

HB

147

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 147 (Jud)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
Title: " An Act relating to
unemployment insurance..." BRU: Employment Security
Sponsor: Rules Committee Components: Unemployment Insurance
Requestor: House Judiciary

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0.0	44.0	44.0	44.0	44.0	44.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	44.0	44.0	44.0	44.0	44.0

CAPITAL						
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REVENUE	0.0	150.0	150.0	150.0	150.0	150.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	30.8	30.8	30.8	30.8	30.8
FEDERAL FUNDS						
OTHER	0.0	13.2	13.2	13.2	13.2	13.2
TOTAL	0.0	44.0	44.0	44.0	44.0	44.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director Phone: 465-2711
Division: Employment Security Division Date: 3/23/89
Approved by Commissioner: Jim Sampson Date: 3/23/89
Agency: Department of Labor

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

Fiscal Note Analysis
for

"An Act relating to Unemployment Insurance..."

Three sections of this bill carry expenditure impact; one section will generate revenue.

Section 10 requires the department to adopt regulations to follow the notice and publication provisions of the Unclaimed Property Act. The minimal costs associated with this requirement will be paid for out of currently budgeted federal operating funds.

Section 17 would pay unemployment benefits to individuals who attend school if they became laid off while both attending school and working at least thirty hours a week.

There would be a cost to the State if state employees were laid off and qualified under this bill for unemployment benefits. Under existing law, the State reimburses the Unemployment Insurance Trust Fund for benefits paid to its employees. We estimate that 7 employees a year would qualify for benefits. At an average benefit of \$2,000 each, this would equate to \$14,000 a year.

Section 25 would change the provisions for dependent allowance. Both parents would receive the allowance if they are unemployed at the same time. We estimate this would cost the State \$30,000 per year in benefits to unemployed state employees.

The total impact of these two provisions would be \$44,000 per year. However, since approximately 70% of the state operating budget is general funds, we estimate that \$30,800 (70% of \$44,000) of general fund money would be used while \$13,200 would be other funds. Other funds include federal, inter-agency, user fees, etc.

Section 21 of this bill provides for a penalty of 50% to be assessed claimants who are disqualified for fraudulent receipt of UI benefits. When collected, this penalty will be deposited in the General Fund as unrestricted revenue. The calculations used to arrive at estimated anticipated revenues are as follows:

- | | |
|---|------------|
| 1. Total detected fraudulent payments made per year | \$500,000. |
| 2. 50% penalty on detected fraudulent payments | \$250,000. |
| 3. A 60% collection rate on the established penalties | \$150,000. |

Assumptions:

1. An effective date for the above sections of July 2, 1989.
2. Detected fraudulent overpayments will remain at about \$500,000/year through 1994.
3. The fraud penalty must be collected in cash, therefore we have assumed a 60% collection rate on established penalties. A benefit offset cannot be used because of conflict with the federal law.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 147 (Jud)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Labor
Title: " An Act relating to
unemployment insurance..." BRU: Employment Security
Sponsor: Rules Committee Components: Unemployment Insurance
Requestor: House Judiciary

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0.0	44.0	44.0	44.0	44.0	44.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	44.0	44.0	44.0	44.0	44.0

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

REVENUE	0.0	150.0	150.0	150.0	150.0	150.0
---------	-----	-------	-------	-------	-------	-------

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	30.8	30.8	30.8	30.8	30.8
FEDERAL FUNDS						
OTHER	0.0	13.2	13.2	13.2	13.2	13.2
TOTAL	0.0	44.0	44.0	44.0	44.0	44.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director Phone: 465-2712
Division: Employment Security Division Date: 3/29/89
Approved by Commissioner: Jim Sampson Date: 3/29/89
Agency: Department of Labor

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

Fiscal Note Analysis
for
"An Act relating to Unemployment Insurance..."

Three sections of this bill carry expenditure impact; one section will generate revenue.

Section 11 requires the department to adopt regulations to follow the notice and publication provisions of the Unclaimed Property Act. The minimal costs associated with this requirement will be paid for out of currently budgeted federal operating funds.

Section 18 would pay unemployment benefits to individuals who attend school if they became laid off while both attending school and working at least thirty hours a week.

There would be a cost to the State if state employees were laid off and qualified under this bill for unemployment benefits. Under existing law, the State reimburses the Unemployment Insurance Trust Fund for benefits paid to its employees. We estimate that 7 employees a year would qualify for benefits. At an average benefit of \$2,000 each, this would equate to \$14,000 a year.

Section 26 would change the provisions for dependent allowance. Both parents would receive the allowance if they are unemployed at the same time. We estimate this would cost the State \$30,000 per year in benefits to ex-state employees.

The total impact of these two provisions would be \$44,000 per year. However, since approximately 70% of the state operating budget is general funds, we estimate that \$30,800 (70% of \$44,000) of general fund money would be used while \$13,200 would be other funds. Other funds include federal, inter-agency, user fees, etc.

Section 22 of this bill provides for a penalty of 50% to be assessed claimants who are disqualified for fraudulent receipt of UI benefits. When collected, this penalty will be deposited in the General Fund as unrestricted revenue. The calculations used to arrive at estimated anticipated revenues are as follows:

- | | |
|---|------------|
| 1. Total detected fraudulent payments made per year | \$500,000. |
| 2. 50% penalty on detected fraudulent payments | \$250,000. |
| 3. A 60% collection rate on the established penalties | \$150,000. |

Assumptions:

1. An effective date for sections 18, 22, and 26 of July 2, 1989.
2. Detected fraudulent overpayments will remain at about \$500,000/year through 1994.
3. The fraud penalty must be collected in cash, therefore we have assumed a 60% collection rate on established penalties. The penalty cannot be collected by reducing a claimants future benefit entitlement due to a conflict with federal law.

HOUSE COMMITTEE REPORT

(7)

Date Referred: March 3, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 3/29/89

The JUDICIARY Committee considered:

HB 147

HOUSE BILL NO. 147 [UNEMPLOYMENT INSURANCE]

"An Act relating to unemployment insurance and unemployment insurance contribution overpayments; establishing a priority for payment; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with CS HB 147 - (Jud) the same title
- have 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):
(Dept)

APPROVES PREVIOUS:
(Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____
- fiscal note(s) _____
- zero fiscal note(s) _____
- zero fn/analysis _____

SIGNING DO PASS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

SIGNING:
(Check approp. column)

	Do Not Pass	No Rec	Amend

[Signature]
Chairman's signature

1

go0559hEb
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 147(Judiciary)

Page 2, line 2, before "compensation":

Insert "unemployment"

New #2

go0559hEd
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSPB 147(Judiciary)

Page 3, after line 20:

Insert a new bill section to read:

** Sec. 6. AS 23.20.205(a) is amended to read:

(a) If the department finds that a contribution including interest or penalty on the contribution is delinquent, the department may issue a notice of assessment specifying the amount due and may serve it on the delinquent employer. The notice shall inform the employer of the department's rights under (c) of this section. A peace officer or an authorized representative of the department may serve the notice personally or the department may mail the notice by certified or registered mail with return receipt requested."

Renumber remaining bill sections accordingly.

Page 12, line 13:

Delete "14"

Insert "25"

Page 12, line 14:

Delete "10, 24, and 26"

Insert "11, 25, and 27"

NEW # 3

NEW # 4

go0559hEc
Cramer

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 147(Judiciary)

Page 3, line 23:

43 Delete "[PERSONAL]"

Insert "personal"

Page 3, line 24, after "notice":

4 Insert "as required by (a) of this section"

Page 12, line 16:

Delete "1 - 9, 11 - 23, and 25"

Insert "1 - 10, 12 - 24, and 26"

#5

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 147(Judiciary)

Page 1, line 26, through page 2, line 7:

Delete all material and insert:

"(k) If an individual who is applying for or participating in a housing assistance program administered by the United States Department of Housing and Urban Development gives authorization, the department shall disclose, to the United States Department of Housing and Urban Development or to representatives of the housing assistance program operating the program, wage information and unemployment compensation information. The authorization shall be made by the individual on a consent form approved by the department. The form shall state the information authorized to be released and require the signature of the individual. In this subsection,

(1) "unemployment compensation information" means whether the individual is receiving, has received, or has applied for unemployment compensation, and the amount of compensation that the individual is receiving or will receive;

(2) "wage information" means the social security number, or numbers if there are more than one, and quarterly wages of an employee, and the name, address, state, and, if known, federal employer identification number of an employer reporting wages under this chapter."

60

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 147(Judiciary)

Page 6, line 10:

Delete "] the state share [AMOUNT] of extended benefits"

Insert "THE AMOUNT OF] extended benefits that are not reimbursable by the federal government"

Page 6, lines 21 - 22:

Delete "the state share [ONE-HALF OF THE AMOUNT] of extended benefits"

Insert "[ONE-HALF OF THE AMOUNT OF] extended benefits not reimbursable by the federal government"

Page 7, lines 11 - 12:

Delete "state share [AMOUNT OF ONE-HALF] of extended benefits paid"

Insert "[AMOUNT OF ONE-HALF OF] extended benefits not reimbursable by the federal government paid to individuals"

7

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 147 (Judiciary)

Page 1, line 7, after "overpayments;":

Insert "relating to disclosure of certain wage and unemployment compensation information;"

A M E N D M E N T

TO: CSHB 147 (Judiciary) - Work Draft

By: 7011

① ✓ Page 2, line 2, before "compensation", insert "unemployment".

Add a new section to read:

② Sec. __. AS 23.20.205(a) is amended by adding a sentence to read: "The notice shall inform the delinquent employer of the department's rights under AS 23.20.205(c)."

③ Page 3, line 23, do not delete "personal".

④ Page 3, line 24, after "notice", insert "in conformity with AS 23.20.205(a)".

A M E N D M E N T

TO: CSHB 147 (Judiciary) - Work Draft

Section 2 is amended to read as follows:

Section 2. AS 23.20.110 is amended by adding a new subsection to read:

IF
(k) An individual who is applying for or participating in a housing assistance program administered by the United States Department of Housing and Urban Development ~~may~~ *shall* ~~authorize~~ the department ~~to~~ disclose to the United States Department of Housing and Urban Development ~~and~~ *to* representatives of the public housing agency operating the program, ⁽¹⁾ wage information; and ⁽²⁾ whether the individual is receiving, has received, or has applied for, unemployment compensation, and the amount of compensation that the individual is receiving or will receive. In this subsection "wage information" means the social security number (or numbers if more than one) and quarterly wages of an employee, and the name, address, state, and (when known) federal employer identification number of an employer reporting wages under this chapter. Authorization shall be made by the individual on a signed consent form approved by the department which states the information to be released.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 147

Page 12, lines 27 - 29:

Delete "Wages earned for services performed, but not paid because the employer has filed for bankruptcy,"

Insert "When an employer has filed for bankruptcy, unpaid wages earned for services performed for the employer"

#5

A M E N D M E N T

TO: CSHB 147 (Judiciary) - Work Draft

Section 2 is amended to read as follows:

Section 2. AS 23.20.110 is amended by adding a new subsection to read:

(k) An individual who is applying for or participating in a housing assistance program administered by the United States Department of Housing and Urban Development may authorize the department to disclose to the United States Department of Housing and Urban Development and to representatives of the public housing agency operating the program; ⁽¹⁾ wage information, ⁽²⁾ and whether the individual is receiving, has received, or has applied for, unemployment compensation, and the amount of compensation that the individual is receiving or will receive. In this subsection "wage information" means the social security number (or numbers if more than one) and quarterly wages of an employee, and the name, address, state, and (when known) federal employer identification number of an employer reporting wages under this chapter. Authorization shall be made by the individual on a signed consent form approved by the department which states the information to be released.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 147

Page 5, after line 4:

Insert a new bill section to read:

"* Sec. 9. AS 23.20.225 is amended by adding a new subsection to read:

(e) The department shall adopt regulations providing for the disposition of excess contributions paid to the unemployment compensation fund under AS 23.20.130. The regulations must be substantially similar to the provisions of AS 34.45.110 - 34.45.780 (Uniform Unclaimed Property Act)."

Renumber remaining bill sections accordingly.

