

**HB**

**404**

SENATE COMMITTEE REPORT

DATE: 3/13/90

FURTHER: Finance

DATE TURNED INTO OFFICE: 3/10/90

Labor & Commerce

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):

Dept/Date:

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

Governor's bill w/fiscal note

SIGNING DO PASS:

*[Handwritten signatures]*

OTHER RECOMMENDATIONS:

*Jan Feb Do Not Pass*

*[Handwritten signature]* do pass

Chair: Signature and Recommendation

## HB 404 - Unemployment Insurance Benefits

House Bill 404 establishes 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.

Section 1 repeals the current benefit schedule which provides a minimum benefit of \$38 to a maximum of \$188. The proposed new schedule raises the minimum weekly benefit to \$44 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 a new schedule.

### ADDITIONAL INFORMATION

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



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 3, 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", written over the typed name and title.

Steve Cowper  
Governor

# **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**

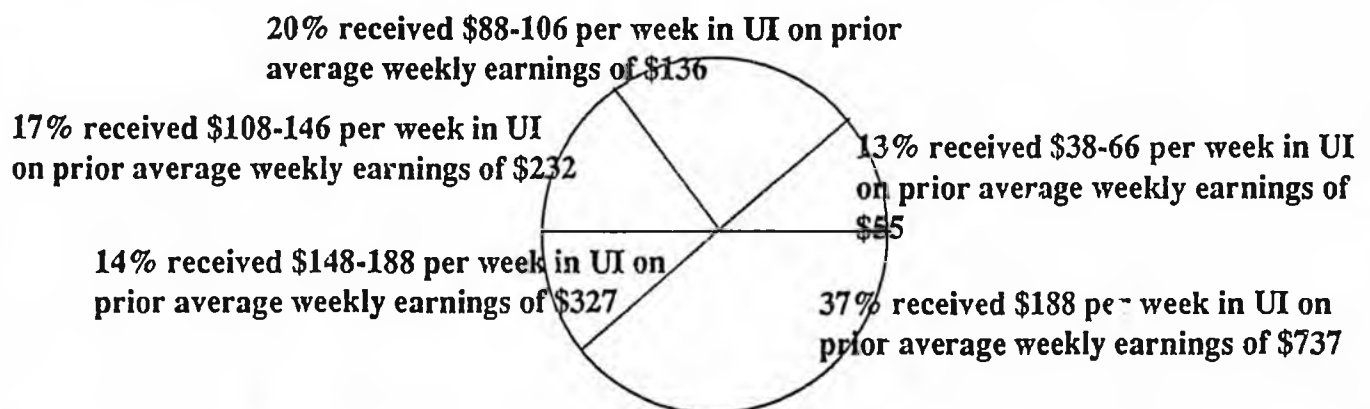
## Where the money goes

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	1,401,281
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>

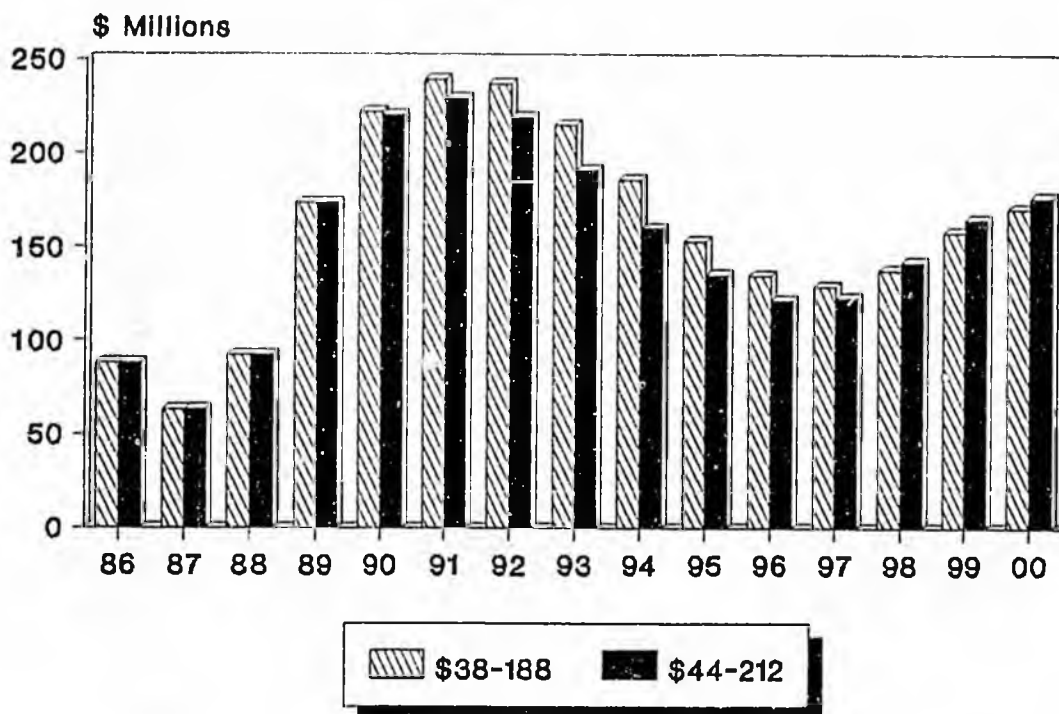
# Amount of UI Benefit Payments by Census Area, 1985-1988

