ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2598 HLC SB 470 - SB 525

2598

Sec 21.34.010. Page 13, lines 28-29 & page 14, lines 1-14.
This is the purpose section for the new chapter

Sec 21.34.020. Page 14, lines 15-23
This section conditions what can be placed in the nonadmitted market. There is no substantive difference from current law.

Sec 21.34.030. Page 14, lines 24-29 & page 15, lines 1-12.
This section permits workers compensation to be written in the surplus lines market provided the director finds it to be in the public interest. It is substantially the same as current law except that this proposal has financial requirements that are higher than other placements in that market.

Sec 21.34.040. Page 15, lines 13-29 & page 16, lines 1-29.
This section substantially increases the minimum capital and surplus requirements used in the surplus lines market. It also recognizes distinctions among insurers, Lloyds type organizations, and insurance exchanges.

Sec 21.34.050. Page 17, lines 1-9.
This section is a new provision which substantially tracks current practice. It provides for the listing of eligible surplus lines insurers. It also permits the surplus lines association to perform that task when approved by the director.

Sec 21.34.060. Page 17, lines 10-23.
This section requires that when a policy is written by more than one insurer and one or more of those insurers are not eligible, the insured must be notified. This prevents a practice where some brokers conceal the fact that there are ineligible insurers on a risk. One way that this is done is to list the insurers as "underwriters at Lloyd's and other companies." The division does not accept this practice now, but is not certain that even in those cases where we correct it, the insured is adequately informed. A little information at this stage can prevent a lot of problems later.

Sec 21.34.070. Page 17, lines 24-29 & page 18, lines 1-11.
This section establishes a procedure for removing an insurer from the eligible list and sets forth a notice requirement to all licensees.

Sec 21.34.080. Page 18, lines 12-29 & page 19, line 1.
This section is similar to an existing requirement to file affidavits of coverage. It adds a requirement on the surplus lines broker to provide evidence of insurance to an insured within 30 days of placement of the coverage. It also provides that these filing requirements may be transferred to the surplus lines association upon an order by the director.

Sec 21.34.090. Page 19, lines 2-29 & page 20, lines 1-16.
This section permits the formation of a surplus lines association and sets forth the powers and purposes for which it may be formed. It establishes the requirements for its formation and makes it subject to examination by the director. It provides that the director may require menbership in the association as a condition of licensure in this state.

Sec 21.34.100. Page 20, lines 17-29, all of page 21, & page 22, lines 1-2.
This section describes the evidence of insurance which a surplus lines broker must provide for an insured. The basic idea is to require a full disclosure of the facts relating to a placement in the nonadmitted market. This also applies to changes made in coverage. The broker is required to maintain a full copy of all documents pertinent to the insurance transaction. A warning is required to apprise the insured that a policy placed in the nonadmitted market is not covered by the Alaska Insurance Guaranty Association Act.

Sec 21.34.110. Page 22, lines 3-14.
This section provides that the insured has no liability for premium until the broker has provided a notice to the insured to the effect that the insurer is nonadmitted, and there is no insolvency protection provided under state law. This is a new approach.

Sec 21.34.120. Page 22, lines 15-17.
This is similar to present law. I provides that contracts in the surplus lines market place are valid contracts.

Sec 21.34.130. Page 22, lines 18-23.
Section provides that payment to the broker is payment to the insurer.

Sec 21.34.140. Page 22, lines 24-29, all of page 23, and page 24, lines 1-6.
This section sets forth the licensing standards and requirements for a surplus lines brokers license. The requirements are not substantially different than those in current law. The bond requirement is higher. This proposal does permit nonresident surplus lines brokers licensees. (e) does provide a penalty for late renewal of license. The language on page 23, lines 9 & 10 starting with the word "except", should be removed as it provides too broad a grandfather right.

Sec 21.34.150. Page 24, lines 9-14.
This section clarifies the scope of a surplus lines brokers license. It allows the surplus lines broker to accept business from other surplus lines brokers and other brokers but not from agents.

Sec 21.34.160. Page 24, lines 15-29 & page 25, lines 1-13.
This section clearly outlines the kinds of records that must be maintained by a surplus lines broker and that such records must be

open for examination by the director.

Sec 21.34.170. Page 25, lines 14-20.
This section requires a monthly report of business placed in the sulplus lines market.

Sec 21.34.180. Page 25, lines 21-29 & page 26, lines 1-29.
This section is substantially the same as current law. The premium tax is established here and the director may have the tax collected by the surplus lines association. The director has the ability to establish adequate safeguards to protect the monies collected in this fashion.

Sec 21.34.190. Page 27, lines 1-5.
A filing fee of 1% is established. This is presently at 1/2%.

Sec 21.34.200. Page27, lines 6-23.
This section provides for two alternate means of tax collection. The first is by the director in the usual manner. The second is by the surplus lines association upon an order by the director after establishing those safeguards deemed appropriate.

Sec 21.34.210. Page 27, lines 24-29 & page 28, lines 1-18.
In the current law, the director has discretionary suspension or revocation authority. The restructuring found in this section is more specific and lists those actions which can result in suspension or revocation.

Sec 21.23.220. Page 28, lines 19-29 & page 29, line 1.
This section ties into AS 21.33 for service of process on a nonadmitted insurer used through the surplus lines market. The presence of a nonadmitted insurer on a surplus lines contract assumes that the insurer has subjected itself to AS 21.34.

Sec 21.34.230. Page 29, lines 2-9.
This penalty section is an upgrade from the present law. It also includes an ability to take action under AS 21.33.320-330 in the unfair trade practices act.

Sec 21.34.240. Page 29, lines 10-14.
Separability section.

Sec 21.34.250. Page 29, lines 15-17.
This section enables the director to promulgate those regulations necessary to implement, define and enforce the provisions of this new chapter.

Sec 21.34.900. Page 29, lines 18-29, all of page 30, & page 31, lines 1-16.
The definitions here take the same explanation as those in Sec 20. There are a few additional definitions but these are not substantively different than current usage in the insurance code.

Sec 22. Page 31, lines 17-21.
This added section in the unfair trade practices act makes it an unfair trade practice to fail to make the required disclosures and reports.

Sec 23. Page 31, lines 22-29 & page 32, lines 1-2.
This section is intended to give admitted insurance companies the ability to compete with the nonadmitted market, however, some language was inadvertantly omitted. On page 31, line 23 remove "Under regulations which the director [HE] shall adopt". On page 31, line 27 following the word "used" add the phrase "or the filing and approval of which are in the director's opinion, not desirable or necessary for the protection of the public." On page 31, line 27, remove the words "and regulations."

Sec 24. Page 32, lines 3-9
This section ties in with Sec 23 and Sec 25 in allowing the admitted market to compete with the nonadmitted market. This is accomplished by providing these exceptions in the rate law which has to date acted as an impediment to that kind of competition.

Sec 25. Page 32, lines 10-15.
This section ties in with the previous two sections. It specifies those conditions under which an admitted insurer can work outside of its filings made with the director. This provides the ability to directly compete with the surplus lines market. This is in the public interest since most admitted market coverages are protected by the guaranty association act.

Finally, a section has been inadvertantly omitted. It is the repealer section. That section should read, "AS 21.33.015, AS 21.33.041, AS 21.33.045(b), AS 21.33.051, and AS 21.33.068-21.33.300 are repealed."

MAY 22, 1984

TO: JOHN

FROM: KEN

RE: SB 470 RELATING TO INSURANCE

SPECIFICALLY, THIS BILL DEALS WITH SURPLUS LINES INSURANCE. THE LEGISLATION IS AN ALASKA VARIATION OF THE MODEL ACT DRAFTED FOR THIS PART OF THE INDUSTRY BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS. THE BILL WOULD AD A NEW SECTION TO TITLE 21 OF THE STATUTES WHICH WOULD GOVERN SURPLUS LINE TRANSACTIONS IN THE STATE.....WITH THAT, I WOULD ASK KEN MOORE, DIRECTOR OF THE DIVISION OF INSURANCE TO COME FORWARD AND OUTLINE THE LEGISLATION FOR THE COMMITTEE.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST
Bill/Resolution No.: CS SB 470 (L&C)
Title: Relating to Insurance

Sponsor: Mulcahy
Requestor: Senate L&C
Date of Request: 2/15/84

FISCAL DETAIL
Agency Affected: Dept. of Comm. & Econ. Dev.
Program Category Affected: Public Protection
BRU, Program or Subprogram(s) Affected: Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	Ø	Ø	Ø	Ø	Ø	Ø
CAPITAL	Ø	Ø	Ø	Ø	Ø	Ø
REVENUE	Ø	Ø	Ø	Ø	Ø	Ø

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Kenneth C. Moore, Director
Phone: 465-2515
Division: Insurance
Date: 2/15/84

Approved by Commissioner: Richard A. Lyon
Date: 2/15/84
Agency: Department of Commerce and Economic Development

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Provided by Division of Insurance

CSSB470(L&C) Section by Section Analysis. 3/15/84

This proposal upgrades the Unauthorized (nonadmitted) Insurers Act and the Surplus Lines Insurance Act to comport with the recently adopted models of the National Association of Insurance Commissioners(NAIC). Currently, these two acts, along with a third, the Unauthorized Insurers Service of Process Act appear in AS 21.33.

