

SB

120

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 1, 2008

FURTHER REFERRALS:

Date of Committee Action: 4/11/08

The FINANCE Committee considered:

CSSB 120(FIN)

CS FOR SENATE BILL NO. 120(FIN)

UNEMPLOYMENT COMP: BENEFITS/RECORDS

"An Act relating to disclosure of certain information from the records of the Department of Labor and Workforce Development and limiting the use of the disclosed information, and to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

Recommends it be replaced with IICS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: IICR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LWF
 LAW
 LEG
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
ADM		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
LWF	2	✓		

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Hawk	*			
	NELSON	✓			
	CRAWFORD	✓			
	Joulke	x			
	Gara			x	
	STUTZ			x	
	Thomas			x	
	KELLY			x	
Chair:	Meyer	x			

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS SB 120(FIN)
() Publish Date: _____

Identifier (file name): SB120CS(FIN)-DOA-DOF-3-31-08 Dept. Affected: Statewide
Title: "An Act relating to disclosure of information and the calculation and payment of unemployment benefits..." RDU: Statewide
Sponsor: Senate Labor & Commerce Committee Component: Statewide
Requester: by the Senate Finance Committee Component Number: Statewide

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services		282.5	565.0	565.0	565.0	565.0	565.0	565.0
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	282.5	565.0	565.0	565.0	565.0	565.0	565.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (all sources funding payroll)		282.5	565.0	565.0	565.0	565.0	565.0
TOTAL	0.0	282.5	565.0	565.0	565.0	565.0	565.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation has a fiscal impact on the employer charge paid by all state agencies using the working reserves (Alaska Statute 37.05.510) for unemployment insurance. The fiscal note calculations are based on a 3-year average of actual usage reimbursed to the unemployment program (\$3,445,640 in FY 2005 - FY 2007). Fiscal note assumes that 33% of the State's former employees would be eligible for new maximum benefit amount. It excludes the impact of the benefit increase on the University of Alaska. Fiscal note is prepared as information only, not as support for appropriation. Working reserve rates are calculated annually in August for the next fiscal year's budget preparation. This benefit increase would not affect the FY 2009 rates which have already been factored into the FY 2009 budget, but it would increase the amount the State as an employer reimburses the unemployment program beginning on its effective date (assumed 1/1/09) and raise budgeted rates beginning in FY 2010.

Prepared by: Kim Gamero, Director
Division: Division of Finance
Approved by: Kevin Brooks, Deputy Commissioner
Division of Finance

Phone 465-3435
Date/Time 3/31/08 4:00 PM
Date 3/31/2008

SB 120

fiscal note for UI benefit increase (estimate of impact on working reserves for state as an employer)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
new max	248/370	370	370	370	370	370
old max	248	248	248	248	248	248
difference	61	122	122	122	122	122
percent change	25%	49%	49%	49%	49%	49%
3 year average cost (FY 2005 - 2007)	3,445,640	3,445,640	3,445,640	3,445,640	3,445,640	3,445,640
assume 33% employees receive max	1,148,547	1,148,547	1,148,547	1,148,547	1,148,547	1,148,547
% change * employees w/max	282,505	565,011	565,011	565,011	565,011	565,011
fiscal note	282.5	565.0	565.0	565.0	565.0	565.0

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 120(FIN)
(S) Publish Date: 3/17/08

Identifier (file name): SB120CS-DOLWD-UI-03-17-08 Dept. Affected: Labor and Workforce Development
Title: Unemployment Compensation Benefits RDU: Employment Security
Component: Unemployment Insurance
Sponsor: Senate L&C
Requester: Senate Rules Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES (33030*)	0.0	0.0	2,000.0	8,000.0	14,000.0	16,000.0	16,000.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: None

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Thomas W. Nelson, Director
Division: Employment Security
Approved by: Click Bishop, Commissioner
Department of Labor and Workforce Development

Phone: 465-5933
Date/Time: 3/17/08 9:50 AM
Date: 3/17/08

FISCAL NOTE #2

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSSB 120(FIN)

ANALYSIS CONTINUATION

The fiscal impact of this legislation arises from two proposed changes to Alaska's Unemployment Insurance Tax/Benefit system:

- (1) Raising the maximum unemployment compensation weekly benefit amount (WBA) from \$248.00 to \$370.00 effective January 1, 2009.
- (2) Changing the minimum qualifying wage from \$1,000 during the individual's base period (in at least two of the four qualifying quarters preceding a claim) to \$2,500.

