

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1991 HRLS SB 849 - SJR 76 / 99

COMMITTEE REPORT

HOUSE

4/20
Rule

FURTHER:

(7)

4/1/82

Date: April 20, 1982

Mr. Speaker:

The Committee on Transportation has had CSSB 849 (Trsp)
"An Act relating to minimum crew requirements for the operation of railroad
trains and engines; and providing for an effective date."

under consideration and reports it back as follows:

- do pass w/ individual recommendations [] do not pass P. 1432
- [] do pass with attached amendments(s)
- [] replace with CS for _____ [] same title
[] new title
- and recommends _____
- [] AND attaches a "Letter of Intent" [] New Fiscal Note
- reports it back without recommendation
- [] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Handwritten signatures]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signatures]
No Rec.
No Rec.

Bette Cito
CHAIRMAN

AMENDED TITLE: HCS CS3B 849(RLS)

AN ACT RELATING TO RAILROADS; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: SENATE TRANSPORTATION COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 5/03/82 RET (H) RULES

SB 849 SENATE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/11/82	01	0540	FIRST READING -- COMMITTEE REPORTS
03/31/82	02	0745	TRAN -- CS03, NR01
04/07/82	03	0823	RLS -- OTHER03 TAKEN UP IMMEDIATELY
04/07/82	04	0826	SECOND READING
04/07/82	05	0826	TRAN CS ADOPTED BY UNAN CONSENT
04/07/82	06	0826	ADVANCED TO 3RD READING BY UNAN CONSENT
04/07/82	07	0826	THIRD READING
04/07/82	08	0827	PASSED BY DIV 17-01-82
04/07/82	09	0827	EFFECTIVE DATE VOTE SAME AS PASSAGE

*** **

SB 849 HOUSE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/07/82	10	1173	FIRST READING -- COMMITTEE REPORTS
04/20/82	11	1432	TRAN -- DF03, NR02
04/22/82	12	1494	RLS -- TRAN CS03, NR02, OTHER03 TAKEN UP IMMEDIATELY
04/22/82	13	1507	RULES
04/22/82	14	1508	RULES
04/22/82	15	1511	SECOND READING
04/22/82	16	1511	AM 01 TO CS FILED BY DIV 16-24-00
04/22/82	17	1512	RLS CS ADOPTED BY DIV 23-14-00
04/24/82	18	1574	AM02 NOT ADOPTED BY DIV 16-24-00
04/24/82	19	1575	FAILED TO ADV 3RD READING BY DIV 25-15-00
04/24/82	20	1576	THIRD READING
04/24/82	21	1577	FAILED TO RETN 2ND READING BY DIV 14-24-00
04/24/82	22	1577	FAILED TO RETN 2ND READING BY DIV 13-23-04
04/24/82	23	1578	FAILED TO RETN 2ND READING BY DIV 11-22-04
04/24/82	24	1578	FAILED TO RETN 2ND READING BY DIV 15-21-04
04/24/82	25	1578	PASSED BY DIV 24-15-04
04/24/82	26	1578	EFFECTIVE DATE PASSED BY DIV 35-02-03
04/28/82	26	1574	NOTICE OF RECONSIDERATION GIVEN
04/28/82	26	1574	POSTPONED UNTIL 05/03/82 BY UNAN CONSENT

SB 849 HOUSE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/03/82	27	1633	RECOMMITTED TO RLS BY UNAN CONSENT

*** **

SB 849 HOUSE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/03/82	27	1633	RECOMMITTED TO RLS BY UNAN CONSENT

*** **

CSSB 849(Trsp) "An Act relating to minimum crew requirements for the operation of railroad trains and engines; and providing for an effective date."

HCS CSSB 849(R1s) "An Act relating to railroads; and providing for an effective date."

HCS CSSB 849(R1s) passed the House on April 24 and notice of reconsideration was given. The Rules CS included the Alaska Railroad transfer language, which we no longer need as we have SB 212 in Rules. After the House did not adjourn sine die, the bill was returned to Rules on May 3. Therefore, when it comes back on the calendar it will be in third reading. At that point, someone can move and ask unanimous consent that the bill be returned to second reading for purpose of a specific amendment, the amendment being that the house rescind its action in adopting the Rules committee substitute. Once that is done, the bill is automatically in third reading, and final passage can be voted on (this would be the senate-passed version of the bill).

COMMITTEE REPORT

4/22

HOUSE

for Today's

FURTHER:

Calendar

Spd
Rules

To

Date: April 21, 1982

Hi

Th

"
o:
de

Rules

_____ has had CSSB 849 (Trsp)

_____ requirements for the operation
_____ engines, and providing for an effective

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CSSB 849 (~~Trsp~~) (Rules) same title
 new title
- and recommen it do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Jack Fuller

Joe L. Hays

Patrick W. Marshall

MEMBERS HAVING
OTHER RECOMMENDATIONS:

J. Smith - No Rec

ROBERT BELL - No Rec

Jack Fuller

CHAIRMAN



JUNEAU, ALASKA

Alaska State Legislature
House

Ret Rls

MESSAGE TO THE SENATE

April 26, 1982

MR. PRESIDENT:

The House has passed CSSB 849(Trsp) ("An Act relating to minimum crew requirements for the operation of railroad trains and engines; eff date.) with the following amendment:

HCS CSSB 849(Rls) ("An Act relating to railroads; eff date.)

and it is transmitted herewith for consideration.

*4/28 Return from Senate
4/28 Held for reasons to 4/29*

Emy Lou Lloyd

Chief Clerk of the House

SECTION-by-SECTION ANALYSIS of RAILROAD BILL.

By BETTSWORTH

SECTION 1

FINDINGS: The individual findings are self-explanatory. Findings are necessary to establish the legislature's expectations with respect to the authority.

SECTION 2

ARTICLE I. CREATION & ORGANIZATION

Section 42.40.010

Establishment of the Authority -- The Alaska Railroad Authority is established in this section. Its existence begins after the appointment of the Board which will take place after the legislature approve the closing report (or its equivalent) presumably next session.

Section 42.40.020

LIMITATION OF LIABILITY--The authority's liabilities are exclusively its own and not the state's.

Section 42.40.030

BOARD OF COMMISSIONERS--The powers of the Authority are in the Board.

APPOINTMENT AND COMPOSITION OF THE BOARD--This section provided that the board consists of the Commissioner of Transportation and Public Facilities and six "public" members, who may not be state officers or employees. Additionally, the authority's chief executive officer and a union representative are non-voting members. All public members must be confirmed by the legislature.

Section 42.40.040

TERMS OF OFFICE-- Board members serve 5 year staggered terms.

Section 42.40.050

COMPENSATION AND EXPENSES--Compensation in the amount of \$300/day for public board members plus per diem and travel expenses.

Section 42.40.060

QUORUM AND NOTICE OF MEETINGS--A quorum of four voting members is established in this section. Public notice of meetings is required.

2

Section 42.40.070

VOTING--This section provides that the board rules will prescribe the manner of voting and any representation of absent members.

Section 42.40.080 .

MANAGEMENT OF THE AUTHORITY--This section provided for appointment of authority officials and personnel. The board appoints a chief executive officer and legal counsel. Appointment of legal counsel is subject to approval of the Governor for competence. No executive official may receive more compensation than the state departmental commissioners. This section also allows the board to provide management by a 3rd party contractor.

Section 42.40.090

DELEGATION-- This section provides that the daily affairs and operations of the railroad are the responsibility of the chief executive officer.

ARTICLE II, ADMINISTRATIVE PROVISIONS:

Section 42.40.200

CONFLICTS OF INTEREST--This section prohibits a board member or employee from participating in a decision in which he, or a member of his immediate family, has a direct or indirect financial interest. The board may authorize a member or employee to participate when the financial interest is only a remote one. This section also allows the board to provide management by a third party contractor. Board members and executive employees are required to submit a financial disclosure statement and to comply with existing conflict of interest laws.

Section 42.40.210

PUBLIC BOARD MEETINGS--This section requires that the board meetings be public and that the executive sessions be used only when permitted by the state open meetings statute or when discussing proprietary information.

Section 42.40.230

ADMINISTRATIVE PROCEDURE-- This section provides that the state's Administrative Procedures Act does not apply to the Authority. The legislature may annul or temporarily suspend an authority regulation.

3

This section also requires the authority to provide advance notice and opportunity for the public to comment on regulations that are likely to have a substantial impact on the public.

Section 42.40.240

PUBLIC DISCLOSURE OF INFORMATION-- This section requires that information in the possession of the authority is public unless the authority, by rule or regulation, withholds such information by designating it to be of a non-public or privileged nature.

ARTICLE III, POWERS & DUTIES:

Section 42.40.300

GENERAL POWERS-- This section delineates the numerous powers the authority needs in order to effectively manage and operate the Alaska Railroad. The list is intended to be non exclusive.

Section 42.40.310

ANNUAL REPORT-- A report generally describing the operation and financial condition of the authority is required to be submitted to the Governor and each member of the legislature.

Section 42.40.320

ANNUAL AUDIT-- The authorities financial records will be audited annually by an independent certified public accountant. The records will be available for audit by the legislature or the Administration.

Section 42.40.325

LONG RANGE PROGRAM AND CAPITAL PLANNING--This section obligates the authority to prepare long-range program and capital plans.

Section 42.40.330

USE OF AUTHORITY ASSETS--This section requires use of authority assets for activities authorized by this chapter. It also precludes the issuance of stock and loans to board members or employees.

ARTICLE IV, RAIL PROPERTIES:

Section 42.40.400

RAIL PROPERTIES-- This section provides that the authority will own the properties of the Alaska Railroad. The subsurface rights will be conveyed to the State and managed by DNR. The authority may reserve the right to use sand, gravel and other construction materials.

Section 42.40.410

CLASSIFICATION, ACQUISITION AND USE OF STATE LANDS FOR RAILROAD PURPOSES--This section provides a mechanism allowing the authority to acquire state lands for railroad purposes with the concurrence of the Commissioner of Natural Resources. The procedure is initiated by a resolution of the authority identifying specific lands. Within 180 days the Commissioner is required to either convey the surface estate of the requested lands for railroad purposes or to deny the classification as not in the best interest of the state. Subsection (c) also allows the authority and the Commissioner to engage in joint management of railroad lands, and periodically review both state and railroad lands to determine their suitability for railroad purposes. This section also allows the railroad to use coal from railroad lands for non-income producing purposes.

Section 42.40.415

DEVELOPMENT OF OIL, GAS, MINERALS AND GEOTHERMAL RESOURCES ON AUTHORITY LANDS-- The Department of Natural Resources may develop resources on authority lands only after a review procedure involving both the Department and the Authority has been completed. The review procedure requires an agreement approved by the authority as to suitable reimbursement for any costs incurred by the authority. Subsection (c) requires DNR to maintain records and annually report to the legislature concerning the income received from the subsurface of railroad lands. Subsection (d) establishes the Alaska Railroad Income Fund in the State Treasury for income received by the state from lands in which the authority has an interest. The fund is subject to appropriation by the legislature.

