

HB

41041

SENATE FINANCE COMMITTEE REPORT

DATE: 4/10/90

FURTHER:

DATE TURNED INTO OFFICE: 5/2/90

The Finance Committee considered

HB 404

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

and recommended:

- replace with _____ CS _____
 or adopt _____ CS _____
 attached amendment(s)
 _____ letter of intent adopted

- same title
 new title
 technical title change
(HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

Jim Duncan
Paul Friske
Fred J. Zharoff
Heaven
Paul (L) [Signature]

APPROVES PREVIOUS:

fiscal note(s) Doherty 10/23/89 Dept/Date:
272.5 GF / 117.0 Other

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:

1. Paul (L) [Signature] [Signature]
Co-Chairs: Signatures and Recommendations

039

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						
TOTAL OPERATING	390.5	490.4	514.4	549.0	584.3	620.2

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
TOTAL	390.5	490.4	514.4	549.0	584.3	620.2

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)

Adopted

**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.

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the unemployment insurance bene-
7 fit schedule; and providing for an effective date."

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

9 * Section 1. AS 23.20.350(d) is repealed and reenacted to read:

10 (d) An individual who is eligible under (a) of this section is
11 entitled to receive the weekly benefit amount set out in column (B) of
12 the table in this subsection that is opposite the amount set out in
13 column (A) of the individual's base period wages determined under (c)
14 of this section:

15 (A)		16 (B)
17 Base Period Wages		Weekly Benefit Amount
18 At least	19 But less than	
20 0	21 1,000	22 \$ 0
23 1,000	24 1,250	25 44
26 1,250	27 1,500	28 46
29 1,500	30 1,750	31 48
32 1,750	33 2,000	34 50
35 2,000	36 2,250	37 52
38 2,250	39 2,500	40 54
41 2,500	42 2,750	43 56
44 2,750	45 3,000	46 58
47 3,000	48 3,250	49 60
50 3,250	51 3,500	52 62
53 3,500	54 3,750	55 64

1	3,750	4,000	66
2	4,000	4,250	68
3	4,250	4,500	70
4	4,500	4,750	72
5	4,750	5,000	74
6	5,000	5,250	76
7	5,250	5,500	78
8	5,500	5,750	80
9	5,750	6,000	82
10	6,000	6,250	84
11	6,250	6,500	86
12	6,500	6,750	88
13	6,750	7,000	90
14	7,000	7,250	92
15	7,250	7,500	94
16	7,500	7,750	96
17	7,750	8,000	98
18	8,000	8,250	100
19	8,250	8,500	102
20	8,500	8,750	104
21	8,750	9,000	106
22	9,000	9,250	108
23	9,250	9,500	110
24	9,500	9,750	112
25	9,750	10,000	114
26	10,000	10,250	116
27	10,250	10,500	118
28	10,500	10,750	120
29	10,750	11,000	122

1	11,000	11,250	124
2	11,250	11,500	126
3	11,500	11,750	128
4	11,750	12,000	130
5	12,000	12,250	132
6	12,250	12,500	134
7	12,500	12,750	136
8	12,750	13,000	138
9	13,000	13,250	140
10	13,250	13,500	142
11	13,500	13,750	144
12	13,750	14,000	146
13	14,000	14,250	148
14	14,250	14,500	150
15	14,500	14,750	152
16	14,750	15,000	154
17	15,000	15,250	156
18	15,250	15,500	158
19	15,500	15,750	160
20	15,750	16,000	162
21	16,000	16,250	164
22	16,250	16,500	166
23	16,500	16,750	168
24	16,750	17,000	170
25	17,000	17,250	172
26	17,250	17,500	174
27	17,500	17,750	176
28	17,750	18,000	178
29	18,000	18,250	180

1	18,250	18,500	182
2	18,500	18,750	184
3	18,750	19,000	186
4	19,000	19,250	188
5	19,250	19,500	190
6	19,500	19,750	192
7	19,750	20,000	194
8	20,000	20,250	196
9	20,250	20,500	198
10	20,500	20,750	200
11	20,750	21,000	202
12	21,000	21,250	204
13	21,250	21,500	206
14	21,500	21,750	208
15	21,750	22,000	210
16	22,000	22,250	212
17	22,250		212

18 * Sec. 2. This Act takes effect on October 1, 1990, and applies to an
19 initial claim filed for a benefit year beginning after September 30, 1990.