The net effect of these two changes will be a gradual increase in employer/employee unemployment insurance (UI) tax receipts to the Unemployment Insurance Trust Fund. The projected change in the revenues is based on past UI tax trends and is displayed on the revenue line of the fiscal note. UI tax rates have the potential to fluctuate substantially depending on the economic strength of the state and the unemployment rate.

Note: Unemployment Insurance Tax Revenue (from employer and employee assessments) is routed through the State Treasury to the United States Treasury to be held in trust for Alaska Unemployment Insurance Benefit Payments. UI payments are not subject to appropriation under the Executive Budget Act so no expenditure information is displayed on this fiscal note. However, over time, the net amount of revenues resulting from tax changes arising from this legislation will be equal to the net amount of benefit payments.

25th
ALASKA STATE LEGISLATURE

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Lyman Hoffman
Senator Con Bunde



State Capitol, Room 9
465-3704

Senate Labor & Commerce Committee

The Case for Raising Alaska's Unemployment Benefit Amount

[Data cited in this paper are provided by the Alaska Department of Labor and Workforce Development. See especially February 2007 Alaska Economic Trends, "Alaska's Unemployment Insurance Benefits."]

A Healthy UI System Benefits All Alaskans

Unemployment insurance is a prime tool for stabilizing communities by providing a shock absorber for businesses, individuals and families affected by economic change. When workers lose their jobs, whether from the fluctuations of the business cycle or extraordinary events, UI helps them pay their bills and keeps money flowing in local economies.

- UI helps both businesses and workers.
- Alaskan workers stay in Alaska, ready for jobs when business picks up.
- Employers maintain a stable, ready pool of experienced workers.
- The UI system played a key role in weathering the 1986 oil price collapse.

Alaska's UI system has been soundly managed and is healthy today. Other states have depleted their trust funds during times of economic stress. Alaska has never depleted its trust fund.

- Alaska's UI system has always been able to maintain payments, even during the severe 1986 oil price crisis.
- Deposits into the trust fund have exceeded benefit payment in six of the last seven years.
- In 2006, deposits into the trust fund were \$178,851,000; benefit payments were \$108,500,575.

Wage Replacement

Since its inception, the UI system has sought to replace roughly 50% of lost wages, a goal repeatedly confirmed by presidents and commissions over many decades. Additionally, the system adheres to a second principle: the weekly benefit amount should be directly related to the individual's usual wage.

Alaska's benefit amount has fallen far behind wages.

- Alaska's wage replacement rate is dead last among all states (Washington, D.C. is lower).
- The average weekly wage in Alaska is \$782.
- The average weekly benefit amount is \$198, only 25% of the average wage.
- Our maximum weekly benefit amount of \$248 is the fourth lowest in the nation.

- Alaska's maximum weekly benefit amount has not been adjusted since 1997.
- Eligible wages are capped at \$26,500.
- One third of Alaskan wage earners earn that much or more but are limited to \$248 in weekly benefits.

Alaska compares poorly with other western states.

- Utah replaces 42% of average wages.
- Montana and Idaho replace 40%.
- Oregon and Washington 38%.
- Nevada 35%.