Section 42.40.420

LAND USE REGULATIONS-- This section authorized the authority to adopt regulations governing land use by private parties having interests, such as leases in land owned or managed by the authority.

Section 42.40.430

EMINENT DOMAIN AND ACQUISITION OF PROPERTY AND MATERIALS-- This section confers eminent domain power on the authority. When the authority acquires a fee simple interest the authority must reconvey

5

the subsurface to the state. Subsection (e) clarifies that the authority may exercise eminent domain to obtain materials as well as land and access necessary to develop them.

ARTICLE V, FINANCIAL PROVISIONS:

Section 42.40.500

BONDS AND NOTES--This section authorizes the authority to issue bonds and bond anticipation notes. It is intended that the board have the maximum flexibility in financing its activities.

Section 42.40.510

INDEPENDENT FINANCIAL ADVISOR-- The board is required by this section to retain a financial advisor independent of the underwriter in negotiating the private sale of bonds and notes.

Section 42.40.515

VALIDITY OF PLEDGE-- This procedural section facilitates the pledge of assets or revenues to the payment of the authority debt.

Section 42.40.520

REMEDIES-- For the benefit of holders of authority securities, this section provides that remedies and rights available under the terms of such instruments are to be broadly enforceable.

Section 42.40.525

NEGOTIABLE INSTRUMENTS-- Bonds and notes issued are negotiable instruments.

Section 42.40.530

BONDS AND NOTES ELIGIBLE FOR INVESTMENT-- This section authorizes public and private entities and individuals, including the state, and its other political subdivisions, to invest in authority securities.

Section 42.40.535

REFUNDING BONDS-- The issuance of refunding bonds to refund outstanding bonds is authorized by this section.

Section 42.40.540

CREDIT OF STATE NOT PLEDGED-- This section states that the authority's securities are not obligations of the state and are payable exclusively from revenues or assets of the authority.

Section 42.40.545

NO PERSONAL LIABILITY-- No board member or employee is personally liable for bonds.

Section 42.40.550

REVENUES-- This section provides for authority retention and management of its own revenues, which do not become part of the state's general fund.

Section 42.40.555

INSURANCE-- In addition to requiring the authority to maintain adequate insurance, this section requires that the state be named as an additional insured.

Section 42.40.560

SAFEGUARDING OF FUNDS--The authority will deposit all funds in acceptable depository and maximize revenue from the funds.

Section 42.40.565

FIDELITY BONDS-- The authority will obtain fidelity bonds for board members and officials.

Section 42.40.570

REVERSION OF ASSETS-- If the authority ceases to exist its assets revert to the state.

ARTICLE VI, STATE OVERSIGHT:

Section 42.40.600

STATE REVIEW-- Prior to undertaking a significant and permanent change in services or borrowing in excess of \$5 million the Board must notify the Governor and legislature and give public notice. The governor may either disapprove the proposal, suspend it or approve it. Approval or disapproval are final. If the Governor suspends the proposal, he transmits his decision to the legislature. The legislature may then reject it. If either the Governor or the legislature fail to act within the time provided, the proposal is deemed approved and the authority may proceed. Extensions representing more than 50 percent of the railroad's total track mileage and requiring the issuance of securities in an amount greater than \$50 million require specific authorization by the legislature. This section also requires state review of any proposal to contract management of the railroad to a third party.

Section 42.40.610

ACTION-FORCING MECHANISM-- This section requires the authority to respond formally to a request for consideration of a proposal by either the Governor or legislature within 30 days. The legislature may then direct the authority to proceed, if the legislature also provide funds to plan and implement the proposal.

Section 42.40.615

INTERVENTION-- This section provides that the Governor, when so authorized by the legislature, may intervene in and exercise control of the authority under certain delineated circumstances. For example by request of the board or illegal activities of the authority. The intervention mechanism permits the Governor to correct the deficiency and is to cease as soon as the necessary corrections have been made.

Section 42.40.620

TRUSTEESHIP-- This section provides that the legislature may also authorize the Governor to petition the State Superior Court in Anchorage to impose a trusteeship over the authority under specific circumstances, including insolvency, misapplication of resources or impairment of the state's credit worthiness.

ARTICLE VII, MISCELLANEOUS PROVISIONS

Section 42.40.700

PERSONNEL-- This section provides that the employees of the authority are not employees of the state. It also directs the authority to adopt collective bargaining agreements which continue the provisions of the agreements in effect immediately prior to transfer.

Section 42.40.710

POLITICAL ACTIVITIES-- This section precludes use of authority funds in political activities.

Section 42.40.720

LICENSES AND PERMITS-- The authority will comply with local, state and federal licensing and permitting requirements.

Section 42.40.740

CLAIMS AGAINST THE AUTHORITY-- All legal claims involving the authority must be brought against the authority and not against the State of Alaska. The State may not be named in an action against the authority and the Dept. of Law is not required to bring or defend actions

concerning the authority.

Section 42.40.755

EXEMPTION FROM TAXATION-- This section exempts the authority from state and political subdivision taxation. It does provide that authority property is considered taxable for the limited purpose of computing state aid to local school districts.

Section 42.40.770

PAYMENT IN LIEU OF LOCAL REAL PROPERTY TAXATION AND IMPACT AID-- This section authorized the authority to provide partial payments in lieu of property taxes to communities in which the authority has substantial land holdings.

ARTICLE VIII, GENERAL PROVISIONS

Section 42.40.870

ENFORCEMENT OF LAW AND AUTHORITY REGULATIONS BY AUTHORITY SECURITY FORCE-- The authority security force have the same enforcement powers as state law enforcement officers for both state law and regulation on authority property.

Section 42.40.880

PENALTY FOR VIOLATION OF DESIGNATED REGULATION-- This section makes a violation of any of the authority's regulations designated as necessary to protect life, health, or property a misdemeanor..

ARTICLE IX,

Section 42.40.900

DEFINITIONS-- This provided definitions of terms used in the bill.

SECTION 3 and SECTION 4 exempt authority from requirements to pay for or erect fences and cattleguards along right-of-way it condemns.

SECTION 5: amends full crew law with respect to yard crews only, and represents original CS for SB 849 *.

SECTION 6: adds the authority to the list of State boards and commissions for conflict of interest and reporting requirements.

SECTION 7: deals with commencement of the authority's legal existence, which occurs following appointment of all board members.

9
SECTION 8: details the length of terms for the first board members.

SECTION 9: addresses the closing report requirements under the federal transfer legislation.

SECTION 10: speaks to the assets and liabilities to be reported during the audits.

SECTION 11: mandates the time requirement of 18 months for the preparation of the first long-range program and capital improvements plan.

SECTION 12: pre-existing rule, regulations and order of the Alaska Railroad-- This section allows the authority board to continue in effect the Alaska Railroad's existing rules, regulations and orders for a period not to exceed two years.

SECTION 13: requires the authority to continue in effect the current collective bargaining agreements for a period of two years.

SECTION 14: declares conflicting laws inapplicable.

SECTION 15: deals with the application of existing statutes: The Authority is considered a "political subdivision" for state wage and hour statute. The full crew does not apply to the authority. Authority activities are not subject to A.S. title 35 which deals generally with public works. The authority is exempt from public bidding requirements. The following provisions of A.S. title 37 do not apply to the authority's operation: The Fiscal Procedures Act, Executive Budget Act. The Authority is not subject to the jurisdiction of the Alaska Transportation Commission.

SECTION 16: provides that the chapter becomes effective upon acceptance by the legislature of operation of the federal Alaska Railroad by the authority.

*This amendment to the full crew law deals with the Yukon-White Pass Railroad as the Alaska Railroad Authority is exempt from the law.

S

B

8

6

4

COMMITTEE REPORT

5/6

HOUSE

Ruler

(11)

FURTHER:

5/4/82

Date: 5/6/82

(Judiciary waived-
Mr. Speaker: referred to Finance 5/4/82)

The Committee on Finance has had CSSB 864 (Fin)

"An Act continuing the existence of the Alaska Code Revision Commission and amending the statutes relating to its responsibilities."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note (4)
- reports it back without recommendation *attached to bill*
- referred to the _____ Committee

p. 5/4 m. 5/4 10:40

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

RPB
Montgomery

Advent? Advt - No Rec
Thurlock No Rec
Jan Carter No Rec
McKinnis No Rec
Jan Fuller No Rec

Advent? Advt

 CHAIRMAN

SECTIONAL ANALYSIS OF CSSB 864 (FIN)

Section 1. This section extends until June 30, 1985, the life of the Alaska Code Revision Commission. Unless the date of June 30, 1982 is extended, the commission "expires" on that date and continues in existence only one more year "for the purposes of concluding its affairs." Reference AS 44.66.010.

Section 2. By this section the membership of the commission is increased by the addition of two public members who are not employees of the state. Like the present public member, the additional members would be appointed by the governor for six year terms.

Section 3. The change on page 2, line 14, corrects an error in the name of the American Law Institute as it appears in AS 24.20.075(c)(2).

The change on page 2, line 16, makes it specific that the Alaska Legislative Council is one of the committees of the legislature whose recommendations for changes in law will be reviewed and considered by the commission. This is existing practice.

Section 4. This section requires the commission to continue its present practice of preparing a sectional analysis of its draft legislation. It is specified that the analysis be in "language that is understandable to a layman."

Section 5. This transitional section is the only change (addition) made to the bill by the Finance CS. Since the term of the existing public member expires June 30, 1982, Section 5 staggers the six year terms of the three public members.

MEMORANDUM

TO: Senator Don Bennett and Senator Ed Dankworth
Co-Chairmen, Senate Finance Committee

FROM: Dickerson Regan, Consultant
Alaska Code Revision Commission

DATE: April 13, 1982

RE: CSSB 864--Continuing the Alaska Code
Revision Commission

This is to review the history of CSSB 864 and to point out the time pressure on the bill. It was referred to your committee very recently on April 7, 1982.

Existing law, AS 44.66.010(a)(8), terminates the Alaska Code Revision Commission June 30, 1982, subject to its continuing another year "for the purpose of concluding its affairs."

After a joint hearing of House Judiciary and Senate State Affairs on March 9th, both committees intended to introduce continuation bills (see Senate Journal for March 15th at pages 572-574; House Journal for March 12th at page 777).

As it happened, the House Judiciary Committee did not introduce a bill because time for introduction of bills ran out. For reasons unrelated to the merits, the committee chose to rely on the Senate bill rather than to ask for suspension of the rules to introduce its bill in the House. I am informed the bill in the form your committee has it is the bill the House Judiciary Committee would have introduced. These things can be checked with House Judiciary staff.

The result is that the House is not doing committee work on its version of a continuation bill.

