded by the sealed proposal method. Some bidders will be major corporations, and it would be foolish to waste state staff time reviewing, analyzing, and approving their accounting systems. This would be very costly, and, if it is not done properly, could expose the state to claims or overcharges.

AS 36.30.540(4) and (5), requiring the state to make listings of all procurements made within the state and outside the state, are being repealed. These lists are never consulted and provide no usable information.

Section 24:

The deferment sections of this bill have been given an immediate effective date so that everyone involved in dealing with the procurement code, both the public and the administrators, will be able to make appropriate plans. The other sections of this bill have been given a January 1, 1988 effective date to coincide with the proposed deferred effective date of all but one section of ch. 106, SLA 1986. (Section 66 of last year's Act was given an immediate effective date at that time to enable the regulations adoption project to get started.)

Enactment of this bill will streamline procurement activities of the state and will result in an enormous cost-savings at this critical time. It is necessary to enact this bill this session. I strongly urge your prompt and favorable action on this measure.

Sincerely,

/s/ Steve Cowper
Steve Cowper
Governor

SB 261

SENATE BILL NO. 261 by the Rules Committee by request of the Governor, entitled:

"An Act relating to unemployment insurance."

was read the first time and referred to the State Affairs Committee the Labor and Commerce Committee and the Finance Committee.

Zero fiscal note published today from Department of Labor.

April 16, 1987

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SB 261 cont'd

Governor's transmittal letter dated April 15:

Dear Senator Faiks:

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.

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,

/s/ Steve Cowper
Steve Cowper
Governor

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