Page 14, line 11:

Delete "24"

Insert "25"

Page 14, line 12:

Delete "24 and 26"

Insert "9, 25, and 27"

Page 14, line 14:

Delete "This Act takes"

Insert "Sections 1 - 8, 10 - 24, and 26 of this Act take"

STEVE COWPER
GOVERNOR



CC

413147

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 3, 1989

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

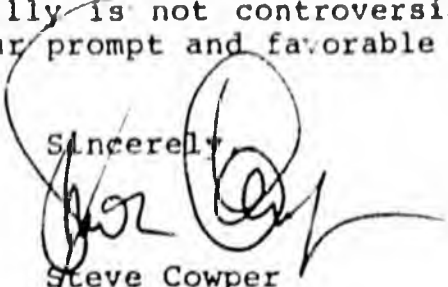
Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to unemployment insurance and unemployment insurance contribution overpayments. Passage of the bill will bring Alaska's law into conformity with recent amendments of federal law, as well as improve efficiency in the administration of the unemployment insurance program in the state.

Many of the provisions of the bill were in last session's SCS HB 384(L&C), and one, sec. 12, was in last year's CSHB 287(Fin) am. The attached bill contains nine additional sections for your consideration. These are: required sharing of information with federal public housing programs (sec. 2); extension of the Reed Act authorization (sec. 3); a provision for use of private collection agencies for employer contributions (sec. 9); clarification that redetermination of an initial claim applies only to the monetary determination (sec. 14); correction of current law to allow for eligibility under certain conditions while an individual is in certain training programs (sec. 16); restriction of denial of benefits or waiting-week credit for individuals in certain training programs (sec. 17); correction of current law to allow an immediate disqualification for fraudulent act (sec. 18); exempting employer overpayments of contributions for unemployment insurance from the provisions of the Uniform Unclaimed Property Act (retroactive to September 7, 1986) (secs. 24 and 26); and modification of the dependent's allowance by allowing each unemployed parent in the family unit to claim dependent children (repeal of AS 23.20.350(f)(4) and (5); sec. 25).

Many of these changes are detailed and technical in nature. Department of Labor staff will be available to testify before legislative committees to answer any questions that legislators might have. Due to the extensive review of many of the sections of this bill during last session, I am confident that the bill generally is not controversial in nature. Therefore, I urge your prompt and favorable action on this measure.

Sincerely,



Steve Cowper
Governor

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 147 No. 1
 PUBLISH DATE: HOUSE 2/3/89

FISCAL NOTE

REQUEST:

Reviser Name: _____
 Title: " An Act relating to
unemployment insurance..."
 Sponsor: Rules Committee
 Requester: Governor

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0.0	44.0	44.0	44.0	44.0	44.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & AIDMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	44.0	44.0	44.0	44.0	44.0

CAPITAL						
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REVENUE	0.0	150.0	150.0	150.0	150.0	150.0
---------	-----	-------	-------	-------	-------	-------

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	30.8	30.8	30.8	30.8	30.8
FEDERAL FUNDS						
OTHER	0.0	13.2	13.2	13.2	13.2	13.2
TOTAL	0.0	44.0	44.0	44.0	44.0	44.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight, Deputy Director
 Division: Employment Security Division

Phone: 465-2712
 Date: 1/13/89

Approved by Commissioner: Jim Sampson
 Agency: Department of Labor

Date: 1/13/89

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

Fiscal Note Analysis
for
"An Act relating to Unemployment Insurance..."

Two sections of this bill carry expenditure impact; one section will generate revenue.

Section 15 would pay unemployment benefits to individuals who attend school if they became laid off while both attending school and working at least thirty hours a week.

There would be a cost to the State if state employees were laid off and qualified under this bill for unemployment benefits. Under existing law, the State reimburses the Unemployment Insurance Trust Fund for benefits paid to its employees. We estimate that 7 employees a year would qualify for benefits. At an average benefit of \$2,000 each, this would equate to \$14,000 a year.

Section 25 would change the provisions for dependent allowance. Both parents would receive the allowance if they are unemployed at the same time. We estimate this would cost the State \$30,000 per year in benefits to unemployed state employees.

The total impact of these two provisions would be \$44,000 per year. However, since approximately 70% of the state operating budget is general funds, we estimate that \$30,800 (70% of \$44,000) of general fund money would be used while \$13,200 would be other funds. Other funds include federal, inter-agency, user fees, etc.

Section 19 of this bill provides for a penalty of 50% to be assessed claimants who are disqualified for fraudulent receipt of UI benefits. When collected, this penalty will be deposited in the General Fund as unrestricted revenue. The calculations used to arrive at estimated anticipated revenues are as follows:

- | | |
|---|------------|
| 1. Total detected fraudulent payments made per year | \$500,000. |
| 2. 50% penalty on detected fraudulent payments | \$250,000. |
| 3. A 60% collection rate on the established penalties | \$150,000. |

Assumptions:

1. An effective date for the above sections of July 2, 1989.
2. Detected fraudulent overpayments will remain at about \$500,000/year through 1994.
3. The fraud penalty must be collected in cash, therefore we have assumed a 60% collection rate on established penalties. A benefit offset cannot be used because of conflict with the federal law.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HB 147
PUBLISH DATE: HOUSE 2/3/89

FISCAL NOTE

REQUEST:

Revision Date: January 13, 1989
Title: Unemployment Insurance

Agency Affected: Revenue
BRU: Income & Excise Audit

Sponsor: Rules Committee
Requestor: Governor

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: January 13, 1989

Approved by Commissioner: Hugh Malone
Agency: Revenue

Date: January 13, 1989

Distribution (by preparer):

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

Prepared by: Steven E. Kettel
Income and Excise Audit Division
Department of Revenue
January 13, 1989

Fiscal Note Analysis

The uniform unclaimed property act (AS34.45) requires agencies, such as the Department of Labor(DOL), to report and pay over to the Department of Revenue (DOR), all funds which are represented by a valid claim, but where the claimant cannot be located. DOR then advertises the names of the missing claimants and takes other steps to reunite the owner with the funds. DOR holds the funds in trust for the missing owner forever.

This legislation exempts from the reporting requirements of AS34.45 overpayments of unemployment insurance. Employers occasionally overpay the state unemployment insurance contributions and are sent a refund check. If an employer has changed addresses and not notified DOR or the USPS, the check is returned and held by DOL in the unemployment compensation fund under AS23.20.130. This bill will continue DOL practice and remove these funds from the reporting requirements of AS34.45.

The Unemployment Insurance System: It Works for Alaskans When Alaskans Cannot Work

by Michael Hurst

The recession that began in late 1985 had a serious impact on almost every sector of the Alaskan economy. It was the individual Alaska worker, though, who was among the most gravely affected and also was among the first affected. More than 20,000 workers' jobs disappeared from the economy in two short years, 1986 and 1987. Average yearly earnings per job declined by 3% during the same period. Many workers were forced to move south. More than 10,000 properties went into foreclosure.

The 1980s recession eventually touched nearly every industry, occupation, and geographic area. Among industries, construction was hit first and hardest, actually starting to decline in 1984. The transportation, communications and utilities sector followed close behind. The services, trade, finance and real estate industries began to sustain losses in 1987 when the recession's secondary effects — loss of wages — were triggered. In all, over \$750 million in Alaska payroll was lost between 1985 and 1987.

More than 20,000
workers' jobs
disappeared from the
economy in 1986 and 1987

UI System: Alaska's 3rd Largest Employer' During Recession

If it hadn't been for Alaska's Unemployment Insurance (UI) system, the impact of the recession would have been much more severe on both unemployed workers and on Alaska's economy in general. Between 1985 and 1988 more than 138,000 unemployed workers received unemployment compensation totalling over \$578 million. Over \$111 million more was paid out in benefits between November 1985 and April 1988 than was collected in taxes and reimbursements in that same period. This provided a direct stimulus to the economy. If the UI system's benefits were considered payroll, the system would have been the third largest employer in the state during this period.

Why Employers' Tax Rates Are Fluctuating Drastically

Both employees and employers benefit from the UI system. It is self-financed, primarily through employer and employee taxes. The financing method is automatic and is designed to be countercyclical. The countercyclical design explains why average employer tax rates are still fluctuating drastically. Evidence of this wild fluctuation is the fact that in 1985 the average employer tax rate amounted to 2.17%. In the present calendar year, the average tax rate on employers will be 4.14%, the highest in history. What are the reasons for the hike? Alaska employers are paying in 1989 for the increased benefit payments disbursed during the past recessionary year and they are rebuilding the UI savings account as a buffer against future recessions.

Purpose of the Unemployment Compensation System is Twofold

The Alaska Employment Security Act was enacted by the territorial legislature in 1937 because state lawmakers recognized that "...involuntary unemployment is a serious menace to the health, morale, and welfare of the people of the state." With this legislative mandate in mind, there is a twofold purpose of the unemployment compensation system. The system is designed to: 1) Ease the

Many Alaskans were able to remain in the state during the last recession largely because of the unemployment insurance compensation they received while out of work.

financial distress of lost income to unemployed workers and their families, and 2) Maintain purchasing power to help stabilize the state's economy.

Focuses of this article:

Having briefly sketched out an overview of the Alaska Unemployment Insurance system and its recent effects on the state's economy, it's now pertinent to outline where this article is going. This commentary will focus primarily on the recessionary years of 1985 through 1988, and this article will —

- Evaluate the support that UI gave to unemployed workers.
- Examine how the Unemployment Insurance system in Alaska successfully achieved its goals during the recent recession.
- Show how the UI trust fund helped stabilize the economy.
- Explain why UI employer tax rates are so high in 1989, and
- Explain why the rates will decline in 1990 and 1991.

**George and Jean —
A typical, fictitious case**

George had worked as a heavy equipment operator at a Fairbanks concrete plant since moving to Alaska in 1974. His wife Jean had been a loan officer at the local bank for six years. When the price of oil fell in late 1985, the concrete plant operation was closed and George was laid off. Jean was not affected immediately. But, eventually, the loss of wages in Fairbanks forced many residents to move south; many defaulted on their home loans. The bank began to lose assets and was forced to cut back. In late 1986 Jean was laid off.

George and Jean's story was a common one in Alaska between late 1985 and early 1988. About 20,000 jobs disappeared from the Alaska economy in 1986 and 1987. Many workers were indeed forced to move south. Home foreclosures and bankruptcies were a common occurrence.

Yet like many others who were laid off

during the recession, George and Jean chose to remain in Fairbanks. Luckily, George was rehired after a few months of being out of work. He went back to work at the Fairbanks concrete plant after new military-related construction projects allowed the plant to reopen. Jean also returned to work after a few jobless months, having been hired by owners of a local tourism business.

The Fairbanks couple survived financially and were able to remain in the state largely because of the unemployment insurance compensation they received while out of work.

In order to better understand how the UI system helped George and Jean during their time of joblessness, and how it has helped thousands of other couples like them, it's pertinent to briefly explain UI's major programs. The system has two major programs — regular and extended benefits. Also important in coming to understand the UI benefits program are questions regarding adequacy of the benefits, and how much compensation individual claimants are entitled to receive.

**Regular Benefits: \$260 Per
Week for 26 Weeks Is Maximum**

The chief type of unemployment insurance benefits paid in the U.S. is called simply 'regular benefits'. How much a claimant receives in total regular benefits is determined by two elements: the claimant's weekly benefit amount and the number of weeks that the claimant receives benefits.

In Alaska, the claimant's weekly benefit amount is determined by his earnings in his 'base period'. (The base period is defined as the first four of the prior five complete calendar quarters.) The minimum benefit amount is \$38 per week for total earnings of \$1,000. The maximum is \$188 per week for total earnings of \$19,750 and over. A claimant may also receive dependents benefits, allowing him \$24 for each dependent — up to three dependents. In all, therefore, it's possible for a claimant to receive up to \$260 per week in benefit payments.

The number of weeks that a claimant can receive benefits depends upon the

steadiness of the claimant's work history during his base period. The maximum number of weeks that a claimant can receive regular benefits is 26 weeks, presuming he received his earnings equally over four quarters. The minimum number of weeks is 16, presuming he received all of his earnings in one quarter.