This proposal continues the Unauthorized (nonadmitted) Insurers Act and the Unauthorized Insurers Service of Process Act in AS 21.33. Access to that market is more clearly stated. Most of the changes in AS 21.33 are not substantive. However the Surplus Lines Insurance Act has been removed from AS 21.33 and placed in a new chapter, AS 21.34. This chapter makes some substantial revisions with respect to how a surplus lines business can be conducted in this state. It will give the regulator a clearer ability to deal with the competence of the licensee and provide more meaningful protection for the public through:

-clarification of the duties and responsibilities of the licensee;
-higher financial requirements for the nonadmitted insurer;
-permission to form a surplus lines association with an active role in regulating the market; and,
-allowing admitted markets to compete with the nonadmitted markets.

Section 1. Page 1, lines 8-17.
Current law provides that when the state examines an insurance company, the insurance company pays for that examination. A surplus lines broker is also subject to examination but does not pay for that examination. The position of the surplus lines broker is in many respects similar to an insurer, particularly when the broker has utilized an insurer that is not able to meet its obligations. This section provides that the surplus lines broker must also meet the cost of its examination.

Section 2. Page 1, lines 18-29 & page 2, lines 1-7.
The change here is on page 1, lines 24-25. This section ties in with Section 1. It lists those entities subject to examination without charge.

Section 3. Page 2, lines 8-29 & page 3, lines 1-3.
This rewrite of the purpose section does not contain substantive changes. It is formatted in a more readable form and the application of the chapter to surplus lines brokers has been deleted.

Section 4. Page 3, lines 4-24.
The changes in this section are editorial. The phrase "doing an insurance business" has been changed to "transaction of insurance", and gender oriented references have been changed.

Section 5. Page 3, lines 25-29 & page 4, lines 1-13.
This section contains more of the same changes noted in Section 4. No substantive change.

Section 6. Page 4, lines 14-29 & page 5, lines 1-8.
The changes in this section are similar to those in Section 4. No substantive changes.

Section 7. Page 5, lines 9-29 & page 6, lines 1-4.
The difference here is found on page 6, lines 2-4. It is primarily a clarification. No substantive change.

Section 8. Page 6, lines 5-13.
Changes similar to those in Section 4.

Section 9. Page 6, lines 14-26.
The sole change in this section is the insertion of the word "nonadmitted" on line 16. This has been done in several of the earlier sections without comment. It is a clarification, and ond that is defined in the definition section on page 12, lines 15-18. Previously the words "insurer", "nonadmitted insurer", and, "unauthorized insurer" have been used synonymously. That is inconsistent and has led to some confusion. This change should clear up that situation.

Section 10. Page 6, lines 27-29 & page 7, lines 1-29.
This section is a consolidation of several other sections. (a) replaces AS 21.33.015 with no substantive difference. (b) replaces AS 21.33.075 with some shift in an individuals ability to enter and use the nonadmitted market place. This ability is broadened in this bill by removing the specific description of an industrial insured found in AS 21.33.075(9). (c) replaces the combination of AS 21.33.015 and AS 21.33.075(6) with no substantive difference. (d) replaces AS 21.33.041 with no substantive difference.

Section 11. Page 8, lines 1-24.
This is a new section and it limits a nonadmitted insurers access to Alaska courts. This is as to those not placed through a surplus lines broker in AS 21.34. It clarifies the standing of those insurers.

Section 12. Page 8, lines 25-29 & page 9, lines 1-6.
This is the same kind of change noted in Section 9. One additional change is that access by the director to an insureds purchases in the admitted or authorized market has been removed. This ability to access admitted purchases is probably unreasonable when placed on the insured. Presumably access to these records through other sources is sufficient.

Section 13. Page 9, lines 7-13.
This section reinforces the ability of the director to obtain records and information under this section. This is accomplished by allowing the director to apply for a court order to compel production of records and information.

Section 14. Page 9, lines 14-29 & page 10, lines 1-10.
"Unauthorized" has been changed to "nonadmitted" as noted in section 9. The penalty provision has been revised so that it is more readily calculable. This penalty will generally be stiffer than that now provided.

Section 15. Page 10, lines 11-26.
More editorial changes like those in section 9. Since the surplus lines law has been removed from AS 21.33 and placed in AS 21.34, that reference has been noted. The time for reporting has been shortened from 60 days to 30 days.

Section 16. Page 10, lines 27-29 & page 11, lines 1-6.
Same editorial change noted in section 9.

Section 17. Page 11, lines 7-15.
The penalty provision has been upgraded in the same fashion as section 14.

Section 18. Page 11, lines 16-21.
This section is intended to avoid any potential conflict with new sections AS 21.33.037 and AS 21.33.042.

Section 19. Page 11, lines 22-29 & page 12, lines 1-4.
This section upgrades the penalty section by increasing the per violation penalty from $500 for the first offense to $1,000 and by increasing the second offense penalty from $500 to $2,000. A new penalty is also structured for allowing a violation to continue uncorrected in the amount of $1,000 for each month of continuation.

Section 20. Page 12, lines 5-29 & page 13, lines 1-25.
This definition section is new. There is nothing representing a substantive difference from current law except in (9)(A) where vessels of 50 displacement tons or less are not included in the definition of marine and are therefor included in the requirements of this proposed law.

Section 21. Page 13, lines 26-29, all of pages 14-30, & page 31, lines 1-16.
This section adds a new chapter to the insurance code dealing with surplus lines insurance. This chapter has essentially been removed from AS 21.33. A number of changes have been made to provide for a stronger regulation of the surplus lines market. This is accomplished by strengthening the financial requirements of a company in that market before it can be used in this state. The line of responsibility for the surplus lines broker is clarified. The bill permits the creation of a surplus lines association that can have a substantial self-regulatory role which has experienced substantial sucess in California and in Washington. This would allow the division to more effectively use its resources to avoid problems for persons insured in that market.

Sec 21.34.010. Page 13, lines 28-29 & page 14, lines 1-14.
This is the purpose section for the new chapter

Sec 21.34.020. Page 14, lines 15-23
This section conditions what can be placed in the nonadmitted market. There is no substantive difference from current law.

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This section requires that when a policy is written by more than one insurer and one or more of those insurers are not eligible, the insured must be notified. This prevents a practice where some brokers conceal the fact that there are ineligible insurers on a risk. One way that this is done is to list the insurers as "underwriters at Lloyd's and other companies." The division does not accept this practice now, but is not certain that even in those cases where we correct it, the insured is adequately informed. A little information at this stage can prevent a lot of problems later.

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This section establishes a procedure for removing an insurer from the eligible list and sets forth a notice requirement to all licensees.

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Sec 21.34.100. Page 20, lines 16-29, all of page 21, & page 22, line 1.
This section describes the evidence of insurance which a surplus lines broker must provide for an insured. The basic idea is to require a full disclosure of the facts relating to a placement in the nonadmitted market. This also applies to changes made in coverage. The broker is required to maintain a full copy of all documents pertinent to the insurance transaction. A warning is required to apprise the insured that a policy placed in the nonadmitted market is not covered by the Alaska Insurance Guaranty Association Act.

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This section provides that the insured has no liability for premium until the broker has provided a notice to the insured to the effect that the insurer is nonadmitted, and there is no insolvency protection provided under state law. This is a new approach.

Sec 21.34.120. Page 22, lines 14-16.
This is similar to present law. I provides that contracts in the surplus lines market place are valid contracts.

Sec 21.34.130. Page 22, lines 17-22.
Section provides that payment to the broker is payment to the insurer.

Sec 21.34.140. Page 22, lines 23-29, all of page 23, and page 24, lines 1-6.
This section sets forth the licensing standards and requirements for a surplus lines brokers license. The requirements are not substantially different than those in current law. The bond requirement is higher. This proposal does permit nonresident surplus lines brokers licensees. (e) does provide a penalty for late renewal of license.

Sec 21.34.150. Page 24, lines 7-12.
This section clarifies the scope of a surplus lines brokers license. It allows the surplus lines broker to accept business from other surplus lines brokers and other brokers but not from agents.

Sec 21.34.160. Page 24, lines 13-29 & page 25, lines 1-11.
This section clearly outlines the kinds of records that must be maintained by a surplus lines broker and that such records must be open for examination by the director.

Sec 21.34.170. Page 25, lines 12-18.
This section requires a monthly report of business placed in the sulplus lines market.

Sec 21.34.180. Page 25, lines 19-29 & page 26, lines 1-27.
This section is substantially the same as current law. The premium tax is established here and the director may have the tax collected by the surplus lines association. The director has the ability to establish adequate safeguards to protect the monies collected in this fashion.

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A filing fee of 1% is established. This is presently at 1/2%.

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In the current law, the director has discretionary suspension or revocation authority. The restructuring found in this section is more specific and lists those actions which can result in suspension or revocation.

Sec 21.23.220. Page 28, lines 17-28.
This section ties into AS 21.33 for service of process on a nonadmitted insurer used through the surplus lines market. The presence of a nonadmitted insurer on a surplus lines contract assumes that the insurer has subjected itself to AS 21.34.

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This penalty section is an upgrade from the present law. It also includes an ability to take action under AS 21.33.320-330 in the unfair trade practices act.

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This section enables the director to promulgate those regulations necessary to implement, define and enforce the provisions of this new chapter.

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The definitions here take the same explanation as those in Sec 20. There are a few additional definitions but these are not substantively different than current usage in the insurance code.

Sec 22. Page 31, lines 15-19.
This added section in the unfair trade practices act makes it an unfair trade practice to fail to make the required disclosures and reports.

Sec 23. Page 31, lines 20-29 & page 32, lines 1-2.
This section gives admitted insurance companies the ability to compete with the nonadmitted market. It ties in with sections 24 & 25.