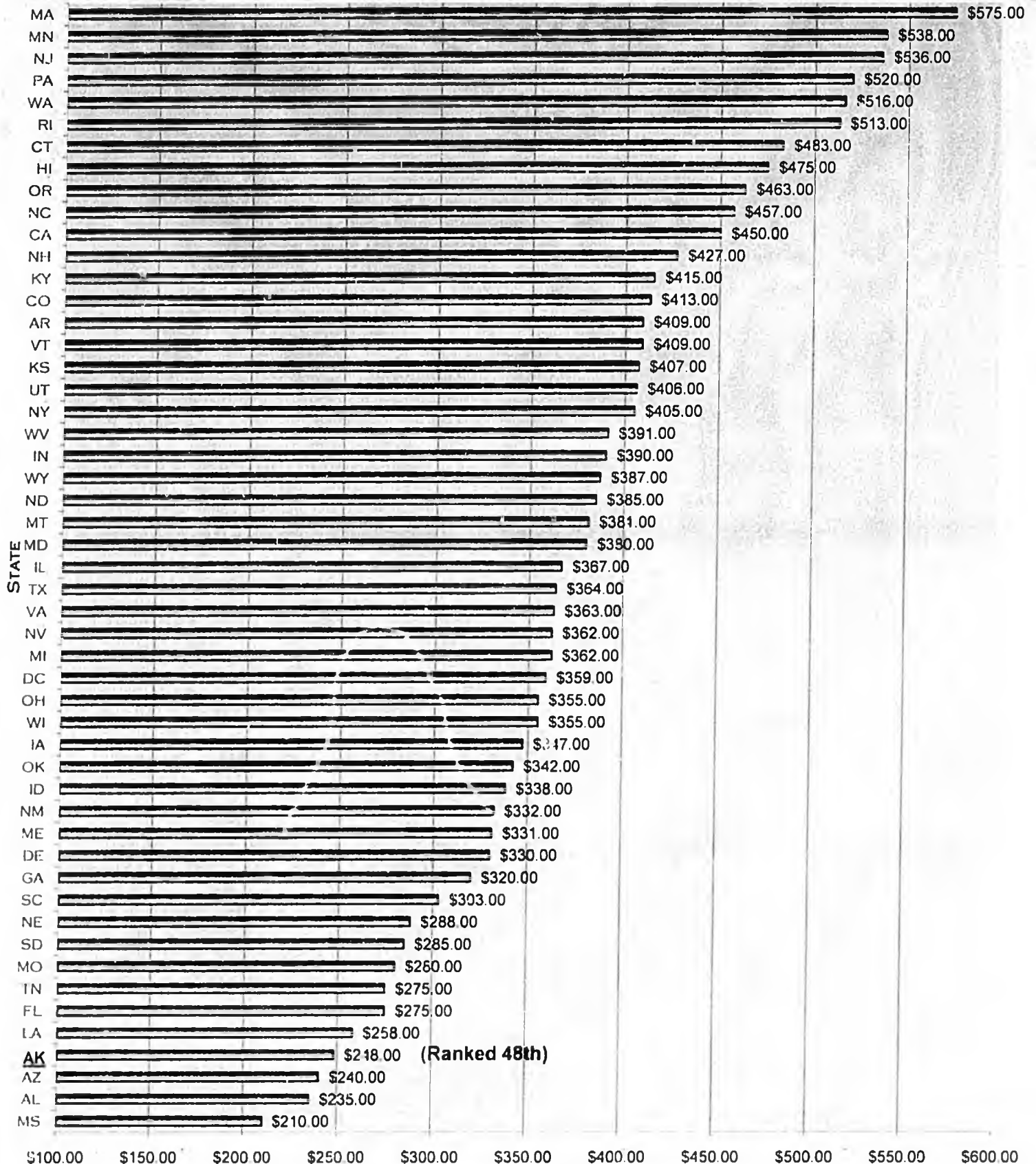
Taxes

Alaska's 2008 UI tax rates are the lowest in 28 years. There is room to raise the MWBA to \$370.

- CSSB 120 (L&C) would raise the average employer cost \$25 per employee from the 2008 level, but the total out of pocket cost would remain \$89 below 2007.
- The employee cost will rise \$37 per year over 2008.

Retaining a well-trained Alaskan workforce is essential for a strong economy. It is long past time to adjust our UI benefit rates.