I do not know how much work the House will do on the bill, but its seems an early arrival of the bill in the House would help assure it will have time for passage.

Senator Don Bennett and Senator Ed Dankworth
April 13, 1982
Page 2

I will be glad to answer any questions or to try
to get answers for you to any questions I cannot answer.

DR:chw

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSSB 864 (Jud)
 Title Alaska Code Revision Commission
 Requested by Finance Committee Date 4-12-82

II. FISCAL DETAIL

Agency Affected Legislative Affairs
 Program Category Affected General Government
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-				

FUNDING (Thousands of Dollars)

-0-

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

-0-

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

The funds for this committee are contained in the General Appropriations Act and no additional funds are requested.

IV. DATE 4/27/82

PREPARED BY Wally Harrison, Director
 AGENCY Legislative Affairs Agency
 PHONE 465-3850

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

S

B

8

7

2

COMMITTEE REPORT

5/5

HOUSE

Quiles

(11)

FURTHER:

5/4/82

Date:

5/5/82

Mr. Speaker:

The Committee on Finance has had CSSB 872 (Res)

"An Act relating to health, sanitation, and sanitary practices in the seafood processing industry and other industries that produce food for human consumption; and providing for an effective date."

under consideration and reports it back as follows:

[] do pass [] do not pass

[] do pass with attached amendments(s)

[X] replace with ^H CS for CSSB 872 (Fin) [X] same title [] new title

and recommends do pass

[X] AND attaches a "Letter of Intent" [X] New Fiscal Note

[] reports it back without recommendation

[] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Alberto Adan
Morgan
R. B. Bittman
John C. Carney
Jim Costa
Joe Coughlin
Mark J. Miller

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Arthur the Res
David Liddy no rec
Montgomery - none

Alberto Adan
CHAIRMAN

AMENDED TITLE: CSSB 872(RES)
AN ACT RELATING TO HEALTH, SANITATION, AND SANITARY PRACTICES
IN THE SEAFOOD PROCESSING INDUSTRY AND OTHER
INDUSTRIES THAT PRODUCE FOOD FOR HUMAN CONSUMPTION; AND
PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: SENATE RULES COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 5/05/82 IN (H) RULES

SB 872 SENATE ACTION

08:41 5/06/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/23/82	01	0653	FIRST READING -- COMMITTEE REPORTS
03/23/82	02	0653	GOV TRANSMITTAL LETTER
04/26/82	03	1045	RES -- CS06
04/26/82	04	1045	LETTER OF INTENT
04/26/82	05	1045	FISCAL NOTE SEN SUPPL #37
04/27/82	06	1062	RLS -- OTHER03 TAKEN UP IMMEDIATELY
04/27/82	07	1069	SECOND READING
04/27/82	08	1069	SENATE LETTERS OF INTENT ADOPTED
04/27/82	09	1069	RES CS ADOPTED BY UNAN CONSENT
04/27/82	10	1069	ADVANCED TO 3RD READING BY UNAN CONSENT
04/27/82	11	1069	THIRD READING
04/27/82	12	1069	PASSED BY DIV 20-00-00
04/27/82	13	1070	EFFECTIVE DATE VOTE SAME AS PASSAGE

**** ** ** *** ** *

SB 872 HOUSE ACTION

08:42 5/06/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/03/82	14	1628	FIRST READING -- COMMITTEE REPORTS
05/05/82	15	1684	FIN -- CS07, NR03
05/05/82	16	1684	F/NOTE HSE SUPPL #50
05/05/82	17	1684	LETTER OF INTENT RULES RULES

**** ** ** *** ** *

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 872 the seafood processing industry
Title An Act relating to sanitation, sanitary practices, and quality assurance i
Requested by Rules Committee by Request of Governor Date March 23, 1982

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation
Program Category Affected Public Protection
BRU, Program, Or Subprogram(s) Affected Seafood & Animal Industries, Seafood Ind
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		42.8	57.1	61.0		
200 TRAVEL		61.2	35.5	35.5		
300 CONTRACTUAL		575.5	15.0	15.0		
400 COMMODITIES		6.0	3.0	3.0		
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		685.5	110.6	114.5		

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		685.5	110.6	114.5		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	14.2	16.0	16.0	16.0		
PART TIME	2.0					
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III) SB 872 provides authority for the Commissioner of Environmental Conservation to conduct research leading to improved techniques to improve sanitation practices and development of improved techniques in surveillance (including inspectional activities). Includes microbiological assessment for botulism and other organisms in seafood products and the research into new technological surveillance of can integrity for canned salmon.

Provides for upgrading two PPT (3 mo.) positions in the seafood component to PFT (PCN 18-7304 and PCN 18-305), and 12.6 for '83 travel for the two positions, and also provides for five contract inspectors for '82 canned salmon season, averaging four months per inspector.

Requests 24.9 for additional travel of regular seafood inspection personnel for increased surveillance of program responsibilities in SB 872, and 23.7 for the contract inspectors for the '82 canned salmon season.

Full seafood inspection staffing request will be provided for the FY84 budget as provided for in SB 872.

IV. DATE April 19, 1982 PREPARED BY F.S. Honsinger, D.V.M.
AGENCY ADEC
Original: Legislative Finance PHONE 465-2628
cc: Budget and Management
Prime Sponsor (First Legislator Named)

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE
LETTER OF INTENT
FOR
HOUSE CS FOR CS FOR SENATE BILL NO. 872 (Finance)

It is the intent of the House Finance Committee in passing out this bill that the inspection seal shall not be used by the Alaska Seafood Marketing Institute until authorized by the Commissioner of the Department of Environmental Conservation.

It is also the intent of the House Finance Committee that the Department of Environmental Conservation supply, on a regular basis, to the Alaska Seafood Marketing Institute a list of processors that have complied with the permitting and plan of operation provision of this Act.



Al Adams, Chairman
House Finance Committee

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 872 the seafood processing industry
Title An Act relating to sanitation, sanitary practices, and quality assurance
Requested by Rules Committee by Request of Governor Date March 23, 1982

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation
Program Category Affected Public Protection
BRU, Program, Or Subprogram(s) Affected Seafood & Animal Industries, Seafood Inspection
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		42.8	57.1	61.0		
200 TRAVEL		61.2	35.5	35.5		
300 CONTRACTUAL		575.5	15.0	15.0		
400 COMMODITIES		6.0	3.0	3.0		
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		685.5	110.6	114.5		

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		685.5	110.6	114.5		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	14.2	16.0	16.0	16.0		
PART TIME	2.0					
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III) SB 872 provides authority for the Commissioner of Environmental Conservation to conduct research leading to improved techniques to improve sanitation practices and development of improved techniques in surveillance (including inspectional activities). Includes microbiological assessment for botulism and other organisms in seafood products and the research into new technological surveillance of can integrity for canned salmon.

Provides for upgrading two PPT (3 mo.) positions in the seafood component to PFT (PCN 18-7304 and PCN 18-7305), and 12.6 for '83 travel for the two positions, and also provides for five contract inspectors for '82 canned salmon season, averaging four months per inspector.

Requests 24.9 for additional travel of regular seafood inspection personnel for increased surveillance of program responsibilities in SB 872, and 23.7 for the contract inspectors for the '82 canned salmon season.

Full seafood inspection staffing request will be provided for the FY84 budget as provided for in SB 872.

IV. DATE April 10, 1982 PREPARED BY F.S. Honsinger, D.V.M.
AGENCY ADEC
Original: Legislative Finance PHONE 465-2628
cc: Budget and Management
Prime Sponsor (First Legislator Named)

LETTER OF INTENT

CSSB 872(Res)

It is the intent of the Senate Resources Committee in passing out this bill that the inspection seal shall not be used by the Alaska Seafood Marketing Institute until authorized by the Commissioner of the Department of Environmental Conservation.

It is also the intent of the Senate Resources Committee that the Department of Environmental Conservation supply, on a regular basis, to the Alaska Seafood Marketing Institute a list of processors that have complied with the permitting and plan of operation provision of this Act.

** Adopted as Senate Letter of Intent 4/27/82 **



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 23, 1982

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 1. of the Alaska Constitution, I am transmitting a bill relating to sanitation, sanitary practices and quality assurance in the seafood processing industry.

The recent events focusing on the integrity of canning processes in the seafood processing industry have highlighted the need for a coordinated industry/state effort to make certain that only fishery products of high quality reach the consumer. This effort must include quality both before and after processing. The bill I am submitting provides for an industry operations plan requiring approval by the commissioner of environmental conservation that seeks to protect the public's health and to reassure the public that the seafood they are purchasing has been properly processed and is of high quality.

In addition, the bill provides authority for the commissioner of environmental conservation to conduct research leading to improved sanitation practices and development of improved techniques in surveillance (including inspection) activities.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jay S. Hammond", written over a printed name and title.

Jay S. Hammond
Governor

S

B

8

7

5

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811

PHONE: (907) 465-2400

May 17, 1982

The Honorable Frank R. Ferguson
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Ferguson:

In response to your concern regarding a potential conflict between grazing interests and the homestead provisions of HB 2, the Department could support an amendment as follows:

Section 2. AS 38 is amended by adding a new chapter to read:

CHAPTER 09. HOMESTEAD ENTRY

Sec. 38.09.010. HOMESTEAD ENTRY. (a) The director may designate and make available for homestead entry under this chapter state land available

(1) under AS 38.05.057 unless the director determines that the land is more suitable for recreational, residential or grazing use; or

(2) under AS 38.05.077 unless the director determines that the land is more suitable for recreational, residential or grazing use.

(b) (same)

(c) (same)

(d) (same)

This amendment would be in accord with our intent regarding the application of homesteading on State lands.

The Honorable Frank R. Ferguson

Page Two

May 17, 1982

If you have any questions, or if we can be of further assistance,
please give me a call.

Sincerely,

A handwritten signature in cursive script that reads "John".

John W. Katz
Commissioner

A M E N D M E N T

Offered in the HOUSE

By Cato

TO: HCS CSSB 875(Res) am H

Page 2, following 16:

Insert the following new section:

* Sec. 6. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.405. PROCEEDS FROM SALES OR USE OF LANDS. The Board of Regents may not use the proceeds of sales, leases, exchanges, or other dispositions of university-grant lands or interests therein except for capital improvements to the campus of the senior college or of the community college proximately located to the university-grant land sold, leased, or exchanged.

Renumber following bill sections accordingly

Page 8, lines 15 - 19:

Delete all material and substitute the following:

* Sec. 16. AS 38.05.180(aa) added by sec. 15 of this Act applies only to uninterpreted data acquired after the effective date of sec. 15 of this Act.

* Sec. 17. Sections 7 - 14 of this Act take effect July 1, 1982.

* Sec. 18. Sections 1 - 6 and 15 - 16 of this Act take effect immediately in accordance with AS 01.10.070(c).