Sec 24. Page 32, lines 3-9
This section ties in with Sec 23 and Sec 25 in allowing the admitted market to compete with the nonadmitted market. This is accomplished by providing these exceptions in the rate law which has to date acted as an impediment to that kind of competition.

Sec 25. Page 32, lines 10-15.
This section ties in with the previous two sections. It specifies those conditions under which an admitted insurer can work outside of its filings made with the director. This provides the ability to directly compete with the surplus lines market. This is in the public interest since most admitted market coverages are protected by the guaranty association act.

Sec 26. Page 32, lines 16-17.
This section repeals those sections in AS 21.33 which are no longer needed or have been replaced in the new chapter in section 21.

CSSB470(RLS) . Section by Section Analysis. 5/18/84

This proposal upgrades the Unauthorized (nonadmitted) Insurers Act and the Surplus Lines Insurance Act to comport with the recently adopted models of the National Association of Insurance Commissioners (NAIC). Currently, these two acts, along with a third, the Unauthorized Insurers Service of Process Act appear in AS 21.33.

This proposal continues the Unauthorized (nonadmitted) Insurers Act and the Unauthorized Insurers Service of Process Act in AS 21.33. Access to that market is more clearly stated. Most of the changes in AS 21.33 are not substantive. However the Surplus Lines Insurance Act has been removed from AS 21.33 and placed in a new chapter, AS 21.34. This chapter makes some substantial revisions with respect to how a surplus lines business can be conducted in this state. It will give the regulator a clearer ability to deal with the competence of the licensee and provide more meaningful protection for the public through:
-clarification of the duties and responsibilities of the licensee;
-higher financial requirements for the nonadmitted insurer;
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This rewrite of the purpose section does not contain substantive changes. It is formatted in a more readable form and the application of the chapter to surplus lines brokers has been deleted.

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The changes in this section are editorial. The phrase "doing an insurance business" has been changed to "transaction of insurance", and gender oriented references have been changed.

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Section 6. Page 4, lines 14-29 & page 5, lines 1-8.
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The difference here is found on page 6, lines 2-4. It is primarily a clarification. No substantive change.

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Section 9. Page 6, lines 14-26.
The sole change in this section is the insertion of the word "nonadmitted" on line 16. This has been done in several of the earlier sections without comment. It is a clarification, and ond that is defined in the definition section on page 12, lines 15-18. Previously the words "insurer", "nonadmitted insurer", and, "unauthorized insurer" have been used synonymously. That is inconsistent and has led to some confusion. This change should clear up that situation.

Section 10. Page 6, lines 27-29 & page 7, lines 1-29.
This section is a consolidation of several other sections. (a) replaces AS 21.33.015 with no substantive difference. (b) replaces AS 21.33.075 with some shift in an individuals ability to enter and use the nonadmitted market place. This ability is broadened in this bill by removing the specific description of an industrial insured found in AS 21.33.075(9). (c) replaces the combination of AS 21.33.015 and AS 21.33.075(6) with no substantive difference. (d) replaces AS 21.33.041 with no substantive difference.

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This is a new section and it limits a nonadmitted insurers access to Alaska courts. This is as to those not placed through a surplus lines broker in AS 21.34. It clarifies the standing of those insurers.

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This is the same kind of change noted in Section 9. One additional change is that access by the director to an insureds purchases in the admitted or authorized market has been removed. This ability to access admitted purchases is probably unreasonable when placed on the insured. Presumably access to these records through other sources is sufficient.

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This section reinforces the ability of the director to obtain records and information under this section. This is accomplished by allowing the director to apply for a court order to compel production of records and information.

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More editorial changes like those in section 9. Since the surplus lines law has been removed from AS 21.33 and placed in AS 21.34, that reference has been noted. The time for reporting has been shortened from 60 days to 30 days.

Section 16. Page 10, lines 27-29 & page 11, lines 1-6.
Same editorial change noted in section 9.

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The penalty provision has been upgraded in the same fashion as section 14.

Section 18. Page 11, lines 16-22.
This section is intended to avoid any potential conflict with new sections AS 21.33.037 and AS 21.33.042.

Section 19. Page 11, lines 23-29 & page 12, lines 1-5.
This section upgrades the penalty section by increasing the per violation penalty from $500 for the first offense to $1,000 and by increasing the second offense penalty from $500 to $2,000. A new penalty is also structured for allowing a violation to continue uncorrected in the amount of $1,000 for each month of continuation.

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This definition section is new. There is nothing representing a substantive difference from current law except in (9)(A) where vessels of 50 displacement tons or less are not included in the definition of marine and are therefor included in the requirements of this proposed law.

Section 21. Page 13, lines 27-29, all of pages 14-30, & page 31, lines 1-12.
This section adds a new chapter to the insurance code dealing with surplus lines insurance. This chapter has essentially been removed from AS 21.33. A number of changes have been made to provide for a stronger regulation of the surplus lines market. This is accomplished by strengthening the financial requirements of a company in that market before it can be used in this state. The line of responsibility for the surplus lines broker is clarified. The bill permits the creation of a surplus lines association that can have a substantial self-regulatory role which has experienced substantial sucess in California and in Washington. This would allow the division to more effectively use its resources to avoid problems for persons insured in that market.

Sec 21.34.010. Page 13, line 29 & page 14, lines 1-15.
This is the purpose section for the new chapter

Sec 21.34.020. Page 14, lines 16-24
This section conditions what can be placed in the nonadmitted market.
There is no substantive difference from current law.

Sec 21.34.030. Page 14, lines 25-29 & page 15, lines 1-13.
This section permits workers compensation to be written in the surplus lines market provided the director finds it to be in the public interest. It is substantially the same as current law except that this proposal has financial requirements that are higher than other placements in that market.

Sec 21.34.040. Page 15, lines 14-29, page 16, & page 17, line 1.
This section substantially increases the minimum capital and surplus requirements used in the surplus lines market. It also recognizes distinctions among insurers, Lloyds type organizations, and insurance exchanges.

Sec 21.34.050. Page 17, lines 2-10.
This section is a new provision which substantially tracks current practice. It provides for the listing of eligible surplus lines insurers. It also permits the surplus lines association to perform that task when approved by the director.

Sec 21.34.060. Page 17, lines 11-24.
This section requires that when a policy is written by more than one insurer and one or more of those insurers are not eligible, the insured must be notified. This prevents a practice where some brokers conceal the fact that there are ineligible insurers on a risk. One way that this is done is to list the insurers as "underwriters at Lloyd's and other companies." The division does not accept this practice now, but is not certain that even in those cases where we correct it, the insured is adequately informed. A little information at this stage can prevent a lot of problems later.

Sec 21.34.070. Page 17, lines 25-29 & page 18, lines 1-12.
This section establishes a procedure for removing an insurer from the eligible list and sets forth a notice requirement to all licensees.

Sec 21.34.080. Page 18, lines 13-29 & page 19, line 1.
This section is similar to an existing requirement to file affidavits of coverage. It adds a requirement on the surplus lines broker to provide evidence of insurance to an insured within 30 days of placement of the coverage. It also provides that these filing requirements may be transferred to the surplus lines association upon an order by the director.

Sec 21.34.090. Page 19, lines 2-29 & page 20, lines 1-16.
This section permits the formation of a surplus lines association and sets forth the powers and purposes for which it may be formed. It establishes the requirements for its formation and makes it subject to examination by the director. It provides that the director may require menbership in the association as a condition of licensure in this state.

Sec 21.34.100. Page 20, lines 17-29, all of page 21, & page 22, line 1-2.
This section describes the evidence of insurance which a surplus lines broker must provide for an insured. The basic idea is to require a full disclosure of the facts relating to a placement in the nonadmitted market. This also applies to changes made in coverage. The broker is required to maintain a full copy of all documents pertinent to the insurance transaction. A warning is required to apprise the insured that a policy placed in the nonadmitted market is not covered by the Alaska Insurance Guaranty Association Act.

Sec 21.34.110. Page 22, lines 3-14.
This section provides that the insured has no liability for premium until the broker has provided a notice to the insured to the effect that the insurer is nonadmitted, and there is no insolvency protection provided under state law. This is a new approach.

Sec 21.34.120. Page 22, lines 15-17.
This is similar to present law. I provides that contracts in the surplus lines market place are valid contracts.

Sec 21.34.130. Page 22, lines 18-23.
Section provides that payment to the broker is payment to the insurer.

Sec 21.34.140. Page 22, lines 24-29, page 23, and page 24, lines 1-7.
This section sets forth the licensing standards and requirements for a surplus lines brokers license. The requirements are not substantially different than those in current law. The bond requirement is higher. This proposal does permit nonresident surplus lines brokers licensees. (e) does provide a penalty for late renewal of license.

Sec 21.34.150. Page 24, lines 8-13.
This section clarifies the scope of a surplus lines brokers license. It allows the surplus lines broker to accept business from other surplus lines brokers and other brokers but not from agents.

Sec 21.34.160. Page 24, lines 14-29 & page 25, lines 1-12.
This section clearly outlines the kinds of records that must be maintained by a surplus lines broker and that such records must be open for examination by the director.

Sec 21.34.170. Page 25, lines 13-18.
This section requires a monthly report of business placed in the sulplus lines market.

Sec 21.34.180. Page 25, lines 19-29 & page 26, lines 1-27.
This section is substantially the same as current law. The premium tax is established here and the director may have the tax collected by the surplus lines association. The director has the ability to establish adequate safeguards to protect the monies collected in this fashion.