Extended Benefits Payable Only When Statewide Insured Unemployment Rate is 6%

When a claimant exhausts all of the regular benefits to which he is entitled, he becomes eligible for an additional benefit program called 'extended benefits'. He may claim up to one-half of the amount of regular benefits for which he was found eligible. There is an additional eligibility restriction, however. Extended benefits are only payable when Alaska's statewide unemployment is above a certain level. Specifically, the statewide 'Insured Unemployment Rate' (IUR) must be at least 6.0%. The statewide IUR is a weekly ratio of:

$$\frac{\text{Claims Actually Filed}}{\text{Average Employment}}$$

In Alaska, extended benefits are usually payable beginning in January; they usually end in July or August. Figure 1 shows the insured unemployment rates for 1986 and 1988. Note that in 1986 the IUR never fell below 6.0%. This means that extended benefits were payable year-round in 1986.

Benefit Adequacy: A Critical Measure of the UI System's Success

A critical function of the UI system is to partially replace an individual's lost income while he is unemployed. An important measure of the system's success is determined by the percentage of earned income replaced by UI. This is often referred to as 'benefit adequacy.' In 1988 the average weekly benefit amount for regular benefits was \$156.57. In that same year, the average weekly earnings for UI recipients were \$366. Thus, the average UI benefit replaced about 43% of the average earned income for UI claimants.

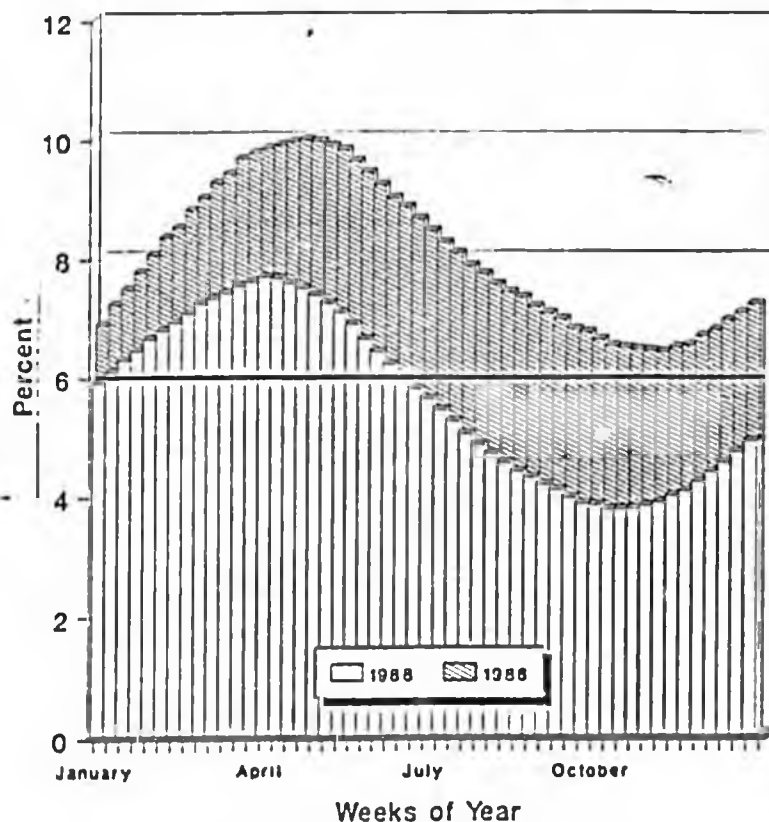
Table 1 provides data on the two main programs in Alaska — regular and extended benefits — for the five years 1984 to 1988. It lists the number of first payments (an approximation of the number of UI recipients), the total number of weeks claimants received payments, the amount of money they received in benefits, and the number of 'exhausts'. (Exhausts is defined as the number of recipients who have received the maximum benefits they were eligible to receive.) Table 1 also shows the 'Exhaustion Rate', and the average number of weeks each recipient has received compensation. (Exhaustion Rate is defined as the percentage of recipients who exhaust their eligible benefits.)

Note in Table 1 that all of the categories peaked in 1986; peaking in 1987, though, were the Exhaustion Rate and the average number of weeks per recipient. This indicates that while

In 1988, the average UI benefit replaced about 43% of claimants' average earned income.

Figure 1

Insured Unemployment Rate – 1986 and 1988

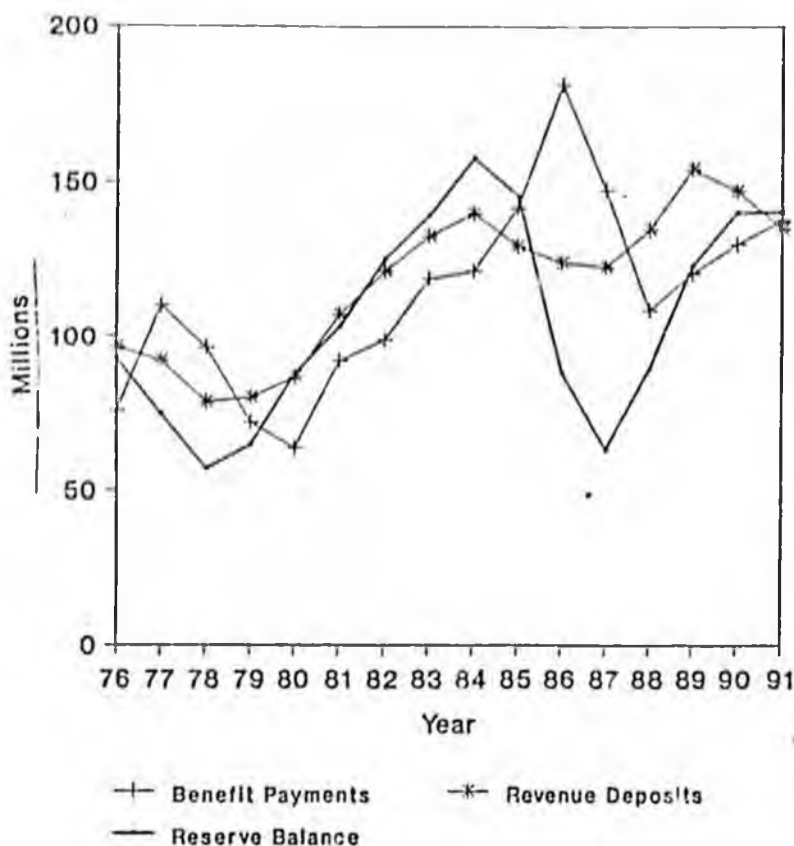


Extended Benefits payable when IUR is at least 6.0%

Source: Alaska Department of Labor, Research & Analysis

Figure 2

UI Trust Fund Cash Flow Payments, Revenues, Reserve Balance



Source: Alaska Department of Labor, Research & Analysis

actual total claims began to decline after 1986, those who remained unemployed were out of work for a longer period of time. Even though there were fewer total recipients in 1987, the situation was worse in 1987 than 1986 for the individual UI recipient.

UI Disbursements Reduces Negative Income Multiplier Effect

When George lost his job his wages were not lost to just him. His wages were lost to the entire Fairbanks community because of his lost ability to purchase goods and services. This loss of demand for goods and services often results in further job layoffs. This turn of events is commonly known as a negative 'multiplier effect'. Using the multiplier effect, most economists estimate that no less than two jobs are lost for every initial layoff.

Part of UI's purpose is to diminish the negative multiplier's effect in causing additional lost jobs or wages. The UI system performed this function well during the past recession. More than \$750 million was lost in total payroll in Alaska in 1986 and 1987. Much of this loss had already been induced by the multiplier effect. Yet at the same time unemployment compensation was pumping back into unemployed Alaska workers' hands more than \$257 million.

Table 1

UI Recipients and Payments, 1984-1988

Year	First Payments	Weeks Paid	Amount Paid (\$)	Final Payments (Exhausts)	Exhaust Rate	Average Duration (Weeks)
<u>Regular Benefits</u>						
1984	45,453	662,704	96,612,962	20,704	0.46	14.6
1985	49,348	767,652	123,967,863	24,291	0.49	15.6
1986	55,514	911,807	147,359,435	30,148	0.54	16.4
1987	45,345	770,406	123,528,576	26,496	0.58	17.0
1988	36,090	579,422	92,974,600	18,670	0.52	16.1
<u>Extended Benefits</u>						
1984	9,736	52,056	7,403,330	2,712	0.28	5.3
1985	12,158	61,158	10,715,479	3,749	0.31	5.7
1986	20,678	136,130	21,946,702	8,486	0.41	6.6
1987	13,145	94,773	15,230,837	6,246	0.48	7.2
1988	8,281	51,385	8,158,738	2,806	0.34	6.2

Source: ETA 5-159 report to the U.S. Department of Labor.

(Another \$72 million was paid to former Alaska workers living outside of the state.) Altogether, the four years 1985-through-1988 the UI system accounted for over \$451 million of income in Alaska. (In those same years, another \$127 million was paid to former workers living out-of-state.)

UI Trust Fund Account Dropped Dangerously Low in 1987-88

The UI Trust Fund is designed to act as a savings account which can be drawn down during difficult economic times and built up when times have improved. As mentioned earlier the trust fund paid out \$111 million more in benefits than it received in revenue between November 1985 and April 1988. This very large outflow of funds would not have been possible without adequate reserves in the UI Trust Fund. At the end of November 1985 the balance in the state's trust fund account was \$157 million. The account hit bottom in late April 1988, falling to \$46 million. (Figure 2 shows benefit disbursements, revenue deposits, and the reserve balance of the trust fund from 1976 to 1988. Figure 2 also depicts forecasts for 1989-91.)

One of the main obligations of all states' financing mechanisms is maintaining the solvency of the trust fund. Alaska's system is designed to remain perpetually solvent by way of a formula that automatically raises tax rates when benefits are high or when the trust fund is low. Yet in 1987 it appeared that the system's solvency might fail. To cope with that unexpected possibility, legislation was passed that year enabling the state to borrow money (and pay interest on the borrowed funds) to maintain the fund's solvency. The main reason for the falling trust fund balance was a massive rise in benefit payment outlays — from \$121 million in 1984 to \$142 million in 1985 and \$182 million in 1986. In 1987, payments declined to \$147 million; that outlay, though, still amounted to \$25 million over revenues for 1987.

The trust fund did not go broke, though, and no money actually was borrowed to maintain its solvency. It was in April 1988 that the fund's steady negative momentum was finally halted. This past calendar year of 1988 saw a

continuing decline in benefit payment outlays (to \$108 million), and an increase in revenue (to \$137 million). The increase can be attributed to higher UI taxes. At the end of 1988 the fund had recovered to a balance of about \$89 million. By the end of 1989 it is expected to reach \$120 million. And by the end of 1990 it is expected to reach \$140 million. Alaska's UI trust fund hasn't been forced to borrow money since 1960. Barring any future recession of the same magnitude as that which occurred between 1985 and 1987, the fund should never have to borrow any funds. This likelihood is due to the state's automatic financing mechanism, which is the next subject of this article.

Current UI Rates: Why They Are Now So Historically High

George's employers were hard hit by the drop in oil prices just as were many other businesses throughout Alaska. They had to cut back to a skeleton crew, sell some of their equipment, and restructure some of their loans. For a couple of years they were constantly on the verge of bankruptcy. To make matters worse, the owners feared that George and their other best employees would leave the Fairbanks area. If those fears proved true, they would have had to pay additional expense to train new employees when their business revenues improved.

Fortunately, the concrete plant's unemployment insurance taxes were reasonably low during the time when the owners were on the verge of bankruptcy. In 1985 the owners' rates were 2.17% of each employee's taxable wages — about \$473 per year per employee. By 1986 taxes had increased to \$555 per employee. But in 1987 the taxes that the plant paid per employee rose to \$866. And in 1988 the UI taxes soared to \$1,097. Finally, the 1989 taxes that the concrete plant owners have been assessed are the highest they have ever been, \$1,137.

What caused the tax rates to rise so much? And why such a rapid increase over the past three years? Two factors influenced the rates for the concrete plant. First, the plant's unique unemployment problems placed them in a higher 'tax bracket'. Second, and more important, average rates for all Alaska employers rose over the past

Alaska's UI system is designed to remain perpetually solvent by way of a formula that automatically raises tax rates when benefits are high or when the trust fund is low.

three years. All rates rose automatically to help the system recover from the 'benefits shock' of 1985 and 1986.