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

*Judy Knight
Dept. of Labor
4/28/90 jmn*

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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**

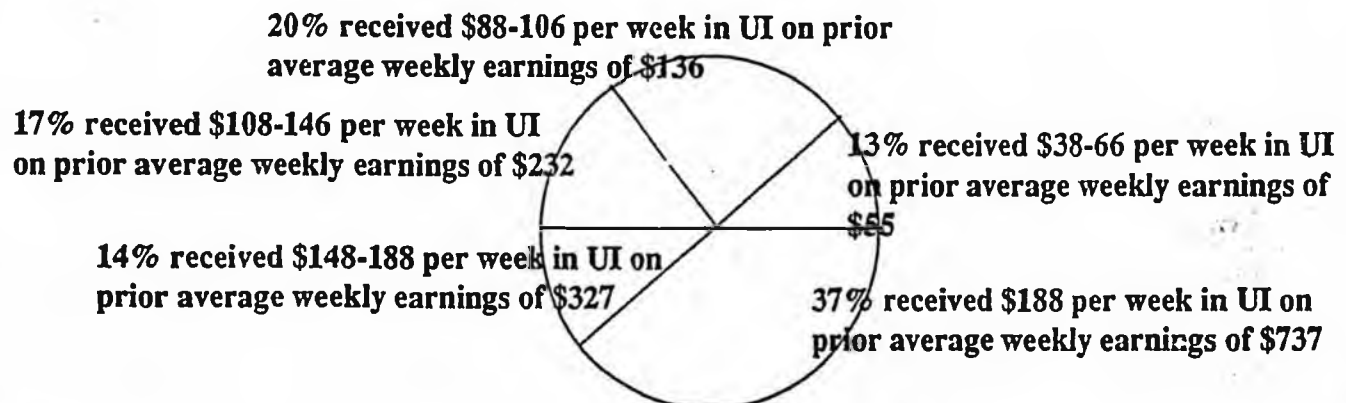
Where the money goes

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
Total Benefits Paid	
In Alaska in 1988...\$76,847,199	

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	1,401,281
Yukon-Koyukuk Census Area	774	1,446,542
Total In-State	34,730	62,702,419
Out-of-State	10,128	19,120,952
Total	44,858	\$81,823,371

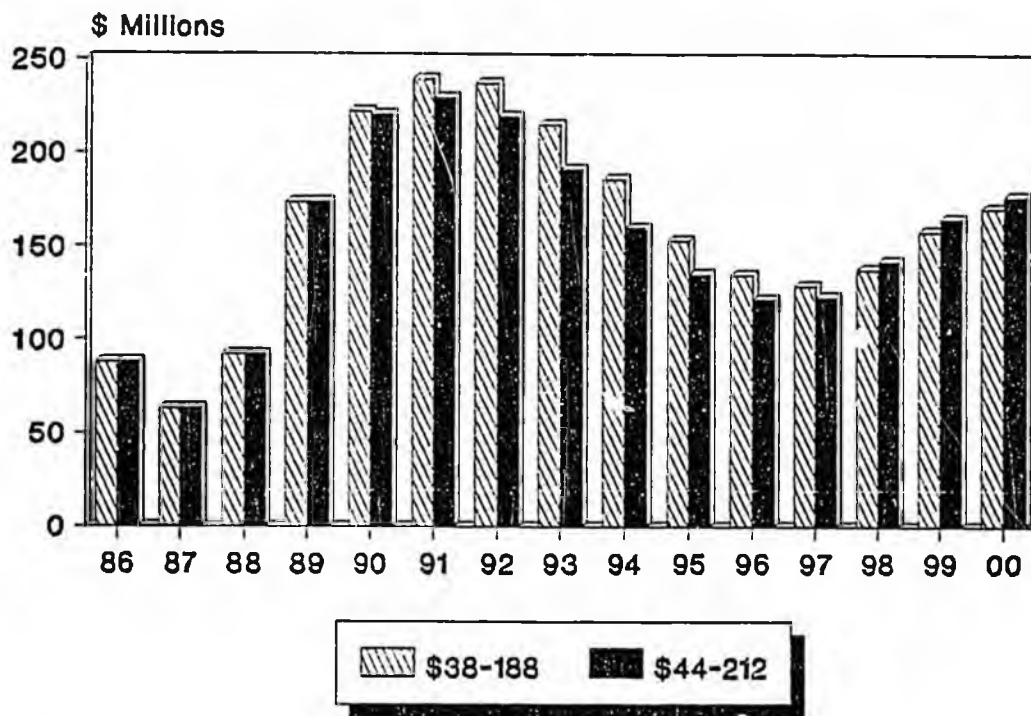
Amount of UI Benefit Payments by Census Area, 1985-1988

