

SB

261

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 15, 1987

The Honorable Jan Faiks  
President of the Senate  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

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.

at 241

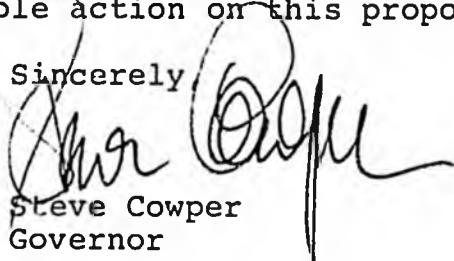
Hon. Jan Faiks

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,

  
Steve Cowper  
Governor

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

Bill Version: CSHB 268 (Fin)  
Publish Date: \_\_\_\_\_

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

Revision Date: \_\_\_\_\_  
Title: "An Act relating to...e ployee  
contributions for unemployment insurance."  
Sponsor: Governor  
Requestor: House Finance

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> | 0     | 0     | 0     | 0     | 0     | 0     |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

Prepared by: Joe Sitton  
Division: Employment Security

Phone: 465-2712  
Date: 5/11/87

Approved by Commissioner: Jim Sampson  
Agency: Labor

Date: 5/11/87

Distribution (by preparer):

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

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of APRIL 22, 1987 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: LABOR & COMMERCE  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED 2 \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

DATE TURNED INTO OFFICE 11 MAY 1987

Mr. President:

STATE AFFAIRS

Committee considered SB 261

unemployment insurance

and recommended:

[ ] replace with CS \_\_\_\_\_ [ ] same title  
[ ] attached amendment(s) and [ ] new title

do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted and attached

\*\* Committee  attached or [ ] adopted fiscal note(s)  
 zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

Bill Groenke  
Willie Kennedy  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS

Paul (Ch) (No Rec.)  
Jim Fair (No Rec.)  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Chairman signature and recommendation

[ ] Committee Backup Attached

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

Bill Version : SB 261  
Publish Date : \_\_\_\_\_

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

Revision Date: \_\_\_\_\_  
Title: "An Act relating to unemployment insurance."  
Sponsor: Governor  
Requestor: Senate State Affairs

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> | 0     | 0     | 0     | 0     | 0     | 0     |

|                |  |  |  |  |  |  |
|----------------|--|--|--|--|--|--|
| <b>CAPITAL</b> |  |  |  |  |  |  |
|----------------|--|--|--|--|--|--|

|                |  |  |  |  |  |  |
|----------------|--|--|--|--|--|--|
| <b>REVENUE</b> |  |  |  |  |  |  |
|----------------|--|--|--|--|--|--|

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

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

Prepared by: Joe Sitton Phone: 465-2712  
Division: Employment Security Date: 4/20/87

Approved by Commissioner: Jim Sampson Date: 4/20/87  
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

May 1, 1987

Honorable Mitch Abood, Chairman  
State Affairs Committee  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Abood:

This is in response to your request for a clarification of the provisions of Senate Bill 261.

The Unemployment Insurance Trust Fund, which is used to pay benefits to workers during temporary periods of unemployment, is made up of employer and employee contributions. The formula used for determining the contribution rates, which are adjusted annually, was designed to be responsive to benefit outlays and thereby assure the solvency of the fund. However, the extremely sharp and prolonged economic decline being experienced in the state was not anticipated and the formula was not designed to accumulate reserves which would withstand such high and prolonged unemployment. We project that the Trust Fund will be exhausted in early 1988, and that it will be 1991 before the self-correcting mechanisms of the contribution formula, combined with economic recovery, will return the fund to a solvent condition.

When Alaska's trust fund is depleted, the federal government will advance funds to permit the continued payment of unemployment insurance benefits, but it prohibits using employer contributions in the trust fund for paying interest on the advances. However, Alaska is one of the few states in the nation that also requires employee contributions into our unemployment fund. This interest can be paid from employee contributions before they are deposited into the Trust Fund. Under present Alaska law, all employee, as well as employer, contributions go into the Trust Fund and use of employee contributions to pay the interest is therefore precluded.

Senate Bill 261 proposes to amend the law to permit the interest on advances to be paid from the employee contributions, with the residual then going into the Trust Fund. Senate Bill 261, therefore, only provides the accounting mechanism for paying the interest from the employee contributions and it does not make any changes to the employee/employer contributions rate structure or benefits. The only other alternative would be a general fund appropriation or an employee/employer surcharge to pay the interest.

Please do not hesitate to let me know if additional clarification is needed.

Sincerely,

  
Jim Sampson  
Commissioner

# STATE OF ALASKA

## DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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

May 6, 1987

Mr. Carol Horos  
Staff Assistant  
State Affairs Committee  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

Dear Carol:

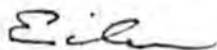
This is in response to your request for information on actual employer and employee unemployment insurance contributions for the most recent period for which the information is available.

In calendar year 1986, the average employer contribution rate was 2.34%, and the average employee rate was .5%. Contributions were payable on the first \$21,600 of earnings of each employee. Total contributions during the year were \$78,850,000. Employers contributed \$64,953,000 of this amount and employees the remaining \$13,897,000.

In calendar year 1987, the average employer contribution rate is 2.88% and the average employee rate is .6%. Contributions are payable on the first \$21,500 of earnings of each employee. Inasmuch as contribution reports from employers for the first quarter of 1987 were not required to be filed until April 30, 1987, and many of these reports are presently being processed, we do not yet have figures available on total contributions which are payable for the first quarter of 1987.

Please do not hesitate to call upon me if we may provide additional information or clarification.

Sincerely,



Eileen Plate  
Legislative Liaison