

HB

404

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 8, 1990

FURTHER REFERRALS: FINANCE

Date of Committee Action: 1/25/90

The LABOR & COMMERCE Committee considered:

HB 404

HOUSE BILL NO. 404

UNEMPLOYMENT INSURANCE BENEFITS

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

### RECOMMENDATIONS:

- [ ] be replaced with \_\_\_\_\_ [ ] the same title  
[ ] a new title
- [ ] have attached amendment(s)
- [  ] 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:

### SIGNING:

(Check approp. column)

Do Not  
Pass  
No Rec  
Amend

David Douley

Mark Boyer

Paul Holt

Ed [unclear]

Wes [unclear]

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	Do Not Pass	No Rec	Amend
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David Douley  
Chairman's Signature

STEVE COWPER  
GOVERNOR



cc  
HB404

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 8, 1990

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 to establish an increase in the weekly unemployment benefits paid to workers during periods of temporary unemployment. The bill sets out a new benefits schedule intended to meet the national standards for adequate benefit payments.

In 1988, 51,000 Alaska workers received unemployment insurance benefits. Only 61 percent of these claimants received a benefit that provided a 50 percent wage replacement. In 1989, only 59.5 percent of all claimants received a 50 percent wage replacement. The national standard considers an unemployment insurance benefit system to be inadequate if it does not provide a 50 percent wage replacement to at least two-thirds of the applicants.

Section 1 repeals the current benefit schedule which provides a minimum benefit of \$38, with \$2 increments for each \$250 of base period wages, to a maximum of \$188. The proposed new schedule raises the minimum weekly benefit to \$44, again increased in \$2 increments, to a maximum of \$212 a week.

Section 2 provides for the effective date of October 1, 1990, which coincides with a benefit quarter that is a sufficient time after enactment to facilitate implementation of the new schedule.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper  
Governor

**STATE OF ALASKA  
1990 LEGISLATIVE SESSION**

BILL VERSION: HB 404  
PUBLISH DATE: HOUSE 1/8/90

No. 1

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: All  
Title: "An Act relating to Unemployment Insurance" BRU: All  
Sponsor: Rules Committee Components: All  
Requestor: Governor

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	390.5	490.4	514.4	549.0	584.3	620.2
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>390.5</b>	<b>490.4</b>	<b>514.4</b>	<b>549.0</b>	<b>584.3</b>	<b>620.2</b>

CAPITAL						
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REVENUE						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND	273.5	343.3	360.1	384.3	409.0	434.2
FEDERAL FUNDS						
OTHER	117.0	147.1	154.3	164.7	175.3	186.0
<b>TOTAL</b>	<b>390.5</b>	<b>490.4</b>	<b>514.4</b>	<b>549.0</b>	<b>584.3</b>	<b>620.2</b>

**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: 10/23/89

Approved by Commissioner: Jim Sampson Date: 10/23/89  
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"**

This bill provides for a revised schedule that would increase the amount of weekly unemployment insurance benefits paid to unemployed workers.

There would be a cost to the state for benefits paid to ex-state employees. The costs are based on forecasted benefits to be paid to ex-state workers. The fiscal note for FY 91 reflects the change for three-fourths of the year based on an effective date of October 1, 1990.

Approximately seventy percent of the state operating budget is general funds. Therefore, seventy percent of the increased cost of the benefits would come from the general fund. The remaining thirty percent would come from other funds such as federal funds, interagency receipts, and other funds.

Funds should be appropriated to the Department of Administration for deposit into the account that is used to reimburse the unemployment insurance system for the increased benefit costs.

## DEPARTMENT OF LABOR

Proposed Legislation to Increase  
Unemployment Insurance Benefits

## Section-by-Section Analysis

**Section 1:**

This amendment to AS 23.20.350 provides for an increase in unemployment insurance weekly benefits. Nationally, an unemployment insurance benefit system is considered inadequate if it does not provide at least a 50 percent wage replacement for two-thirds of the claimants. In FY 89, Alaska's benefit schedule provided a 50 percent replacement to only 59.5 percent of the claimants. The proposed amendment, which would raise minimum weekly benefits to \$44 and maximum weekly benefits to \$212, would adjust the benefit schedule to meet the national standard.