Sec 21.34.190. Page 26, lines 28-29 & page 27, lines 1-3.
A filing fee of 1% is established. This is presently at 1/2%.

Sec 21.34.200. Page27, lines 4-21.
This section provides for two alternate means of tax collection. The first is by the director in the usual manner. The second is by the surplus lines association upon an order by the director after establishing those safeguards deemed appropriate.

Sec 21.34.210. Page 27, lines 22-29 & page 28, lines 1-16.
In the current law, the director has discretionary suspension or revocation authority. The restructuring found in this section is more specific and lists those actions which can result in suspension or revocation.

Sec 21.23.220. Page 28, lines 17-28.
This section ties into AS 21.33 for service of process on a nonadmitted insurer used through the surplus lines market. The presence of a nonadmitted insurer on a surplus lines contract assumes that the insurer has subjected itself to AS 21.34.

Sec 21.34.230. Page 28, line 29 & page 29, lines 1-7.
This penalty section is an upgrade from the present law. It also includes an ability to take action under AS 21.33.320-330 in the unfair trade practices act.

Sec 21.34.240. Page 29, lines 8-12.
Separability section.

Sec 21.34.250. Page 29, lines 13-14.
This section enables the director to promulgate those regulations necessary to implement, define and enforce the provisions of this new chapter.

Sec 21.34.900. Page 29, lines 15-29, all of page 30, & page 31, lines 1-12.

The definitions here take the same explanation as those in Sec 20. There are a few additional definitions but these are not substantively different than current usage in the insurance code.

Sec 22. Page 31, lines 13-17.
This added section in the unfair trade practices act makes it an unfair trade practice to fail to make the required disclosures and reports.

Sec 23. Page 31, lines 18-29.
This section gives admitted insurance companies the ability to compete with the nonadmitted market. It ties in with sections 24 & 25.

Sec 24. Page 32, lines 1-7
This section ties in with Sec 23 and Sec 25 in allowing the admitted market to compete with the nonadmitted market. This is accomplished by providing these exceptions in the rate law which has to date acted as an impediment to that kind of competition.

Sec 25. Page 32, lines 8-13.
This section ties in with the previous two sections. It specifies those conditions under which an admitted insurer can work outside of its filings made with the director. This provides the ability to directly compete with the surplus lines market. This is in the public interest since most admitted market coverages are protected by the guaranty association act.

Sec 26. Page 32, lines 14-15.
This section repeals those sections in AS 21.33 which are no longer needed or have been replaced in the new chapter in section 21.

ALASKA SURPLUS LINES BROKERS ASSN.

3605 Arctic Blvd. #1795

Anchorage, Ak. 99503

Representative John Cowdery
House Committee on Labor & Commerce
Juneau, Ak.

Dear Rep. Cowdery

RE: Senate Bill 470, Hearing May 22, 1984

As president of the Alaska Surplus Lines Brokers Association I wish to draw your attention to particular item of concern to our membership. Firstly, our association does basically support SB 470. We testified to that fact before Senator Mulcahay's Committee in March of this year.

However, Section 21.34.120 (b)(4), lines 9 through 18 are of concern and might seriously affect the public's ability to procure surplus lines insurance coverages (e.g. specialty and Lloyds London policies) unless adequately addressed by the Dept. of Insurance. This section increases a broker's bond liability to $200,000. We have no particular objection to this, however line16 makes a provision that the surety bond be available (inaddition to other items) "to pay proper losses promptly ". We have canvassed several corporate sureties, all of which are not interested in writing the bond until a proper definition of "promptly" is made by the Division of Insurance.

We feel this terminology is vague and that it would severly impact our particular line of insurance business. Many of the smaller agencies would not be able to procure the bond with the present text unqualified. Please delay your decision to pass out the legislation until proper definitions are made.

Sincerely,

Henry F. George
President
Alaska Surplus Lines Brokers Assn.
TEL: (907) 562-2266

SB
481

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 998[illegible]
907-465-3800

MEMORANDUM

March 8, 1984

SUBJECT: Sectional analysis of SB 481

TO: Senator Jalmar Kerttula
President of the Senate

FROM: Edward H. Hein
Legislative Counsel

Section 1 allows a nonprofit cemetery to incorporate under AS 10.20 as an alternative to forming as a cemetery association.

Section 2 adds clean-up provisions necessitated by section 1.

Section 3 expands to which a cemetery's endowment fund may be put to include improvement of the grounds, buildings, and lots, and the repayment of debts.

Section 4 adds clean-up provisions necessitated by section 1.

Section 5 expands a nonprofit cemetery's authority borrow money to construct and repair buildings and mausoleums, to purchase or lease equipment, and other purposes. Such debts may be secured by mortgages on the cemetery's land, except those burial lots in which association members or corporate officers, trustees, or employees have more than a one-half interest.

Sections 6 - 11 add clean-up language necessitated by section 1.

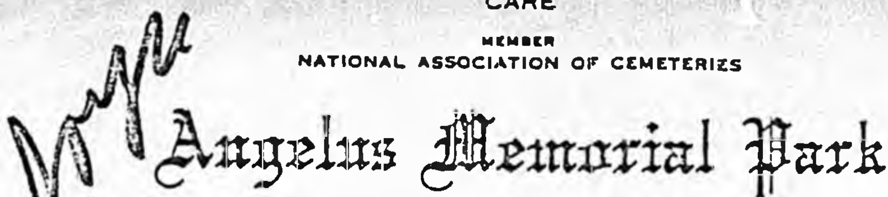
Section 12 adds a definition of the term "cemetery lot" for purposes of AS 10.30.

Section 13 adds a definition of the term "cemetery lot" for purposes of the consumer protection statutes in AS 45.50.

EHH:ojb
J4/054

EVERLASTING CARE ENDOWED

MEMBER
NATIONAL ASSOCIATION OF CEMETERIES



ALASKA'S FIRST MEMORIAL PARK CEMETERY

PHONE 344-1311
OFFICE HOURS:
10 A.M. TO 3 P.M.

CEMETERY
AND
OFFICE
ON KLATT ROAD

January 23, 1984

Senator, Jalmar M. Kerttula
Alaska State Legislature
Juneau, Alaska

Dear Mr. Kerttula:

The Board of Trustees of Angelus Memorial Park Association approved a motion to present to the Legislature, amendments to the Alaska Cemetery Statutes, pertaining to non-profit cemetery associations. A committee was appointed consisting of Mr. Alvah C. Buswell, Jr. and Mr. Robert F. Shary, who are board members and Mr. Sidney Abbott, park manager, to work on the proposed amendments of the present statutes.

The present Alaska non-profit cemetery statutes were patterned after the Oregon Statutes many years ago before Statehood and are badly out dated. The State of Oregon has since amended their Statutes, twice, and now Alaska needs to do the same, so that a non-profit cemetery can better serve the community. To our knowledge Angelus is the only non-profit cemetery in the state.

Enclosed are copies of Oregon Statutes that have been amended and a copy of our proposed revisions to the Alaska State Cemetery Statutes.

The association realy needs these changes in order to grow, as it is now, we can not serve the community as a modern cemetery, because of the way the laws are written. The public wants all the services a cemetery is suppose to supply, such as, a columbarium for inurnment of cremated remains, mausoleum, niches and storage vault. Also we can not even build a much needed administration building. We now have to rent a very inadequate building for an office. The association has never had a maintenance building. The present laws prevent our growth.

The reason we included association and or corporation in our amendments is that Angelus intends to incorporate in order to help lessen the personal individual liability of the board members. Angelus board members are non-paid.

Sincerely,
Mr. Harry L. Wimmer
Vice-President, Board of Trustees

ANGELUS MEMORIAL PARK ASSOCIATION

Enclosures
This material has also been sent to Representatives Joe Hayes and Randy Phillips.

A NON-PROFIT ASSOCIATION

ALASKA STATUTES

CHAPTER 30. Cemetery Associations

Sec. 10.30.070. Creation of irreducible fund. The association may by its bylaws provide that a stated percentage of the money realized from the sale of lots and donations (AND OTHER SOURCES OF REVENUE) constitutes an irreducible fund, which may be invested in the manner or loaned upon the securities the association or the trustees consider proper. The interest or income from the irreducible fund provided for in any bylaw or as much as may be necessary shall be devoted exclusively to the preservation and embellishment of the (CEMETERY) grounds, buildings and property of the association and or corporation and the lots and space in buildings or grounds sold to the members of the association and or corporation, or to the payment of the interest or principal of the debts authorized by the association for the purchase of land, equipment, erecting buildings and improvements. Where a bylaw has been enacted for the creation of an irreducible fund, (IT) the set amount or percentage stated in the bylaw, may not be amended except for the purpose of increasing the fund. (36-5-5 ACLA 19[illegible]

I was told to put in caps and brackets words to be deleted and underline the new wording.

office

ALASKA STATUTES

CHAPTER 30. Cemetery Associations

Sec. 10.30.090. Debts of association and or corporation. A cemetery association and or corporation may (NOT) contract debts in anticipation of future receipts, (EXCEPT) for the (ORIGINAL) purchase of cemetery land and or for other cemetery purposes, the laying out and embellishment of the grounds and avenues of the cemetery, repairing their buildings, erection of new buildings, mausoleums, columbariums, and purchasing necessary equipment, for which debts the association may issue bonds or notes. The association may secure these debts by mortgage upon its lands, except lots which have been conveyed to the members of the Association, or by security interest in no more than 50% of the irreduci fund. (36-5-5 ACLA 1949).