Before we examine in detail why rates are so high in this calendar year, it's relevant to understand how UI tax rates—both individual employers' and average UI tax rates — are calculated in the first place.

An Explanation of Individual Employers' Business Rates:

As Figure 3 shows, the greatest proportion of revenue flowing into the UI trust fund comes from employer and employee 'tax contributions'. In fact, tax contributions are the only source of revenue that significantly affects the balance of the trust fund; all other deposits are direct reimbursements. These revenues are tax contributions because they are assessed on employers by the state Department of Labor in advance of future UI payments to their employees.

Each employer is assigned to one of 21 different rate classes, each of which has a different tax rate. The assignment decision is linked to a couple of factors: If the employer has been operating a business for at least one year, the business' individual rate class is based

on the employer's own individual experience with unemployment. If the business has been in operation for less than one year, it is assigned the average rate class shared by other employers in the same industry. This process is termed 'experience rating'.

In Alaska, an employer's experience rating is first determined by measuring declines in payroll from one quarter to the next. This figure is averaged over three years' time. (This method of measurement is used because declines in payroll are primarily caused by reductions in the business' work force. Reductions in the work force cause a rise in UI payments.) Employers with a low payroll decline receive a more favorable UI tax experience rating than employers showing high declines in payroll.

Each of every 21 rate classes is assigned a tax rate that is a percentage of the 'average' — or base — tax rate. The percentages range from 40% (for Rate Class 1) to 165% (for Rate Class 21). (The percentage for the average rate — which comes in at rate classes 10 and 11 — is 100%.) These percentages are actually called 'experience factors'. Table 2 shows the 21 different rate classes, the experience factors, and the 1989 tax rates for each rate class.

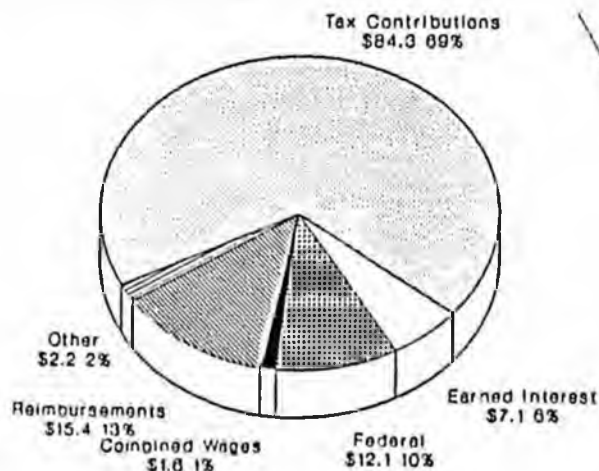
For the employer to determine the business' maximum UI contribution paid on each employee, the employer can take the business' assigned tax rate and multiply it by each employee's taxable wages. (Taxable wages are determined by each state's UI tax base; Alaska's UI tax base is equal to 75 percent of the statewide average annual wage.) For 1989, the state's tax base is \$20,900, down from \$21,800 in 1985. Thus, in 1989, the maximum tax an employer will be required to pay per employee — for an employer in the 'average rate class' (rate classes 10 or 11) — will be \$865.26, or 4.14% of \$20,900.

How Average UI Tax Rates Are Calculated:

Although this article has first addressed individual employers' business rates, it is the average tax rate which is first computed and determined by the Alaska Department of Labor according to Alaska statutes.

Figure 3

UI Trust Fund Revenue Sources 1987, Total and Percentage of Total (\$ = Millions)



Combined Wages are reimbursements from other states for shared UI, due to wages earned both in Alaska and other states.

Source: Alaska Department of Labor, Research & Analysis

Indeed, it is the average tax rate which is the real substance of Alaska's UI financing system. The level of the average tax rate determines how much total tax contributions are collected each year. Individual employers either pay lesser or greater percentages of this average rate.

Guts of the UI: Benefit Costs and the Benefit Cost Ratio

In order to understand how the average UI tax rates are calculated, it is first important to understand the 'guts' of the UI system, benefit costs and the 'benefit cost ratio'. Benefits paid to claimants are called 'benefit costs' because they are a cost to the system. (UI benefits have also been considered a cost of doing business to all U.S. employers ever since the Social Security Act was enacted in 1935.) Benefit costs

do not include all benefits paid; instead, benefit costs are that portion of benefits paid to employees by taxable employers.

Benefit cost data alone are insufficient to determine the financial condition of the UI system. Wages paid are also a critical element because the total amount of wages paid in the state determines the amount of taxes being collected and the amount of potential future benefits for which the system might be liable. The fundamental driving force, then, of average UI tax rates, is what is known as the 'benefit cost rate' (BCR). The BCR is computed as: benefits paid in the current year divided by wages paid in the prior year.

Since the Unemployment Insurance system is self-financing, taxes collected in the long run must be equal to benefits paid in the long run. This is achieved when the long-run average tax rate is

equal to the long-run benefit cost rate. (In 1980, the Alaska Legislature recognized the need to balance these two factors. As a result, lawmakers adopted it as the prime equation for determining tax rates.) Average UI tax rates are designed to be — in their most fundamental form — equal to the benefit cost rate.

Alaska UI System Designed to be Countercyclical and to Respond Rapidly to Economy's Changes

However, Alaska's UI system is not so simple. The design of this state's system has been devised so that it can respond quickly to changes in the economy and so that it can work in a countercyclical fashion. The system is designed to delay tax increases so that employers are not hit by the tax hikes during the worst part of a recession.

Table 2

UI Employer and Employee Contribution Rates, 1989

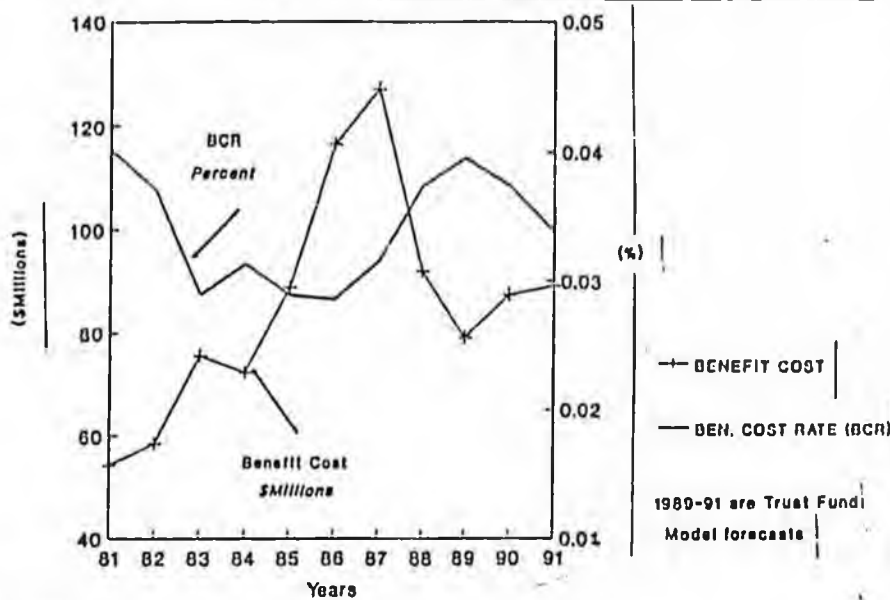
Rate Class	Experience Factor	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
1	0.40	0.7%	2.20%	2.90%
2	0.45	0.7	2.36	3.06
3	0.50	0.7	2.52	3.22
4	0.55	0.7	2.68	3.38
5	0.60	0.7	2.85	3.55
6	0.65	0.7	3.01	3.71
7	0.70	0.7	3.17	3.87
8	0.80	0.7	3.50	4.20
9	0.90	0.7	3.82	4.52
10	1.00	0.7	4.14	4.84
11	1.00	0.7	4.14	4.84
12	1.10	0.7	4.47	5.17
13	1.20	0.7	4.79	5.49
14	1.30	0.7	5.12	5.82
15	1.35	0.7	5.28	5.98
16	1.40	0.7	5.44	6.14
17	1.45	0.7	5.60	6.30
18	1.50	0.7	5.77	6.47
19	1.55	0.7	5.93	6.63
20	1.60	0.7	6.09	6.79
21	1.65	0.7	6.25	6.95

Average Benefit Cost Rate (ABCR) = 0.039558
 $.82 \times \text{ABCR} = 0.032438$
 Trust Fund Solvency Adjustment (TFSA) = 0.009
 Employee Tax Rate = 0.18 (ABCR) = 0.7%
 Average Employer Tax Rate = 0.82 (ABCR)
 + TFSA = 4.14%
 Individual Employer Tax Rates = 0.82 (ABCR) (Experience Factor) + TFSA

Sources: Alaska Statutes 23.20.290. Alaska Department of Labor, 1988. Table 1, UI Tax Rate Calculations, 1989.

Figure 4

UI Benefit Costs and Rate (BCR) State Fiscal Years 1981 - 1991



Source: Alaska Department of Labor, Research & Analysis

In theory, a system that is strictly countercyclical is one which has a single tax rate year after year. In contrast, a system that is not countercyclical — but instead responds rapidly to changes — computes rates according to benefit payments of the prior year.

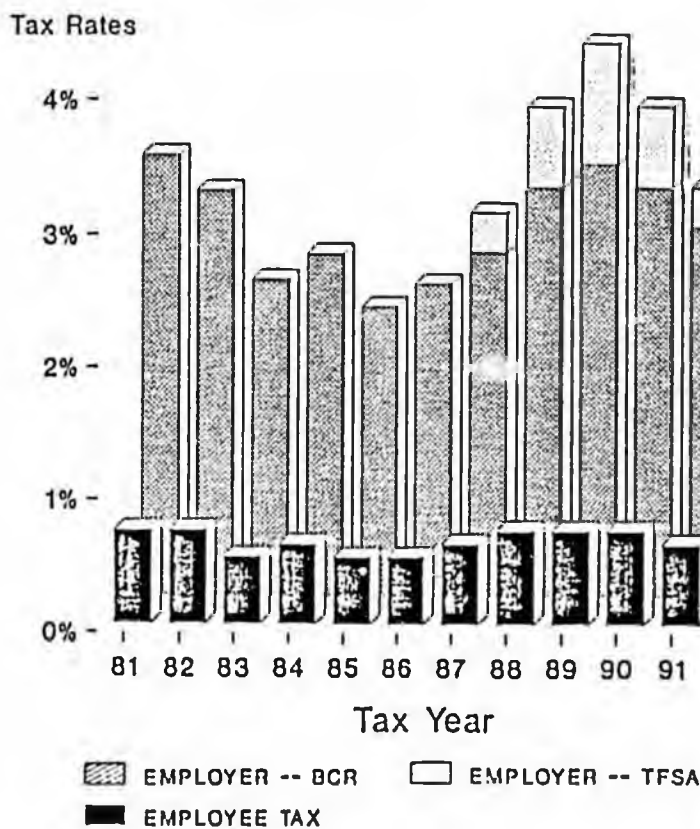
Alaska's UI system, as mentioned beforehand, is a compromise between a state's need to respond quickly to changes in its economy and the need for the system to work in a countercyclical fashion. Rather than using a one-year formula to compute the benefit cost rate, Alaska uses an average of the three prior years. (Figure 4 depicts benefit costs and the three-year benefit cost rate for state fiscal years 1981 through 1988. Figure 4 also depicts forecasts for 1989 through 1991).

Employers Pay 82% of Benefit Cost Rate, Employees 18%

Once the three-year benefit cost rate is determined, employers are assigned 82% of that rate, employees the other 18%. All employees' taxes are equal. The average employer tax varies, however. The employer's tax rate is a result of the average employer tax multiplied by the individual employer's experience factor. In a stable economy, this is all there is to the computation of tax rates.