Census Areas and Subareas	1985 Total	1986 Total	1987 Total	1988 Total	Four Year Total
ALEUTIAN ISLANDS CA	\$188,240	312,908	305,427	286,631	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	1,113,991	139,983	156,308	153,593	586,875
DILLINGHAM CA	552,983	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	4,049,082	2,754,550	17,257,896
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	2,231,368	1,662,535	9,988,833
KOBUK CA	1,122,230	1,408,402	1,103,933	882,908	4,517,471
KODIAK ISLAND BOROUGH	2,065,156	1,717,931	1,157,092	998,352	5,938,531
MATANUSKA-SUSITNA BOROUGH	11,482,190	14,332,553	11,291,922	8,249,259	45,335,924
NOME CA	1,445,223	1,884,877	1,458,209	1,086,636	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	1,806,353	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	6,677,498
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>432,885,850</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

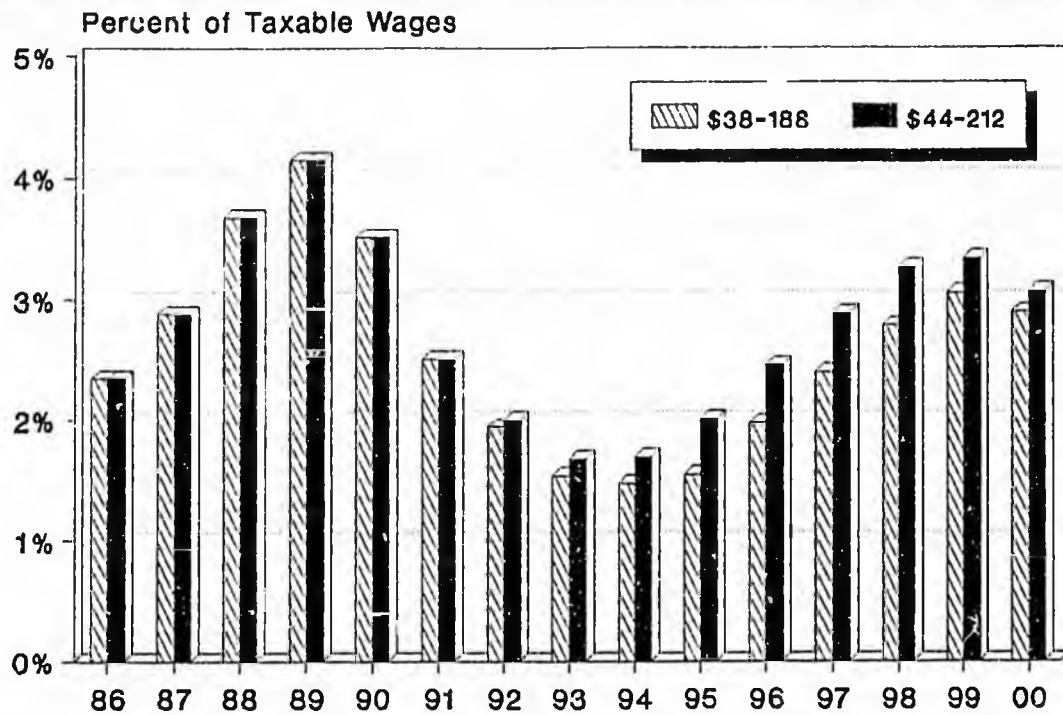
The following graph is a projection of the UI trust fund with and without the change in the schedule. Notice that the fund balance is lower with the change in the near-term, but by the end of the decade the fund balance is actually higher than it would be without the changes.

## 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%

## DEPARTMENT OF LABOR

### House Bill 404

"An Act relating to the Unemployment Insurance Benefit Schedule."

House Bill 404 proposes 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.

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.

In reality, the new benefit schedule means that about two-thirds of claimants will receive a \$6 per week increase.

Unemployment benefits were last increased in 1984 and since that time the schedule of benefits has eroded so that it no longer meets the nationally-recognized standard of a 50 percent wage replacement for at least two-thirds of claimants. In 1988, 51,000 Alaska workers received unemployment insurance benefits and only 61 percent of these claimants received a benefit that provided a 50 percent wage replacement.

The average weekly benefit paid during fiscal year 1989 was \$156 per week for claimants who did not have part-time employment. The average weekly wage during this period was \$546. Therefore, the average benefit replaced only 28.5 percent of the average wage in Alaska. Alaska's average weekly benefit amount as a percentage of earnings is inadequate. Alaska ranks 46th in the nation in this regard. House Bill 404 proposes to address the standard of 50 percent wage replacement for two-thirds of claimants and to improve somewhat income replacement.