ALASKA STATUTES

CHAPTER 30. Cemetery Associations.

Sec. 10.30.125 Definition of "Cemetery Lot", one or more than one adjoining, lot, plot, space, grave, nich, mausoleum crypt, vault, and columbarium, for the interment of human remains.

61.728 Procedure for revoking certificate of authority. ORS 57.735, relating to revocation of certificate of authority, is applicable to nonprofit corporations. [1963 c.492 §36 (enacted in lieu of 61.735)]

61.740 [Renumbered 61.984]

61.741 Application to corporation authorized to transact business in this state on December 31, 1959. Foreign corporations which are duly authorized to transact business in this state on December 31, 1959, for a purpose or purposes for which a corporation might secure such authority under ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950, shall, subject to the limitations set forth in their respective certificates of authority, be entitled to all the rights and privileges applicable to foreign corporations procuring certificates of authority to transact business in this state under ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950, and from December 31, 1959, such corporations shall be subject to all the limitations, restrictions, liabilities and duties prescribed herein for foreign corporations procuring certificates of authority to transact business in this state under ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950. [1959 c.580 §80]

61.745 Transacting business without certificate of authority. (1) No foreign corporation transacting business in this state without a certificate of authority shall be permitted to maintain any action, suit or proceeding in any court of this state, until such corporation shall have obtained a certificate of authority. No action, suit or proceeding shall be maintained in any court of this state by any successor or assignee of such corporation on any right, claim or demand arising out of the transaction of business by such corporation in this state, until a certificate of authority shall have been obtained by such corporation or by a corporation which has acquired all or substantially all its assets.

(2) The failure of a foreign corporation to obtain a certificate of authority to transact business in this state shall not impair the validity of any contract or act of such corporation, and shall not prevent such corporation from defending any action, suit or proceeding in any court of this state. [1959 c.580 §81]

CEMETERIES AND CREMATORIES

61.755 Lands of cemetery or crematory corporation; exemption from execution, taxation and condemnation. A nonprofit corporation organized and existing solely for the purposes of either owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains, may purchase or take, by gift or devise, and own and hold lands for the sole purpose of either a cemetery or a crematory and burial place for incinerate remains. Such lands shall be exempt from execution and taxation, and from any appropriation for public purposes, and lots or portions of such land and space in any buildings thereon may be sold, if intended to be used exclusively for burial purposes, and in no wise with a view to the profit of the members of such corporation. The land so held for cemetery purposes shall not exceed 600 acres, but if the land already held for such purpose by the corporation is all practically used, the amount thereof may be increased by adding thereto not more than 20 acres at any one time. The land so held for the purposes of a crematory and the burial of incinerate remains shall not exceed 30 acres, but if the land already held for such purposes by the corporation is all practically used, the amount thereof may be increased by adding thereto not more than 10 acres at any one time. [1959 c.580 §95]

61.760 Revenues; restrictions on uses thereof. (1) A nonprofit corporation organized or existing solely for the purposes of either owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains may, by its bylaws, provide that a stated percentage of the moneys received from the sale of lots and burial space, cremation of bodies, donations, gifts or other sources of revenue shall constitute an irreducible fund. Any bylaw enacted for the creation of the irreducible fund cannot be amended to reduce the fund.

(2) The board of directors may direct the investment of the money in the irreducible fund, but all investments of money deposited in the fund on or after January 1, 1972, shall be in securities in classes and amounts approved by the State Treasurer and published in a list pursuant to ORS 97.820. If a bank or trust company qualified to engage in the trust business is directed by the board of directors to invest the money in the irreducible fund,

Oregon

SPECIAL PROVISIONS RELATING TO ORS 97.010 TO 97.040, 97.110 TO 97.450, 97.510 TO 97.730, 97.810 TO 97.920 and 97.990

97.010 Definitions for ORS 97.010 to 97.040, 97.110 to 97.450, 97.510 to 97.730, 97.810 to 97.920 and 97.990. As used in ORS 97.010 to 97.040, 97.110 to 97.450, 97.510 to 97.730, 97.810 to 97.920 and 97.990:

(1) "Human remains" or "remains" means the body of a deceased person in any stage of decomposition or after cremation.

(2) "Cemetery" means any place dedicated to and used, or intended to be used, for the permanent interment of human remains.

(3) "Burial park" means a tract of land for the burial of human remains in the ground used, or intended to be used, and dedicated for cemetery purposes.

(4) "Mausoleum" means a structure for the entombment of human remains in crypts or vaults in a place used, or intended to be used, and dedicated for cemetery purposes.

(5) "Crematory" means a structure containing a retort for the reduction of bodies of deceased persons to cremated remains.

(6) "Columbarium" means a structure or room containing niches for permanent inurnment of cremated remains in a place used, or intended to be used, and dedicated for cemetery purposes.

(7) "Interment" means the disposition of human remains by cremation, inurnment, entombment or burial.

(8) "Cremation" means the reduction of a body of a deceased person to cremated remains in a crematory.

(9) "Inurnment" means placing cremated remains in an urn and depositing it in a niche.

(10) "Entombment" means the placement of human remains in a crypt or vault.

(11) "Burial" means the placement of human remains in a grave.

(12) "Grave" means a space of ground in a burial park used, or intended to be used, for burial of the remains of one person.

(13) "Crypt" or "vault" means a space in a mausoleum of sufficient size used, or intended to be used, to entomb uncremated human remains.

(14) "Niche" is a recess in a columbarium used, or intended to be used, for the interment of the cremated remains of one or more persons.

(15) "Cemetery authority" includes cemetery corporation, association, corporation sole or other person or persons owning or controlling cemetery lands or property.

(16) "Cemetery association" means any corporation or association authorized by its articles to conduct any or all the businesses of a cemetery, but does not include a corporation sole or a charitable, eleemosynary association or corporation.

(17) "Cemetery business," "cemetery businesses" and "cemetery purposes" are used interchangeably and mean any business and purpose requisite or incident to, or necessary for establishing, maintaining, operating, improving or conducting a cemetery, interring human remains, and the care, preservation and embellishment of cemetery property.

(18) "Directors" or "governing body" means the board of directors, board of trustees, or other governing body of a cemetery association.

(19) "Lot," "plot" or "burial space" means space in a cemetery owned by one or more individuals, an association or fraternal or other organization and used, or intended to be used, for the permanent interment therein of the remains of one or more deceased persons. Such terms include and apply with like effect to one, or more than one, adjoining grave, crypt, vault or niche.

(20) The term "plot owner" or "owner" means any person in whose name a burial plot stands as owner of the right of sepulture therein in the office of the cemetery authority, or who holds from such cemetery authority a conveyance of the right of sepulture or a certificate of ownership of the right of sepulture in a particular lot, plot or space.

(21) "Endowment care" means the general care and maintenance of developed portions of a cemetery and memorials erected thereon financed from the income of a trust fund established and maintained pursuant to the provisions of ORS 97.810 to 97.860. Endowment care cemeteries owned by a city or a county may supplement their gen[illegible] care and maintenance trust funds from general revenues.

(22) "[illegible]ecial care" is any care in excess of endowed care in accordance with the specific directions of any donor of funds for such purposes. [Amended by 1955 c.545 §1; 1965 c.396 §1]

the bank or trust company shall be governed by the provisions of ORS 128.057 and shall not be required to invest the money according to the list approved by the State Treasurer. An officer of the corporation shall file with the Secretary of State on or before April 15 of each year a verified statement in duplicate containing the same information pertaining to the irreducible fund as provided in ORS 97.810 (2) regarding endowment care funds. The Secretary of State may require the corporation to file, as often as he considers it to be necessary, a detailed report of the conditions and assets of the irreducible fund.

(3) The interest or income arising from the irreducible fund provided for in this section or by any bylaws, or so much thereof as is necessary, shall be devoted exclusively to the preservation and embellishment of the grounds, buildings and property of the corporation and the lots and space in buildings or grounds sold to the members of the corporation, or to the payment of the interest or principal of the debts authorized by subsection (5) of this section for the purchase of land, erecting buildings, and improvements. Any surplus thereof not needed or used for such purposes shall be invested as provided in this section and shall become part of the irreducible fund.

(4) After paying for the land and the erection of the original buildings and improvements thereon, all the future receipts and income of the corporation subject to the provisions in this section relating to the creation of an irreducible fund, whether from the sale of lots and burial space, cremation of bodies, donations, gifts and other sources, shall be applied exclusively to laying out, preserving, protecting, embellishing and beautifying the cemetery or the crematory and grounds thereof, and the avenues leading thereto, and to the erection of such buildings and improvements as may be necessary or convenient for cemetery or crematory purposes, and to pay the necessary expenses of the corporation.