**Section 2:**

This section provides for an effective date.

# **Unemployment Insurance at a Glance**

## **To be eligible**

- \* A person must have been paid at least \$1000**
- \* These wages must have been paid in at least 2 calendar quarters.**
- \* At least \$100 must be paid outside the quarter of highest wages.**
- \* Must be physically able to work**
- \* Available for work**
- \* Registered for employment**

## **Benefits**

- \* Currently, weekly UI benefits range from \$38.00 with a high of \$188.00 depending on the amount of wages**
- \* Eligible for 16-26 weeks depending on length of employment**

## Maximum Weekly UI Benefits, Selected States

State	Minimum WBA	Maximum WBA
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### PACIFIC NORTHWEST:

California	\$40	\$190*
Alaska	38	188
Idaho	44	188
Washington	57	209
Oregon	53	229

### HIGHEST STATES:

Pennsylvania	35	266
District of Columbia	13	283

### LOWEST STATES:

Indiana	40	96
Nebraska	20	134

**\*Increases to \$210 in 1991, \$230 in 1992**

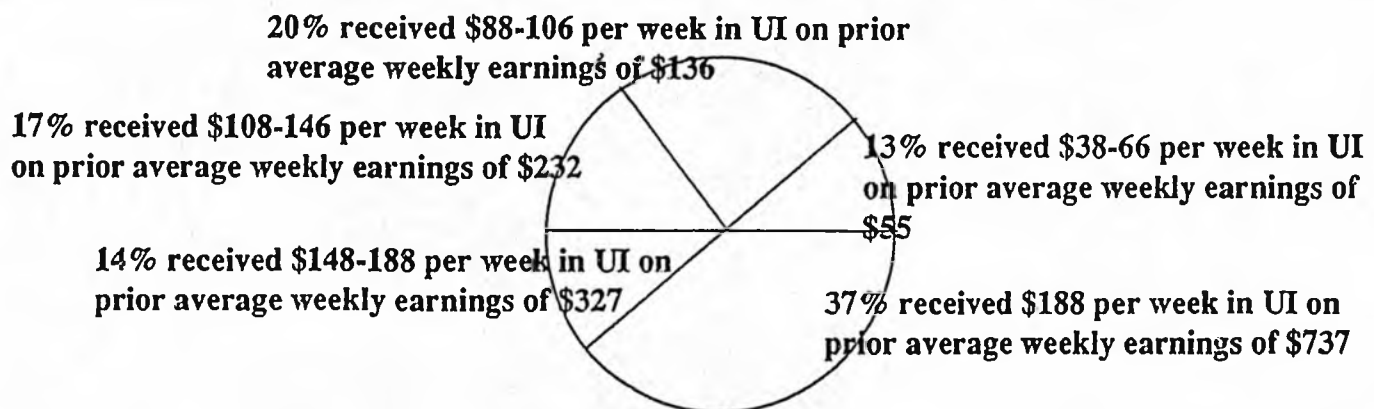
## Where the money goes

UI payments reach almost every community in Alaska from Barrow to Ketchikan. The table below gives a regional perspective.

### UI Benefits Paid within Alaska by Area, 1988

Anchorage / Mat-Su.....	\$37,065,299
Gulf Coast.....	10,509,401
Interior.....	15,183,125
Northern.....	2,439,763
Southeast.....	9,109,344
Southwest.....	2,540,267
<b>Total Benefits Paid</b>	
<b>In Alaska in 1988...\$76,847,199</b>	

This chart categorizes the the amount of benefits based on earnings.