As reflected below, the increase in the benefit schedule will have the effect of slowing the decline trend in average employer contribution rates. However, the changes will have no impact until 1992, when the

average employer contribution rate should be less than 2.0 percent, the lowest rate since 1949. Consequently, the continued decline and long-term trend in rates is not significantly impacted with the proposed benefit increase.

<u>Year</u>	<u>Average Rate Current Benefit Schedule \$38 - \$188</u>	<u>Average Rate Proposed Benefit Schedule \$44 - \$212</u>	<u>Difference In Contribution Rates</u>
1989	4.14%	N/A	N/A
1990	3.51%	N/A	N/A
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%	2.83%	0.49%
1998	2.78%	3.26%	0.48%
1999	3.05%	3.33%	0.28%
2000	2.89%	3.06%	0.17%
 Average 1991-2000	 2.21%	 2.49%	 0.28%

DEPARTMENT OF LABOR, RESEARCH AND ANALYSIS  
Michael Hurst, UI Actuary  
April 5, 1990

ASSUMPTIONS USED IN THE UNEMPLOYMENT INSURANCE TRUST FUND MODEL

The UI Trust Fund Model is an interactive spreadsheet model that produces forecasts of the appropriate variables in the UI system, depending upon the projections of a few key input variables. The model incorporates all of the pertinent aspects of UI statutes.

While there are several smaller variables that are input to the model, such as interest rates on the trust fund reserves, there are basically two critical sets of input variables: UI covered employment and payroll, and UI benefit dollars paid.

Two scenarios are generated for the trust fund model, a "normal case" scenario, and a "worst case" scenario. It should be noted that even in the normal case scenario there are a number of choices between variables and parameters at various stages in the modelling process. In every case where a superior choice is not obvious, the options chosen are the most cautious ones, tending to forecast higher benefit payments, lower trust fund balances, and higher employer contribution rates. This provides a conservative cushion as a hedge against forecast errors.

The assumptions for the normal case scenario are discussed first in this paper; the normal case forecast is attached as Table 1. The worst case scenario assumptions will be discussed later; the worst case forecast is attached as Table 2. Both scenarios are also run against the current (\$38-188) benefit schedule and the proposed (\$44-212) schedule, in order to determine the effect of the proposed change; these forecasts are attached as Tables 1A and 2A for the normal and worst case scenarios respectively. The effect on employer contribution rates in tables 1A and 2A are also summarized in Table 3.

UI COVERED EMPLOYMENT AND WAGES

Employment and payroll figures are key inputs to regression equations, for both UI workload and the UI trust fund. The equations require forecasts, and the forecasts of employment used in the model come from the latest LMI projections for nonagricultural wage and salary employment as published in Alaska Economic Trends for the short term, and the Alaska 2000 report for long-term forecasts to the year 2000. The yearly employment figures are seasonally disaggregated, then converted to UI covered employment.

There are a number of assumptions used to make this forecast, which are attached to this paper. The forecasts drawn from the Year 2000 report are based on the "Case A" scenario. This case is based upon a view of slow, steady growth in the Alaska economy. Similar assumptions are used for the forecasts in the May 1989 issue of Alaska Economic Trends. The assumptions

about the future economy used in the trust fund model are identical to the assumptions in these publications. We make an additional assumption that the relationship between covered employment and nonagricultural wage and salary employment will remain the same. The result is an increase in UI covered employment of about 1.5% per year.

The forecast for total payroll is the result of average employment times average wages. Average wages are calculated by the distribution of employment by industry and the Anchorage consumer price index (CPI). The distribution comes from the forecasts mentioned above. The CPI forecast is a flat estimate of 3% increase per year. This computes to about a 2% average wage inflation per year.

Finally, taxable payroll is calculated using the ratio of taxable wages to total wages. This ratio is estimated using the distribution of employment by industry used above, which projects an increasing percentage of taxable payroll to total payroll, as government employment is held steady or decreases while private sector employment grows.

The normal case scenario computed by the trust fund model projects an average growth in total and taxable payroll of about 3.5% to 4% per year, the double impact of both increasing employment and increasing wages.

#### UI Benefit Dollars Paid

UI benefit dollars paid out are a fairly simple equation, based on the number of weeks of UI paid times the average weekly benefit amount paid per week. These variables are modelled separately.

The number of weeks paid is calculated directly from the number of weeks claimed, the assumption being that the relationship between these two variables will remain roughly the same. Weeks claimed is forecast from the same employment forecasts mentioned above. In the normal case there is a strong positive correlation between claims and employment. That means that claims being filed today are directly related to employment one or two quarters ago. When one goes up, the other goes up as well. This is the normal relationship that forms the basis of the normal case scenario of the trust fund model. Some industries, such as construction, have more impact and are given more weight. The normal case model projects increasing claims of about 5% per year.

The average weekly benefit amount is affected by two forces -- the benefit schedule as set in the statutes, and the average weekly wage. This is the only variable that is significantly affected by the change in the benefit schedule proposed in HB 404. The distribution of claimants within the schedule has an impact as well, but this distribution is already considered in the computation of the average wage.

