

HB

87

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 5, 1999

FURTHER REFERRALS:

Date of Committee Action: 3/17/99

The FINANCE Committee considered:

HB 87

HOUSE BILL NO. 87

UNEMPLOYMENT TRUST FUND

"An Act relating to money credited to the account of the state in the unemployment trust fund by the Secretary of the Treasury of the United States; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) Labor # 315/99

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Therriault</i> Therriault	X			
<i>Gene Mulder</i> Mulder	X			
<i>Alan Auster</i> Austerman	X			
<i>Barbara Grussendorf</i> Grussendorf	X			
<i>John Davis</i> DAVIS	X			
<i>Walter Moses</i> Moses	X			
<i>W. William Williams</i> Williams	X			
<i>W. Kohring</i> Kohring	X			

CO- CHAIR'S SIGNATURE *Gene Therriault* *Gene Mulder*
Therriault Mulder

FISCAL NOTE

No: 2

STATE OF ALASKA
1999 LEGISLATIVE SESSION

b... Version: HB 87
(H) Publish Date: 3/5/99

Revision Date/Time (Note if correction): Revised 3-1-99
 Title: Unemployment Trust Fund
 Sponsor: House Rules
 Requestor: House Labor & Commerce

Department Affected: Labor
 BRU: Employment Security
 Component: Unemployment Insurance
 COMPONENT SERIAL NO. 2276

EXPENDITURES/REVENUES: (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
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						
---------	--	--	--	--	--	--

CHANGE IN REVENUE	700.0	700.0	700.0			
FUND SOURCE #	1002	1002	1002			

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY99) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary)
 See Attached.

Prepared by: Rebecca Gamez, Director *for Ronald E. Hull* Phone: 465-5933
 Division: Employment Security Division Date/Time: 3/1/99 1:37 PM

Approved by Commissioner: Ed Flanagan, Commissioner
 Agency: Department of Labor Date: 3/1/99

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COMMITTEE COPY

ATTACHMENT
Fiscal Note for HB 87

House Bill 87 provides statutory language to allow a federal "Reed Act" distribution conditional on requirements established in the federal Balanced Budget Act of 1997.

A federal "Reed Act" distribution is a transfer of excess collections of Federal Unemployment Tax Act (FUTA) tax. When adequate funds have been collected to meet federal ceilings on sub-accounts in FUTA then the excess is made available for distribution back to the states.

Current state statute A.S. 23.20.145 (f) allows these "Reed Act" funds to be used for the payment of unemployment benefits and the administration of both the employment services and the unemployment insurance programs. The Balanced Budget Act of 1997 specified that a distribution scheduled for federal fiscal years 1999, 2000, and 2001 would be limited to the administration of the Unemployment Insurance program. The act also required that states pass enabling legislation in order to receive these funds.

The national distribution is anticipated to be \$100 million annually for the three years. Each state's share of the "Reed Act" distribution will be prorated based on the percentage of FUTA tax receipts collected from that state. Alaska's estimated share of the \$100 million is anticipated to be between \$600,000 and \$700,000.

Under federal procedures, states have two years from the time the "Reed Act" funds are appropriated by the state legislature to obligate these funds. It is expected these funds will be utilized to enhance data processing upgrades beginning in FY2001 and will likely be applied to the existing FY2000 capital budget request to redesign the automated Unemployment Insurance tax system. That request is currently before the legislature and is included in HB 52 and SB 32 in the amount of \$2,600,000.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
TOURISM, MEMBER

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us



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Representative Norman Rokeberg

SPONSOR STATEMENT

Committee Substitute for House Bill 69 (L&C)

RELATING TO THE ALCOHOLIC BEVERAGE CONTROL BOARD

SPONSOR STATEMENT:

HB 69 would extend the termination date of the Alcoholic Beverage Control Board (ABC) until June 30, 2003. During the last Legislature, the termination date was extended to June 30, 1999, and if legislation does not pass extending the termination date this year, the board will be in its wind down year.

The Board consists of five members and is responsible for control, manufacture, barter, possession, and sale of alcoholic beverages in the state. The Legislative Audit, dated September 8, 1997, indicated that the Board was fulfilling its responsibility by licensing establishments to manufacture, distribute or sell alcoholic beverages to the public and enforcing the alcohol control laws in Title 4. At the time the Audit was issued, the Auditor recommended extending the Board to June 30, 2002.