UNEMPLOYMENT INSURANCE MAXIMUM WEEKLY BENEFIT AMOUNT BY STATE



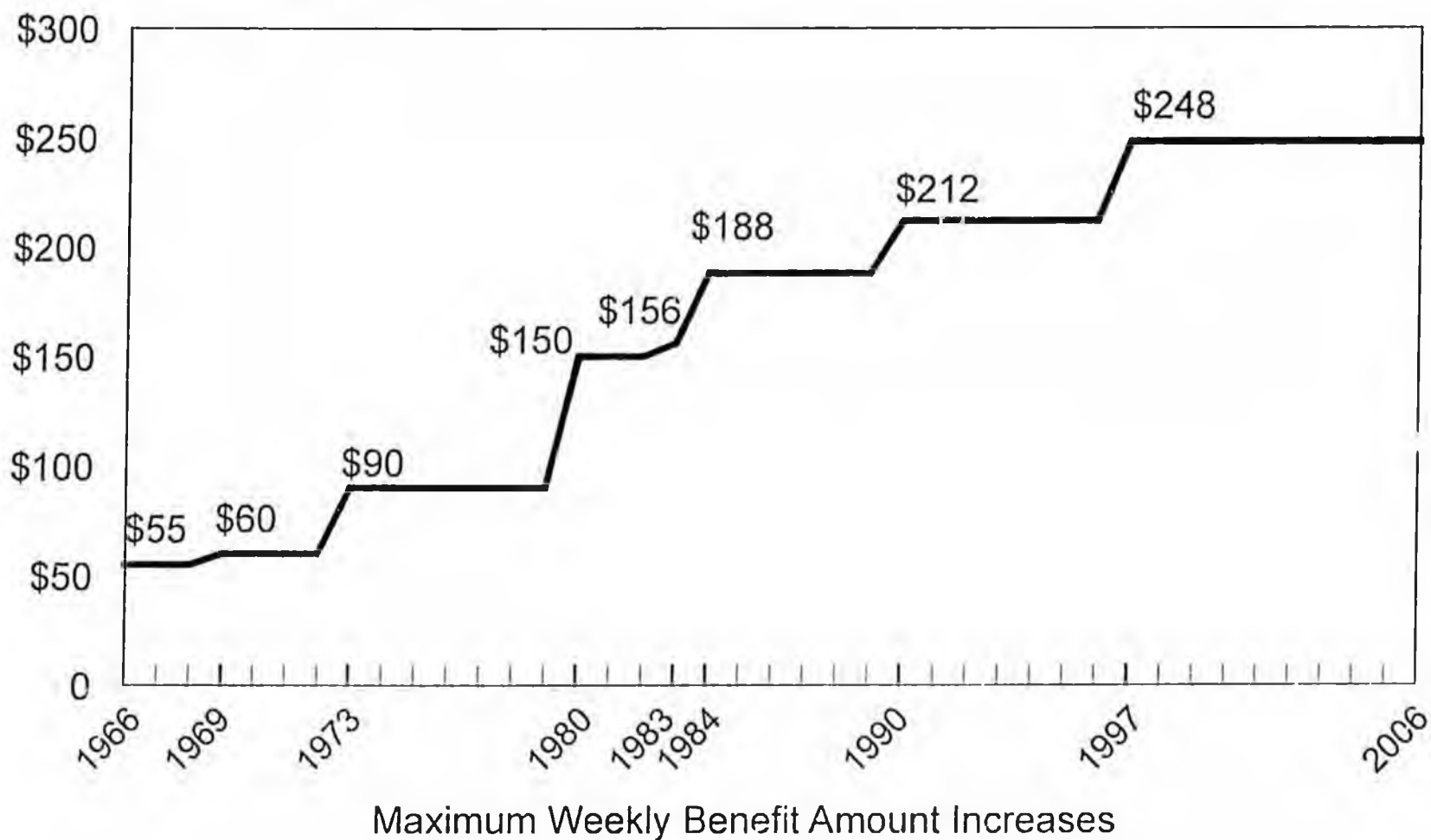
Source: Significant Provisions of State Unemployment Insurance Laws

Prepared by: Alaska Department of Labor and Workforce Development, Employment Security Division, January 2008