To compute the average weekly benefit amount, the average wage is modelled in a regression equation with the maximum weekly benefit amount that is set in the different schedules. The current schedule projects a slightly increasing average weekly benefit amount, due to increasing wages. If the proposed

schedule had been in effect in 1989, it would have resulted in an increase of \$6 for about 2/3 of UI claimants, and about \$12 for an average of all claimants. In the trust fund model, we apply an average weekly benefit amount of about \$168, which is a greater impact than would have occurred in 1989, for the sake of prudence.

#### WORST CASE SCENARIO

There are no indicators that predict a recession in the next few years in Alaska; in fact, almost all of the major forecasts project slow to moderate growth in the Alaska economy. Regardless, we should be aware of the possibility of a recession when considering any changes to the UI system. For this reason, the "worst case" scenario has been added to the model.

The worst case scenario considers a relationship between claims and employment that is just the opposite of the normal case. At the beginning of a recession employment declines because of layoffs, and the number of claims filed increases. Later, as claimants exhaust their eligibility, and employment increases, the number of claims declines. This relationship is difficult to model statistically, so a mockup recession using this relationship is overlaid on top of the normal case scenario. The worst case scenario is estimated by modelling the effects of the 1985-88 recession and applying them forward beginning in mid 1991.

This is a "doom and gloom" forecast. Even if a recession were to occur in the next decade, it is unlikely that it would have as severe an impact on the UI system as the 1985-88 recession as modelled in this scenario. The recession of 1985-88 was the worst recession since statehood, not only in terms of job losses and unemployment but, more importantly for our purposes, also in terms of benefit payments, the decline in the UI trust fund, and the increase in employer contribution rates.

In addition, part of the reason for the severity of the 1985-88 recession, and also of the post-pipeline recession, was the fact that both followed economic boom periods. Both were aggravated by sharp drops in construction activity, the first following the end of pipeline activity, the second as the state budget suffered serious cuts in capital spending. There are no construction projects of the magnitude of the pipeline predicted for the near future, and there will likely be little excessive capital spending to cut. Therefore, if a recession were to occur in the future, we are unlikely to see such dramatic increases in UI claims, declines in the trust fund, or increases in employer contribution rates.

Nevertheless, for the sake of prudence, the worst case scenario is based upon a recession similar to the 1985-88 recession. It is an overly conservative model, which gives us confidence when we look at any proposals that have an effect on the system.

Specific numbers are provided in the summary below. In general terms the worst case scenario projects a steep decline in employment, average wages, and payroll between 1991 and 1994, then growth in these variables after that. It also projects rapidly increasing claims in 1991 and 1992, and rapidly

declining claims in 1993 and 1994. Employer contribution rates increase until they peak in 1995. Both of these projections are similar to what happened in 1985-86, and 1987-89. Actually, the model projects even greater swings in benefit payments than occurred in the last recession, yet the effect is not as severe on either the trust fund balance or on employer tax rates, primarily because of a healthier balance in the UI trust fund.

#### THE EFFECT OF THE PROPOSED CHANGE IN THE BENEFIT SCHEDULE

The most difficult part of making trust fund projections is forecasting the number of weeks of UI that will be paid in the future. We start with assumptions about the future of the Alaska economy that may or may not be correct. However, given any set of such assumptions, and given the resulting forecast of weeks paid, it is a straightforward process from that point to project total benefit payments, revenue, trust fund balances, and employer contribution rates.

Once we settle on a prediction of weeks paid, these are multiplied by the average weekly benefit amount to produce benefit payment amounts. As mentioned earlier, average weekly benefit amounts are primarily determined by the benefit schedule. This means that the effect of the proposed change in the benefit schedule will not be impacted much by changes in other assumptions in the model. In other words, the effect of the change in the benefit schedule will be roughly the same regardless of what assumptions we make about the future of the Alaska economy.

We can see this in Table 3. In the normal case scenario, the effect of the proposed change on employer contribution rates is about 0.28% over ten years. Even in the worst case scenario, which predicts a massive increase in benefit payments in 1991 and 1992, the change in the benefit schedule has an effect on employer contribution rates of about 0.36%, which is the worst impact that we can forecast. In other words, the economic assumptions only affect the impact on contribution rates that result from the change in the benefit schedule by at most 0.08% over ten years.

## SUMMARY OF FORECAST ASSUMPTIONS

### NORMAL CASE:

- \* The forecasts of employment used in the model come from the latest LMI projections for nonagricultural wage and salary employment as published in Alaska Economic Trends for the short term, and the Alaska 2000 report for long-term forecasts to the year 2000. Summarized assumptions for these forecasts are attached.
- \* The "Case A" scenario is chosen. This case is based upon a view of slow, steady growth in the Alaska economy.
- \* The result is an increase in covered employment of about 1.5% per year. The CPI forecast is a flat estimate of 3% increase per year. Average wage inflation per year will be about 2%. Average growth in total and taxable payroll will be about 3.5% to 4% per year.
- \* The number of UI weeks claimed will increase by about 5% per year. Benefit payments will increase by between 4% and 11% per year. The trust fund will peak at about \$239 million in 1991. Average employer contribution rates will bottom out at about 1.5% in 1994.