In addition to extending this Board, the bill also makes other revisions to Alaska's liquor laws:

1. Adds limited liability organizations (i.e., limited liability companies and limited liability partnerships) to come under the licensing authority of the Board. This addition was requested by the Board.
2. Permits the holder of a beverage dispensary/brewpub license to sell their beer at another licensed premises of the same licensee.
2. Permits the holder of a beverage dispensary/brewpub license to sell the holder's manufactured beer to a wholesaler licensed under AS 04.11.160
3. Permits the holder of a brewpub license who formerly held a brewery license and a restaurant or eating place license and who, under the former license, manufactured beer at a location other than the premises licensed under the former restaurant or eating place license to: manufacture not more than 75,000 gallons of beer; provide small sample of beer; sell the manufactured beer on premises licensed to the licensee, to a wholesaler, or to an individual present on the

premises where the beer is manufactured (not more than five gallons a day to the individual).

4. Permits a package store licensee to deliver not more than two bottles of wine or champagne in a gift basket with a floral arrangement to a cruise ship passenger or hotel guest.

5. Permits a package store licensee to deliver alcoholic beverages to a responsible adult at a social event (i.e., wedding reception). Delivery must be made between the hours of 8:00 a.m. and 5:00 p.m.

6. Permits a "corkage" policy to be adopted by the licensee. "Corkage" is where a person is permitted to bring a bottle or bottles of fine wine into a restaurant, with the permission of the licensee. The wine is then turned over and served by employees of a licensee and a fee is charged ("corkage fee") for stem ware, etc.

The Board does serve public safety, health and welfare purposes. Your support of this legislation would be appreciated.

ED2:03/09/99

Sectional Analysis of HB 87.

Section 1: Intent

The Legislature intends for Alaska to be eligible to receive, in the Alaska account of the federal Unemployment Trust Fund, a share of a federal "Reed Act" distribution of the \$100 million being distributed for each of the federal fiscal years ending in 1999, 2000, 2001.

Section 2: Unemployment Trust Fund

Despite language in the current statute, AS 23.20.145(f) funds received under this special distribution are to be used solely for the purpose of administering the UI program (a condition of receipt). Existing language passed to allow receipt of regular Reed Act distributions allowed expanded use of the funds including direct payment of UI benefits and administrative costs of the Employment Services program. As these limited provisions apply only to the special distributions capped at \$100 million for the federal fiscal years ending in 1999, 2000, 2001 it is anticipated that all distributions will have been made well in advance of the Federal fiscal year ending September 30, 2002.

Section 3: Definitions

Self-explanatory

Section 4: Repeal

As the special limitations relating to the distributions limited to these three years will not apply to future distributions, the Attorney General's office felt that a "sunset" clause for this legislation set for the day after the last possible distribution date would be appropriate. Hence this section repeals the earlier provisions of this Act on October 1, 2002.

Section 5: Effective date

This act to take affect immediately.

DEPARTMENT OF LABOR
OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700
FAX: (907) 465-2784

March 4, 1999

The Honorable Norman Rokeberg
Alaska State Legislature
Room 24
State Capitol
Juneau, AK 99811

Dear Representative Rokeberg:

This is in response to your request for documentation of the federal legislation requiring HB87. This bill puts a limitation on the use of federal "Reed Act" distributions to the State of Alaska based on requirements in the federal Balanced Budget Act of 1997.

Attached is the Unemployment Insurance Program Letter (UIPL) 44-77 which refers to and describes the balanced budget act of 1997 (public law 105-33) by section. The UIPL 44 -77, pages 1, 4 and 6, identifies section 5403 of the balanced budget act as the exact citation requiring the use of the "Reed Act" be limited to the "administration of the Unemployment Compensation program." Also enclosed is a copy of the federal Balanced Budget Act of 1997, Section 5403, entitled, "special distribution to states from unemployment trust fund.

If you need any further information, please let me know.

Sincerely,



Dwight Perkins
Deputy Commissioner

Attachments

Date: 3/4/99
Sender: Dan Kanouse
To: Dwight Perkins
Priority: Normal
Subject: draft letter to Rokeberg - re:fed citations for HB87



hb87Info.doc

Bill Summary & Status for the 105th Congress

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* **H.R.2015** (Major Legislation)

* Public Law: 105-33 (08/05/97) [Text](#), [PDF](#), Line Item Veto: See [Actions](#)

SPONSOR: [Rep Kasich](#) (introduced 06/24/97)

A bill to provide for reconciliation pursuant to subsections (b)(1) and (c) of section 105 of the concurrent resolution on the budget for fiscal year 1998.