(5) No debts shall be contracted by such corporation in anticipation of any future receipts, except for originally purchasing the lands authorized to be purchased by it, laying out and embellishing the grounds and avenues, erecting buildings and vaults on such land, and improving them for the purposes of the corporation. The corporation may issue bonds or notes for debts so contracted and may secure them by way of mortgage upon any of its lands, buildings, property and improvements excepting lots or space conveyed to the members. [1959 c.580 §96; 1971 c.225 §1]

61.765 Selling land unsuited for burials. If in the board of directors' opinion, any portion of the lands of a nonprofit corporation organized and existing solely for the purposes of either owning or operating a cemetery or the cremation of dead bodies and the burial and care of incinerate remains is unsuitable for burial purposes or other purposes of the corporation, the board of directors may sell such portion and apply the proceeds to the general purposes of such corporation in the same proportion and manner as provided by ORS 61.005 to 61.125, 61.131 to 61.370, 61.375 to 61.481 and 61.505 to 61.950. [1959 c.580 §97]

61.770 Burial lots or space; use, exemption from taxation, execution and liens; lien for purchase price of gravestone. Burial lots or space for burial of incinerate remains in buildings or grounds sold by a nonprofit corporation organized and existing solely for the purposes of either owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains shall be for the sole purpose of interment or deposit and safekeeping of incinerate remains. Such lots or space shall be exempt from taxation, execution, attachment or other lien or process, if used as intended by the purchaser thereof from such corporation, or his assigns or representatives, exclusively for burial purposes, and in no wise with a view to profit. The vendor of any gravestone, however, shall not be prevented from having and enforcing a lien thereon for all or part of its purchase price. If a suit is brought to enforce such a lien, the decree therein is enforceable thereafter; and, for the purpose of enabling the lien to be had and enforced, the gravestone shall be deemed personal property and may be severed and removed, under execution and order of sale, from the lot where it is situated and may be sold in the same manner as any other personal property. [1959 c.580 §98]

61.775 Recording plan; power to improve and regulate grounds. A nonprofit corporation organized and existing solely for the purposes of owning and operating a cemetery or cremating dead bodies and burying and caring for incinerate remains shall cause a plan of its land and grounds and of the lots laid out by it and of the niches or burial space in the buildings erected thereon to be made and recorded in the county in which such grounds and land are located, such lots or

Calif

HEALTH AND SAFETY CODE

DIVISION 7. DEAD BODIES

PART 1. GENERAL PROVISIONS

CHAPTER 1. DEFINITIONS

7000. The definitions in this chapter apply to this division and to)ivisions 8 and 9 of this code.

7001. "Human remains" or "remains" means the body of a deceased erson, and includes the body in any stage of decomposition and cremated :mains.

7002. "Cremated remains" means human remains after incineration nd necessary processing under Section 7054.1 in a crematory.

7003. "Cemetery" means any one, or a combination of more than one, f the following, in a place used, or intended to be used, and dedicated,)r cemetery purposes:

(a) A burial park, for earth interments.

(b) A mausoleum, for crypt or vault interments.

(c) A crematory, or a crematory and columbarium, for cinerary iterments.

7004. "Burial park" means a tract of land for the burial of human :mains in the ground, used or intended to be used, and dedicated, for :metery purposes.

7005. Except in Part 5 of Division 8 of this code, "mausoleum" means structure or building for the entombment of human remains in crypts r vaults in a place used, or intended to be used, and dedicated, for :metery purposes.

7006. "Crematory" means a building or structure containing one or iore furnaces for the reduction of bodies of deceased persons to cremated :mains.

7007. Except in Part 5 of Division 8 of this code, "columbarium" means structure, room, or other space in a building or structure containing :ches for inurnment of cremated human remains in a place used, or tended to be used, and dedicated, for cemetery purposes.

7008. "Crematory and columbarium" means a building or structure ontaining both a crematory and columbarium.

7009. "Interment" means the disposition of human remains by urnment, entombment, or burial in a cemetery or, in the case of emated remains, by inurnment, entombment, burial, or burial at sea as ovided in Section 7117.

7010. "Cremation" means the reduction of the body of a deceased erson to cremated remains in a crematory and the placement of the emated remains in a grave, vault or niche or burial at sea as provided Section 7117 of this code.

7011. "Inurnment" means placing cremated remains in an urn and acing it in a niche.

7012. "Entombment" means the placement of human remains in a ypt or vault.

7013. "Burial" means the placement of human remains in a grave.

7014. "Grave" means a space of ground in a burial park, used, or itended to be used, for burial.

7015. "Crypt" or "vault" means a space in a mausoleum of sufficient ze, used or intended to be used, to entomb uncremated human remains.

7016. "Niche" means a space in a columbarium used, or intended to be used, for inurnment of cremated human remains.

7017. "Temporary receiving vault" means a vault used or intended to be used for the temporary placement of human remains.

7018. "Cemetery authority" includes cemetery association, corporation sole, or other person owning or controlling cemetery lands or property.

7019. "Cemetery corporation," "cemetery association," or "cemetery corporation or association" mean any corporation now or hereafter organized which is or may be authorized by its articles to conduct any one or more or all of the businesses of a cemetery, but do not mean or include a corporation sole.

7020. "Cemetery business," "cemetery businesses," and "cemetery purposes" are used interchangeably and mean any and all business and purposes requisite to, necessary for, or incident to, establishing, maintaining, operating, improving, or conducting a cemetery, interring human remains, and the care, preservation, and embellishment of cemetery property, including, but not limited to, any activity or business designed for the benefit, service, convenience, education, or spiritual uplift of property owners or persons visiting the cemetery.

7021. "Directors" or "governing body" means the board of directors, board of trustees, or other governing body of a cemetery association.

7022. "Lot," "plot," or "interment plot" means space in a cemetery, used or intended to be used for the interment of human remains. Such terms include and apply to one or more than one adjoining graves, one or more than one adjoining crypts or vaults, or one or more than one adjoining niches.

7023. "Plot owner," "owner," or "lot proprietor" means any person in whose name an interment plot stands of record as owner, in the office of a cemetery authority.

7024. "Permit for Disposition of Human Remains" includes "burial permit" and is a permit, issued pursuant to law, for the interment, disinterment, removal, reinterment or transportation of human remains.

DIVISION 8. CEMETERIES

PART 1. GENERAL PROVISIONS

CHAPTER 1. CEMETERY DEFINED

8100. Six or more human bodies being buried at one place constitute the place a cemetery.

CHAPTER 2. VANDALISM

8101. (a) Every person is guilty of a misdemeanor and punishable by a fine of not less than two hundred fifty dollars ($250) nor more than one thousand dollars ($1,000), or by imprisonment in the county jail for not exceeding one year, or by both, who maliciously does any of the following:

(1) Destroys, cuts, mutilates, effaces, or otherwise injures, tears down, or removes any tomb, monument, memorial, or marker in a cemetery, or any gate, door, fence, wall, post or railing, or any inclosure for the protection of a cemetery or any property in a cemetery.

(2) Obliterates any grave, vault, niche, or crypt.

(3) Destroys, cuts, breaks or injures any building, statuary, ornamentation, tree, shrub, or plant within the limits of a cemetery.

Alaska State Legislature

Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

May 19, 1984

To: Rep. John Cowdery
Chairman/ Labor and Commerce

From: Rep. Joe Hayes
Speaker

Re: HB 481

HB 481 relating to cemetery associations is being referred to your committee today. This bill is almost identical to the House Labor and Commerce version of HB 569 which you passed earlier this session.

I would appreciate your quick action on SB 481.

Thanks.

MAY 22, 1984

TO: JOHN

FROM: KEN

RE: SB 481 RELATING TO CEMETARY ASSOCIATIONS

SB 481 IS DESIGNED TO UPGRADE STATUTES WHICH COVER CEMETARY ASSOCIATIONS, NON-PROFIT CEMETARY CORPORATIONS AND CEMETARY LOTS. THIS BILL IS ALMOST IDENTICAL TO HB 569 WHICH THIS COMMITTEE PASSED EARLIER THIS SESSION. HB 569 HAS ALSO BEEN PASSED ON THE FLOOR. IT IS MY UNDERSTANDING THAT THE STATUTES GOVERNING CEMETARY OPERATIONS HAVE NOT BEEN REVISED SINCE THEY WERE ORIGINALLY ADOPTED IN 1949 DURING TERRITORIAL DAYS. THE BILL WOULD GIVE THOSE OPERATING IN THE INDUSTRY MORE FLEXIBILITY IN DEALING WITH CONSUMERS IN TODAYS MARKET.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: February 14, 1984

REQUEST
Bill/Resolution No.: SB 481
Title: An Act relating to Cemetery Associations
Sponsor: Senator Kerttula
Requestor:
Date of Request:

FISCAL DETAIL
Agency Affected: Commerce and Economic Dev.
Program Category Affected: Consumer Protection
BRU, Program or Subprogram(s) Affected: Banking, Securities and Corporations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Willis F Kirkpatrick

Prepared By: Willis F. Kirkpatrick, Director
Phone: 465-2521
Division: Banking, Securities and Corporations
Date: 2/14/84

Approved by Commissioner: Richard A. Lyon
Date: 2/21/84
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE

12/1/83

SB

517

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST
Bill/Resolution No.: SB 517
Title: "An Act relating to Workers' Compensation; and providing . . ."
Sponsor: Labor and Commerce
Requestor: Senate HESS
Date of Request: 04/03/84

FISCAL DETAIL
Agency Affected: Labor
Program Category Affected: Public Protection
BRU, Program or Subprogram(s) Affected: Workers' Compensation

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

ANALYSIS: Attach a separate page for analysis

Prepared By: Jacquelyn McClintock Phone: 465-2790
Division: Workers' Compensation Date: 04/03/84

Approved by Commissioner: Jim Robison Date: 04/03/84
Agency: Department of Labor

LEG:A:42
Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

MAY 15, 1984

TO: JOHN

FROM: KEN

RE: SB 517 RELATING TO WORKERS COMPENSATION

SB 517 IS DESIGNed TO ~~[illegible]~~ SOLVE THE PROBLEMS OF INCONSISTENCY OF TIME PERIODS WHICH NOW EXIST IN THE WORKERS COMPENSATION ACT. THE END DESIRED RESULT WOULD BE LESS CONTROVERTED WORKER COMPENSATION CLAIMS.