### WORST CASE:

- \* The worst case scenario is estimated by modelling the effects of the 1985-88 recession and applying them forward to the normal case model beginning in mid 1991.
- \* In the worst case scenario, average employment declines from 199,000 in 1991 to 180,000 in 1993, and total payroll declines from \$5.8 billion in 1991 to \$5.1 billion in 1993. By contrast, average employment actually declined from 208,000 in 1985 to 187,000 in 1987, while total payroll declined from \$6.0 billion in 1985 to \$5.2 billion in 1987.
- \* In the worst case scenario, UI payments would increase by \$21 million (21%) between 1990 and 1991, and by \$53 million (45%) between 1991 and 1992. By contrast, payments actually increased by \$20 million (17%) between 1984 and 1985, and by \$40 million (28%) between 1985 and 1986.
- \* In the worst case scenario, the trust fund will decline to about \$95 million in 1993, and employer contribution rates will peak at 3.6% in 1995. By contrast, during the past recession the trust fund declined to \$46 million in 1988 and employer contribution rates peaked at 4.14% in 1989.

### THE PROPOSED CHANGE IN THE BENEFIT SCHEDULE:

- \* The forecast of the average weekly benefit amount used in the trust fund model is about \$168 with the proposed schedule, higher than it would have actually been had it been in effect in 1989. This would cause employer contribution rates to be about 0.3% higher than they would with the current schedule, regardless of the economic assumptions chosen.

UI TRUST FUND MODEL, FORECASTS THROUGH 1995

TABLE 1: Forecast With No Change in Statutes

	REVISED:	04-Apr-90	1988	1989	1990	1991	1992	1993	1994	1995
<b>WAGES &amp; EMPLOYMENT:</b>										
1	Total Covered Wages (\$1,000)		5,317,057	5,843,503	5,711,985	5,842,079	6,039,310	6,275,579	6,528,156	6,796,516
2	Wages Taxable Employers (\$1,000)		3,822,712	4,150,698	4,188,935	4,286,089	4,434,625	4,618,988	4,816,475	5,027,723
3	Taxable Wages (\$1,000)		2,552,080	2,900,889	2,864,233	2,944,703	3,059,826	3,200,809	3,350,941	3,510,660
4	Avg. Mo. Cov. Employment		191,068	200,406	196,456	198,696	201,299	204,545	207,846	211,198
5	Avg. Annual Wage (\$)		27,828	29,158	29,075	29,402	30,002	30,681	31,409	32,181
6	Taxable Wage Base (Est.) (\$)		21,100	20,900	21,300	21,800	22,000	22,300	22,700	23,300
<b>UI TAX COMPUTATION:</b>										
7	Benefit Costs (SFY) (\$)		91,920,775	68,240,012	61,927,260	63,288,113	65,225,230	71,100,445	80,017,939	98,362,069
8	Benefit Costs Prior 3 SFY's (\$)		332,297,229	335,485,847	287,270,693	222,088,047	193,455,385	190,440,604	199,613,788	216,343,614
9	Wages 1st 3 Last 4 SFY's (\$1,000)		13,184,650	12,591,164	11,913,291	11,675,987	11,892,467	12,376,736	12,672,425	13,120,897
10	Average Benefit Cost Ratio		3.74%	3.96%	3.55%	2.69%	2.37%	2.23%	2.28%	2.37%
11	Trust Fund Solvency Adjustment		0.6%	0.9%	0.6%	0.3%	-0.0%	-0.3%	-0.4%	-0.4%
12	Average Employer Tax Rate		3.67%	4.14%	3.51%	2.50%	1.94%	1.53%	1.47%	1.54%
13	Average Employee Tax Rate		0.7%	0.7%	0.6%	0.5%	0.4%	0.4%	0.4%	0.4%
<b>REVENUES COLLECTED:</b>										
14	Contributions From Employers (\$)		91,212,906	120,096,805	100,534,578	73,617,575	59,360,624	48,972,378	49,258,833	54,064,164
15	Contributions From Employees (\$)		17,397,557	22,235,775	14,321,165	11,778,812	9,179,478	9,602,427	10,052,823	10,531,980
16	Other Revenues (\$)		22,358,193	18,037,113	18,137,029	19,119,433	19,806,911	21,730,365	23,316,337	24,802,731
17	Interest Received on TF (\$)		5,553,585	9,225,750	12,878,580	14,700,586	15,448,489	14,435,747	12,663,566	10,596,502
18	Total Revenues		136,522,241	169,595,443	145,871,352	119,216,406	103,795,502	94,740,917	95,291,559	99,995,377
19	Change from Prior Year		11%	24%	-14%	-18%	-13%	-9%	1%	5%
20	Due to Statutory Changes (\$)		0	0	0	0	0	0	0	0
<b>BENEFITS PAID:</b>										
21	Total Benefits Paid		107,699,704	87,954,796	97,324,312	102,245,212	105,888,291	116,865,966	125,030,822	132,843,615
22	Change from Prior Year		-27%	-18%	11%	5%	4%	10%	7%	6%
23	Due to Statutory Changes (\$)		0	0	0	0	0	0	0	0
<b>TRUST FUND RESERVE:</b>										
24	Initial Trust Fund Balance		62,979,925	91,802,462	173,443,109	221,990,149	238,961,343	236,868,554	214,743,505	185,004,242
25	End of Year Balance		91,802,462	173,443,109	221,990,149	238,961,343	236,868,554	214,743,505	185,004,242	152,156,004