*Amendment 40
SB 875*

IN THE HOUSE

BY THE RESOURCE COMMITTEE

~~SENATE CS FOR HOUSE BILL 222~~ 2 (Resources)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to land; and providing for an effective date."

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

* Section 1. AS 38.05.(82(a) is amended to read:

(a) The director, with the approval of the commissioner, may lease tide, [AND] submerged, and shore lands for fisheries development. Fisheries development includes the utilization of shore gill nets, [OR] set nets, or fish wheels for the taking of fish. Every lease issued under this section shall reserve to the public a right-of-way for access to navigable waters and other tide, [AND] submerged, and shore lands.

* Sec. 2. AS 38 is amended by adding a new chapter to read:

CHAPTER 90. HOMESTEAD ENTRY.

Sec. 38.09.010. HOMESTEAD ENTRY. (a) The director may designate and make available for homestead entry under this chapter state land limited to use for agricultural purposes under AS 38.05.057.

(b) A homestead entry made under AS 38.05.057 may not exceed 320 acres.

(c) A person who has applied for or received state land under this chapter is not eligible for a loan under AS 03.10 for the habitable dwelling or the clearing of the land required under AS 38.09.040.

Sec. 38.09.020. QUALIFICATIONS FOR HOMESTEAD ENTRY. A person is qualified to apply for a homestead entry under this chapter if the person has not previously received state land under this chapter and is qualified under AS 38.05.057 to participate in the disposal of land by

by lottery shall apply for the
homestead entry

lottery.

Sec. 38.09.030. APPLICATION FOR HOMESTEAD ENTRY. (a) A person who has been selected for homestead entry on a form prepared by the department.

(b) The department may charge a fee for filing an application under this chapter.

(c) A person applying for a homestead entry shall certify that he has not previously received land under this chapter.

Sec. 38.09.040. PATENT FOR HOMESTEAD ENTRY. (a) A person who has made a homestead entry under this chapter and filed an application under AS 38.09.030(a) is entitled to a patent with the conditions described in (b) of this section if, within seven years from the date of the application, the applicant

- (1) occupies the land for a total of 35 months;
- (2) erects a habitable dwelling;
- (3) clears and prepares for cultivation not less than one-fourth of the land entered;
- (4) brushes and boundaries of the homestead entry and maintains the brushed boundaries so that they are easily visible from the ground;
- (5) causes a survey of the homestead entry to be made that is acceptable to the director.

(b) Notwithstanding any other provision of law, state land received under this chapter may not be subdivided or used for a purpose that is inconsistent with agricultural uses of the land.

(c) The director shall require an applicant for homestead entry to submit proof necessary to establish compliance with the requirements of (a) of this section. An applicant is not required to submit proof under (a)(4) or (5) of this section if the land comprising the homestead entry

has been surveyed.

(d) As used in this section, "habitable dwelling"

(1) means a permanent dwelling of not less than 200 square feet and its fixtures and facilities;

(2) does not include a mobile home unless it is permanently attached to a permanent foundation.

Sec. 38.09.050. HOMESTEAD APPLICATION VOID. An application for homestead entry and the interest of the applicant under the homestead entry is void if the applicant fails to comply with a requirement of AS 38.09.040(a). On the request of the director, the attorney general shall bring an action to declare the homestead entry void and, if necessary, to eject the homestead applicant.

Sec. 38.09.060. HOMESTEAD PATENT VOID. A patent received under AS 38.09.040(a) is void if the grantee or a successor in interest of the grantee violates a provision of AS 38.09.040(b). On the request of the director, the attorney general shall bring an action to declare the homestead patent void and, if necessary, to eject a grantee or a successor in interest of a grantee.

* Sec. 3. AS 38.04 is amended by adding a new section to read:

Sec. 38.04.920. GRAZING LANDS. Notwithstanding any other provision of law, state lands classified for agricultural purposes currently used for grazing or with a vegetation coverage suitable for grazing shall retain current use or classification upon the effective date of this Act.

* Sec. 4. AS 38.04.020(g)(3) is amended to read:

(3) Land designated agricultural, commercial, industrial, or suitable for other disposal may [SHALL] be sold under AS 38.05.055 or 38.05.057.

* Sec. 5. AS 38.05.057(a) is amended to read:

(a) The commissioner may dispose of land, including land limited to use for agricultural purposes, by lottery. The purchase price of land sold by lottery shall be the fair market value of the land as determined by the commissioner. The commissioner may sell land by lottery for less than the fair market value of the land if he determines that scarcity of land for private use in the area of the land to be sold has resulted in unrealistic land values. Before the commissioner determines the purchase price for land which is located in a municipality and which is to be sold under this section, he shall consult with the accessor of the municipality. The lottery shall be conducted in public by the commissioner or his representative. An applicant may not be selected to purchase land unless he is present on the date and at the place that the lottery is conducted unless medical reasons, attendance at school, or military services [OUTSIDE THE STATE] prevent attendance. [AN APPLICANT MAY BE REPRESENTED BY AN AGENT ON THE DAY OF THE LOTTERY IF THE LAND OFFERED FOR SALE IS COMMERCIAL, INDUSTRIAL, OR AGRICULTURAL LAND.] On the day of the lottery a purchaser selected by lot shall deposit an amount equal to five percent of the purchase price, or if the purchaser elects to use land discounts granted under AS 38.05.058, five percent of the purchase price after deduction of the discount. If the land is designated for homestead entry, the applicant selected by lottery for homestead entry must file an application under AS 38.09.030(a).

* Sec. 6. AS 38.05.077(i)(3) is amended to read:

(3) certify that he has not previously leased a remote parcel from the state within eight years immediately preceding the date of staking a remote parcel nor made application for a homestead entry on state land.

COMMITTEE REPORT

HOUSE

4/23
for today

FURTHER: Judiciary & Finance

(7)

4/20/82

Date: April 22, 1982

Mr. Speaker:

The Committee on Resources has had CSSB 875 (Res)

"An Act relating to the transfer of the ownership and management of University of Alaska trust land from the Department of Natural Resources to the Board of Regents of the University of Alaska; and providing for an effective date."

under consideration and reports it back as follows:

[] do pass [] do not pass

[] do pass with attached amendments(s)

[] replace with HCS for CSSB 875 (Resources) [] same title [] new title

and recommends DO PASS

[] AND attaches a "Letter of Intent" [] New Fiscal Note

[] reports it back without recommendation

[] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Rich Hallock
John W. Fisher
W. K. Thompson
James H. ...

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Eric Sutcliffe (NO REC)

Ken Fanning
CO-CHAIRMAN

S U T R

3 3

Linda - your copy

COMMITTEE REPORT

HOUSE

4/23/81

FURTHER:

(9)

Date: 4-23-81

Mr. Speaker:

The Committee on RULES has had SJR 33

Relating to Women's History Month.

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten signature]

CHAIRMAN

MEMORANDUM

TO: Representative Jack Fuller,
Chairman - House Rules Committee

FROM: Landa Krossa, Secretary *LK*
Senator Ziegler's Office

DATE: January 29, 1982

Dear Representative Fuller:

Senator Ziegler asked me to let you know he is very appreciative of your scheduling SJR 33 Re: Women's History Month, for a hearing in your committee on Tuesday, February 2.

He said you'll be making lots of ladies very happy.

I notified Ms. Susan Clark of the time and place. She is very interested in the resolution and she said she'd be there.

/lk

Alaska State Legislature

SENATOR
ROBERT H. ZIEGLER, SR.
307 BAWDEN STREET
KETCHIKAN, ALASKA 99901

POUCH V
JUNEAU, ALASKA 99811



Senate

VICE CHAIRMAN
ADMINISTRATIVE REGULATION REVIEW
SENATE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

MEMBER
SENATE RULES COMMITTEE
SENATE COMMERCE AND LABOR COMMITTEE
STEERING COUNCIL FOR ALASKA LANDS
U.S. BORAX TASK FORCE

WESTERN STATES LEGISLATIVE
FORESTRY TASK FORCE
EXECUTIVE COMMITTEE,
WESTERN CONFERENCE COUNCIL
OF STATE GOVERNMENTS
COUNCIL OF STATE GOVERNMENTS
COMMITTEE ON SUGGESTED STATE LEGISLATION

January 27, 1982

Representative Jack Fuller,
Chairman - House Rules Committee
Room 204 Capitol
Juneau, Alaska

Dear Jack:

Unless you have some serious objections to the attached resolution, I'd appreciate it if you could slip it into a calendar one day.

If you find it non-meritorious or offensive in any way, no problem.

Regards,

3 -

Robert H. Ziegler, Sr.

RHZ:1k

Enclosure (SJR 33)

SJR 33 TITLE & SPONSOR SUMMARY
AMENDED TITLE:
RELATING TO WOMEN'S HISTORY MONTH

13:34 1/06/82 PAGE 1 OF 3

PRIME SPONSOR: ZIEGLER.
CO-SPONSORS: FAHRENKAMP, STURGULEWSKI.
CURRENT STATUS: 4/23/81 IN (H) RULES

SJR 33 SENATE ACTION

13:34 1/06/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/16/81	01	0776	FIRST READING -- COMMITTEE REPORTS
04/22/81	02	0837	RLS -- DP01, OTHER04 TAKEN UP IMMEDIATELY
04/22/81	03	0843	SECOND READING
04/22/81	04	0843	ADVANCED TO 3RD READING BY UNAN CONSENT
04/22/81	05	0843	THIRD READING
04/22/81	06	0843	PASSED BY DIV 20-00-00
****	**	**	*** ** *

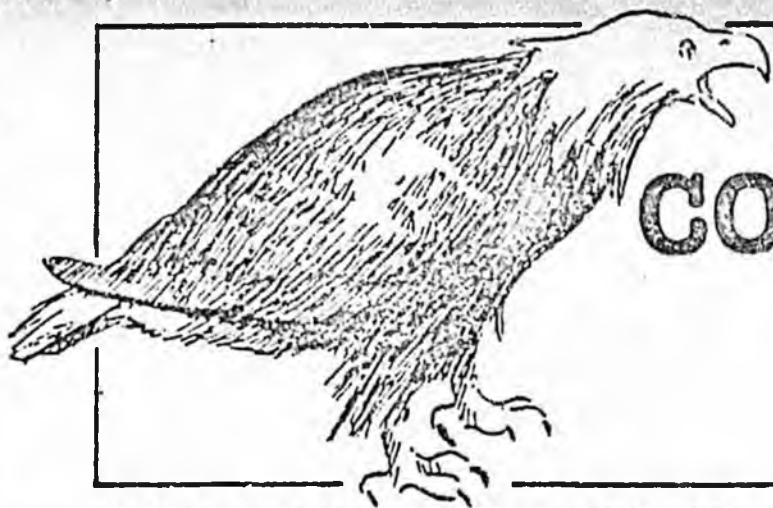
SJR 33 HOUSE ACTION

13:34 1/06/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/23/81	07	041	FIRST READING -- COMMITTEE REPORTS RULES RULES
****	**	**	*** ** *

SJR

36



ISSUES & COMMENTARY

ALASKA DEPARTMENT OF LABOR, RESEARCH AND ANALYSIS SECTION

APRIL 1981

SHOULD ALASKA OPT OUT OF THE FEDERAL/STATE UNEMPLOYMENT INSURANCE SYSTEM?