## Number of UI claimants; and UI Benefits Paid within Alaska by Area, and outside Alaska, Calendar Year 1989

	<u>Claimants</u>	<u>Payments</u>
Aleutian Islands Census Area	76	\$95,745
Anchorage Borough	11,247	20,788,574
Bethel Census Area	517	840,819
Bristol Bay Borough	46	78,916
Dillingham Census Area	221	362,742
Fairbanks North Star Borough	5,264	9,620,322
Haines Borough	193	327,995
Juneau Borough	1,594	2,858,590
Kenai Peninsula Borough	3,837	6,563,086
Ketchikan Gateway Borough	1,223	1,876,373
Kobuk Census Area	406	763,660
Kodiak Island Borough	894	1,393,057
Matanuska-Susitna Borough	3,570	7,056,198
Nome Census Area	574	1,080,072
North Slope Borough	233	491,801
Prince of Wales-Outer Ketchikan C.A.	746	1,368,925
Sitka Borough	541	863,098
Skagway-Yakutat-Angoon Census Area	547	900,285
Southeast Fairbanks Census Area	427	843,503
Valdez-Cordova Census Area	769	1,227,213
Wade Hampton Census Area	264	453,622
Wrangell-Petersburg Census Area	767	1,401,231
Yukon-Koyukuk Census Area	774	1,446,542
<b>Total In-State</b>	<b>34,730</b>	<b>62,702,419</b>
<b>Out-of-State</b>	<b>10,128</b>	<b>19,120,952</b>
<b>Total</b>	<b>44,858</b>	<b>\$81,823,371</b>

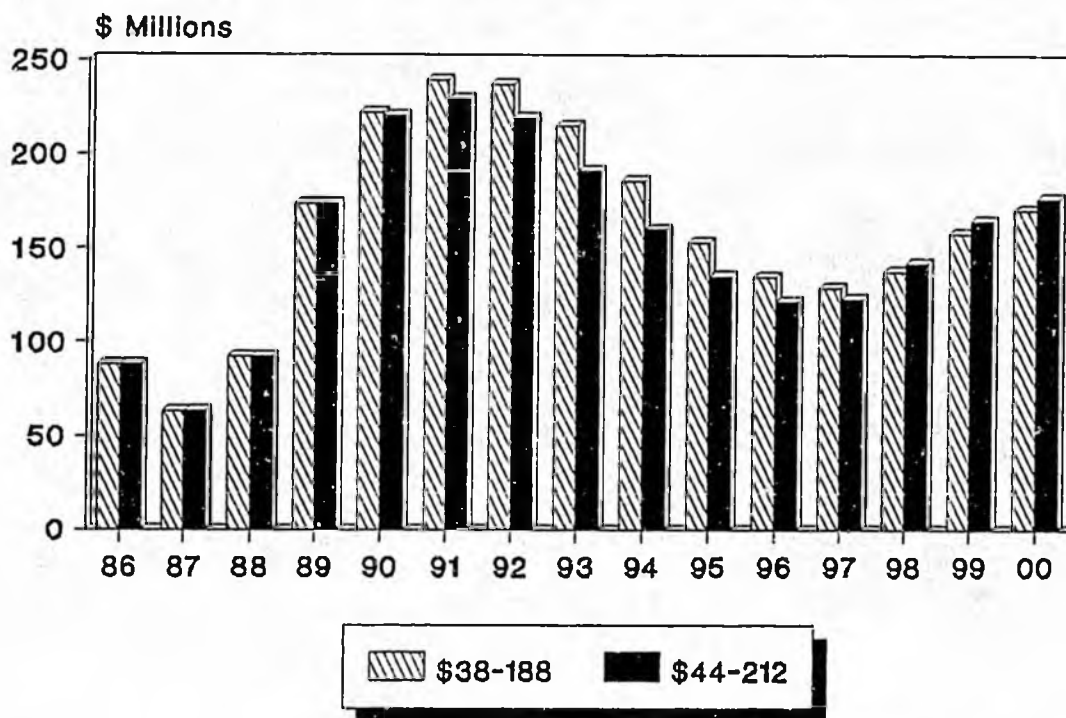
# Amount of UI Benefit Payments by Census Area, 1985-1988