UI TRUST FUND MODEL, FORECASTS THROUGH 1995

TABLE 1A: Increase Benefit Schedule to \$44-212

	REVISED:	04-Apr-90	1988	1989	1990	1991	1992	1993	1994	1995
<b>WAGES &amp; EMPLOYMENT:</b>										
1	Total Covered Wages (\$1,000)		5,317,057	5,843,503	5,711,985	5,842,079	6,039,310	6,275,579	6,528,156	6,796,516
2	Wages Taxable Employers (\$1,000)		3,823,712	4,150,698	4,168,935	4,286,089	4,434,625	4,618,988	4,816,475	5,027,723
3	Taxable Wages (\$1,000)		2,552,080	2,900,889	2,864,233	2,944,703	3,059,828	3,200,809	3,350,941	3,510,660
4	Avg. Mo. Cov. Employment		191,068	200,406	196,456	198,696	201,299	204,545	207,846	211,198
5	Avg. Annual Wage (\$)		27,828	29,158	29,075	29,402	30,002	30,681	31,409	32,181
6	Taxable Wage Base (Est.) (\$)		21,100	20,900	21,300	21,800	22,000	22,300	22,700	23,300
<b>UI TAX COMPUTATION:</b>										
7	Benefit Costs (SFY) (\$)		91,920,775	68,240,012	61,927,260	69,079,105	73,942,136	81,089,676	91,078,461	99,980,949
8	Benefit Costs Prior 3 SFY's (\$)		332,297,229	335,485,847	287,270,693	222,088,047	199,246,377	204,948,502	224,110,918	246,110,273
9	Wages 1st 3 Last 4 SFY's (\$1,000)		13,184,650	12,591,164	11,913,291	11,675,987	11,892,467	12,376,736	12,672,425	13,120,897
10	Average Benefit Cost Ratio		3.74%	3.96%	3.55%	2.69%	2.44%	2.40%	2.55%	2.70%
11	Trust Fund Solvency Adjustment		0.6%	0.9%	0.6%	0.3%	-0.0%	-0.3%	-0.4%	-0.2%
12	Average Employer Tax Rate		3.67%	4.14%	3.51%	2.50%	2.00%	1.67%	1.69%	2.01%
13	Average Employee Tax Rate		0.7%	0.7%	0.6%	0.5%	0.4%	0.4%	0.5%	0.5%
<b>REVENUES COLLECTED:</b>										
14	Contributions From Employers (\$)		91,212,906	120,096,805	100,534,578	73,617,575	61,196,520	53,453,510	56,630,903	70,564,266
15	Contributions From Employees (\$)		17,397,557	22,235,775	14,321,165	11,778,812	9,179,478	9,602,427	13,403,764	14,042,640
16	Other Revenues (\$)		22,358,193	18,037,113	18,421,906	20,869,289	21,808,267	23,942,579	25,679,325	27,303,390
17	Interest Received on TF (\$)		5,553,585	9,225,750	12,852,188	14,470,527	14,461,921	12,997,595	11,030,869	9,269,579
18	Total Revenues		136,522,241	169,595,443	146,129,837	120,736,203	106,646,186	99,996,111	106,744,861	121,179,875
19	Change from Prior Year		11%	24%	-14%	-17%	-12%	-6%	7%	14%
20	Due to Statutory Changes (\$)		0	0	0	0	0	0	0	0
<b>BENEFITS PAID:</b>										
21	Total Benefits Paid		107,699,704	87,954,796	99,319,829	111,930,943	116,615,402	128,760,163	137,696,383	146,230,614
22	Change from Prior Year		-27%	-18%	13%	13%	4%	10%	7%	6%
23	Due to Statutory Changes (\$)		0	0	1,995,517	9,685,731	10,727,111	11,894,197	12,665,561	13,386,999
<b>TRUST FUND RESERVE:</b>										
24	Initial Trust Fund Balance		62,979,925	91,802,462	173,443,109	220,253,118	229,058,377	219,089,161	190,325,109	159,373,587
25	End of Year Balance		91,802,462	173,443,109	220,253,118	229,058,377	219,089,161	190,325,109	159,373,587	134,322,848

