

**SB 230**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/3/91

FURTHER:

DATE TURNED INTO OFFICE:

5-18-91

The Finance Committee considered SENATE BILL NO. 230

"An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf crisis; 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) \_\_\_\_\_

**APPROVES PREVIOUS:**

- fiscal note(s) Dept/Date: \_\_\_\_\_
- zero fiscal note(s) 4-4-91  
D. K. ...

appropriation-no fiscal note

**SIGNING DO PASS:**

**OTHER RECOMMENDATIONS:**

*[Handwritten signatures]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. *[Signature]* 2. *[Signature]*  
Co-Chairs: Signatures and Recommendations

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL N 1  
Bill Version: SB 230  
(S) Publish Date: 5/3/91

Revision Date: \_\_\_\_\_  
Title: "An Act relating to the payment of unemployment insurance...Persian Gulf crisis..."  
Sponsor: Senator Jones  
Requestor: Senate Labor & Commerce

Department Affected: Labor  
BRU: Employment Security  
Component: Unemployment Insurance  
COMPONENT SERIAL NO. 329

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

We estimate there are 80 people that would be affected by this bill. The division already has the means to adjust an employer's experience rating and any additional benefits would be paid from the UI Trust Fund. The trust fund would be minimally affected.

Prepared by: Judy Knight, Director Phone: 465-2712  
Division: Employment Security Date: 4/4/91

Approved by Commissioner: Nancy Bear Usura  
Agency: Department of Labor Date: 4/4/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

## SENATE BILL NO. 230

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR JONES

Introduced: 3/27/91  
Referred: L&C, Finance

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to the payment of unemployment insurance benefits and the computation  
2 of employer contribution rates because of the Persian Gulf crisis; and providing for an  
3 effective date."

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

5 \* Section 1. Notwithstanding the provisions of AS 23.20.280 - 23.20.310, when computing an  
6 employer's contribution rate, the Department of Labor shall adjust the payroll of an employer whose  
7 payroll has declined because the reserve status of one or more of the employer's employees was  
8 activated because of the Persian Gulf crisis. The department shall make the adjustment by adding to the  
9 payroll the wages that the employer would have paid the employees whose status was activated had they  
10 continued to work for the employer less the amount of any wages paid to new employees hired to  
11 replace the activated employees.

12 \* Sec. 2. (a) Notwithstanding the provisions of AS 23.20.350 and 23.20.530, the Department of  
13 Labor may not, because an individual was called from reserve status to active military service because  
14 of the Persian Gulf crisis, reduce the unemployment benefits to which the individual would otherwise

1 be entitled. If the department finds that during an individual's base period the individual has been called  
2 to active duty because of events in the Persian Gulf, and if the service of active duty constituted the  
3 greater part of the individuals's working time in a calendar quarter, the individual's base period shall  
4 be extended a calendar quarter, subject to the limitation set out in (b) of this section if the extension will  
5 increase the benefits to which the individual is entitled. The extension of an individual's base period  
6 may not exceed four calendar quarters.

7 (b) The maximum benefits payable as a result of the use of wages earned in a calendar quarter  
8 before the individual's current base period, as defined in AS 23.20.520, shall be reduced by the amount  
9 of benefits paid previously as a result of the use of those wages in computing a previous benefit  
10 determination.

11 \* Sec. 3. This Act is repealed June 30, 1995.

12 \* Sec. 4. This Act is retroactive to August 2, 1990.

13 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

Bill No: Senate Bill No. 230

Date: April 29, 1991

Title: "An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf Crisis; and providing an effective date."

Contact: Judy Knight  
465-2712

The provisions of Senate Bill No. 230 are designed to assure that 1) the unemployment insurance contribution rates of Alaskan employers do not increase because of payroll declines attributable to employees being called to active duty in the Persian Gulf and 2) assure that workers unemployment insurance benefits are not diminished because of their service in the Persian Gulf.

Specifically, this bill will enable the Department to make adjustments to an employer's contribution rate if it was affected by one or more employees leaving for active duty, and to make adjustments to an individual's unemployment insurance benefits if the individual's base period wages were reduced because of lower pay received while serving in the military in the Persian Gulf.