By Scott T. Hannigan

The Social Security Act of 1935 established an Unemployment Insurance (UI) program in the United States under joint federal/state management. The major role of the federal partner was administration of a uniform employer tax to fund the program. States were encouraged by the Act to pass local UI legislation with the reserved right to set qualifications and standards for the payment of unemployment compensation. The Act contained provisions for employers to receive credit against the federal tax for contributions to a state UI plan and for states to receive grants to administer their programs. The availability of employer tax credits and state administrative grants were made contingent upon states' compliance with certain features in the Social Security Act. These features were generally found acceptable to the states and a nationwide federal/state UI program was in full effect by 1937. Over the ensuing years, however, numerous amendments to the Act and additional UI legislation by Congress (requiring conforming state legislation) has led to conflicts in the federal/state partnership. The federal government has generally held the upper hand in these conflicts by virtue of the enormous financial clout provided by the tax credits and administrative grants provisions of the Social Security Act. This paper will review the historical beginnings of the federal/state UI program, some of the conformity issues facing the states, and the possibility of future changes including complete separation of the federal and state systems.

Prior to 1935, states had no programs to provide assistance to the unemployed, with the notable exception of Wisconsin, which legislated a comprehensive UI law in 1934. The major obstacle to enactment of UI laws at the state level was directly related to taxes. Specifically, it was felt that a new tax burden on employers would have a detrimental effect on interstate competition. Congress eliminated this obstacle by passing (as part of the Social Security Act) Title IX, which levied a uniform tax on all employers in the country. Title IX allowed employers a 90 percent credit against the tax if they contributed to an approved state UI program. The remaining ten percent of the tax assessment was returned to the states in the form of administrative grants. These financial incentives in Title IX plus the deepening crisis of the 1930's depression strongly encouraged enactment of state UI laws and all states had unemployment insurance programs in operation by 1937. Provisions of Title IX were removed from the Social Security Act and were placed in the Internal Revenue Code by the Federal Unemployment Tax Act of 1939 (FUTA).

Original proponents of the Social Security Act vigorously debated the type of UI program to be recommended--a wholly federal system or a federal/state plan. Arguments for a national system included, among others, that a national system would provide uniform protection from the risks of unemployment, protect the interests of multi-state employers and workers, provide for a national pooling of reserves, and streamline reporting requirements and the payment of taxes. Those who favored a federal/state program argued that a national system would be cumbersome to operate, that centralization would tend to paralyze action, that controversial issues would not receive proper debate and discussion by the states, and that a federal/state system would allow states to tailor the program to fit their needs and would allow wide latitude for experimentation by the states and so aid in producing a better system.^{1/} The federal/state plan was the one that finally emerged.

The issues of conformity have existed since the very start of the unemployment insurance program. The Social Security Act contained several provisions that the states were to comply with. Titles III and IX of the Act required state UI laws to include the following major provisions: (1) payment of UI benefits solely through public employment offices or other approved agencies, (2) opportunity for a fair hearing on denied claims, (3) payment of all tax monies collected to the U.S. Treasury (Unemployment Trust Fund), (4) expenditure of all money requisitioned from the Trust Fund for UI benefits only, (5) no benefits to be paid until two years after commencement of tax collections, and (6) several provisions protecting conditions of work acceptance by claimants. Other provisions refer to administrative and reporting requirements. To enforce state conformity to these provisions, the Social Security Act allows for the denial of all employer tax credits and the suspension of state administrative grants. On numerous occasions since the inception of unemployment insurance, Congress has passed amendments to the Act necessitating conforming legislation at the state level. A major example has been amendments that have extensively increased UI coverage to such worker groups as state and local government employees and employees of non-profit institutes.

More recent conformity issues have included pension offset provisions (P.L. 95-364) and provisions of the 1980 Omnibus Reconciliation Act (P.L. 96-499). The pension offset provision requires a reduction of a claimant's weekly benefit by the amount of any pension (attributable to a base period employer) received by the claimant. The Reconciliation Act requires conforming state legislation to deny the payment of extended benefits for voluntary quits and discharges for misconduct regardless of applicable state law for regular benefits (i.e., if state law reinstates benefit entitlement for regular benefits after a penalty period, the entitlement would be cancelled for extended benefits). Failure to accept suitable work (as defined by federal law) or failure to seek work also results in denial of extended benefits.

Even further encroachment by the federal government will occur if recent proposals of the Reagan Administration are adopted. These include (1) changes in the extended benefits program to eliminate the national trigger and to revise the methods of calculating state triggers (both of which determine when extended benefits are to be paid); (2) requirements that unemployed workers who have collected 13 weeks of state UI accept any job that meets minimum wage and safety standards if the wages are equal to or greater than their UI benefits; and (3) eliminate UI for those who leave the military voluntarily.

The rising spectre of federalism in unemployment insurance has caused concern in

^{1/} William Haber and Merril G. Murray, Unemployment Insurance in the American Economy, Richard D. Irwin, Inc. 1966.

Alaska and many other states. In most conformity issues, the states have grudgingly complied with federal legislation because they fear to lose tax credits for their employers and administrative grants for their programs. The mere threat of sanctions has kept states in line and the sanctions have never been fully applied. A specific instance where Alaska has run headlong against the federal government has been on the issue of interstate benefits. In 1955 and again 1960 Alaska reduced the maximum weekly benefit amount to out-of-state claimants in order to curtail the amount of UI dollars leaving the state.* The state was required to retreat from this position in 1972 when Congress decided the practice was discriminatory to the rights of workers to move from state to state seeking employment. This interstate question has become a point of concern in recent years as Alaska has seen one-third of all its UI dollars pouring out of the state, aiding the economies of other states instead of our own. An even larger problem looms in the future amid talk of federal benefit standards requiring a maximum benefit equal to 2/3 of a state's average weekly wages. Alaska traditionally pays more benefits per dollar of total wages than any other state. This standard would put employer costs through the ceiling and could possibly drain the state's trust fund.

Potential solutions to the partnership problem are varied and complex. Many people over the years have advocated complete federalization of unemployment insurance. Most states, however, take a dim view of this type of encroachment on their rights. Another course would be to maintain the present system with some sort of systematic court review of conformity sanctions.^{2/} The most extreme solution would be for a state to permanently refuse to comply with federal legislation.

The remainder of this paper discusses ramifications if Alaska chooses to remove itself from the federal/state system. The most direct effect would be monetary. Shown below are cost estimates for Alaska's UI program in 1982 comparing an out of conformity situation with a conforming one.

	Estimated Costs for 1982	
	<u>In Conformity</u>	<u>Out of Conformity</u>
State Taxes	\$63.6 million	\$63.6 million
FUTA Taxes	7.0 million	34.0 million
UI Administration	Federal Grants (From FUTA Taxes)	11.5 million
ES Administration	Federal Grants (From FUTA Taxes)	7.9 million
Extended Benefits (50% Federal)	Federal Reimbursements (From FUTA Taxes)	4.5 million
TOTAL	\$70.6 million	\$121.5 million

*Ch. 5, ESLA 1955 and Ch. 60, SLA 1960.

^{2/} Ibid.

The comparison shows that operating the current program while failing to conform to federal requirements would result in additional costs of \$50.9 million. Most of the cost (\$27 million) would be levied on employers as a result of lost FUTA tax credits. Employers might also be expected to pay administrative costs as well as funding full benefit outlays. If that were the case, employer costs would increase by approximately seventy percent. This burden could be reduced if employee contributions were increased and/or the state absorbed administrative costs.

One major question of the conformity issue concerns federal responsibility if employers opt to pay the full FUTA tax. The system was designed to pay benefits equal to 2.7 percent of taxable wages. Of the three percent FUTA tax, this 2.7 percent was to be dropped if employers contributed to the benefit fund of an approved state program. The implication is clearly that the 2.7 percent was to be used for paying benefits. Further, if employers opt to pay the full FUTA tax, the implication is that no state taxes would be necessary because the federal partner should be responsible for benefits.

The system was not--at least, should not have been--designed to coerce states into setting up their own unemployment insurance programs. Since costs would be three percent of taxable wages under a state or federal system, states would obviously find it attractive to design systems to fit their own social and economic conditions rather than accept standards determined in Washington. This "logical interpretation" does not coincide with the "legal interpretation." According to an unofficial opinion of the Solicitor General, the federal government has no power to implement an unemployment insurance program in any state. In other words, the system was designed to force states to implement unemployment insurance programs via making them pay for one whether they have one or not.

Failure to maintain an approved program would result in the 2.7 percent "credit" flowing into the federal administrative account rather than a benefit account, with the state receiving no funds in return. No state has informed the federal partner that it intends to drop its own program in favor of federalization and so the position remains unchallenged. It is conceivable that the "back door" federalization now in progress will change this situation in the future. The issue is not a simple one and raises a host of questions about the federal/state relationship. Some alternative relationships that might be considered for the operation of an unemployment insurance program in Alaska are discussed below.

The discussion centers on estimates of the average employer cost per worker (with annual earnings at or above the taxable wage base of \$13,300) and includes the current system for comparison purposes.

CURRENT SYSTEM

FUTA Tax (0.7% of first \$6,000)†	=	\$ 42
State Tax (3.3% of first \$13,300)	=	439
TOTAL TAX	=	<u>\$481</u>

One (untested) alternative is to drop the state system in favor of a federal program funded from the maximum FUTA tax. Employers would then pay the full FUTA tax of \$204 per employee and all program provisions would be determined in Washington.

FEDERAL SYSTEM

FUTA Tax (3.4% of first \$6,000)†	=	\$204
TOTAL TAX	=	<u>\$204</u>

A second alternative would supplement a federal system with a separate state system. Costs would be dependent on the level of benefits the state wishes to provide. The state system would also require administrative funds of approximately \$19 million.

An independent state program is a third alternative. The cost figures below assume that the full FUTA tax is paid and that the state receives no funds in return. Obviously the combined cost of running a state system and paying penalty FUTA taxes could exceed the capabilities of many employers to pay. Some form of state assistance may be necessary (especially in light of expected increases in the taxable wage base for FUTA which will probably become effective in 1983 or 1984). The most plausible forms of state assistance are assumption of the liability for FUTA taxes and/or administrative costs and state support of benefits through appropriations to the UI Trust Fund.