UI TRUST FUND MODEL, FORECASTS THROUGH 1995

TABLE 2: Worst Case Scenario, Current Schedule

REVISED:	04-Apr-90	1988	1989	1990	1991	1992	1993	1994	1995
<b>WAGES &amp; EMPLOYMENT:</b>									
1	Total Covered Wages (\$1,000)	5,317,057	5,843,503	5,710,940	5,834,340	5,563,378	5,151,401	5,243,950	5,435,927
2	Wages Taxable Employers (\$1,000)	3,823,712	4,150,698	4,188,935	4,257,719	3,904,481	3,570,661	3,667,703	3,817,659
3	Taxable Wages (\$1,000)	2,552,080	2,900,889	2,864,233	2,764,064	2,510,209	2,292,957	2,332,612	2,407,819
4	Avg. Mo. Cov. Employment	191,068	200,406	196,462	190,487	190,340	170,966	183,779	188,823
5	Avg. Annual Wage (\$)	27,828	29,158	29,069	29,247	29,229	28,624	28,534	28,788
6	Taxable Wage Base (Est.) (\$)	21,100	20,900	21,300	21,000	22,000	22,300	22,700	23,300
<b>UI TAX COMPUTATION:</b>									
7	Benefit Costs (SFY) (\$)	91,920,775	68,240,012	61,927,260	62,040,083	104,347,360	120,558,349	86,249,660	69,255,143
8	Benefit Costs Prior 3 SFY's (\$)	332,297,229	335,485,847	287,270,693	222,088,047	192,207,360	228,314,708	286,945,797	311,155,368
9	Wages: 1st 3 Last 4 SFY's (\$1,000)	13,184,650	12,591,164	11,913,291	11,675,987	11,892,467	12,386,254	12,440,428	12,060,182
10	Average Benefit Cost Ratio	3.74%	3.96%	3.55%	2.69%	2.45%	2.83%	3.58%	4.03%
11	Trust Fund Solvency Adjustment	0.6%	0.9%	0.6%	0.3%	-0.0%	-0.3%	-0.0%	0.3%
12	Average Employer Tax Rate	3.67%	4.14%	3.51%	2.50%	2.01%	2.02%	2.94%	3.61%
13	Average Employee Tax Rate	0.7%	0.7%	0.6%	0.5%	0.4%	0.5%	0.6%	0.7%
<b>REVENUES COLLECTED:</b>									
14	Contributions From Employers (\$)	91,212,906	120,096,805	100,534,578	69,101,600	50,455,201	46,317,731	68,578,793	86,922,266
15	Contributions From Employees (\$)	17,397,557	22,235,775	14,321,165	11,056,256	7,530,627	9,171,828	11,663,060	14,446,914
16	Other Revenues (\$)	22,358,193	18,037,113	18,137,029	21,384,463	31,492,050	27,806,162	20,130,214	19,542,544
17	Interest Received on TF (\$)	5,553,585	9,225,750	12,878,580	14,431,344	11,297,006	7,523,401	6,468,288	7,460,509
18	Total Revenues	136,522,241	169,595,443	145,871,352	115,973,663	100,774,884	90,819,122	106,840,355	128,372,233
19	Change from Prior Year	11%	24%	-14%	-20%	-13%	-10%	18%	20%
20	Due to Statutory Changes (\$)	0	0	0	0	0	0	0	0
<b>BENEFITS PAID:</b>									
21	Total Benefits Paid	107,699,704	87,954,796	97,324,312	118,111,365	171,241,322	142,837,019	104,298,268	105,864,275
22	Change from Prior Year	-27%	-18%	11%	21%	45%	-17%	-27%	2%
23	Due to Statutory Changes (\$)	0	0	0	0	0	0	0	0
<b>TRUST FUND RESERVE:</b>									
24	Initial Trust Fund Balance	62,979,925	91,802,462	173,443,109	221,990,149	219,852,447	149,386,010	97,368,113	99,910,200
25	End of Year Balance	91,802,462	173,443,109	221,990,149	219,852,447	149,386,010	97,368,113	99,910,200	122,418,158