All Bill Summary & Status Info (except Bill Text)

Titles

Status:

- [Detailed Legislative Status](#)
- [Floor/Executive Actions](#)
- [Congressional Record Page References](#)

Committees:

- [Referral, Reporting, Origin. Subcommittees](#)
- [Other Committee Information](#)

Amendments

Subjects

Cosponsors (None)

Summary

Text of Legislation

THE FOLLOWING LANGUAGE WAS INCLUDED IN THE FINAL BUDGET RECONCILIATION BILL THAT WAS SIGNED INTO LAW BY THE PRESIDENT ON AUGUST 5, 1997.

H.R.2015

← P.L. 105-33

Balanced Budget Act of 1997 (Enrolled Bill (Sent to President))

Subtitle E--Unemployment Compensation

SEC. 5403. SPECIAL DISTRIBUTION TO STATES FROM UNEMPLOYMENT TRUST FUND.

(a) IN GENERAL- Subsection (a) of section 903 (42 U.S.C. 1103(a)) is amended by adding at the end the following new paragraph:

“(3)(A) Notwithstanding any other provision of this section, for purposes of carrying out this subsection with respect to any excess amount (referred to in paragraph (1)) remaining in the employment security administration account as of the close of fiscal year 1999, 2000, or 2001, such amount shall--

“(i) to the extent of any amounts not in excess of \$100,000,000, be subject to subparagraph (B), and

“(ii) to the extent of any amounts in excess of \$100,000,000, be subject to subparagraph (C).

“(B) Paragraphs (1) and (2) shall apply with respect to any amounts described in subparagraph (A)(i), except that--

“(i) in carrying out the provisions of paragraph (2)(B) with respect to such amounts (to determine the portion of such amounts which is to be allocated to a State for a succeeding fiscal year), the ratio to be applied under such provisions shall be the same as the ratio that--

“(I) the amount of funds to be allocated to such State for such fiscal year pursuant to the base allocation formula under title III, bears to

“(II) the total amount of funds to be allocated to all States for such fiscal year pursuant to the base allocation formula under title III,

as determined by the Secretary of Labor, and

“(ii) the amounts allocated to a State pursuant to this subparagraph shall be available to such State, subject to the last sentence of subsection (c)(2).

Nothing in this paragraph shall preclude the application of subsection (b) with respect to any allocation determined under this subparagraph.

“(C) Any amounts described in clause (ii) of subparagraph (A) (remaining in the employment security administration account as of the close of any fiscal year specified in such subparagraph) shall, as of the beginning of the succeeding fiscal year, accrue to the Federal unemployment account, without regard to the limit provided in section 902(a).”

(b) CONFORMING AMENDMENT- Paragraph (2) of section 903(c) of the Social Security Act is amended by adding at the end, as a flush left sentence, the following:

* Any amount allocated to a State under this section for fiscal year 2000, 2001, or 2002 may be used by such State only to pay expenses incurred by it for the administration of its unemployment

compensation law, and may be so used by it without regard to any of the conditions prescribed in any of the preceding provisions of this paragraph.'

by Rep Dir
 UTPM
 X ES Budget
 P Admin Lg.
 X ASD Fiscal
 X UT Tech

U. S. Department of Labor Employment and Training Administration Washington, D.C. 20210	CLASSIFICATION UI
	CORRESPONDENCE SYMBOL TEUL
	DATE October 9, 1997

DIRECTIVE : UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 44-97

TO : ALL STATE EMPLOYMENT SECURITY AGENCIES

FROM : *David Hansen for*
 GRACE A. KILBANE
 Director
 Unemployment Insurance Service

SUBJECT : The Balanced Budget Act of 1997 and the Taxpayer Relief Act of 1997

1. Purpose. To advise the States of amendments made to Federal law by the Balanced Budget Act of 1997 and the Taxpayer Relief Act of 1997 affecting the Federal-State Unemployment Compensation (UC) program.

2. References. The Balanced Budget Act of 1997 (BBA), P.L. 105-33; the Taxpayer Relief Act of 1997 (TPRA), P.L. 105-34; the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. 104-193; the Internal Revenue Code of 1986 (IRC), including the Federal Unemployment Tax Act (FUTA); the Social Security Act (SSA); and Unemployment Insurance Program Letters (UIPLs) Nos. 28-87, 45-89, 12-91, 11-92 and 37-96.