The Department supports the provisions of Senate Bill 230. It will not have a fiscal impact on the Department.

APPROVED:



Nancy Bear Usera, Commissioner  
Department of Labor

POSITION PAPER/Department of Labor

# Alaska State Legislature

Chair, Resources Committee  
Vice-chair, Transportation Committee  
Member, Rules Committee  
Member, Committee on Committees

District A  
Ketchikan, Wrangell, Petersburg,  
Hyder, Myers Chuck, Kupreanof


  
**Senator Lloyd Jones**

P.O. Box V  
Juneau, AK 99811  
907 465-3743  
Fax: 907 465-3922

352 Front Street  
Ketchikan, AK 99901  
907 225-9082  
Fax: 907 225-8546

## MEMORANDUM

To: Senator Pat Pourchot, Co-Chair  
Senate Finance Committee

From: Senator Lloyd Jones 

Date: May 2, 1991

Subj: Senate Bill 230

The Senate Labor and Commerce Committee moved Senate Bill 230 on Wednesday, May 1 and it has a further referral to the Senate Finance Committee. I respectfully ask that you waive the bill on to Rules since the bill has a zero fiscal note.

The bill is intended to help employees and employers affected by the Persian Gulf conflict. Section one of the bill addresses unemployment insurance contribution rates of employers. Because rates are calculated by the number of employees on a payroll, an employer's contribution rate would go up if there was a payroll decline. My bill spreads the cost to all employers in the state. The impact would be minimal, according to the Department of Labor.

Section 2 of the bill addresses unemployment compensation benefits for personnel who served in Desert Storm. If, for any reason, they are put on layoff status SB 230 allows the state to compute benefits based on the employee's higher rate of pay.

Your consideration for a waiver would be greatly appreciated. If not, I would request a hearing as soon as possible.

LJ:gmc  
Attachment

Contact: Division of Retirement and Benefits, P.O. Box CR, Juneau, AK  
99811-0203, telephone (907) 465-4460, Fax 465-3086

**NOTICE OF PROPOSED CHANGES TO REGULATIONS  
STATE OF ALASKA  
DEPARTMENT OF ADMINISTRATION**

Notice is given that the Department of Administration under the authority of AS 39.30.090 proposes to adopt regulations in Title 2 of the Alaska Administrative Code dealing with group health and life insurance coverage for certain state employees called to active military service, to implement AS 39.30.090 as follows:

2 AAC 39 is proposed to be amended by adding a new provision for the continuation of state paid group health and life insurance coverage by state employees serving in the military reserve, National Guard, or state militia units who were called to active duty on or after August 1, 1990. The state portion of the cost of this coverage will be paid by the state. Coverage is limited to five consecutive years of active duty or the date of terminations, if sooner. This change is needed to retain coverage at the same cost and level for state employees while on active military duty.

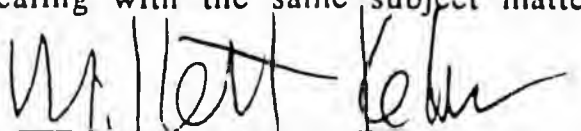
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to: Division of Retirement and Benefits, P.O. Box CR, Juneau AK 99811-0203, so that they are received no later than April 25, 1991.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to: Division of Retirement and Benefits, P.O. Box CR, Juneau, AK 99811-0203, or by calling (907) 465-4460 or (907) 563-5885 in Anchorage.

The Department of Administration, after the deadline stated above, will either adopt these or other proposals dealing with the same subject matter or decide to take no action on them.

3/20/91  
Date

  
Millett Keller  
Commissioner

## BRIEFING PAPER

Senate Bill No. "An Act relating to the payment of unemployment insurance benefits and the computation of employer contribution rates because of the Persian Gulf crisis; and providing for an effective date"

**Section 1:** Contribution rates of some employers may increase because employee/reservists were called to active service in the Persian Gulf causing a decline in payroll. Employer contribution rates are determined based upon changes in payroll. Employers with the largest declines in payroll receive the highest rates because they are responsible for a greater degree of unemployment and loss of community purchasing power. The contribution system is self-adjusting to maintain the Unemployment Insurance Trust Fund; employer rates fluctuate to replenish benefit dollars paid out.