UI TRUST FUND MODEL, FORECASTS THROUGH 1995

TABLE 2A: Worst Case Scenario, Proposed \$44-212 Schedule

	REVISED:	04-Apr-90	1988	1989	1990	1991	1992	1993	1994	1995
<b>WAGES &amp; EMPLOYMENT:</b>										
1	Total Covered Wages (\$1,000)		5,317,057	5,843,503	5,710,940	5,834,340	5,563,378	5,151,401	5,243,950	5,435,927
2	Wages Taxable Employers (\$1,000)		3,823,712	4,150,698	4,188,935	4,257,719	3,904,481	3,573,861	3,667,703	3,817,659
3	Taxable Wages (\$1,000)		2,552,080	2,900,889	2,864,233	2,764,064	2,510,209	2,292,957	2,332,612	2,407,819
4	Avg. Mo. Cov. Employment		191,068	200,406	196,462	199,487	190,340	179,966	183,779	188,823
5	Avg. Annual Wage (\$)		27,828	29,158	29,069	29,247	29,229	28,624	28,534	28,788
6	Taxable Wage Base (Est.) (\$)		21,100	20,900	21,300	21,800	22,000	22,300	22,700	23,300
<b>UI TAX COMPUTATION:</b>										
7	Benefit Costs (SFY) (\$)		91,920,775	68,240,012	61,927,260	67,711,685	116,893,451	135,260,895	97,350,610	78,317,736
8	Benefit Costs Prior 3 SFY's (\$)		332,297,229	335,485,847	287,270,693	222,088,047	197,878,957	246,532,396	319,866,031	349,504,956
9	Wages 1st 3 Last 4 SFY's (\$1,000)		13,184,650	12,591,164	11,913,291	11,675,987	11,892,467	12,386,254	12,440,428	12,060,182
10	Average Benefit Cost Ratio		3.74%	3.96%	3.55%	2.69%	2.52%	3.05%	4.00%	4.53%
11	Trust Fund Solvency Adjustment		0.6%	0.9%	0.6%	0.3%	-0.0%	-0.1%	0.2%	0.5%
12	Average Employer Tax Rate		3.67%	4.14%	3.51%	2.50%	2.07%	2.40%	3.48%	4.21%
13	Average Employee Tax Rate		0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.7%	0.8%
<b>REVENUES COLLECTED:</b>										
14	Contributions From Employers (\$)		91,212,906	120,096,805	100,534,578	69,101,600	51,961,326	55,030,968	81,174,898	101,369,180
15	Contributions From Employees (\$)		17,397,557	22,235,775	14,321,165	11,056,256	10,040,836	9,171,828	13,995,672	16,854,733
16	Other Revenues (\$)		22,358,193	18,037,113	18,421,906	23,357,321	34,676,238	30,637,205	22,170,681	21,512,732
17	Interest Received on TF (\$)		5,553,585	9,225,750	12,852,180	14,182,147	10,072,625	5,854,214	4,904,157	6,301,558
18	Total Revenues		136,522,241	169,595,443	146,129,837	117,697,324	106,751,025	100,694,215	122,245,408	146,038,203
19	Change from Prior Year		11%	24%	-14%	-19%	-9%	-6%	21%	19%
20	Due to Statutory Changes (\$)		0	0	0	0	0	0	0	0
<b>BENEFITS PAID:</b>										
21	Total Benefits Paid		107,699,704	87,954,796	99,919,829	129,359,193	188,598,775	157,376,223	114,865,348	116,532,012
22	Change from Prior Year		-27%	-18%	13%	30%	46%	-17%	-27%	1%
23	Due to Statutory Changes (\$)		0	0	1,995,517	11,247,828	17,357,453	14,539,204	10,567,080	10,667,737
<b>TRUST FUND RESERVE:</b>										
24	Initial Trust Fund Balance		62,979,925	91,802,462	173,443,109	220,253,118	208,591,249	126,743,498	70,061,490	77,441,550
25	End of Year Balance		91,802,462	173,443,109	220,253,118	208,591,249	126,743,498	70,061,490	77,441,550	106,947,741

TABLE 3: Changes in Average Employer Contribution Rates  
Due to the Proposed Increase in the Benefit Schedule

Year	Mid-Case Scenario			Worst Case Scenario		
	Current Schedule \$38-188	Proposed Schedule \$44-212	Mid Case Increase in Tax Rates	Current Schedule \$38-188	Proposed Schedule \$44-212	Worst Case Increase in Tax Rates
1991	2.50%	2.50%	0.00%	2.50%	2.50%	0.00%
1992	1.94%	2.00%	0.06%	2.01%	2.07%	0.06%
1993	1.53%	1.67%	0.14%	2.02%	2.40%	0.38%
1994	1.47%	1.69%	0.22%	2.94%	3.48%	0.54%
1995	1.54%	2.01%	0.47%	3.61%	4.21%	0.60%
1996	1.97%	2.45%	0.48%	3.14%	3.74%	0.60%
1997	2.39%	2.88%	0.49%	2.66%	3.10%	0.44%
1998	2.78%	3.26%	0.48%	2.68%	3.11%	0.43%
1999	3.05%	3.33%	0.28%	3.10%	3.42%	0.32%
2000	2.89%	3.06%	0.17%	3.35%	3.56%	0.21%
Average	2.21%	2.49%	0.28%	2.80%	3.16%	0.36%

SOURCE: Alaska Department of Labor, Research and Analysis,  
UI Trust Fund Model

**UI Employer Tax Rates and Maximum Contributions Per Employee, 1985-95**

**House Bill 404**

**Average Employer Contribution Rates  
(Rate Classes 10 & 11)**

1986	1987	1988	1989	1990	1991*	1992*	1993*	1994*	1995*
2.34%	2.88%	3.67%	4.14%	3.51%	2.50%	2.00%	1.67%	1.69%	2.01%

**Taxable Wage Base**

\$21,600	\$21,500	\$21,100	\$20,900	\$21,300	\$21,800	\$22,000	\$22,300	\$22,700	\$23,300
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**Maximum Yearly Employer Contribution Per Employee  
(Rate Classes 10 & 11)**

\$505	\$619	\$774	\$865	\$748	\$545	\$440	\$372	\$384	\$468
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\*Forecasts, Including \$44-212 Benefit Schedule

February 13, 1990