3. Background. The BBA and the TPRA, both enacted on August 6, 1997, made several changes affecting the UC program. This UIPL provides information on eleven amendments made by the BBA and four amendments made by the TPRA. The amendment discussed in item 4.a., related to disclosure of UC information, may require States to amend their laws to meet Federal UC law requirements. In addition, States will need to amend their laws to implement the special Reed Act transfers discussed in item 6.b. Finally, States will need

RESCISSIONS None	EXPIRATION DATE Continuing
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to determine whether they need to amend their laws to permit the continuous levy discussed in item 12.

4. Sections 5201 and 5533, BBA: National Directory of New Hires ("National Directory").

a. Section 5201, BBA, Disclosure to National Directory. Section 303(h)(1), S&A, as amended by the PRWORA, requires States, as a condition of receiving UC administrative grants, to disclose wage and claim information to the Secretary of Health and Human Services for purposes of the National Directory. Section 303(h)(1)(C), as amended by the PRWORA, also required States to establish such safeguards as the Secretary of Labor determines are necessary to insure that such information is used "only for purposes of section 453(i)(1) [SSA] in carrying out the child support enforcement program under title IV" of the SSA. (Emphasis added.) The BBA deleted the underscored language and substituted "subsections (i)(1), (i)(3) and (j) of section 453." This amendment makes clear that States must authorize the disclosure of UC information to the National Directory for:

- o Use by programs funded under the Transitional Assistance to Needy Families program, the child support enforcement program, and any "other purposes" specified in Section 453. (Section 453(i)(1), SSA.) The "other purposes" are specified in Sections 453(i)(3) and (j), SSA, described below.
- o Use in the administration of the earned income tax credit by the Internal Revenue Service (IRS). (Section 453(i)(3), SSA.)
- o Verification of information in the National Directory by the Social Security Administration; comparisons with the Federal Case Registry of Child Support Orders and other child support enforcement purposes; use by the Social Security Administration; and research related to Transitional Assistance to Needy Families or child support enforcement. In the case of research, personal identifiers may not be used. (Section 453(j), SSA.)

As no effective date is provided, this amendment is effective as of the date of enactment of the BBA. However, as discussed in UIPL 37-96, pages 6 and 7, the effective date of the disclosure requirements in Section 303(h), SSA, for

UC conformity purposes is either October 1, 1997, or, if the State qualifies for a grace period, January 1, 1998.

States will need to review their UC laws and regulations to determine if their laws permit disclosure in view of the above requirement concerning redisclosures of information provided to the National Directory. Each State must take all actions necessary to ensure that it will make such disclosures by the effective date discussed in the previous paragraph.

b. Section 5533. BBA: Technical Amendment. Section 453A, SSA, requires each State to establish a Directory of New Hires. Section 453A(g)(2)(B), SSA, as added by PRWORA, specifically cited a provision of Federal UC law:

WAGE AND UNEMPLOYMENT COMPENSATION INFORMATION.--The State Directory of New Hires shall, on a quarterly basis, furnish to the National Directory of New Hires extracts of the reports required under section 303(a)(6) [SSA] to be made to the Secretary of Labor concerning the wages and unemployment compensation paid to individuals, by such dates, in such format, and containing such information as the Secretary of Health and Human Services shall specify in regulations. [Emphasis added.]

Since the Secretary of Labor does not require the submittal of data on individuals under Section 303(a)(6), SSA, this provision created a technical problem. The BBA deleted the underscored language and substituted "information." This amendment does not affect what information must be provided to the Secretary of Health and Human Services. Nor does it change the fact that both the FUTA and the SSA continue to require UC agencies to provide wage and claim information to the State directory. See UIPL 37-96.

5. Section 5401, BBA: Base Periods and the Pennington Case. In 1994 and 1997, the U.S. Court of Appeals for the Seventh Circuit issued two opinions in litigation commonly known as Pennington. 22 F.3d 1376 (7th Cir. 1994), 110 F.3d. 502 (7th Cir. 1997). In its 1994 decision, the Court decided that a State's base period was not an eligibility requirement, but instead was a "method of administration" under Section 303(a)(1), SSA, and, therefore, subject to Federal jurisdiction. In its 1997 decision, the Court ruled that Illinois' base period, consisting of the first four of the last five completed calendar quarters, was not consistent with the "methods of administration" requirement. This

was because the existence of the lag period between the base period and benefit year meant some claimants had to wait for their recent wages to fall within the base period to qualify for UC. As a result of these decisions, States anticipated that they might be required to provide for alternative base periods to reduce the lag.