Figure 5

Components of Average UI Tax Rate Employer and Employee Taxes



Employer taxes are sum of BCR and TFSA

Source: Alaska Department of Labor, Research & Analysis

Additional Surtax Ensures Trust Fund's Solvency

However, in a severe recession like the state has experienced over the past few years, this system — as designed so far — is unlikely to recover quickly enough to ensure a solvent trust fund. In order then to ensure trust fund solvency during recessionary years, an additional 'surtax' is added to employer tax rates. This surtax is called the Trust Fund Solvency Adjustment (TFSA). The TFSA is determined by a schedule dictated by Alaska statutes. It ranges from -0.4% (when the trust fund balance is excessively high) to 1.1% (when the trust fund balance is dangerously low). The TFSA also acts in a countercyclical fashion; it cannot rise or drop by more than 0.3% from one year to the next. In 1985 the TFSA

was -0.2%. In 1987 and 1988, it was 0.3% and 0.6%. In this calendar year, 1989, the TFSA is 0.9%.

Altogether, George's employers' tax rate is calculated this way: It is the total of two computations; that is, 82% of Alaska's three-year benefit cost rate is multiplied by the plant's own experience factor. And added to this sum is the Trust Fund Solvency Adjustment.

Now, after having gained a basic understanding of the formula which determines the UI tax rate, it's possible to comprehend why the tax rates were so high in 1988 and continue to be high in 1989. It's also possible to perceive why UI tax rates in Alaska are expected to decline in 1990 and 1991.

Average Tax Rates Tracked Between 1981 and 1991

Figure 5 illustrates the components of employee and employer tax rates; the rates are depicted as a percent of taxable wages. The employer tax rates include both portions attributable to the benefit cost rate, as well as the Trust Fund Solvency Adjustment.

(The sum of these two elements is the total average employer tax rate.) These employer rates are the average tax rates for each year listed. The figure includes data as far back as 1981, the first year of Alaska's current financing system. The 1989 tax rates are actual rates, having already been assigned. The 1990 and 1991 rates are forecasts generated by DOL Research & Analysis economists using the department's UI Trust Fund Model.

We can see from Figure 5 that tax rates declined steadily through the early 1980s, then began to rise in 1986. Over the last 20 years, the average tax rate has been about 3.2%. This tells us that the rates between 1983 and 1986 were substantially lower than average. Figure 5 also points out, though, that benefit costs were actually increasing during these same years, and that they nearly peaked in 1986. During this time, benefit cost rate were declining while benefit costs were rising. This apparent contradiction can be explained via two factors: total wages were rising faster than benefit costs, and the benefit cost rate is a three-year average.

The Surtax (TFSA) and Rising Benefit Costs Are the Causes of Higher UI Taxes

It is pertinent to note in Figure 5 that the benefit cost rate portion of employer taxes is about the same for SFY 1989 as it was for SFY 1981. The reason that total taxes are higher is due to the TFSA. Figure 2 demonstrates the fact that rising UI Trust Fund revenues (caused by lower tax rates, coupled with higher employment and payroll) kept pace with rising benefits until 1984. Between 1985 and 1987 trust fund reserves plunged sharply. This sudden plunge caused the first positive TFSA — amounting to +0.3% — to be added to 1987 tax rates. Through this calendar year, 1989, the TFSA has risen to 0.9%

By adding together the two portions of employer tax rates — the benefit cost rate and the TFSA — it's possible to come to two conclusions: 1) That the higher tax rates of 1987 through 1989 represent a delayed reaction to the rapidly rising benefit costs amassed between 1984 and 1987, and 2) That the higher tax rates of 1987 through 1989 represent a move to recapture UI trust funds lost during the precipitous decline of its reserve balance between 1985 and 1988.

It's worthy to again note that if a countercyclical financing system did not exist, the highest tax rates would have occurred in 1986 and 1987, the two worst years of the recession.

Thus, higher tax rates are being levied this year so that prior benefit payments can be adequately covered. Further, the higher tax rates are being levied so that the trust fund can be rebuilt to cover any possible, future recession.

UI Tax Rates To Drop In 1990 and 1991, and Possibly in 1992

It's encouraging to point out that the same elements that have caused tax rates to increase (benefit costs and TFSA) will combine to produce lower tax rates in 1990 and 1991. It's likely, too, that 1992 will also be a year marked by lower UI taxes. Here are the reasons: Benefit costs began to decline in the

If the countercyclical financing system did not exist, the highest tax rates would have occurred in 1986 and 1987, the two worst years of the recession.

These projections – that UI tax rates will drop in 1990 and 1991, and possibly in 1992 – could prove overly optimistic if the state's current budget shortfall results in added job losses in 1989.

latter half of 1987 and should continue to decline until mid-1989. So that portion of tax rates attributed to benefit costs will begin to decline in 1989 and continue to decline through 1991. Meanwhile, the UI trust fund reserve began to recover in 1988 and will continue to recover through 1991. So the Trust Fund Solvency Adjustment will begin to decline in 1990.

These projections are based on current estimates of future employment and unemployment by the state Department of Labor. These projections could prove overly optimistic if the state's current budget shortfall results in added job losses in 1989. Added unemployment in 1989 could reduce the rate of decline of employer tax rates. But because UI tax rates are calculated upon past data, new job layoffs are unlikely to alter the fact that declining tax rates will occur.

Conclusion

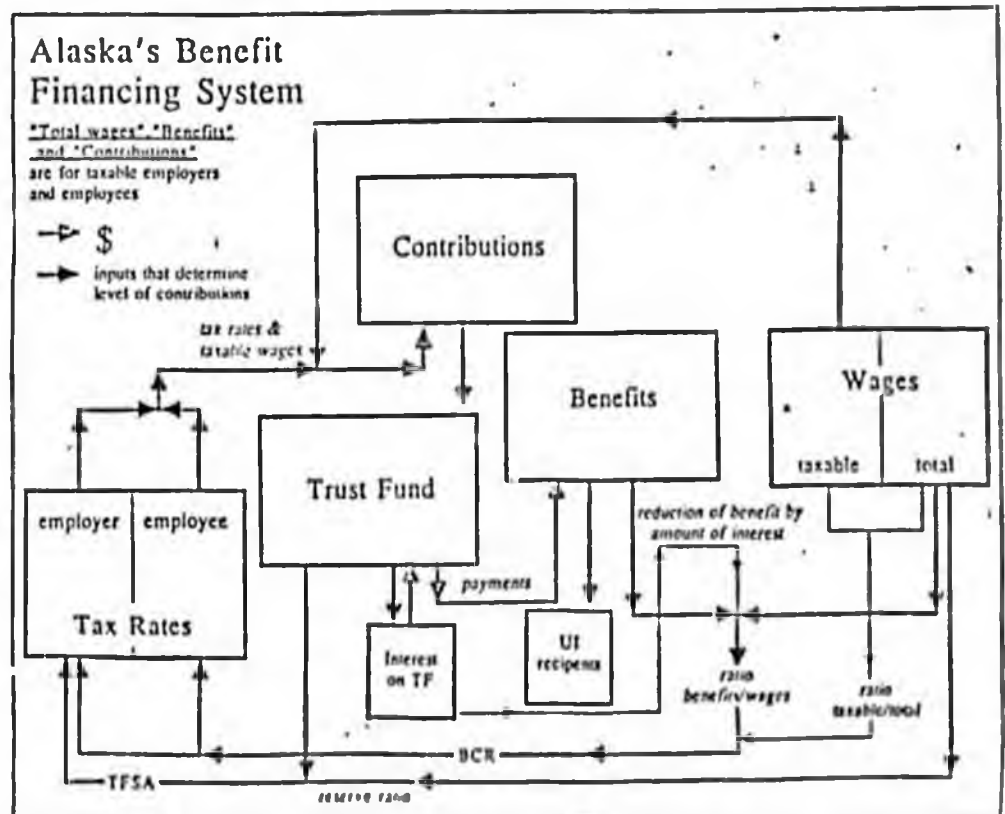
The Alaska Unemployment Insurance system is just that — an insurance system — and not a social welfare system. It is only available to persons who have worked and are temporarily unemployed. There is a limit to the

amount of benefits that can be claimed. It is financed through the payment of premiums — in this case, employer and employee taxes and reimbursements. As with other forms of insurance, these 'premiums' are often a bitter pill for employers to swallow, especially when the rates rise to exceptionally high levels. As with other forms of insurance, though, when the benefits are needed they provide vital support to the recipients.

Unemployment insurance has the dual purpose of providing temporary income support for unemployed workers and providing a measure of stability to the economy. During the recession that began in late 1985, Alaska's Unemployment Insurance system has performed well. Many thousands of workers received hundreds of millions of dollars in compensation. This allowed many of the workers to stay in Alaska. Without the compensation they would have been forced to leave the state. Furthermore, the reserves in the UI trust fund account provided a critical buffer to a flagging economy. The system is now in the process of rebuilding its reserves. And barring any major economic catastrophe, the UI system will continue serving Alaska workers when called upon in the future.

About the Author:

Michael Hurst is a labor economist employed for five years with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. Hurst is also the actuary for the Alaska Unemployment Insurance System. He is based in Juneau.



go0559hE
Cramer
3/22/89

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 147 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

12 (a) A person applying for a license as a fish processor or
13 primary fish buyer shall file with the commissioner of labor a surety
14 bond running to the State of Alaska conditioned upon the promise to
15 pay (1) all persons furnishing labor to a fish processor or primary
16 fish buyer, including contractual employee benefits; [AND] (2) in-
17 dependent registered commercial fishermen for the price of the raw
18 fishery resource purchased from them; and (3) unemployment insurance
19 contributions. If the surety bond is insufficient to satisfy all
20 obligations under this subsection, the obligations to persons furnish-
21 ing labor and to independent registered commercial fishermen shall be
22 paid before unemployment insurance contributions are paid. The surety
23 or sureties must [SHALL] be satisfactory, in the determination of the
24 commissioner.

25 * Sec. 2. AS 23.20.110 is amended by adding a new subsection to read:

26 (k) Upon request, the department shall disclose to the United
27 States Department of Housing and Urban Development and to representa-
28 tives of a public housing agency the following information: (1) wage
29 information; and (2) whether an individual is receiving, has received,

1 or has applied for, unemployment compensation, and the amount of
2 compensation that the individual is receiving or will receive. This
3 information may be released only with respect to an individual apply-
4 ing for or participating in a housing assistance program administered
5 by the United States Department of Housing and Urban Development, and
6 only if the individual has signed a consent form approved by the
7 department.

8 * Sec. 3. AS 23.20.145(f) is amended to read:

9 (f) Money credited to the account of this state in the unemploy-
10 ment trust fund by the Secretary of the Treasury of the United States
11 under 42 U.S.C. 1103 (Sec. 903, Social Security Act) may not be requi-
12 sitioned from this state's account or used except for the payment of
13 benefits and for the payment of expenses incurred for the adminis-
14 tration of this chapter. This money may be requisitioned under (b) of
15 this section for the payment of benefits. This money may also be
16 requisitioned and used for the payment of expenses incurred for the
17 administration of this chapter but only under a specific appropriation
18 by the legislature and only if the expenses are incurred and the money
19 is requisitioned after the enactment of an appropriation law that
20 [WHICH]

21 (1) specifies the purpose for which the money is appropri-
22 ated and the amount appropriated;

23 (2) limits the period within which the money may be ob-
24 ligated to a period ending not more than two years after the date of
25 the enactment of the appropriation law; and

26 (3) limits the amount that [WHICH] may be obligated during
27 a fiscal year to an amount that [WHICH] does not exceed the amount by
28 which [(A)] the aggregate of the amounts credited to the account of
29 this state under 42 U.S.C. 1103 (Sec. 903, Social Security Act) during

1 that fiscal year and the 34 [24] preceding fiscal years exceeds [(B)]
2 the aggregate of the amounts obligated for administration and paid out
3 for benefits and charged against the amounts credited to the account
4 of this state during those 35 [25] fiscal years.

5 * Sec. 4. AS 23.20.145(g) is amended to read:

6 (g) Amounts credited to this state's account in the unemployment
7 trust fund under 42 U.S.C. 1103 (Sec. 903, Social Security Act) that
8 [WHICH] are obligated for administration or paid out for benefits
9 shall be charged against equivalent amounts that [WHICH] were first
10 credited and that [WHICH] are not already so charged. However, an
11 amount obligated for administration during a fiscal year specified in
12 this section may not be charged against any amount credited during
13 [SUCH] a fiscal year earlier than the 34th [24TH] preceding fiscal
14 year.