A DETAILED SECTIONAL ANALYSIS HAS BEEN PROVIDED AND I WOULD NOW ASK THE DEPARTMENT OF LABOR TO COME FORWARD AND GO THROUGH THE BILL WITH THIE COMMITTEE.

Section-By-Section Analysis

HCS CSSB 517 (L&C)

Section 1. This section requires the physician rendering treatment to file a medical report within 14 days following treatment instead of 20 days.

Section 2. This section extends the maximum time period for an employer to notify the board and employee that the payment of compensation has begun or has been increased, decreased, suspended, terminated, resumed, or changed in type, from 14 days to 28 days.

Section 3. This section extends the maximum time period for an employer to file a controversion from 14 days to 21 days from date of knowledge of the alleged injury or death, or, if payments have begun, within 7 days after an installment or compensation payable without an award is due.

Section 4. This section shortens the maximum time period for an employer to pay compensation to an injured worker from 28 days to 21 days.

Section 5. Provides for an effective date of July 1, 1984.

ANALYSIS

The proposed legislation rectifies many of the incompatible and inconsistent time periods presently existing in the Workers' Compensation Act. The bill changes the maximum time periods to file physician's notice of treatment, file notice of controversion, pay compensation benefits to injured workers and to notify the board and employee on the payment status of workers' compensation benefits.

Currently, the employer has a maximum time period of 28 days to pay compensation, but only 14 days to controvert a claim. A further conflict in making a determination to either pay or deny is the time period of 20 days for the physician to file notice of treatment verifying that the injury is work connected and that the worker is unable to work. This leaves little or no time for the employer/insurers to make an informed decision to accept or deny the claim. As a result, many employer/insurers controvert claims which unnecessarily delays payment of compensation for a longer period than the additional 7 days proposed under this legislation to investigate the claim.

This legislation will require the physician to file the medical report within 14 days instead of 20. The time period to file a controversion will be extended to 21 days instead of 14 days and the maximum time to pay compensation will be shortened from 28 to 21 days. In other words, the physician must file the medical report within 14 days and the insurer must either pay or controvert the claim within 21 days.

The proposed amendment allows an additional 14-day grace period for the employer/insurer to notify the board and employee on the payment status of workers' compensation benefits by extending the maximum time period from 14 days to 28 days to file compensation reports.

C:10

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST

Bill/Resolution No.: HCS for CS SB 517(L&C)

Title: "An Act relating to Workers' Compensation; and providing. . ."

Sponsor: Labor and Commerce

Requestor: House Labor & Commerce

Date of Request: 5/10/84

FISCAL DETAIL

Agency Affected: Labor

Program Category Affected: Public Protection

BRU, Program or Subprogram(s) Affected: Workers' Compensation

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

N/A

ANALYSIS: Attach a separate page for analysis

Prepared By: Jacquelyn McClintock Phone: 465-2790

Division: Workers' Compensation Date: 5/10/84

Approved by Commissioner: for Jim Robison Date: 5/10/84

Agency: Department of Labor

LEG:A:45

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

SB
525

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST
Bill/Resolution No.: CSSB 525 (FIN)
Title: "An Act relating to Unemployment Insurance"
Sponsor: Senate Labor/Commerce
Requestor: Senate Finance
Date of Request: April 25, 1984

FISCAL DETAIL
Agency Affected: All
Program Category Affected: All
BRU, Program or Subprogram(s) Affected: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES		169.1	463.3	518.6	522.4	526.6
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		169.1	463.3	518.6	522.4	526.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND		126.8	347.5	389.0	391.8	395.0
FEDERAL FUNDS		11.8	32.4	36.3	36.6	36.9
OTHER		30.5	83.4	93.3	94.0	94.7
TOTAL		169.1	463.3	518.6	522.4	526.6

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Service benefits would increase for all agencies based on the projected increase in unemployment insurance paid to ex-state employees and seasonal employees.

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
Division: Employment Security Division Date: 4/25/84

Approved by Commissioner: Jim Robison Date: 4/25/84
Agency: Labor

LEG:A:4
Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST
Bill/Resolution No.: CSSB 525
Title: "An Act relating to Unemployment Insurance"
Sponsor: Senate Labor/Commerce
Requestor: Senate Finance
Date of Request: April 25, 1984

FISCAL DETAIL
Agency Affected: Labor
Program Category Affected: Social Services
BRU, Program or Subprogram(s) Affected: Employment Security, Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	5.0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS		5.0				
OTHER						
TOTAL	0	5.0	0	0	0	0

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:
Federal funds will be requested to fund reprogramming of automated programs. [125 hours x $40 per hour.]

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
Division: Employment Security Division Date:

Approved by Commissioner: Jim Robison Date: 4/25/84
Agency: Labor
LFG:A:5
Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget

LABOR

Page 2 Fiscal Note CSSB 525 (Fin)
Department of Labor

The following assumptions were made in preparing the forecasted costs:

1. State employment will continue to increase through FY 1986. Thereafter, state employment will level off with consolidation of administrative jobs and belt tightening being offset by jobs based on increased population.

2. There is no wage increase for calendar year 1984. The wages through FY 1986 reflect the recent agreement with APEA. A 5 percent yearly increase continues throughout the remainder of the forecast period.

3. As provided in this bill, the maximum weekly benefit amount paid for unemployent insurance claims will increase from $156 to $188, effective October 1, 1984.

As a result, the State of Alaska would be required to pay more in its personal service benefit costs for unemployment insurance. The total amount of the increased costs (which would affed all Departments in the State) is projected from past experience and a computerized modeling technique. The estimated increase in the average payment using this method is 12.7%. This increase would not uccur immediately in FY '85, because claimants are paid for an entire year at the rates in effect when they first claim benefits. The total effect of the increase would not be felt unitl FY '87.

Alaska Dept. of Labor
RECEIVED
MAR 2 9 1984
Employment Security Division
JUNEAU
EXECUTIVE

U.S. Department of Labor

Employment and Training Administration
909 First Avenue
Seattle, Washington 98

Reply to the Attention of: 10TGU IIM 7-1

TO:	ACTION	INFO	INITIALS
DIR.		✓	
ES			
		✓	
MSU		✓	
		✓	
	✓		

REMARKS:

March 26, 1984

MEMORANDUM FOR: DESIGNATED EMPLOYMENT SECURITY AGENCY

Alaska - John W. Shay
Idaho - Scott B. McDonald
Oregon - Raymond P. Thorne
Washington - Norward J. Brooks

SUBJECT: Revision of Between Terms Denial Provisions Required by P.L. 98-21

This is a follow-up to earlier discussions and correspondence with individual States in this region regarding the provisions of P.L. 98-21. The national office has completed its analysis of current State law provisions and its determination of what States need to do to bring their laws into conformity with P.L. 98-21. They are also requesting our assistance in confirming information pertaining to the grace period allowed by Section 521 (b)(2) of P.L. 98-21.

Section 521(a)(2) of P.L. 98-21 amended Section 3304(a)(6)(A) of FUTA to provide as follows:

> "Clauses (ii)(I), (iii), and (iv) of such sections are each amended by striking out "may be denied" and inserting in lieu thereof "shall be denied".

This amendment means that the States no longer have the option of applying these clauses, but instead must do so as a condition for certification of the State law. Accordingly, for consistency with these new requirements in amended Section 3304(a)(6)(A), all States must:

- o Deny benefits based on nonprofessional services performed by employees of educational institutions between terms under clause (ii) (and also provide for retroactive payment for these employees as specified);
- o Deny benefits on any services performed by employees of educational institutions during vacation or holiday periods under clause (iii);
- o Deny benefits based on any services performed by employees of educational service agencies who perform such services in an

educational institution both between terms and during vacation or holiday periods under clause (iv).

In addition, Section 521(a)(1) of P.L. 98-21 amended Section 3304(a)(6)(A), FUTA, by adding new clause (v) as follows:

"(v) with respect to services to which Section 3309(a)(1) applies, if such services are provided to or on behalf of an educational institution, compensation may be denied under the same circumstances as described in clauses (i) thru (iv), and..."

New clause (v) is not mandatory but rather gives States the option to apply the denials in clauses (i) through (iv) to employees of nonprofit organizations or government entities who provide services to or on behalf of educational institutions. However, if adopted by a State clause (v) must be accepted in toto and must be applied equally to both professional and nonprofessional services.

The changes made by Section 521(a)(1) and (2) of P.L. 98-21 will become effective for compensable weeks beginning on or after April 1, 1984. However, there may be an exception to the April 1, 1984, effective date. Certain States, depending on when their legislatures are in session may be allowed additional time after April 1, 1984, to amend their State laws. Specifically, Section 521(b)(2) of P.L. 98-21 provides that:

"In the case of a State with respect to which the Secretary of Labor has determined that State legislation is required in order to comply with the amendment made by this section, the amendment made by this section shall apply in the case of compensation paid for weeks which begin on or after April 1, 1984, and after the end of the first session of the State legislature which begins after the date of the enactment of this Act, or which began prior to the date of the enactment of this Act and remained in session for at least twenty five calendar days after such date of enactment. For purposes of the preceding sentence, the term 'session' means a regular, special, budget, or other session of a State legislature."