Alaska's Maximum Weekly Benefit Unemployment insurance, 1966 to 2006

Maximum Benefit Amount

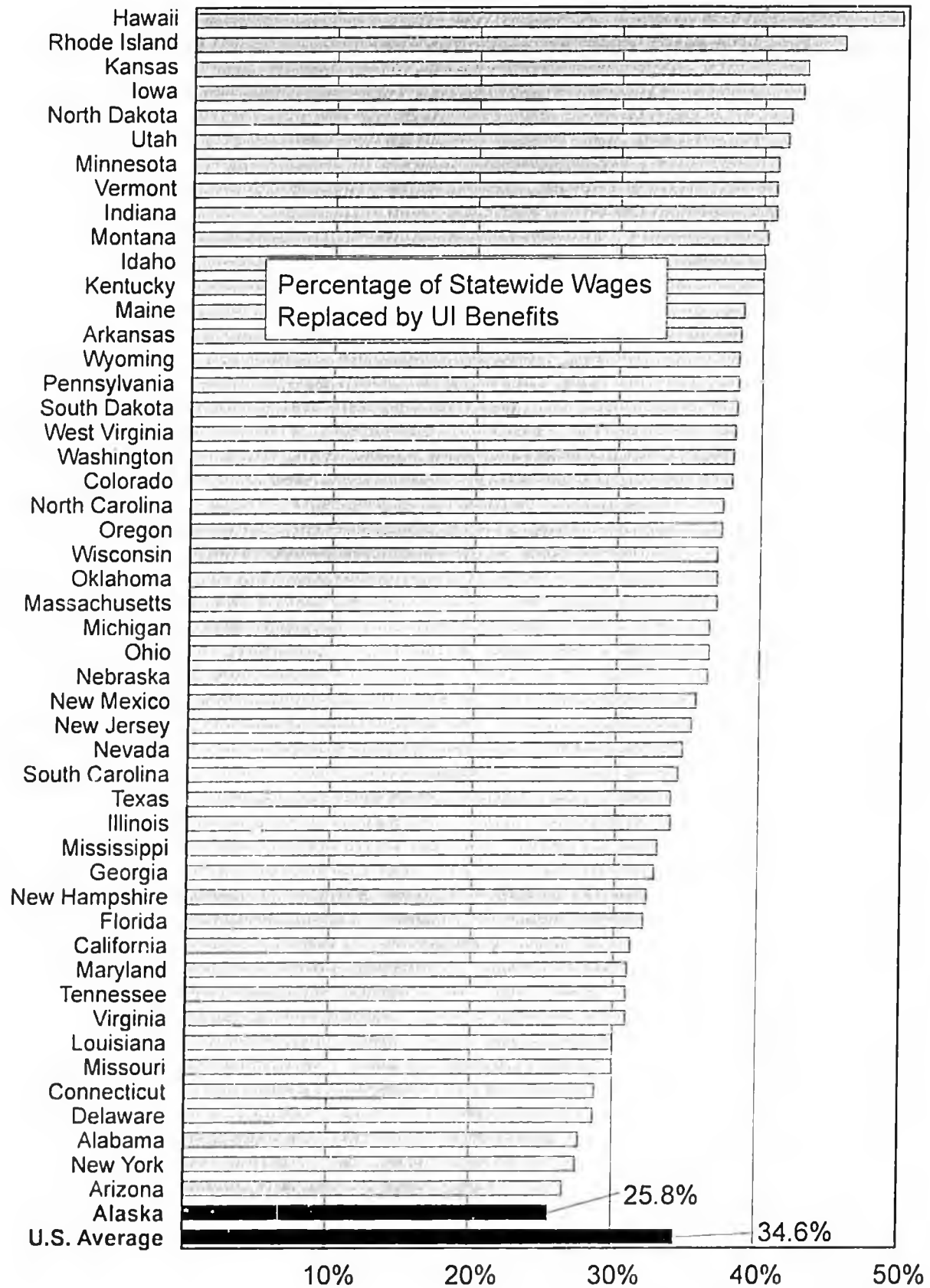


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Average-Wage Replacement Rates

By state, 2005¹

5



Note: This exhibit is based on the U.S. Department of Labor average-wage replacement rate for each state.

¹ These percentages were calculated by dividing the average weekly benefit by the statewide average weekly wage. The wages of only those who were unemployed in 2005 aren't available.