INDEPENDENT STATE SYSTEM

State Tax (3.3% of first \$13,300)	=	\$439
FUTA Tax (3.4% of first \$6,000)	=	\$204
Administrative Costs		<u>\$120</u>
TOTAL TAX	=	\$703

There are a number of areas where Alaska could effect some cost savings if the state were running an independent UI program. Some cost saving areas and approximate dollar amounts are listed below:

†The FUTA tax is set at 3.0 percent of the first \$6,000 of each employees wages. The rate was temporarily increased to 3.4% to reduce the national debt in the FUTA account. If a state's UI law is in conformity with federal law, then employers receive a 90 percent credit on their FUTA taxes and pay in effect 0.7 percent (10% of 3.0% = 0.3 + 0.4 added tax = 0.7%).

Potential Cost Savings

(Projected on basis of Alaska's 1980 UI law)

1. Eliminate dependents benefits for out-of-state claimants (140,000 interstate payments X \$8.55 [average interstate dependent payment]) \$1.2 million
2. Eliminate extended benefits for out-of-state claimants (assuming Washington, Oregon and California still triggered on) 25% of estimated EB payments of \$4.75 million state share) \$1.2 million
3. Reduce interstate benefit to 50 percent of calculated WBA (140,000 interstate payments X \$116 [average interstate payment X 50%]) (excludes amount in #1) \$8.1 million
4. Eliminate interstate benefits entirely (140,000 interstate payments X \$124.50 [average interstate payment] (includes amount in #1) \$17.4 million
5. Withdraw from interstate wage combining plan (net figure from 1980) \$0.3 million
6. Withdraw from unemployment compensation plan for ex-federal employees and ex-servicemen (5% of administrative costs) \$0.8 million

As indicated, some of these savings overlap. The maximum savings would be about \$18.5 million, which is approximately equal to expected administrative costs. The possibilities are limitless in creating an independent state UI system. No state UI program (with the exception of the original Wisconsin plan) has existed outside the federal/state system, so no previous experience is available to formulate such a program. Opportunities exist for Alaska to tailor a UI program to the unique conditions of the state. Alaska's concerns with chronic unemployment, high wages, seasonal jobs, an itinerant labor force, and undiversified industries have not been satisfactorily addressed under the federal/state UI system.

Many legal and political questions arise in relation to separating the state's UI program from the federal/state structure. Would (and can) the federal government permit the state to break away? Would the national system disintegrate if other states wanted to drop out? Is the nature of unemployment beyond the capabilities of any one state to cope? Would the courts become involved in issues of "equal protection" and "due process" on behalf of denied out-of-state claimants? These and a host of other questions can only be answered by the legislature and the courts and are beyond the scope of this paper.

Opting out of the system is an issue that has gained prominence due to recent expansion of the federal partner's role in this cooperative system. It is a radical step and is likely to be accompanied by high costs and by legal battles.

Discussion of opting out is often the result of frustration with the expanding role of the federal partner and of a realization that this expansion cannot be successfully countered by piecemeal resistance to individual intrusions on state prerogatives.

Before taking a radical step, alternatives should be considered. The level of interference by the federal partner has increased substantially since the unemployment insurance trust funds were placed in the federal unified budget in 1969. In attempts to reduce budget deficits, Congress has enacted several changes to the UI system. Although the changes may have been proposed primarily for their budgetary effect, they have had profound impact on the program and on the nature of the federal/state cooperative arrangement. The key to a return to true partnership may lie in removal of state trust funds from the federal unified budget. Alleviating budgetary pressure may accomplish many of the desirable goals of opting out without some of the negative aspects. That is, removal of the trust funds from the budget could reverse the tendency toward federal intervention and would not carry the potential to destroy the existing federal/state partnership.

REMOVAL OF STATE UNEMPLOYMENT INSURANCE TRUST FUNDS FROM
THE FEDERAL UNIFIED BUDGET, STATE RETENTION OF TRUST
FUNDS, AND STATE COLLECTION/RETENTION OF FUTA TAXES:
A REPORT OF THE EMPLOYMENT AND TRAINING SUBCOMMITTEE
OF THE NATIONAL GOVERNORS' ASSOCIATION

July 1980

NGA Staff Contact: David Teal
State Fellow - Alaska

(202) 624-7787

Introduction

The unemployment insurance policy position to be discussed by the Governors' Human Resources Committee contains the recommendation that "immediate action be taken to remove state trust funds from the unified federal budget." In the process of formulating that recommendation, several issues were raised which led to a request for a discussion paper. This paper is intended to promote discussion of the specific policy recommendation and to briefly explore the ramifications of altering the existing methods of administering state trust funds and collecting FUTA (Federal Unemployment Tax Act) contributions.

Exclusion of state unemployment insurance trust funds from the federal unified budget is an important issue because of the impact of efforts to balance the budget. Federal budget considerations affect the unemployment insurance system because inclusion of state trust funds in the unified budget causes all unemployment compensation--including benefits paid completely from state funds--to appear as federal outlays. It is possible that reducing motivation for federal intervention by excluding state trust funds from the unified budget would be an attractive alternative to facing continuous struggle against a series of changes affecting the state portion of the program proposed primarily for their impact on the federal budget.

The decision to include the trust funds in the unified budget was a fairly recent administrative one (funds have been included since 1969). The quickest and simplest means of removal is administrative action.

Although the recent trend has been to expand budget coverage, the potential for the cyclical nature of unemployment insurance to unjustifiably influence government spending in other areas may persuade the Office of Management and Budget (OMB) that state unemployment insurance trust funds should be off budget.

Removal does not necessarily imply a recommendation to place those funds under state control. U.S. Treasury maintenance and administration may not maximize investment return on the funds, but there are other problems that could accompany state control of funds. If state budgets were to include these dedicated trust funds, budgetary pressures might increase within states that are geared toward a balanced budget. The recommendation for removal is in recognition of the unique nature of unemployment insurance, and the reasons for off budget treatment apply equally to state budgets.

In reviewing this paper, the reader should be aware that the options presented were for discussion and were not intended as recommendations. The paper does not attempt to answer all the questions it raises; its purpose is to focus attention on the range of alternatives to existing procedures in the unemployment insurance system. Some options would require considerable study and deliberation before recommendations could be made.

Background: Inclusion of State Trust Funds in the Federal Unified Budget

The Social Security Act of 1935 established an unemployment compensation system as a federal-state cooperative program in order to avoid the constitutional barriers imposed by the U.S. Supreme Court. Since each state's program provided for employer contributions to be used for the sole purpose of paying benefits, the funds had to be separated from other revenues and carefully administered. To ensure these ends, the original legislation required that states deposit receipts from employers in individual trust funds to be maintained at and administered by the U.S. Treasury. Unemployment insurance funds, as well as a growing number of other trust funds, were omitted from the annual budget of the federal government because trust fund receipts were available only for the purposes for which the trusts were established and could not be used for the general purposes of the government. Although all trust fund activity was reflected in what became known as the "consolidated cash budget," omission from the administrative budget led to confusion and to criticism that the administrative budget was deficient in reflecting overall federal receipts and expenditures.

A commission appointed by President Lyndon B. Johnson in 1967 recommended that receipts and expenditures of several trust funds be included in a unified federal budget because of federal responsibility for administration of trust fund programs and because:

"With the passage of time, trust fund activities have loomed larger in both absolute and relative magnitude in the total picture of Federal Government receipts and expenditures. Receipts, expenditures, and the surplus or deficit in federally owned funds, therefore, have correspondingly less significance. It is clear to the Commission that the current surpluses of trust funds must be considered in calculating the effect of federal government activities on the level

of income and employment, in managing treasury cash balances, in deciding on treasury cash borrowing needs, and in program evaluation."*

Despite the strong element of state participation in the unemployment insurance system, there was no special attention or discussion of special treatment of unemployment insurance trust funds. The Commission's recommendations were followed and several trust funds became part of a unified federal budget in fiscal year 1969. By including trust funds in a unified budget, increases in fund balances appeared as income and could be used to offset deficits in other areas. In addition, the fund balances themselves (although dedicated) could be used as a source of borrowed funds for other purposes.

Receipts of all trust funds included in the unified federal budget are expected to total about \$222 billion in fiscal year 1980 against approximately \$204 billion in outlays. These figures comprise roughly 42 percent of total receipts and 36 percent of total expenditures in the FY 80 budget. The trust funds as a whole are estimated to report a surplus of \$18 billion compared to a \$58 billion deficit for the rest of the unified budget.

Unemployment insurance trust funds are treated as a consolidated account rather than as independent accounts devoted to individual purposes. Individual trust funds within that account include:

- 53 state accounts (each state plus Washington, D.C., Puerto Rico, and the Virgin Islands);
- an administrative account with receipts from the federal payroll tax of 0.45 percent of the first \$6,000 of each employee's annual earnings;

*Report of the President's Commission on Budget Concepts, p. 26-27 as quoted in "Unemployment Insurance and the Federal Budget," a paper prepared by Peter Henle for the National Commission on Unemployment Compensation, February, 1980. Mr. Henle's paper also contains more detailed background than is presented here and was a primary source of information for this paper.

- an extended benefit account with receipts from the federal payroll tax of 0.25 percent of the first \$6,000 of each employee's annual earnings--this and the administrative account are funded by the 0.7 percent FUTA tax paid by employers;
- a federal account which receives advances from the Treasury and provides loans to state accounts when they are unable to meet their obligations.

The unemployment insurance trust funds as a group rank fourth in size behind the social security retirement trust funds, the health insurance trust funds, and the federal employees retirement trust fund. In the years of the unified budget, the unemployment insurance funds have increased in receipts from \$3.3 billion to \$16 billion and in expenditures from \$2.6 billion to \$17 billion.

Implications of Inclusion of State Trust Funds in the Federal Unified Budget

This discussion of possible changes in the treatment of the unemployment compensation trust funds in the budget focuses exclusively on the individual state trust fund accounts. There is general agreement that the other accounts financed either by the federal unemployment tax (FUTA) or through general revenues would continue (except under a major transformation of the federal-state system) to be included in the federal unified budget.

The "bottom line" impact of inclusion of state trust funds in the unified budget is that all unemployment compensation--including benefits paid completely from state funds--appear as federal outlays. This factor plus the stronger institutional support for closer scrutiny of the federal budget, because of both public attention and the Congressional Budget Reform Act of 1974, make the unemployment insurance system a target for budget-balancing proposals such as a taxation of benefits, pension offsets, removal of extended benefit claims from the computation of trigger rates, and other "cost-cutting" proposals.

The current recession will simultaneously increase outlays from state trust funds and reduce both federal general revenues and unemployment insurance trust fund receipts, making it increasingly difficult to balance the budget and potentially increasing the pressure in Congress to reduce the net outlays of the unemployment insurance system.