Section 1 is designed to assure that the contribution rates of Alaskan employers do not decrease because of such declines in payroll. This will be achieved by adding the wages the activated employee would have earned in the quarter to the payroll for the quarter; and deducting any wages that were paid to an employee who replaced the employee that was activated.

**Section 2:** Unemployment Insurance benefits are based on wages earned in a base period the first four of the last five completed calendar quarters. Duration of benefits as well as the weekly benefit amount are derived from these wages. Any change in base period wages has a potential effect on benefit amounts. Reservists who were called up to active service in the Persian Gulf would receive less unemployment insurance benefits upon their return if their military pay were less than they could have otherwise earned. Section 2 is designed to bring the amount of benefits payable up to par with the benefits that would have been payable if the worker had not served in the Persian Gulf. For each quarter that the individual spent the majority of the quarter in active status, the division will extend the base period one calendar quarter. However, the extension to the individual's base period may not exceed four calendar quarters. The benefits payable based on the extended base period will be reduced by any amount of benefits already paid based on the same wages.

**NOTE:** By Federal law, reservists who are called up to active duty have reemployment rights with their former employers when they are released from active duty. Reservists released prior to January 1, 1991, and 30 days in which to contact their former employers to be reinstated to their old jobs. After January 1, 1991, those released from active duty have 90 days to contact their former employer.

MAR 2 1991

Unemployment Insurance employer contribution rates are based on employer's quarterly payroll decline in the past three years. Rates for a year are based on wages paid through the second quarter of the current year. Thus, with the Gulf crisis beginning in August, 1990, this legislation would have no affect on employer 1991 rates, but may affect smaller employers in 1992 ( if those employers had employees leave for Gulf service and not replace them). We have prepared several scenarios on the next page.

Scenario A

Employer ABC has 8 employees in a small retail business. One of his employees, Mr. Plate, gets called for service in the Gulf. Rather than hire a temporary replacement ABC decides to make do with 7 employees until Mr. Plate returns. Mr. Plate earns \$2,000.00 a month at ABC. Mr. Plate's service dates are August 1, 1990, thru March 31, 1991.

ABC's payroll has been steady except for this and is:

<u>YR/QTR.</u>	<u>AMOUNT</u>	<u>DECLINE</u>
88/3	\$48,000.00	\$ 0.00
88/4	48,000.00	0.00
89/1	48,000.00	0.00
89/2	48,000.00	0.00
89/3	48,000.00	0.00
89/4	48,000.00	0.00
90/1	48,000.00	0.00
90/2	48,000.00	0.00
90/3	44,000.00	-4,000.00
90/4	42,000.00	-2,000.00
91/1	42,000.00	0.00
91/2	48,000.00	0.00

ABC's rate for 1991 is 1.74. Because the payroll decline is small compared to total payroll ABC's rate for 1992 will remain at 1.74.

Scenario B

Employer DEF has 3 employees in a small retail business. One of his employees, Mrs. Plate, gets called for service in the Gulf. Rather than hire a temporary replacement DEF decides to make due with 2 employees until Mrs. Plate returns. Mrs. Plate earns \$2,000.00 per month at DEF. Mrs. Plates' service dates are August 1, 1990, thru March 31, 1991.

DEF's payroll has been steady except for this and is:

<u>YR/QTR.</u>	<u>AMOUNT</u>	<u>DECLINE</u>
88/3	\$18,000.00	\$ 0.00
88/4	18,000.00	0.00
89/1	18,000.00	0.00
89/2	18,000.00	0.00
89/3	18,000.00	0.00
89/4	18,000.00	0.00
90/1	18,000.00	0.00
90/2	18,000.00	0.00
90/3	14,000.00	-4,000.00
90/4	12,000.00	-2,000.00
91/1	12,000.00	0.00
91/2	18,000.00	0.00

DEF's rate for 1991 is 1.74. With the payroll decline and small amount of wages DEF's rate for 1992 will be 2.10-costing an additional \$259.00.