15 * Sec. 5. AS 23.20.195(a) is amended to read:

16 (a) If the contributions are unpaid after 30 days from the date
17 of mailing or personal delivery of a written demand for payment, the
18 department may [SHALL] assess and collect in the same manner as con-
19 tributions a penalty equal to the greater of 10 percent of the contri-
20 butions due or \$10. [IN NO EVENT MAY THE PENALTY BE LESS THAN \$1.]

21 * Sec. 6. AS 23.20.205(c) is amended to read:

22 (c) Unless an appeal is filed under AS 23.20.220, if [IF] the
23 amount assessed is not paid within 30 days after [PERSONAL] service or
24 mailing of the notice, the department may , , SUBJECT TO AS 23.20.220,]
25 collect the amount stated in the assessment by the distraint, seizure,
26 and sale of the property, goods, chattels, and effects of the delin-
27 quent employer. Goods and property exempt from execution under the
28 laws of this state are exempt from distraint and sale under this
29 section.

1 * Sec. 7. AS 23.20.220(a) is amended to read:

2 (a) When a notice of assessment is delivered or mailed to a
3 delinquent employer, the employer may within 30 days file an appeal [A
4 PETITION] in writing with the department, stating that the assessment
5 is unjust or incorrect and requesting a hearing on it. The period for
6 filing an appeal may be extended for a reasonable period for good
7 cause. The appeal must [PETITION SHALL] set out the reasons the
8 assessment is objected to and the amount of contributions that [WHICH]
9 the employer admits is due, and must be accompanied by a bond or
10 deposit of other security in the amount of the assessment to ensure
11 [INSURE] collection. The department may waive the security require-
12 ment if the employer submits proof of solvency or reasonable assur-
13 ance, as prescribed by regulations, that the contributions, interest,
14 and penalties due are not in jeopardy. If [NO PETITION IS FILED
15 WITHIN THE TIME PRESCRIBED, OR IF] the employer fails to provide the
16 required security, the collection under AS 23.20.205(c) is not stayed
17 [THE ASSESSMENT IS PRIMA FACIE CORRECT]. The department shall adopt
18 regulations for procedures for an appeal under this subsection.
19 [HOWEVER, THE DEPARTMENT MAY ENTERTAIN A SUBSEQUENT APPLICATION FOR
20 REFUND, AND, IF DENIED A REFUND, A HEARING ON THE APPLICATION IN
21 ACCORDANCE WITH AS 23.20.225].

22 * Sec. 8. AS 23.20.220(b) is amended to read:

23 (b) If the appeal is accompanied by the required security or the
24 department has waived the security requirement, filing an appeal
25 [FILING A PETITION] on a disputed assessment with the department stays
26 the sale provided for in AS 23.20.210 until a final decision on the
27 assessment is made. However, the filing of an appeal [A PETITION]
28 does not affect the right of the department to perfect a lien as
29 provided in AS 23.20.200.

1 * Sec. 9. AS 23.20.220(c) is amended to read:

2 (c) After granting the appellant [PETITIONER] reasonable oppor-
3 tunity for fair hearing, the department shall make a decision on the
4 appeal [PETITION]. The department's decision is final unless the
5 appellant [PETITIONER] initiates a proceeding for judicial review in
6 the manner provided by AS 23.20.445.

7 * Sec. 10. AS 23.20.225 is amended by adding a new subsection to read:

8 (e) The department shall adopt regulations providing for the
9 disposition of excess contributions paid to the unemployment compen-
10 sation fund under AS 23.20.130. The regulations must be substantially
11 similar to the provisions of AS 34.45.110 - 34.45.430.

12 * Sec. 11. AS 23.20.240(a) is amended to read:

13 (a) If after notice an employer defaults in the payment of
14 contribution or interest, the amount due may be collected by a person
15 authorized by law and authorized by the department, by civil action in
16 the name of the state, or by both methods. The department shall
17 include in the amount due the fees or costs charged the department by
18 the person for the collection of the delinquent amount. An [AND THE]
19 employer who is [IF FOUND] liable shall pay the cost of the collec-
20 tion, including collection fees charged, and the costs of legal
21 action.

22 * Sec. 12. AS 23.20 is amended by adding a new section to read:

23 Sec. 23.20.242. APPEALS BY OFFICER, MEMBER, OR EMPLOYEE. The
24 department shall permit each officer or employee of a corporation or a
25 member or employee of a partnership who is required to pay the contri-
26 butions and interest owed by the corporation or partnership under
27 AS 23.20.165 - 23.20.278 to appeal individually their duty to pay
28 under those sections.

29 * Sec. 13. AS 23.20.277(b) is amended to read:

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

17 * Sec. 14. AS 23.20.277(e) is amended to read:

18 (e) At the end of each taxable year, the department shall deter-
19 mine whether the total of payments for the year made by a nonprofit
20 organization or group of nonprofit organizations is less than, or in
21 excess of, the total amount of regular benefits plus the state share
22 [ONE-HALF OF THE AMOUNT] of extended benefits paid to individuals
23 during the taxable year based on wages attributable to service in the
24 employ of the nonprofit organization or group. In [; AND IN] the case
25 of a government entity that has elected to make payments under this
26 section, the department shall determine whether the total of payments
27 for the year is less than, or in excess of, the total amount of regu-
28 lar benefits plus the total amount of extended benefits as determined
29 in this subsection. Each organization or group whose total payments

1 for the taxable year are less than the amount so determined is liable
2 for payment of the unpaid balance to the fund in accordance with (f)
3 of this section. If the total payments exceed the amount so deter-
4 mined for the taxable year, all or part of the excess may, at the
5 discretion of the department, be refunded from the fund or retained in
6 the fund as part of the payments that [WHICH] may be required for the
7 next taxable year.

8 * Sec. 15. AS 23.20.277(1) is amended to read:

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

22 * Sec. 16. AS 23.20.340(b) is amended to read:

23 (b) Within one year from the date of the initial determination
24 of the weekly benefit amount and the maximum potential benefit amount
25 established under AS 23.20.350, the department shall reconsider only
26 the determination of the monetary amounts and shall issue a redeter-
27 mination amending the initial determination if it finds that an error
28 in computation or identity has been made or that additional wages
29 pertinent to the claimant's insured status have become available, or

1 that the initial determination resulted from a nondisclosure or mis-
2 representation of a material fact concerning the determination of
3 monetary amounts.

4 * Sec. 17. AS 23.20.378(c) is amended to read:

5 (c) An insured worker is disqualified for waiting-week credit or
6 benefits for a week of unemployment while the insured worker is pursu-
7 ing an academic education [ATTENDS AN ESTABLISHED SCHOOL IN A COURSE
8 OF STUDY PROVIDING ACADEMIC INSTRUCTION OF 10 OR MORE CREDIT HOURS PER
9 WEEK, OR THE EQUIVALENT]. A disqualification under this subsection
10 begins with the first week of academic instruction and ends with the
11 week immediately before the first full week in which the insured
12 worker is no longer pursuing an academic education. However, an
13 insured worker who has been pursuing an academic education for at
14 least one school term and who was working at least 30 hours a week
15 during a significant portion of the time that the worker was pursuing
16 an academic education is not disqualified for waiting-week credit or
17 benefits under this subsection if the worker's academic schedule does
18 not preclude full-time work in the worker's occupation and if the
19 insured worker became unemployed because the worker was laid off or
20 the worker's job was eliminated [ATTENDING CLASSES IF THE INSURED
21 WORKER CERTIFIES THAT THE PERIOD OF NONATTENDANCE WILL LAST AT LEAST
22 60 DAYS]. In this subsection,

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

26 (2) [THE TERM] "school" includes primary schools, secondary
27 schools, and institutions of higher education.

28 * Sec. 18. AS 23.20.382(b) is repealed and reenacted to read:

29 (b) An otherwise eligible individual may not be denied benefits

1 or waiting-week credit for any week because the individual is in
2 training approved under 19 U.S.C. 2296(a)(1) (sec. 236(a)(1), Trade
3 Act of 1974), if

4 (1) while attending the training, the individual is not
5 available for work, fails to seek work, or refuses work; or

6 (2) the individual left work that was not suitable employ-
7 ment to enter training.

8 * Sec. 19. AS 23.20.382 is amended by adding a new subsection to read:

9 (d) An otherwise eligible individual may not be denied benefits
10 or waiting-week credit for any week because the individual is in any
11 training approved under 29 U.S.C. 1651 - 1658, as amended by P.L.
12 100-418, and, while attending the training, is not available for work,
13 fails to seek work, or refuses work.

14 * Sec. 20. AS 23.20.387(a) is amended to read:

15 (a) An insured worker is disqualified for benefits for the week
16 with respect to which the false statement or misrepresentation was
17 made and for an additional period of not less than six weeks or more
18 than 52 weeks if the department determines that the insured worker has
19 knowingly made a false statement or misrepresentation of a material
20 fact or knowingly failed to report a material fact with intent to
21 obtain or increase benefits under this chapter. The length of the
22 additional [THIS] disqualification and the beginning date of that
23 [THE] disqualification shall be determined by the department according
24 to the circumstances in each case.

25 * Sec. 21. AS 23.20.390 is amended by adding a new subsection to read:

26 (f) In addition to the liability under (a) of this section for
27 the amount of benefits improperly paid, an individual who is disqual-
28 ified from receipt of benefits under AS 23.20.387 is liable to the
29 department for a penalty in an amount equal to 50 percent of the

1 benefits that were obtained by knowingly making a false statement or
2 misrepresenting a material fact, or knowingly failing to report a
3 material fact, with the intent to obtain or increase benefits under
4 this chapter. The department may, under regulations adopted under
5 this chapter, waive the collection of a penalty under this section.
6 The department shall deposit into the general fund the penalty that it
7 collects.

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

9 (a) In this chapter, "wages" means all remuneration for service
10 from whatever source, including, but not limited to, insured work,
11 noninsured work, or self-employment; commissions, bonuses, back pay
12 and the cash value of all remuneration in a medium other than cash
13 shall be treated as wages; gratuities customarily received by an
14 individual in the course of service from persons other than the indi-
15 vidual's employing unit may be treated as wages received from the
16 employing unit only to the extent the individual reports the gratu-
17 ities to the employing unit. The reasonable cash value of remunera-
18 tion in a medium other than cash, and the reasonable amount of gratu-
19 ities, shall be estimated and determined in accordance with regula-
20 tions adopted by the department; notwithstanding AS 23.20.350(a), back
21 pay awards shall be allocated to the weeks or quarters with respect to
22 which the pay was earned. If the remuneration of an individual is not
23 based upon a fixed period of time or if the individual's wages are
24 paid in irregular intervals or in a manner that [WHICH] does not
25 extend regularly over the period of employment, the wages shall be
26 allocated to weeks or quarters in accordance with regulations adopted
27 by the department. The regulations must [SHALL], so far as possible,
28 produce results reasonably similar to those that [WHICH] would prevail
29 if the individual's wages were paid at regular intervals. When an

1 employer has filed for bankruptcy, unpaid wages earned for services
2 performed for the employer are considered wages for the quarter in
3 which they were earned.

4 * Sec. 23. AS 23.20 is amended by adding a new section to read:

5 Sec. 23.20.533. APPLICATION FOR DEMONSTRATION PROJECT. (a) The
6 Department of Labor shall pursue application with appropriate agencies
7 to qualify this state as a pilot state for demonstration programs
8 related to helping unemployed Alaskans regain employment, if adminis-
9 trative money is available to operate the project.

10 (b) The Department of Labor may waive provisions of this chapter
11 for individuals who participate in a demonstration project, to the
12 extent required for the state to participate in the project.