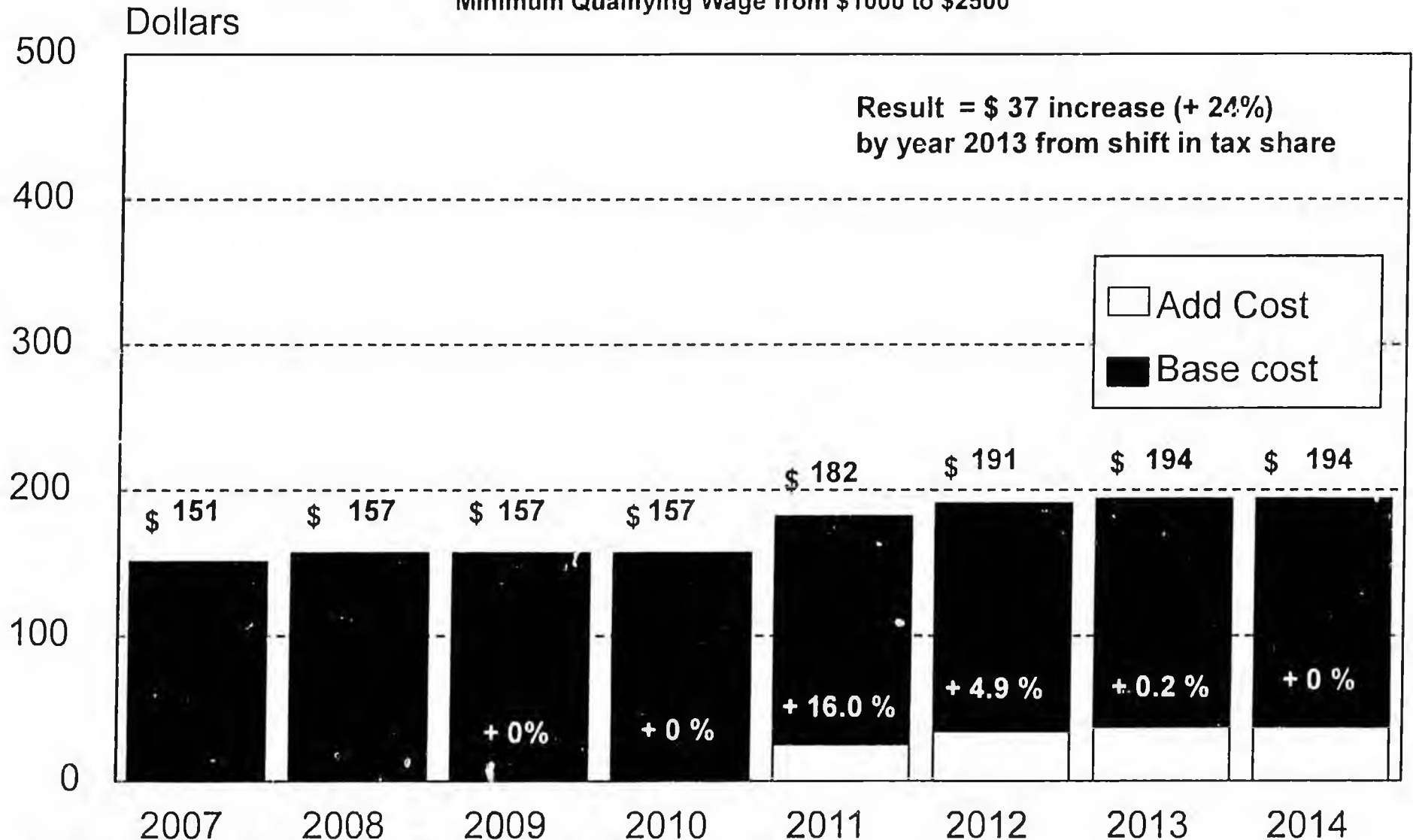
Source: U.S. Department of Labor, Employment and Training Administration

Estimated Annual Unemployment Insurance Employee Tax Cost, if the Maximum Weekly Benefit Amount (MWBA) Increases to \$370, effective Jan 2009

MWBA increases from \$248 to \$370

Employer / Employee tax share ratio from 80% / 20% to 76% / 24% Jan 2009, to 73% / 27% Jan 2010

Minimum Qualifying Wage from \$1000 to \$2500



The \$6 increase from 2007 to 2008 resulted from an increase in the taxable wage base.

Employees paid the legal minimum tax rate in 2007, 2008, with no change expected from MWBA increase.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section. March 18, 2008