Census Areas and Subareas	1985 Total	1986 Total	1987 Total	1988 Total	Four Year Total
ALEUTIAN ISLANDS CA	\$188,249	312,908	305,427	286,631	1,093,215
ANCHORAGE BOROUGH	38,085,718	49,328,123	39,876,035	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	138,991	139,873	156,308	153,593	588,775
DILLINGHAM CA	552,863	662,028	646,392	447,749	2,309,042
FAIRBANKS NORTH STAR BOR.	17,119,979	22,634,341	17,283,988	12,428,408	69,446,714
HAINES BOROUGH	552,607	600,271	439,658	312,948	1,905,482
JUNEAU BOROUGH	4,551,809	5,902,455	4,049,082	2,754,550	17,257,898
KENAI PENNINSULA BOROUGH	8,995,851	14,083,740	10,923,365	8,007,491	42,010,387
KETCHIKAN GATEWAY BOROUGH	2,870,598	3,224,334	2,231,368	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	1,684,877	1,458,209	1,086,688	5,674,995
NORTH SLOPE BOROUGH	1,145,355	870,852	537,538	470,171	3,023,914
PRINCE OF WALES-OUTER KETCH.	1,524,987	1,735,883	1,545,602	1,252,326	6,058,808
SITKA BOROUGH	1,608,353	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	5,378,515
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	6,877,498
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
IN-STATE TOTALS	110,289,444	137,542,796	106,426,209	78,627,401	432,885,850
INTERSTATE TOTALS	29,505,972	34,504,509	32,761,728	22,841,870	119,614,077
TOTALS ALL AREAS	\$139,795,416	172,047,305	139,187,935	101,469,271	552,499,927

Effects of Proposed Benefit Increase on the UI Trust Fund

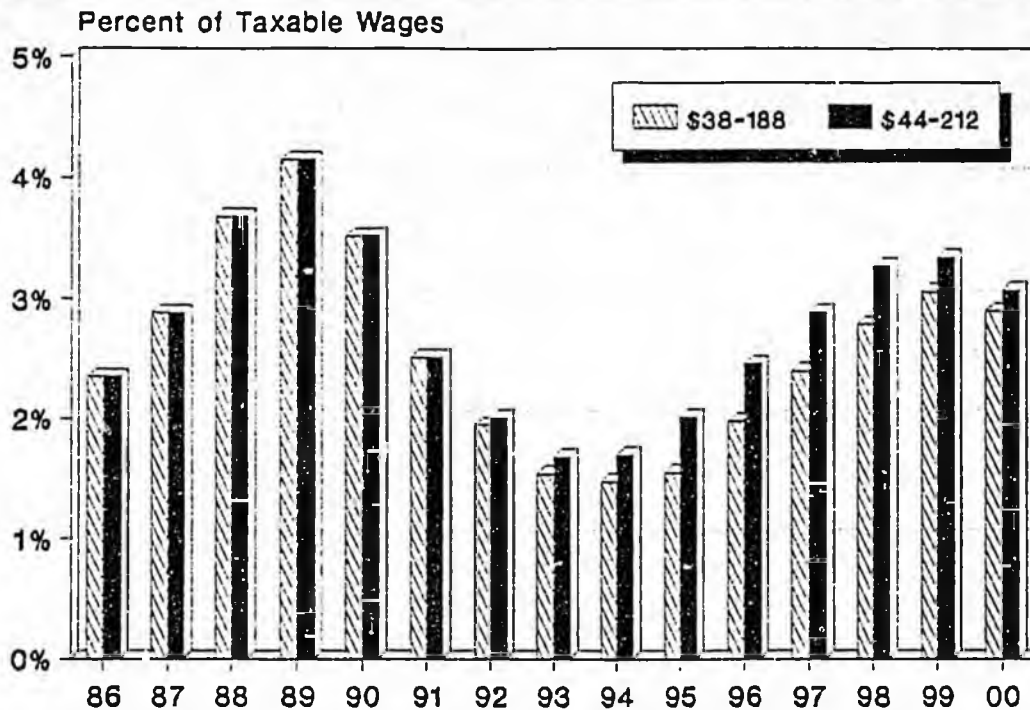
The following graph is a projection of the UI trust fund with and without the change in the schedule. Notice that the fund balance is lower with the change in the near-term, but by the end of the decade the fund balance is actually higher than it would be without the changes.

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%