13 * Sec. 24. AS 34.45.760(10) is amended to read:

14 (10) "intangible property"

15 (A) includes

16 (i) money, checks, drafts, deposits, interest,
17 dividends, and income;

18 (ii) credit balances, customer overpayments, gift
19 certificates, security deposits, refunds, credit memos,
20 unpaid wages, and unidentified remittances;

21 (iii) stocks and other intangible ownership inter-
22 ests in business associations;

23 (iv) money deposited to redeem stocks, bonds,
24 coupons, and other securities, or to make distributions;

25 (v) amounts due and payable under the terms of
26 insurance policies; and

27 (vi) amounts distributable from a trust or custo-
28 dial fund established under a plan to provide health, wel-
29 fare, pension, vacation, severance, retirement, death, stock

1 purchase, profit- sharing, employee savings, supplemental
2 unemployment insurance, or similar benefits;

3 (B) does not include

4 (i) unused airline tickets; [OR]

5 (ii) shares of stock issued by a corporation
6 organized under 43 U.S.C. 1601 - 1629a (Alaska Native Claims
7 Settlement Act) or unclaimed dividends payable on the
8 shares of stock; or

9 (iii) overpaid contributions by employers to the
10 unemployment compensation fund under AS 23.20.130;

11 * Sec. 25. AS 23.20.175(a), 23.20.175(b), 23.20.175(c)(1), 23.20.350-
12 (f)(4), and 23.20.350(f)(5) are repealed.

13 * Sec. 26. Section 24 of this Act is retroactive to September 7, 1986.

14 * Sec. 27. Sections 10, 24, and 26 of this Act take effect immediately
15 under AS 01.10.070(c).

16 * Sec. 28. Sections 1 - 9, 11 - 23, and 25 of this Act take effect
17 July 2, 1989.

SECTION-BY-SECTION ANALYSIS
House Bill 147

Section 1: [Sec. 1 of CS for HB 384 (L&C)]

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 December 1987, about 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 \$610,000 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 payments for raw fish.

Section 2: [New section proposed for 1989 session]

The Stewart B. McKinney Homeless Assistance Amendments Act of 1988 requires, as a condition of states receiving administrative grants under Title III of the Social Security Act, that states disclose certain information contained in employment security records, upon request, to HUD and representatives of a public housing agency. It also provides for reimbursement of costs and appropriate safeguards of the information. The proposed amendment to AS 23.20.110 would allow the Department of Labor to comply with these federal requirements. This is a federal conformity issue; as such, continued administrative funding for the Employment Security Division is contingent upon passage by September 30, 1989.

Section 3: [New section proposed for 1989 session]

This section provides for extension of the Reed Act for ten years. Title IX of the Social Security Act makes excess funds collected under the Federal Unemployment Tax Act (FUTA) available to pay benefits or for administration of the employment security programs. Federal law extended the time limits in which the funds may be used by ten years. Unless Congress increases the maximum allowable levels in these funds, we anticipate that there will be excess funds to distribute back to the states in the near future. Current statute does not permit the Employment Security Division to receive or use these funds. This proposal, by extending the Reed Act, would allow Alaska to accept our share of the funds.

Section 4: [Sec. 2 of CS for HB 384 (L&C)]

The amendment of AS 23.20.195(a) in this section provides that the ten percent penalty on delinquent employer reports and taxes may 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 5, 6, 7 and 8:

[Sections 3 and 4 of CS for HB 384 (L&C)]

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 9:

[New section proposed for 1989 session]

This amendment to AS 23.20.240 would allow the Department to use private collection agencies to collect outstanding employer contributions from employers. The Department is owed large amounts of contributions, especially by out of state employers, that are difficult to collect. This would provide a means to collect these delinquent contributions. The amendment provides for adding the collection fee to the amount of the debt owed. Federal law prohibits the use of trust fund (or employer contributions) to pay a collection agency. This would have no impact on our current operations; it would provide us a means to collect delinquent contributions not currently available to us. Current staff levels for the department's collection efforts would not change.

Section 10:

[Section 5 of CS for HB 384 (L&C)]

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.

Sections 11, 12 and 13:

[Sections 5, 7, and 8 of CS for HB 384 (L&C)]

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 benefits 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), 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 14:

[New Section proposed for 1989 session]

This section clarifies the intent of the law that the proviso for redetermining an initial claim applies only to the monetary determination. This redetermination will take place if the department finds that an error in computation or identity was made, additional wages for a claimant have become available or the initial determination resulted from the nondisclosure or misrepresentation of a material fact.

Section 15:

[HB 287 from 1988 session]

This amendment provides for the payment of benefits to individuals who have been working full time while attending school and who are laid off from work. Under present law, a person who is taking ten (10) or more credit hours of classes in an academic program is not eligible for unemployment insurance benefits, with no exceptions. Current law unfairly penalizes individuals who have demonstrated that they can attend school without affecting their availability to work full time.

Section 16:

[New section proposed for 1989 session]

This amendment would correct the language in AS 23.20.382 so the restrictions would apply only to claims under the Trade Act, as intended. Current language applies restrictions to all claimants that were only intended to apply to Trade Act claimants.

Section 17:

[New section proposed for 1989 session]

Federal law precludes states from denying benefits to individuals because they are in training approved under Title III of the Job Training Partnership Act (JTPA). This amendment provides that all individuals who are attending training approved under JTPA will not be denied their unemployment insurance benefits. Currently, this prohibition is addressed in regulation; however, the regulation only provides for paying benefits while the individual is in vocational training. This conforming legislation is needed to pay benefits to those individuals, regardless of whether their training is academic or vocational.

Section 18:

[New section proposed for 1989 session]

This provision disqualifies the week in which a fraudulent act occurs in addition to the period of disqualification currently imposed. Under current law, an individual can be paid for a week in which he commits fraud, because the disqualification begins the week the fraud decision is issued.

Section 19:

[Section 10 of CS for HB 384 (L&C)]

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 20 and 21:

[Sections 11 and 12 of CS for HB 384 (L&C)]

These amendments 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, 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 22:

[Section 13 of CS for HB 384 (L&C)]

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 23:

This provision allows the Department to participate in demonstration or pilot projects with the U.S. Department of Labor (USDOL) that test innovative ways to assist unemployed individuals to return to work. The Department may waive eligibility requirements if needed. Participation in these projects will be incumbent upon availability of administrative funds for operating the project.

Section 24:

[New section proposed for 1989 session]

This amendment provides for employer overpayments of unemployment insurance contributions that are not claimed by the employer to remain in the unemployment insurance trust fund. The Unclaimed Property Act (AS 34.45) requires state agencies to transfer unclaimed property to the Department of Revenue. These overpayments should be exempted from the Unclaimed Property Act and remain in the Unemployment Trust Fund from which unemployment insurance benefits are paid. Expenditures from the trust fund are automatically replaced by employers in the state under the contribution formula; therefore, employers should receive the indirect benefit (through lower tax rates) of the unclaimed overpayments.

Section 25:

[New section proposed for 1989 session]

This section modifies the provisions covering dependents' allowance payments. Currently, a dependent claimed by one parent cannot be claimed by another parent until the first person's benefit year has expired (even if the first parent is not claiming benefits or has no remaining benefits to receive). A portion of every parent's wages goes to support their children. UI is for temporary, partial wage replacement of every eligible claimant. It is, therefore, inequitable for any parent with children to support to be denied dependents' allowance. This proposal allows each unemployed parent in a family unit to claim dependent children. Three dependents would still be the most that could be claimed by any claimant. It also repeals outdated subsections of AS 23.20.175.

Sections 26, 27 and 28 provide for effective dates.

missioner" at the end of the present first sentence, inserted "to the two-digit major group provided in the Standard Industrial Classification Code" in the present second sentence, and deleted "to the first digit

provided in the Standard Industrial Classification Code" at the end of the subsection

The 1984 amendment, effective January 1, 1985, added subsection (c)

NOTES TO DECISIONS

Cited in *Worthington Constr. Co. v. Labor, Sup. Ct. Op. No. 343* (File No. 582), Employment Sec. Div., Alas. Dep't of Labor, 413 P.2d 929 (1966).

Sec. 23.20.175. Base of contributions. (a) For the purposes of AS 23.20.165 and 23.20.170, after December 31, 1973, and through December 31, 1980, wages do not include that part of remuneration paid during any calendar year to an individual by an employer or by a predecessor of the employer that exceeds \$10,000.

(b) In this section, "employment" includes service constituting employment under the employment security law of another state or of the federal government.

(c) For the purposes of AS 23.20.165 and 23.20.170,

(1) after December 31, 1980, and through December 31, 1982, wages do not include that part of remuneration paid during any calendar year to an individual by an employer or by a predecessor of the employer that exceeds 60 percent of the average annual wage, as defined in AS 23.20.520(27), in Alaska for the preceding 12-month period ending June 30 computed to the nearest multiple of \$100;

(2) after December 31, 1982, wages do not include that part of remuneration paid during any calendar year to an individual by an employer or by a predecessor of the employer that exceeds 75 percent of the average annual wage, as defined in AS 23.20.520, in Alaska for the preceding 12-month period ending June 30 computed to the nearest multiple of \$100. (§ 503 ch 5 ESLA 1955; am § 18 ch 169 SLA 1957; am § 9 ch 60 SLA 1960; am §§ 4, 5 ch 43 SLA 1973; am §§ 15, 16 ch 9 SLA 1980)

Cross references. — For determination of average benefit cost rate for employer contributions in 1981 and 1983, see § 81, ch. 9, SLA 1980, in the Tempo-

rary and Special Acts.

Effect of amendments. — The 1980 amendment rewrote subsections (a) and (c)

Sec. 23.20.180. Records and analysis of experience with unemployment risk. For each calendar year the department shall maintain separate accounts for each employer and claimant to obtain facts and studies upon which the legislature may determine whether an experience rating system should be adopted to require contributions from employers based upon their experience with unemployment risk, and, if so, the most equitable system for accomplishing this purpose consistent with the solvency of the unemployment compensation fund. (§ 504 ch 5 ESLA 1955; am § 19 ch 169 SLA 1957)

B) Benefit Amount	(A) Base Period Wages		(B) Weekly Benefit Amount
	At least	But less than	
0	15,500	15,750	154
2	15,750	16,000	156
4	16,000	16,250	158
6	16,250	16,500	160
8	16,500	16,750	162
10	16,750	17,000	164
12	17,000	17,250	166
14	17,250	17,500	168
16	17,500	17,750	170
18	17,750	18,000	172
20	18,000	18,250	174
22	18,250	18,500	176
24	18,500	18,750	178
26	18,750	19,000	180
28	19,000	19,250	182
30	19,250	19,500	184
32	19,500	19,750	186
34	19,750		188

(e) An individual who is eligible under (d) of this section is entitled to receive a weekly benefit under this chapter for the number of weeks set out in column (B) of the table in this subsection opposite the applicable earnings ratio of the individual set out in column (A):

(A) Earnings Ratio	(B) Number of Weeks
less than 1.50	16
1.50-1.99	18
2.00-2.49	20
2.50-2.99	22
3.00-3.49	24
3.50 or more	26

(f) An individual who establishes a benefit year is eligible for an allowance for dependents in addition to the individual's weekly benefit amount. The department may require an individual claiming or receiving an allowance for dependents to produce income tax returns, birth certificates, notices of adoption or custody, social security account number of spouse, verification of support documents, or other information necessary to verify that the allowance is payable to the individual. The allowance for dependents

(1) is \$24 per week for each dependent, except that the total allowance for dependents paid to an individual may not exceed \$72 for each week of unemployment;

(2) is payable beginning with the week during the benefit year in which the individual claims an allowance for the dependent and is payable for the remainder of the individual's eligibility for regular, extended, or supplemental payments during the benefit year;

(3) may not be claimed for a new dependent after the end of the benefit year or after the exhaustion of regular benefits in the benefit year;

(4) may not be paid to an individual if

(A) that dependent has been claimed by another individual;

(B) the other individual has been found eligible to receive the allowance for the dependent; and

(C) the benefit year of the other individual has not expired; and

(5) may be paid only if the department determines that no other individual having an unexpired benefit year has been found eligible for an allowance for the same dependent.