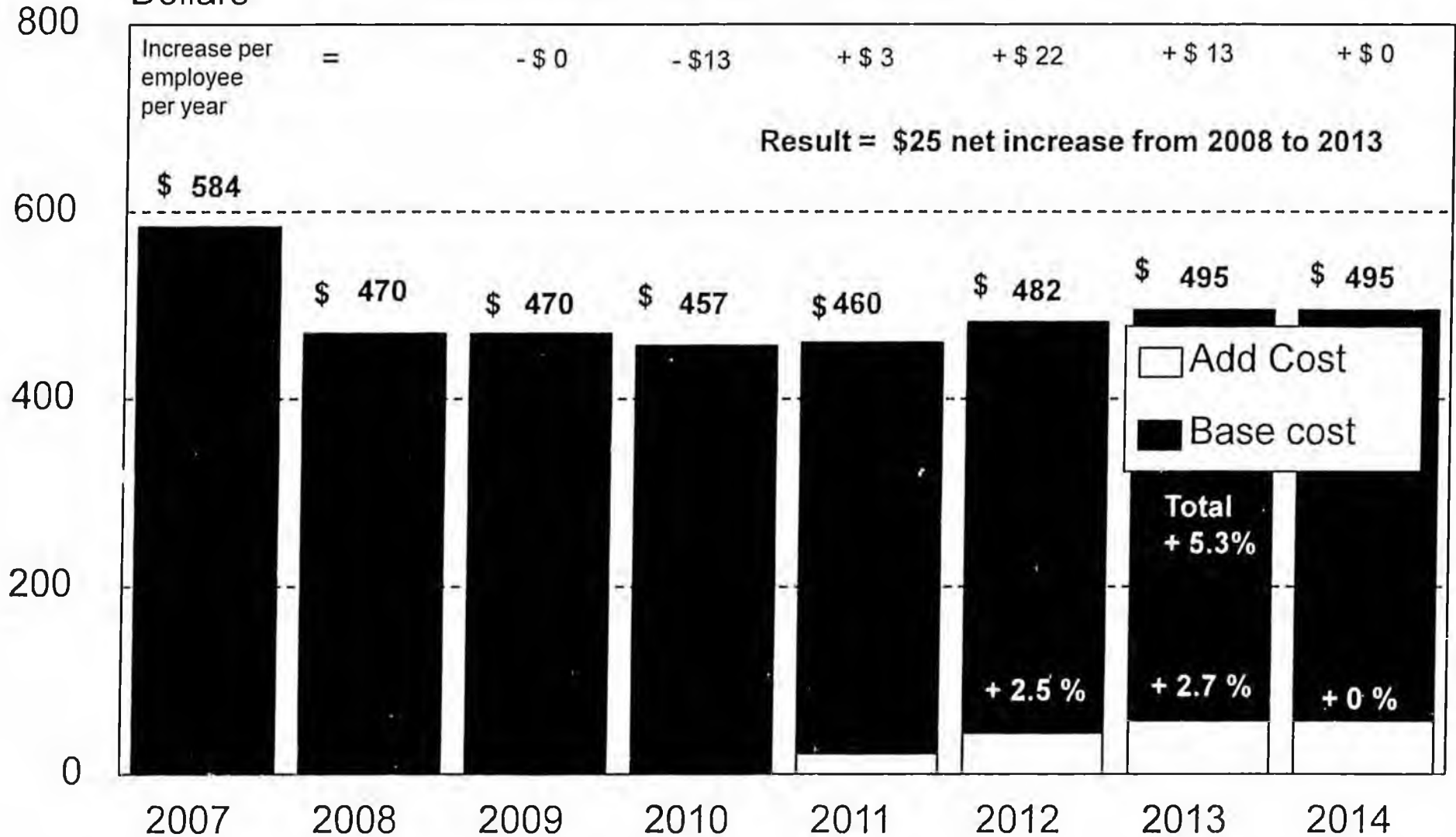
Estimated Max Cost per Worker for Average Employer If maximum Weekly Benefit Amount (MWBA) is increased, effective Jan 2009

MWBA increases from \$248 to \$370

Employer / Employee tax share ratio from 80% / 20% to 76% / 24% Jan 2009, to 73% / 27% Jan 2010

Minimum Qualifying Wage from \$1000 to \$2500

Dollars



Note: Average Employer = Tax Classes 10 & 11

Source: Alaska Department of Labor & Workforce Development, Research and Analysis Section. Mar 18, 2008

According to staff at the United States Department of Labor, Region Six, a state provision requiring individuals to submit to and pass an alcohol/drug screening test as a condition of continuing unemployment insurance (UI) eligibility would result in a conformity issue with federal law (Federal Unemployment Tax Act Section 3306). This would jeopardize the employer's federal unemployment tax credit and jeopardize Alaska's Federal UI administrative grant.

Alaska's UI program has misconduct statutes dealing with work separations with regard to drug and alcohol use and testing. In order to deny benefits for misconduct, an employee's action must be connected with the work. AS 23.10.620 specifically outlines what constitutes misconduct regarding a violation of an employer's drug and alcohol policy.

In addition, if a claimant refuses suitable work because they believe they would not be able to pass a drug and/or alcohol pre-employment test, their duration and amount of benefits may be reduced.

We hope that this information answers the questions that were raised in today's hearing on SB 120. If you have any more questions, please contact me.

March 24, 2008

Senator Gary Stevens
Rules Committee Chair
State Capitol Room 103
Juneau, AK 99801

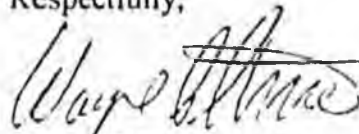
Senator Stevens,

For the past four years, the Alaska State Chamber of Commerce has been active with regards to unemployment insurance legislation. Currently as written, CS for SB 120(FIN) will raise weekly benefits for unemployed workers with little cost to employers. In fact, in the final year of the bill's gradual implementation process, it is likely the cost for unemployment insurance to the employer will be less than what we pay today. We offer our tentative support for CS SB 120(FIN).