The BBA clarifies that the base period is not subject to the "methods of administration" requirement. Therefore, in the Department's view, this legislation frees States to determine their base periods without regard to the "methods of administration" requirement. Section 5401, BBA, provides as follows:

(a) In General. No provision of a State law under which the base period for such State is defined or otherwise determined shall, for purposes of section 303(a)(1) of the Social Security Act (42 U.S.C. 503(a)(1)), be considered a provision for a method of administration.

(b) Definitions. For purposes of this section, the terms "State law", "base period", and "State" shall have the meanings given them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 [EUCA] (26 U.S.C. 3304 note.)

(c) Effective Date. This section shall apply for purposes of any period beginning before, on, or after the date of the enactment of this Act.

"State law," as defined in Section 205(10), EUCA, "means the unemployment compensation law of the State, approved by the Secretary under section 3304" of the FUTA. "Base period," as defined in Section 205(6), EUCA, "means the base period as determined under applicable State law for the benefit year." "State," as defined in Section 205(8), EUCA, includes the 50 States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

This amendment does not require States to amend their laws.

6. Sections 5402 and 5403, BBA: Increase in Federal Unemployment Account (FUA) Ceiling and Special Distribution to States from the Unemployment Trust Fund. Section 903, SSA, provides that when, among other things, three accounts in the Unemployment Trust Fund reach their statutory limits, the excess amounts will be transferred to the States. These are called "Reed Act" distributions. The three accounts are

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 special
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 distribution 1971

the Employment Security Administration Account (ESAA), which pays for the administration of the UC and employment service programs; the Extended Unemployment Compensation Account, which pays for the Federal share of extended benefits; and the FUA, which provides for advances to States for the payment of UC.

a. Section 5402, BBA: Increase in FUA Ceiling. Prior to amendment, the balance in the FUA as of the end of any Federal fiscal year (September 30) could not exceed 0.25 percent of the total wages subject to contributions under all State UC laws. The BBA changes this maximum balance to 0.5 percent effective October 1, 2001.

b. Sections 5403, BBA: Special Distribution to States from the Unemployment Trust Fund. The BBA amended Section 903 of the SSA to cap the amount of Reed Act transfers made with respect to the Federal fiscal years ending in 1999, 2000 and 2001 at \$100,000,000 per year. Each State's share of these transfers will be based on the ratio of the amount of "funds to be allocated to such State for such fiscal year pursuant to the base allocation formula under title III", SSA, to "the total amount of funds to be allocated to all States for such fiscal year pursuant to the base allocation formula under title III." Any amounts in excess of the \$100,000,000 which, but for the BBA amendments, would have been transferred to the States "shall, as of the beginning of the succeeding fiscal year, accrue to the Federal unemployment account, without regard" to its statutory limit. *

Reed Act moneys transferred with respect to these fiscal years may be used "only to pay expenses incurred by [the State] for the administration of its" UC law. Unlike previous Reed Act transfers, States are prohibited from using the amounts transferred with respect to these three years for the payment of UC or the administration of State public employment offices. However, among other uses, States may, as in the past, use these Reed Act moneys for purchasing real property for UC purposes. These purchases could be amortized against UC grant funds consistent with the UC grant agreement.

Finally, the restrictions applicable to Reed Act transfers in Section 903(c)(2), SSA, are not applicable to the transfers made with respect to fiscal years 1999, 2000 and 2001. This means the amounts transferred to the States may be used without obtaining an appropriation from the State's legislative body. *

limitations

State UC laws usually contain provisions addressing the use of Reed Act moneys transferred under Section 903, SSA. These laws usually mirror the requirements of Section 903(c)(2), SSA, including a requirement that the moneys be used for the payment of UC unless appropriated by the legislative body. States **must** amend these provisions to prohibit the use of transfers made with respect to fiscal years 1999, 2000, and 2001 for the payment of UC. States **may** further amend these provisions to authorize use for administrative purposes without a specific appropriation from the State legislature. Nothing prohibits a State legislature from appropriating such money or from attaching conditions to the use of such money, provided the money is used for UC administration.