Clearly budget considerations lend greater support and credibility to proposals for reducing the program's net outflow, but there is danger in adopting proposals for their effect on the budget rather than for their intrinsic value. As budget and program considerations become increasingly interwoven, it becomes more important to analyze the rationale for inclusion of the unemployment insurance trust funds in the unified budget. The following points support the current arrangement:

- Federal Payroll Tax. This employer tax underlies all state programs and is the key to nationwide cooperation.
- Treasury Involvement. The Treasury maintains individual accounts for all states and provides services including assured security, investment in U.S. securities, payment of interest, and interest-free loans.
- General Revenue Support. The federal government is committed to support state programs with general revenues in the event that state funds become inadequate to meet benefit payments.
- Program Review. The federal unified budget provides an opportunity for a legislative body to review the program budget.
- Cash Outlay. While it may appear that budget balancing considerations would lend support to removal (since trust funds are likely to decline throughout the current recession), net flow is not the only factor involved in the decision. The balances can be borrowed but are dedicated funds and must be fully replaced. Removal from the budget may therefore require a large cash outlay in order to replace trust fund balances used for other purposes. This would hinder rather than help budget balancing efforts.

Valid arguments can also be advanced for removing the funds from the unified

budget:

- Federal Payroll Tax. The majority of the federal tax is not collected from employers, but is credited if employers participate in an approved state program and are subject to contribution rates set by the state.
- Treasury Involvement. The operations of the Treasury do not require that the accounts be included in the unified budget. The Treasury currently handles accounts for several "off-budget" agencies.
- General Revenue Support. When and if federal funds are advanced, these should be reflected in the budget; however, the commitment to support the program does not require the placement of state funds in the federal budget.
- Program Review. Although state unemployment insurance trust funds are not included in state budgets, basic program decisions--level and duration of benefits, contribution mechanisms, eligibility, and many administrative functions--are almost entirely in the hands of state legislators. States currently review programs for fiscal soundness even though the funds are not included in state budgets. There is no reason to believe that removal of state trust funds from the unified budget would encourage less responsible behavior.
- Unique Treatment. The unified budget reflects several types of federal-state cooperative programs, but includes only the federal grants. No other program whose expenditures are so dependent on state policy (and state revenues) are included in the budget.
- Federal Expenditure Limit. If federal expenditures become limited to a certain percentage of gross national product, some lawmakers might be interested in removing certain programs--such as unemployment insurance trust funds--from the budget in order to increase available funds in other areas.
- Potential Distortion. Unemployment insurance programs are inherently cyclical in nature. Economic downturns increase benefit outlays and reduce contributions while in more prosperous years surplus contributions build trust fund balances. A surplus in the unemployment insurance system may encourage federal spending in other areas even though the trust funds themselves can be used only for unemployment insurance. Similarly, a deficit in the system (which can be expected to occur during economic downturn) may make a unified budget deficit appear larger and therefore result in reduced spending in other areas.
- Projected Deficit. If any change in budget consideration is forthcoming, its probability is greatly enhanced during years when the program is operating with a deficit. Removal of the program at such a time would reduce the federal deficit. A deficit can be expected during 1980 and 1981.

In addition to these issues, several considerations of a more speculative nature should be addressed. Will the unemployment insurance system once again be used to funnel funds into a slumping economy? If so, does it make sense to be concerned about budget-balancing proposals at a time when program dollar flows are expected to increase? Is it right to sacrifice equity for budget considerations? Will removal affect the probability of implementation of a reinsurance system? Where is the support for removal? Do employers support it? Do employee groups support it? Did inclusion in the unified budget allow (or at least facilitate) borrowing from federal general revenues during the last recession? Will inclusion mean continuous struggling to retain state flexibility? Is the struggle worth the benefits of inclusion? Would federal services be cut back as federal involvement decreased? Can states emphasize solvency or help themselves (as through reinsurance) so that federal dependence can be reduced?

Recommendation: Remove State Unemployment Insurance Trust Funds From the Unified Federal Budget

The Human Resources Committee believes the preceding discussion provides ample rationale for removing state trust funds from the unified budget. Removal can be accomplished either by administrative change instituted by the Office of Management and Budget (OMB) or by Congressional action. Administrative action brought the funds in and working through OMB would probably be the most efficient means of returning to off budget treatment.

Treatment of funds after removal is extremely important. If trust funds were to be reflected in state budgets, budget-balancing considerations might gain even more influence at the state level than is present at the national level. The policy recommendation does not advocate state control of funds (as discussed later), it advocates off-budget treatment of funds. The U.S.

Treasury currently maintains several off-budget accounts (the Federal Financing Bank, the Federal National Mortgage Association, and the Pension Guaranty Corporation, for example) and could continue to administer state unemployment insurance trust funds if they were removed from the federal unified budget.

The remainder of the issues presented in this paper are not natural consequences of removal of state trust funds from the unified budget, but represent several options that arise on a continuum of possible arrangements. They are presented because they were discussed in the process of formulating policy recommendations, and as discussion topics they should not be interpreted as recommendations.

I. State Collection of FUTA Taxes

Federal Unemployment Tax Act (FUTA) taxes are those contributions which employers pay to federal accounts used for program administration and to pay extended benefits. The funds should not be confused with state trust funds, which can be used only to pay unemployment compensation and which were the subject of the preceding discussion.

A study by the California Employment Development Department (attached) estimates that state collection of FUTA contributions could increase revenues by about 10 percent, or over \$200 million per year, while reducing the costs of collection. The basis for this more efficient, more effective, collection is the use of existing mechanisms within state employment security agencies.

If such a transfer of responsibility was to be considered, a constitutional issue might arise since states would be collecting federal taxes. One (strictly non-legal) opinion on this subject is that collection would be handled by contract and would not involve a transfer of authority. The issue is similar to the present situation of employers withholding federal

income tax from employee earnings.

This proposal would not require significant program changes since all funds would be immediately forwarded to FUTA accounts. Additional collections and reduced costs could justify reduced tax rates or be used to fund a reinsurance program or to increase the balance of FUTA accounts.

II. Partial State Retention of FUTA Contributions

This option would be available either by partial state retention of state-collected FUTA taxes or by crediting a portion of federally-collected receipts to state-specific administrative trust funds. The following page from a Macro-Systems study for the National Commission on Unemployment Compensation discusses some of the details of the option, and the study noted further that:

"...there are a number of states which consistently over a several year period do not generate sufficient FUTA receipts (even at a 10% funding level) to cover their annual operating costs.... These states face the real potential of either reducing services, being more efficient, perhaps at the cost of quality, or soliciting additional revenues from the state general funds or employer community."

As the following table shows, full state retention of administrative funds would increase net receipts for some states, while others would face a shortage of administrative funds that would have to be generated within the state.

III. State Investment of State Trust Funds

This issue involves state retention of employer taxes paid to the state funds and is an issue independent of FUTA (federal tax) collections. The primary concerns associated with this discussion topic are interest earnings and use of funds. Several states have compared the interest rate on other state monies and the interest earnings on federally-held unemployment insurance trust funds and claim that trust fund earnings would increase if states were allowed to invest the funds on their own. The table below

National Commission on Employment Compensation

UI—FEDERAL REIMBURSEMENT ALTERNATIVE

UI—FEDERAL REIMBURSEMENT ALTERNATIVE

FUND SOURCE

Federal Trust Fund/State Trust Funds—The primary source of funds would continue to be FUTA with the existing FUTA taxing structure left intact. However, a portion of the tax receipts generated by each State would be credited to State-specific UI administrative trust funds, with the remaining portion of receipts pooled in ESAA, thus giving each State its own administrative trust fund for purposes of meeting its share of administrative costs. Federal reimbursement would pay for a standard cost of workload accomplished.

Options:

- Federal reimbursement could provide (1) a minimum cost for all functions, (2) an average cost for all functions, (3) a full cost of specified functions, (4) some combination of the above.
- Cost standards could be based upon national average cost or State-specific cost levels.
- States could earn a higher level of Federal reimbursement by maintaining specified levels of quality and performance.
- States could borrow from a Federal trust fund reserve if State trust funds were inadequate to cover the added cost of program operations.

BUDGET JUSTIFICATION

Productivity And Forecasted Work Load—The Federal budget would be based on national cost standards applied to forecasted work loads. The current model could be used to develop a range of unit cost minimum costs (or staff requirements). Such standards in conjunction with estimated work load would determine the budget amount. Concepts of base and contingency funding would no longer be necessary. States would be reimbursed for all work load accomplished at the standard reimbursement rate; reimbursement would be at less than full cost and States would supplement incrementals above the reimbursed amount through their State trust fund or through State general revenue if necessary.

RESOURCE ALLOCATION

Strict Reimbursement—Since standard reimbursements are established during budget formulation, allocation is based on experienced work load funded at the reimbursement rate.

PROGRAM OPERATION

State/Federal—The Federal role would become significantly less concerned with program operations because of the standard reimbursement nature of the program. The States would be afforded increased program flexibility and would become increasingly accountable to their Governor and State legislature to justify program costs in excess of the Federal standards.

FUTA Administrative Contributions Less Administrative Funds Returned, by State, 1979

<u>STATE</u>	<u>\$ MILLIONS</u>
Alabama	5.5
Alaska	-11.8
Arizona	5.2
Arkansas	- .7
California	24.5
Colorado	7.1
Connecticut	15.0
Delaware	.7
District of Columbia	- 3.5
Florida	38.3
Georgia	13.3
Hawaii	- 1.9
Idaho	- 2.5
Illinois	35.6
Indiana	23.3
Iowa	2.5
Kansas	6.1
Kentucky	8.3
Louisiana	18.4
Maine	- .7
Maryland	9.1
Massachusetts	22.3
Michigan	.5
Minnesota	7.8
Mississippi	1.9
Missouri	6.2
Montana	- 2.4
Nebraska	2.1
Nevada	- 3.6
New Hampshire	2.7
New Jersey	6.4
New Mexico	- .7
New York	-13.2
North Carolina	31.6
North Dakota	- 3.7
Ohio	43.6
Oklahoma	3.4
Oregon	10.2
Pennsylvania	8.6
Puerto Rico	0.0
Rhode Island	- 2.8
South Carolina	8.7
South Dakota	- 3.8
Tennessee	18.1
Texas	64.3
Utah	- 8.5
Vermont	- .9
Virginia	25.7
Washington	- 4.5
West Virginia	3.0
Wisconsin	7.2
Wyoming	- .6

6

compares Wisconsin's unemployment insurance trust fund earnings with earnings of the Wisconsin state investment fund.

The table shows four instances of trust fund earnings at or above the rate earned on state funds. Wisconsin estimates that state investment of its trust funds (from 1972 through March 1980) would have produced an additional \$47.1 million, which is 36.2 percent above the amount actually earned.