The bill has gone through multiple iterations not published with the Senate Secretary. Senator Ellis, the bill's sponsor, has had many stakeholder meetings looking at nearly every aspect of increasing or reducing costs to employers and employees, while aiming to raise the weekly benefit rate. The current weekly benefit rates are very low for Alaska's high-cost of living labor market. Maintaining a trained work force in Alaska to fill seasonal jobs and or provide necessary labor for larger construction jobs will likely have the net result of helping Alaska's businesses. When employees enter lay-off periods, raising unemployment insurance weekly benefit amounts as prescribed under SB 120 should help maintain a stronger Alaskan workforce.

As mentioned above, the state chamber offers tentative support to the bill. We feel the bill represents a painstakingly difficult process in finding a compromise with regards to unemployment insurance issues. We still feel there are many outstanding issues that could save the employer and employees more money in the end, but as written, we do support CS SB 120(FIN). We encourage the Senate to take quick action with regards to SB 120 as there are many provisions, specifically sections 1- 8, that must pass this year in order for Alaska statutes to be in concurrence with newly passed federal provisions.

Respectfully,



Wayne Stevens
President/CEO



ALASKA STATE
CHAMBER
OF COMMERCE

Headquarters

Regional Office

www.alaskachamber.com

25th
ALASKA STATE LEGISLATURE

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Lyman Hoffman
Senator Con Bunde



State Capitol, Room 9
465-3704

Senate Labor & Commerce Committee

Unemployment Compensation Benefits CSSB 120 (FIN)

SPONSOR STATEMENT

Alaska's current unemployment insurance benefits fall short in helping families cover living expenses during periods of unemployment. Alaska's maximum weekly unemployment insurance benefit of \$248 is the fourth lowest in the nation and has not been adjusted since 1997. Increasing the maximum weekly benefit is essential to alleviating skill shortages by ensuring Alaskan workers and their families survive periods of unemployment. Senate Bill 120 will increase the maximum weekly benefit from \$248 to \$370, placing Alaska at the midpoint among states.

CSSB 120 (FIN) represents a balance between raising benefits and lowering the cost of the UI system to employers. As Governor Palin announced in January, the tax rate for 2008 is the lowest in 28 years. Under the bill, costs to businesses would remain low, a modest \$25 increase per employee for the average employer. Even so, the average employer would pay \$89 less per employee than 2007. Employees would see a \$37 increase over 2008. Both increases would phase in over several years.

Finally, CSSB 120 (FIN) adds language that protects the privacy of individuals claiming UI benefits by ensuring that claim information remains confidential except in certain circumstances. Federal law requires that we include this provision in Alaska statutes.

Retaining a well-trained Alaskan workforce is essential for a strong economy. Maintaining benefit amounts that keep pace with the rest of the nation and our state's economy will help Alaskan families survive periods of unemployment and keep Alaska's workers in Alaska.



Alaska

KEY VOTE

National Federation of Independent Business Key Vote

Vote YES on SB 120

Unemployment Insurance Changes

March 2008

The National Federation of Independent Business/Alaska is the largest small-business advocacy group in the state.

SB 120 Increases the weekly benefit for the first time in over 10 years; adopts mandated federal changes to avoid employer premium increases in the FUTA program; increases the eligibility threshold from \$1,000 to \$2,500; and changes the premium cost sharing from 80% employer to 73% employer.

While the majority of the cost increased costs continue to fall on employers, we believe that the structural changes and federal compliance are a positive step. NFIB requests your support for this bill.

Vote YES on Senate Bill 120



ASSOCIATED GENERAL CONTRACTORS of ALASKA

2006 AGC "Chapter of the Year"

Senator Johnny Ellis
Chairman, Labor and Commerce
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Re: SB 120/CSSB 120 (L&C)

Dear Senator Ellis:

Johnny

Thank you for taking our concerns into consideration and making changes to SB 120 as introduced.

Although the Alaska unemployment insurance system has the second highest utilization and is the second most expensive system in the nation, current benefits are the lowest. CSSB 120 (L&C) is improved over the original SB120 and appears to address the mutual concerns and distribute the responsibility fairly between Alaskan workers and Alaskan employers.

Once again, thank you for your efforts addressing our industry concerns.

Sincerely,


John MacKinnon
Executive Director

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