Census Areas and Subareas	1985 Total	1986 Total	1987 Total	1988 Total	Four Year Total
ALEUTIAN ISLANDS CA	\$188,249	312,908	305,427	288,631	1,093,215
ANCHORAGE BOROUGH	38,085,716	49,326,123	39,676,035	28,816,040	155,903,914
BETHEL CA	1,772,090	1,758,390	1,397,121	1,003,968	5,931,569
BRISTOL BAY BOROUGH	136,991	139,983	156,308	153,593	586,875
DILLINGHAM CA	552,863	662,038	646,392	447,749	2,309,042
FAIRBANKS NORTH STAR BOR.	17,119,979	22,634,341	17,263,988	12,428,406	69,446,714
HAINES BOROUGH	552,607	600,271	439,658	312,946	1,905,482
JUNEAU BOROUGH	4,551,809	5,902,455	4,049,062	2,754,550	17,257,886
KENAI PENNINSULA BOROUGH	8,995,851	14,083,740	10,923,305	8,007,491	42,010,387
KETCHIKAN GATEWAY BOROUGH	2,870,598	3,224,334	2,231,366	1,662,535	9,988,833
KOBUK CA	1,122,230	1,408,402	1,103,933	882,906	4,517,471
KODIAK ISLAND BOROUGH	2,065,156	1,717,931	1,157,092	998,352	5,938,531
MATANUSKA-SUSITNA BOROUGH	11,462,190	14,332,553	11,291,922	8,249,259	45,335,924
NOME CA	1,445,223	1,864,877	1,458,209	1,066,666	5,874,995
NORTH SLOPE BOROUGH	1,145,355	870,852	537,536	470,171	3,023,914
PRINCE OF WALES-OUTER KETCH.	1,524,987	1,735,893	1,545,602	1,252,326	6,058,808
SITKA BOROUGH	1,606,353	2,050,324	1,526,976	935,318	6,118,971
SKAGWAY-YAKUTAT-ANGOON CA	1,142,012	1,181,664	1,049,472	1,000,969	4,374,117
SOUTHEAST FAIRBANKS CA	1,301,719	1,700,595	1,309,799	1,066,402	5,370,515
VALDEZ-CORDOVA CA	1,776,382	2,042,788	1,688,151	1,503,558	7,010,879
WADE HAMPTON CA	741,681	781,280	659,487	648,326	2,830,774
WRANGELL-PETERSBURG CA	1,797,515	1,899,664	1,789,619	1,190,700	6,677,498
YUKON-KOYUKUK CA	2,272,033	2,349,612	2,143,570	1,688,317	8,453,532
AREA UNKNOWN	6,059,855	4,924,796	2,076,159	1,780,202	14,841,012
<b>IN-STATE TOTALS</b>	<b>110,289,444</b>	<b>137,542,796</b>	<b>106,426,209</b>	<b>78,627,401</b>	<b>432,865,850</b>
<b>INTERSTATE TOTALS</b>	<b>29,505,972</b>	<b>34,504,509</b>	<b>32,761,726</b>	<b>22,841,870</b>	<b>119,614,077</b>
<b>TOTALS ALL AREAS</b>	<b>\$139,795,416</b>	<b>172,047,305</b>	<b>139,187,935</b>	<b>101,469,271</b>	<b>552,499,927</b>