There is some sentiment that wise use of funds may include investments which don't necessarily have a high direct monetary yield. For example, loans to prospective employers would encourage them to locate in a state and thus improve the economy in years ahead. The National Commission on Unemployment Compensation discussed state use of funds and voted to recommend that the Congress study the issue. A Commission discussion draft of the topic follows:

Investment of State Reserve Funds

The Commission has received testimony in favor of amending existing federal and state laws to permit states to invest part of their unemployment compensation reserves in state approved investments, other than obligations of the federal government. The Commission has studied this proposal. Because of the importance of state reserve funds being available to meet unforeseen demands the Commission believes it is essential for the reserve funds to be invested in obligations of the federal government which can be liquidated promptly without major adverse effects on the economy.

The Commission has recommended that each state pursue a prudent and conservative financial policy in the establishment of adequate reserves to meet the future obligations of the state unemployment insurance law. It might be possible, therefore, for a state reserve fund to be permitted to invest a small amount in non-federal obligations. For instance, an amount equal to ten percent of its average annual benefit disbursement in the prior 15 years could be invested in non-federal obligations. Such a policy might be authorized under regulations established by the Board of Trustees for an initial period of ten years, 1982-91. In addition, specific responsibility would be assigned to the Board and the next Commission to study and evaluate such experience and to recommend the continuation, amendment, or repeal of such authorization.

STATE INVESTMENT OF STATE UNEMPLOYMENT INSURANCE FUNDS

Comparison of Interest Rates on Unemployment Insurance
Trust Funds and Wisconsin State Investment Fund, 1972-1980*

<u>Year:</u>	<u>Quarter</u>	<u>Trust Fund Rate</u>	<u>State Investment Fund Rate</u>
1972:	1, 2	4.903	4.802
	3, 4	4.838	4.911
1973:	1, 2	4.952	6.499
	3, 4	5.493	8.946
1974:	1, 2	5.718	9.113
	3, 4	6.081	10.863
1975:	1, 2	5.904	7.816
	3, 4	5.056	5.639
1976:	1	5.395	7.424
	2	6.011	6.566
	3	5.490	7.893
	4	6.618	9.330
1977:	1	6.182	5.424
	2	6.104	4.799
	3	5.563	5.458
	4	5.560	5.657
1978:	1	5.654	7.137
	2	5.984	6.989
	3	6.153	7.959
	4	6.251	8.683
1979:	1	6.517	9.373
	2	6.874	9.449
	3	7.377	9.629
	4	7.165	11.350
1980:	1	7.536	12.679

*Source: Wisconsin Department of Industry, Labor and Human Relations. Data should be interpreted with caution. Liquidity of investments has not been considered nor should final judgement be made on the basis of one state's experience. Note, however, that California and Minnesota have reported similar results.

IV. State Retention of FUTA Taxes

This option is equivalent to elimination of FUTA taxes since state and federal funds would be indistinguishable. The result would be complete decentralization of the system into a series of state programs with no federal loan accounts and no federal sanctions.

INTRODUCTION

This study was initiated at the request of E. L. Sullivan, Deputy Director. The objective is to determine the estimated amount of Federal Unemployment Tax (FUTA) that would be collected if the States collected the FUTA tax instead of the Internal Revenue Service (IRS).

Study Methodology

The year 1978 was selected for use in the study as it was the most current year with complete national information. That revenue estimate was then updated to 1980 based upon available data for California alone.

The following information was obtained from the Department of Labor (DOL) for the year 1978 (figures do not include reimbursable employers):

1. Gross wages United States employers - \$830,005,987,000
2. Unemployment Insurance taxable wages for states with a \$6,000 wage base - \$351,967,424,000
3. Gross wages for states with a \$6,000 wage base - \$721,176,544,000
4. FUTA tax collected by IRS for year 1978 - \$2,642,014,000

The following assumptions were made:

1. The average FUTA tax rate after credit is .7% ($5.4\% - 2.7\% = .7\%$). This is the rate of tax for the vast majority of employers.
2. Taxable wages subject to FUTA and State Unemployment Insurance are essentially the same. By 1978 almost all wages subject to FUTA were subject to State UI. The largest group of wages becoming subject to UI and FUTA during 1978 were agricultural wages. Others, such as state and local governments and Non-Profits, are for the most part reimbursable type employers. The remaining wages not subject to both taxes are quite small.
3. FUTA tax per dollar of gross wage is the same for all states. The amount of tax collected per dollar of gross wage will average out throughout the nation.
4. The rate of increase in taxable wages in California from 1978 to 1980 approximated that of the nation as a whole.

Summary of Conclusions

The states would have collected \$222,086,152 more than the IRS for the year 1980, if the responsibility for FUTA tax collections has been delegated to them.

Findings

The estimated FUTA tax to be collected was calculated on the data given and assumptions made since current information on taxable FUTA wages was not available.

Step 1. Estimated FUTA Tax Due For States With a \$6,000 Wage Base (1978)

To determine the estimated FUTA tax due for States with a \$6,000 wage base we multiplied UI taxable wages for states with a \$6,000 wage base (\$351,967,424,000) by the average FUTA tax rate (.007) after credit. The result is the estimated FUTA tax due (\$2,463,771,968) for states with a \$6,000 wage base.

$$.007 \times 351,967,424,000 = 2,463,771,968$$

Step 2. Estimated FUTA Tax Due Per Dollar of Gross Wage For States With a \$6,000 Wage Base (1978)

To determine the estimated FUTA tax due per dollar of gross wages for states with a \$6,000 wage base we divide the estimated FUTA tax due (\$2,463,771,968) by the gross wages (\$721,176,544,000) for states with a \$6,000 wage base. The estimated FUTA tax due per dollar of gross wage is \$.003416.

$$2,463,771,968 \div 721,176,544,000 = .003416$$

Step 3. Estimated FUTA Tax Due From All United States Employers (1978)

We have assumed that the FUTA tax per dollar of gross wage is the same for all states. Therefore, by multiplying the total United States Gross Wage (\$830,005,987,000) by the estimated FUTA tax per dollar of gross wage (\$.003416) we can arrive at an estimated FUTA tax for the entire United States in 1978 (\$2,835,300,451).

$$830,005,987,000 \times .003416 = 2,835,300,451$$

Step 4. Comparison With FUTA Tax Actually Collected - (1978)

Estimated FUTA Tax Due	\$ 2,835,300,451
FUTA Tax Collected by IRS	<u>-2,642,014,000</u>
Estimated Uncollected FUTA Tax 1978	\$ 193,286,451

Step 5. Updated to 1980 based on Available Data For California Alone

It is estimated that the 1978 taxable UI wages \$45,265,000,000 will increase to \$52,052,000,000 an increase of 14.9%.

We assume this rate of increase in taxable UI wages from 1978 to 1980 to approximate the nation as a whole. Based on this, uncollected FUTA Tax would increase by 14.9% by the end of 1980. Therefore by multiplying the rate of

SJR

53

COMMITTEE REPORT

HOUSE

3/24
Ruler

FURTHER:

(7)

3/3/82

Date: March 24, 1982

Mr Speaker:

The Committee on TRANSPORTATION has had SJR 53am(title)

Requesting the National Park Service to improve an old mining road through the north addition to Denali National Park and Preserve and to extend the road to the Denali Park Road at Wonder Lake-Kantishna.

under consideration and ~~{a-majority-of-the-committee}~~-~~{the-committee}~~--- reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back ^{with individual} ~~without~~ recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature] *Shaw*

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature] *NO REC*

[Signature] *no Rec*

[Signature] *- no Rec*

[Signature]

CHAIRMAN

March 24, 1982

Representative Jack Fuller, Chairman
House Rules Committee
Alaska State Legislature
Pouch V (MS 3100)
Juneau, AK 99811

Dear Chairman Fuller:

We are writing with regard to Senate Joint Resolution No. 53am presently before the rules Committee. We hope you will oppose this resolution, as it would put the State on record in support of an unjustifiable road project. The argument used to support this resolution is that a one-way loop road would reduce the problem that caused last year's fatal accident.

First, it is not even clear that there is a problem in regard to the Denali Park road. As a result of their investigation last year, the Federal Highway Transportation Safety Board concluded that the accident was caused by driver error. The study showed that the road shoulder had not collapsed, but rather the bus was driven off the road.

Even if one concluded that there was a road problem, a new road through Denali Park would have no effect on the safety of the existing road. The new road would pass through important wolf, moose, and caribou habitat, cost tens of millions of public dollars, and require an Act of Congress to pass through Denali Park Wilderness.

It is also important to note that the Stampede Mine referred to in the resolution is no longer a working mine, but is actually owned by the National Park Service. The site is now used by the University of Alaska as a classroom for mining techniques under a cooperative agreement with the Park Service.

This resolution is not worth spending the full House's time on, so we hope that you will not pass it on. Thank you for considering our views.

Sincerely,

Cynthia Marquette

Cynthia Marquette
Alaska Center for the Environment
1069 W. 6th Avenue
Anchorage, AK 99501

David R. Cline

David R. Cline
National Audubon Society
308 G Street, Suite 219
Anchorage, AK 99501

H. Clifton Eames, Jr.

H. Clifton Eames, Jr.
National Wildlife Federation
833 Gambell, Suite B
Anchorage, AK 99501

John Adams

John Adams
Northern Alaska Environmental Center
218 Driveway
Fairbanks, AK 99701

Sally Kabisch

Sally Kabisch
Sierra Club
545 E. 4th Avenue, #5
Anchorage, AK 99501

HOLD for SJR 53

David Finklestein

SJR 53 ^{conservation groups} passed out of TPSP today

ludicrous
only McCutcheon wants
assumes road caused accident — but
ruling was that it was & river-related
better to improve existing road
than do anything w/ it — make
state look silly

Hayes — 3-25
"Bury it"

SJR

76

AMENDED TITLE:
RELATING TO THE REQUEST FOR A RIGHT-OF-WAY CORRIDOR FROM
CANTWELL TO THE DEVIL'S CANYON DAM SITE
FOR THE ALASKA RAILROAD

PRIME SPONSOR: SENATE TRANSPORTATION COMMITTEE.
CO-SPONSORS:

CURRENT STATUS: 3/10/82 IN (H) COAL&RAILRO

SJR 76 SENATE ACTION 14:33 3/12/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
02/16/82	01	0309	FIRST READING -- COMMITTEE REPORTS
02/26/82	02	0400	TRAN -- DP04
03/08/82	03	0479	RLS -- OTHER03 TAKEN UP IMMEDIATELY
03/08/82	04	0485	SECOND READING
03/08/82	05	0485	ADVANCED TO 3RD READING BY UNAN CONSENT
03/08/82	06	0485	THIRD READING
03/08/82	07	0485	PASSED BY DIV 17-00-03
****	**	**	*** *** ***

SJR 76 HOUSE ACTION 14:34 3/12/82 PAGE 3 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/10/82	08	0734	FIRST READING -- COMMITTEE REPORTS COAL&RAILROADS RULES
****	**	**	*** *** ***

re Request right-of-way corridor -
Cantwell to Devil's Canyon dam site -
ALASKA RAILROAD

SJR 76
Transportation

to Susitna site