(g) In this section,

(1) "dependent" means an individual's

(A) unmarried child, stepchild, legally adopted child, or legal ward under 18 years of age who is

(i) lawfully in the individual's physical custody at the time the individual claims the allowance for dependents; or

(ii) dependent on the individual for more than 50 percent of support;

(B) unmarried child, stepchild, legally adopted child, or legal ward of any age who is dependent on the individual for more than 50 percent of support and who is prevented by infirmity from engaging in a gainful occupation;

(2) "earnings ratio" means the ratio obtained by dividing the total base period wages of the insured worker by the wages paid in the quarter of the base period in which the worker was paid the greatest amount of wages. (§ 712(a) — (d) ch 5 ESLA 1955; am § 25 ch 169 SLA 1957; am § 1 ch 112 SLA 1966; am §§ 9, 10 ch 106 SLA 1969; am § 7 ch 106 SLA 1971; am § 10 ch 43 SLA 1973; am § 54 ch 9 SLA 1980; am §§ 8, 33 ch 115 SLA 1982; am §§ 6-8 ch 106 SLA 1984; am § 26 ch 85 SLA 1988)

Effect of amendments. — The 1958 amendment, effective June 2, 1988, substituted "less than 1.50" for "less than 1.49" at the beginning of column (A) of subsection (e).

Sec. 23.20.362. Disqualifying or deductible income. (a) The amount of benefits payable to an insured worker for a week of unemployment which begins in a period for which the insured worker receives a pension, retirement or retired pay, annuity, or similar periodic payment that is based on the previous work of the insured worker, shall be reduced by the amount of the payment that is attributable to that week. The requirements of this subsection apply only if

(§ 403 ch 5 ESLA 1955; am § 8 ch 9 SLA 1980; am § 2 ch 82 SLA 1987)

Effect of amendments. — The 1987 amendment inserted "arrange for" near the end of the section.

Article 3. Contributions.

Section

185. Interest on past due contributions
200. Lien

Section

250. Lien upon distribution or assignment of assets

Sec. 23.20.185. Interest on past due contributions. (a) If contributions are not paid on the date on which they are due, the amount remaining unpaid bears interest at the rate of 12 percent per year from the due date until payment plus accrued interest is received by the department. Interest collected under this section shall be deposited in the clearing account of the unemployment compensation fund.

(b) Interest does not accrue on contributions from an estate in the hands of a receiver, executor, administrator, trustee in bankruptcy, common law assignee or other liquidating officer after the date when the officer qualifies. However, contributions accruing with respect to employment of a person by the officer are due and draw interest in the same manner as contributions due from other employers.

(c) Payments of contributions erroneously paid to an unemployment compensation fund of another state which should have been paid to this state and which are refunded by the other state and paid by the employer to this state shall be considered paid to this state at the date of payment of the other state.

(d) Interest collected under this section shall periodically be transferred from the clearing account to the training and building fund. (§ 511 ch 5 ESLA 1955; am § 2 ch 106 SLA 1969; am §§ 17, 18 ch 9 SLA 1980)

Editor's notes. — This section is set out to incorporate editorial changes made by the Revisor of Statutes.

Sec. 23.20.200. Lien. (a) A claim for contributions, including interest and penalties, not paid when due is a lien in favor of the state against all the real and personal property of the employer.

(b) The claim becomes a lien when the department records a notice of the lien with the recording officer of the recording district in which the property is located. The claim becomes a lien on a motor vehicle when the department files a notice of the lien in the office of the commissioner of public safety. Filing or recording of the notice of lien is constructive notice of the lien against the property described in the

notice to creditors of the owner, and to subsequent purchasers and encumbrancers.

(c) [Repealed, § 80 ch 9 SLA 1980.]

(d) The department may release a notice of lien by filing or recording a certificate of release in the manner prescribed for the filing or recording of a notice of lien. The department may not file or record a certificate of release until the amount of contributions, including interest, and penalties and costs, is paid, or until it receives assurance of payment which it considers adequate. (§ 514 ch 5 ESLA 1955; am § 1 ch 37 SLA 1963; am § 1 ch 67 SLA 1967; am § 80 ch 9 SLA 1980; am § 27 ch 21 SLA 1985)

Revisor's notes. — Minor word changes related to the recording of documents were made in subsections (b) and (d) of this section in 1988 because of the enactment of ch. 161, SLA 1988.

Effect of amendments. — The 1985 amendment in subsection (b) substituted "public safety" for "revenue" at the end of the next-to-last sentence.

NOTES TO DECISIONS

Stated in *In re Active Steel Erectors, Inc.*, 53 Bankr. 851 (Bankr. D. Alaska 1985).

Sec. 23.20.250. Lien upon distribution or assignment of assets. (a) If the assets of an employer are distributed under a court order, including a receivership, probate, legal dissolution, or a similar proceeding, or in the case of an assignment for the benefit of creditors, a composition, or a similar proceeding, contributions which are or which become due are a lien upon all the assets of the employer. The lien is prior to all other liens or claims except a prior tax lien, a lien filed or recorded under AS 23.20.200, or a claim for remuneration of service of not more than \$250 to each claimant, earned within six months before the starting of the proceeding.

(b) The existence of a condition of insolvency or the institution of a judicial proceeding for legal dissolution or of a proceeding for distribution of assets causes the lien to attach without action on behalf of the department or the state.

(c) In the event of an employer's adjudication in bankruptcy, judicially-confirmed extension proposal, or composition, under 11 U.S.C. (Federal Bankruptcy Act), contributions that are or become due are entitled to the priority provided under that Act, as amended. (§ 523 ch 5 ESLA 1955; am § 28 ch 21 SLA 1985)

Revisor's notes. — Minor word changes related to the recording of documents were made in subsection (a) of this section in 1988 because of the enactment of ch. 161, SLA 1988.

amendment in subsection (c) substituted "11 U.S.C. (Federal Bankruptcy Act)" for "the Federal Bankruptcy Act of 1898, as amended (11 U.S.C. 1 et seq.)," "that" for "which" followings, and "under" for "in" preceding "that Act."

Effect of amendments. — The 1985

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of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

Lien does not attach to property leased before 1955. — When the state's lien was extended in 1955 to cover "property used with the permission of the owner," the legislature did not expressly provide that this was meant to include property in circumstances where the "use" and "permission" antedated the statute and where the owner of the property, after the enactment of the law, had no practical means of protecting himself against the state's claim of lien for unpaid taxes. In the absence of such express provisions, the statute reasonably may be construed as having a more limited application, so that the state's lien does not attach to property leased before the 1955 amendment. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

Mere use of property of a third person alone will not bring this section into play. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

There must be use "in prosecuting the business of the employer." Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

And this use must be "with the permission of the owner." Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

Only when all of these factors are present does the property become subject to the lien. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

A person who leases his property to another is chargeable with knowing the lien provisions of AS 23.20.005 — 23.20.150. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

And cannot complain if his property

rights are subordinated to state's lien. — If, in advance of making the lease, the lessor knows that his property may be subjected to the lien of the state's tax but enables his lessee to exercise dominion over the property and use it in the conduct of a business subject to the incidence of the tax, then he cannot be heard to complain if his property rights are subordinated to the state's claim of lien. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

Lessor should stipulate for prospective or permissible use of property. — Practically, this section suggests that the lessor should ascertain for what purposes the property is to be used, and then make appropriate provisions in the lease as to prospective or permissible use. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

And that employment security taxes will be paid. — This section also suggests that the lessor secure assurance from his lessee that employment security taxes — if the lessee is likely to be subject to them — will be paid when due. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

Recorded mortgage lien not subordinate to unrecorded lien for unpaid employment security contributions. — The provision of this section that filing of notice shall constitute constructive notice means that a recorded mortgage lien would not be subordinate to the unrecorded lien of the state for unpaid employment security contributions. Territory of Alaska v. Craig Enters., Inc., Sup. Ct. Op. No. 14 (File No. 3), 355 P.2d 397 (1960).

Federal tax liens are entitled to priority over the liens of the Employment Security Commission. Bentley v. Kirbo, 169 F. Supp. 38 (D. Alas. 1958).

Applied in S. Birch & Sons Const. Co. v. Capehart, 192 F. Supp. 330 (D. Alas. 1961).

Sec. 23.20.205. Notice of assessment, distraint, seizure and sale. (a) If the department finds that a contribution including interest or penalty on the contribution is delinquent, the department may issue a notice of assessment specifying the amount due and may serve it on the delinquent employer. A peace officer or an authorized representative of the department may serve the notice personally or the department may mail the notice by certified or registered mail with return receipt requested.

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(b) If the notice is served by mail the notice must be deposited in the post office, addressed to the delinquent employer at the employer's last address of record and the postage paid. The date of service is considered to be the day of delivery shown on the delivery receipt. However, if it appears the addressee is deliberately avoiding service, then the date of service is the day of mailing.

(c) If the amount assessed is not paid within 30 days after personal service or mailing of the notice, the department may, subject to AS 23.20.220, collect the amount stated in the assessment by the distraint, seizure and sale of the property, goods, chattels and effects of the delinquent employer. Goods and property exempt from execution under the laws of this state are exempt from distraint and sale under this section. (§ 515 ch 5 ESLA 1955; am § 20 ch 169 SLA 1957; am § 23 ch 9 SLA 1980)

Effect of amendments. — The 1980 record" for "last known address" in the amendment substituted "last address of first sentence of subsection (b).

Sec. 23.20.210. Inventory and sale. (a) Upon making a distraint, the department shall seize the property and make an inventory of it. The department shall mail or personally deliver a copy of the inventory to the owner of the property, and shall specify the time and place when the property is to be sold. Notice specifying the property to be sold and the time and place of sale shall be posted in at least two public places in the recording district of the judicial district where the seizure is made. The time of sale may not be less than 20 nor more than 30 days from the date of posting the notice. The department may adjourn the sale from time to time but adjournment may not exceed 90 days in all. The department or its authorized representative shall conduct the sale. The property may be sold by parcel or lot at a public auction. The department may set a minimum price to include the expenses of making the levy and advertising the sale, and if the amount bid for the property at the sale is not equal to the minimum price fixed by the department, the department or its representative may declare the property purchased by the department for the minimum price. The department shall credit the delinquent account with the amount received at the sale for the property after defraying the costs of distraint, seizure and sale. The department may sell the property acquired by it at public or private sale, and shall deposit the amount received in the unemployment compensation fund.

(b) Upon sale of the property, the department shall issue a bill of sale or a deed to the purchaser. The bill of sale or the deed is prima facie evidence of the regularity of the proceedings of the department in making the sale. The bill of sale or the deed transfers to the purchaser all right, title, and interest of the delinquent employer in the property. The department shall first apply the proceeds of the sale toward reimbursement of the administration fund for the costs of distraint,

seizure and sale and the balance toward satisfaction of the delinquent account. The department shall refund the excess to the delinquent employer. (§ 516 ch 5 ESLA 1955)

Sec. 23.20.215. Notice and order to withhold and deliver. (a) The department may issue a notice and order to withhold and deliver property of any kind to a person or a political subdivision or department of the state when (1) the department has reason to believe that the person, political subdivision or department possesses property which is due, owing, or the property of another person; and (2) notice and order of assessment has been served, at least 30 days before the issuance of the notice and order to withhold and deliver.

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

(c) If the person, political subdivision or department possesses property, credits or money subject to the claim of the department, it shall deliver the property to the department immediately upon demand. The department shall hold the property in trust for application on the indebtedness involved or for return, without interest, in accordance with final determination of liability or nonliability, or in the alternative, there shall be furnished a sufficient bond satisfactory to the department conditioned upon final determination of liability.

(d) If a person fails to answer the order to withhold and deliver within the time prescribed, the superior court in the judicial district in which the order is served may enter a judgment by default against the person for the full amount claimed by the department in the notice to withhold and deliver, together with costs. (§ 516.1 ch 5 ESLA 1955, added by § 21 ch 169 SLA 1957)

Sec. 23.20.220. Petition for hearing and summary judgment. (a) When a notice of assessment is delivered or mailed to a delinquent employer, the employer may within 30 days file a petition in writing with the department, stating that the assessment is unjust or incorrect and requesting a hearing on it. The petition shall set out the reasons the assessment is objected to and the amount of contributions which the employer admits is due and must be accompanied by a bond or deposit of other security in the amount of the assessment to insure collection. The department may waive the security requirement if the employer submits proof of solvency or reasonable assurance, as prescribed by regulations, that the contributions, interest and penalties due are not in jeopardy. If no petition is filed within the time prescribed, or if the employer fails to provide the required security, the assessment is prima facie correct. However, the department may entertain a subsequent application for refund, and, if denied a refund, a hearing on the application in accordance with AS 23.20.225.