## Effects of Proposed Benefit Increase on the UI Trust Fund

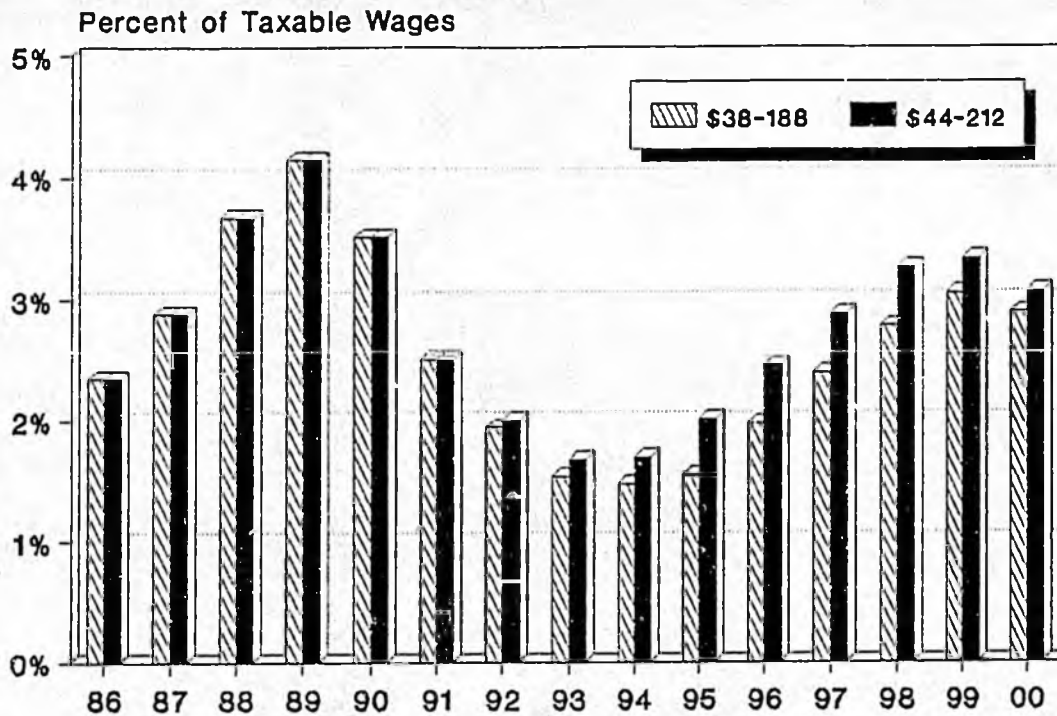
The following graph is a projection of the UI trust fund with and without the change in the schedule. Notice that the fund balance is lower with the change in the near-term, but by the end of the decade the fund balance is actually higher than it would be without the changes.

### Year-end Balances Current and Proposed Benefit Schedules



The increase in the benefit schedule proposed in House Bill 404 will have only a small immediate impact on the trust fund, reducing the balance by about \$10-13 million over the next five years. It will have no impact over the long run, however, as Alaska's benefit financing system is self-adjusting and will always seek a fund balance at about 3% of Alaska payroll. At the end of 1989, Alaska's UI trust fund stood at a healthy \$173 million. Oil spill employment had a significant effect in replenishing the trust fund so quickly after the 1986 recession. However, the fund balance will continue its normal seasonal decline until its yearly increase in the Spring.

# Average Employer Tax Rates Current and Proposed Benefit Schedules



## Changes in Average Employer Tax Rates Due to Proposed Increase in Benefit Schedule

Year	Current Schedule \$38-188	Proposed Schedule \$44-212	Increase in Tax Rates
1991	2.50%	2.50%	0.00%
1992	1.94%	2.00%	0.06%
1993	1.53%	1.67%	0.14%
1994	1.47%	1.69%	0.22%
1995	1.54%	2.01%	0.47%
1996	1.97%	2.45%	0.48%
1997	2.39%	2.88%	0.49%
1998	2.78%	3.26%	0.48%
1999	3.05%	3.33%	0.28%
2000	2.89%	3.06%	0.17%
Avg. 1991-2000	2.21%	2.49%	0.28%

THE FOLLOWING DOCUMENT HAS  
NOT BEEN FILMED BUT IS  
AVAILABLE IN THE ORIGINAL  
FILE

# UNEMPLOYMENT INSURANCE ACTUARIAL and FINANCIAL HANDBOOK



**Calendar Year 1988**

ALASKA DEPARTMENT OF LABOR      STEVE COWPER, GOVERNOR