Draft language for State Reed Act provisions was provided in UIPL 12-91. We recommend that, using that language as a basis, States insert the following language in State law:

(4) Notwithstanding paragraph (1), moneys credited with respect to Federal fiscal years 1999, 2000 and 2001, shall be used solely for the administration of the UC program and are not subject to appropriation by the legislature. [Emphasis added.]

The underscored language is necessary only if the State chooses to avoid the appropriation process. As an alternative, a State could appropriate the moneys without subjecting them to the various restrictions found in Section 901(c)(3), SSA. (For example, under Section 901(c)(2), SSA, Reed Act moneys may be used only for expenses incurred after the date of enactment of the State appropriation.) In this case, the following language is recommended:

(4) Notwithstanding paragraph (1), money credited with respect to Federal fiscal years 1999, 2000 and 2001, shall be used solely for the administration of the UC program, and such money shall not otherwise be subject to the requirements of paragraph (1) when appropriated by the legislature.

c. Reasons for Change. The House Report describes the reason ~~for increasing the~~ EUA ceiling and providing for the special transfers:

This provision has two main effects: (1) raising the ceiling in the Federal Unemployment Account whole [sic] limiting Reed Act transfers allows for further buildup of funds pending a future recession

REED ACT

Background:

The Social Security Act requires that the Secretary of the U.S. Department of Labor (USDOL) provide each state with adequate funding for proper and efficient administration during the fiscal year of the state's Unemployment Insurance (UI) program. Despite this mandate, funding ultimately depends upon what the Congress agrees to appropriate.

Though Congress had determined that the Federal government had responsibility for funding the administration of the UI program, no direct link was established between Federal Unemployment Tax Act (FUTA) receipts and grants to the states. The gap between taxes collected under the FUTA and the amount appropriated by Congress became apparent in the early years of the program. By 1952, approximately \$1 billion more in FUTA taxes had been collected than had been appropriated for administration.

As a result, Congress passed the Reed Act in 1954 providing that funds collected from FUTA taxes must be used for federal and state administration of the UI or Employment Service (ES) programs. If more funds were collected than were needed for administration, the excess funds were to be returned to the states. Such Reed Act distributions of excess funds were made in 1956, 1957, and 1958. Conformity legislation passed by each state guaranteed, as a condition of eligibility for a share of the distribution, that these funds would be used only for administration of UI or ES, or directly for the payment of UI benefits.

Subsequent Reed Act distributions were, in effect, prevented by congressional action raising the "statutory ceilings" of the various accounts within the federal Unemployment Trust Fund on four separate occasions (most recently in 1998).

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 87
P O Box 110001
Juneau, Alaska 99811 0001
(907) 465-3500
Fax (907) 465-3532

February 8, 1999

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182


Dear Speaker ^{Brian} Porter:

This bill I transmit today provides the state with authority to receive federal funds for the administration of the unemployment insurance program as required in the Balanced Budget Act of 1997.

The 1997 Act provided for a disbursement from the federal unemployment trust fund to the state unemployment trust fund, known as "Reed Act distributions." States must enact legislation restricting the use of these distributions for administration of the unemployment insurance program, and not for unemployment benefits or employment services.

This bill complies with the federal requirement by providing the state with express authority to receive the Reed Act distributions for federal fiscal years 1999-2001 for purposes of administering the unemployment insurance program.

Sincerely,


Tony Knowles
Governor

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P.O. BOX 21149
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FEB 23 1999

February 22, 1999

The Honorable Norman Rokeberg
Chair, House Labor & Commerce Committee
Alaska State Legislature
Room 24, State Capitol
Juneau, AK 99802

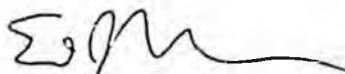
Dear Representative Rokeberg:

I respectfully ask that you hold a hearing on HB 87, An Act Relating to the Unemployment Trust Fund. This legislation provides the state authority to receive federal funds for the administration of the unemployment insurance program as required in the Balanced Budget Act of 1997.

The 1997 Act provided for a disbursement from the federal unemployment trust fund to the state unemployment trust fund, known as "Reed Act Distributions." States must enact legislation restricting the use of the Reed Act funds to the administration of the unemployment insurance program, and not for unemployment benefits or employment services.

This bill complies with the federal requirement by providing the state express authority to receive the Reed Act distributions for federal fiscal years 1999 - 2001 for purposes of administering the unemployment insurance program.

Sincerely,



Ed Flanagan
Commissioner