This means that States have until the end of the first legislative session which begins after April 20, 1983, (the date of enactment of P.L. 98-21), or April 1, 1984, whichever is later, to amend their law. If the State legislature was in session on April 20, 1983, and remained in session for at least 25 calendar days, the State has until the end of that session or April 1, 1984, whichever is later. The term session is defined in P.L. 98-21 as a regular, special, budget or other session of the legislature. It is irrelevant whether the legislature actually meets or whether it is in recess. It is only required that the

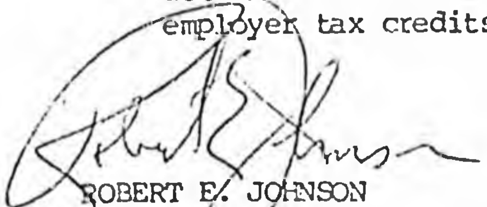
legislature be in session.

We request that you:

(1) Review the attached summary and verify the accuracy of the legislative session dates.

(2) If corrective legislation is not being sought, summarize how the State intends to remedy the issues described in the summary.

(3) Provide the information requested above, in writing, within 14 days of receipt of this letter. This information is needed in order for the Secretary of Labor to make the grace period determination and for certification required by the Secretary for employer tax credits and State administrative grants.



ROBERT E. JOHNSON
Associate Regional Administrator
for Unemployment Insurance

Enclosure

ALASKA

Status of Between/Within Terms Denial Provisions Required by P.L. 98-21

Section 521(a)(2) of P.L. 98-21 amended Section 3304(a)(6)(A) of the Federal Unemployment Tax Act to make clauses (ii) through (iv) mandatory rather than optional. Following is the status of the implementation of those clauses in Alaska's employment security law, according to our Commerce Clearing House (CCH) reports.

The Alaska employment security law currently does not implement either of the three clauses that are now mandatory. Consequently, all three clauses must be enacted by April 1, 1984, since Alaska does not have a grace period which extends beyond the April 1, 1984 effective date.

Alaska has no grace period because its legislature convened on January 17, 1983 and adjourned June 27, 1983, more than 25 days after April 20, 1983, the date P.L. 98-21 was enacted.

MEMORANDUM State of Alaska

TO: Ken Johnson
Administrative Assistant
Representative Cowdery's Office

DATE: May 10, 1984

FILE NO:

TELEPHONE NO: 465-2700

FROM: Eileen Plate
Special Assistant
to the Commissioner
Department of Labor

SUBJECT: CS for SB 525

This will confirm our telephone conversation and your request for additional information.

1. The UI Trust Fund currently has a balance of $148 million.

2. Sections 10 and 13 of the UI bill, CS for SB 525, are conformity items with the Federal Unemployment Tax Act (FUTA). The additional cost to Alaska for not remaining in conformity with FUTA is the loss of $21 million in Administrative funds to the State for operation of the Unemployment Insurance (UI) and Job Service programs; $86.4 million in increased FUTA taxes to all employers in the state; and loss of $4.8 million in benefit payments for their Extended Benefits program. The total cost would be $112.2 million.

   Attached is a copy of a letter from the U.S. Department of Labor regarding the conformity requirements of Section 10.

3. Sections 2 and 3, which are not strictly conformity items, would cost the employers in this state an additional $2 million annually if not passed. Attached is a paper that was prepared on this subject in cooperation with the House Research Agency. On page 4 of the paper, the affect on employers is detailed. On page 7 the options are listed--we elected to propose the option that would have the least affect on Alaskan employers.

If Sections 2 and 3 had been in effect for 1984, there would have been no impact on employers. This is because of the requirement that employers with the same payroll decline percentage must be placed in the lower rate class rather than splitting the group. In 1983 there would have been 163 employers affected, for a total of $2,800 (or $17 per employer).

If you need any additional information on CS for SB 525, please contact me at 465-2700 or Jack Shay at 465-2712.

Attachments (2)

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

April 26, 1984

MEMORANDUM

TO: Representative Joe Hayes

FROM: David Teal
Legislative Analyst

RE: Provisions for Financing Unemployment Compensation
Research Request 84-101

Among other provisions, SB 525 would increase the maximum amount of unemployment compensation from the current level of $156 per week to a new maximum of $198.[1] According to the Department of Labor, this change in the benefit schedule would cause Alaska employers to contribute an additional $21.5 million to the unemployment insurance system during the next four years.

You asked me to review the provisions for financing Alaska's unemployment insurance system in order to determine the possibility of reducing the fiscal impact on employers of implementing SB 525. The result of that review is a proposal that:

- increases current benefits by $12.1 million per year (i.e., the proposal retains the benefit schedule contained in SB 525);
- decreases employer contributions by $12.5 million per year without shifting the financing burden to some other group; and
- maintains the adequacy of the trust fund.

Details of the proposal are discussed below. A table is included to aid your comparison of the current law, SB 525 and the proposed revisions to SB 525. The table shows values through 1988 because three years are required to absorb the full impact of a change in the benefit schedule. A shorter period would understate the amount of contributions required to finance an increase in benefits.

---

[1] These benefit amounts do not include allowance for dependents. Additional weekly benefits of $24 per dependent can be claimed by those who are eligible.

TABLE 1

Unemployment Insurance Benefits and Contributions
State of Alaska--1985 through 1988
(in millions of dollars)

	Benefits Paid By Alaska		Employer Contributions		Reserve Ratio in 1988*
	Amount	Change from Current Amount	Amount	Change from Current Amount	
Current Law	$342.8	--	$328.7	--	5.2%
HB 525	391.0	$48.2	350.2	$21.5	4.7
Proposal	391.0	48.2	278.5	(50.2)	3.2

*The reserve ratio is defined as the trust fund balance divided by total wages paid in the state. It is often used as a measure of the ability of the trust fund to pay future benefits.

Source: Alaska Department of Labor

* * * * *

The above table shows that the proposed revisions to SB 525 would require employer contributions of $71.7 million less (over a four-year period) than can be expected under the current version of the bill. The reduced contributions would be the result of two possible revisions to the existing mechanism for financing Alaska's unemployment insurance system.

<u>Revision #1.</u> Classify the interest earnings of the trust fund as income to the fund for the purpose of determining contribution rates.

<u>Revision #2.</u> Alter the solvency tax provisions to reduce employers' contributions when the trust fund is determined to be adequate.

Interest earnings of the trust fund are currently excluded from the formula which determines contribution rates. Because the financing system is designed to recover benefit outlays regardless of the size of the trust fund, <u>the trust fund balance will spiral upward at a compound rate of growth unless this deficiency is corrected.</u> Inclusion of

interest earnings in the rate formula would lower contributions required of employers and employees. This deficiency in the financing mechanism can be corrected by the following amendment to AS 23.20.290(e):

> (2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund <u>and the amount of interest earned on the trust fund balance</u> during those computation years;

The second proposed revision to the law modifies AS 23.20.290(f) to give employers tax credits when the trust fund is judged to be adequate. Current law assesses additional contributions when the trust fund is judged to be inadequate but has no provision for tax credits.[2] The figures in Table 1 are based on the following additions to the solvency tax table contained in section 290 (f):[3]

Reserve Rate at least (percent)	but less than (percent)	Fund Solvency Contribution (percent)
3.4		-.4
3.3	3.4	-.3
3.2	3.3	-.2
3.1	3.2	-.1
3.0	3.1	0.0
2.9	3.0	.1

At reserve rates of less than 2.9 percent, the solvency tax table remains as shown in AS 23.20.290(f). (For your convenience, a copy of AS 23.20.290 is attached to this memorandum.) The modifications should cause Alaska's reserve ratio to stabilize at about three percent. The current reserve ratio is about 3.2 percent.

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[2] If the solvency tax table in AS 23.20.290(f) is modified, several references to "solvency contributions" should be changed to refer to "solvency adjustments" in order to eliminate confusion.

[3] Assuming interest were included in the formula for determining contribution rates, the impact of the solvency tax revision would diminish once the reserve ratio falls to three percent. Because the period of analysis is relatively short (four years), the figures in Table 1 make the solvency tax revision more attractive than it would appear if the period of analysis were longer.

As shown in the attached graph, Alaska's 1982 reserve ratio (i.e., balance to wage ratio) was the highest of any state. Alaska's reserve ratio has increased since that time, and Department of Labor projections show that Alaska's reserve ratio will continue to increase under current law and under SB 525.

As you know, the reserve ratio is often used as a measure of the adequacy of a trust fund to pay future benefits. It is difficult to judge the point at which a trust fund is adequate because there is no accepted standard for reserve ratios. However, it is clear that systems which respond quickly to increases in benefit outlays do not need as large a reserve balance as systems that respond more slowly. Many states use experience of 20 years or more to determine contribution rates. These states respond very slowly and therefore require a larger balance to achieve a given level of adequacy. Alaska's system uses only three years of experience, placing it among those states with the quickest reaction to changes in benefit outlays.

In addition, Alaska's financing system differs from those of other states in that a large trust fund balance does not necessarily have a stabilizing effect on contribution rates when benefit outlays increase. Even if the trust fund were as large as the Permanent Fund, contribution rates under the current law would be determined solely by the level of benefits paid. That is, the system is designed so that the trust fund balance can increase to keep pace with economic growth, but can decrease only under unusual circumstances.

* * *

This subject is extremely complex and, given the time available to complete this request, I have not given adequate coverage to all the issues that deserve to be addressed in this memorandum. Some points you may wish to consider in your deliberation of the proposed revisions to SB 525 are listed below.

- The two tax revisions suggested in this memorandum are independent. Either could be implemented separately, with or without a change in the benefit schedule.

- The solvency tax revision would reduce contributions only for employers, while the inclusion of interest would reduce contributions by both employers and employees.

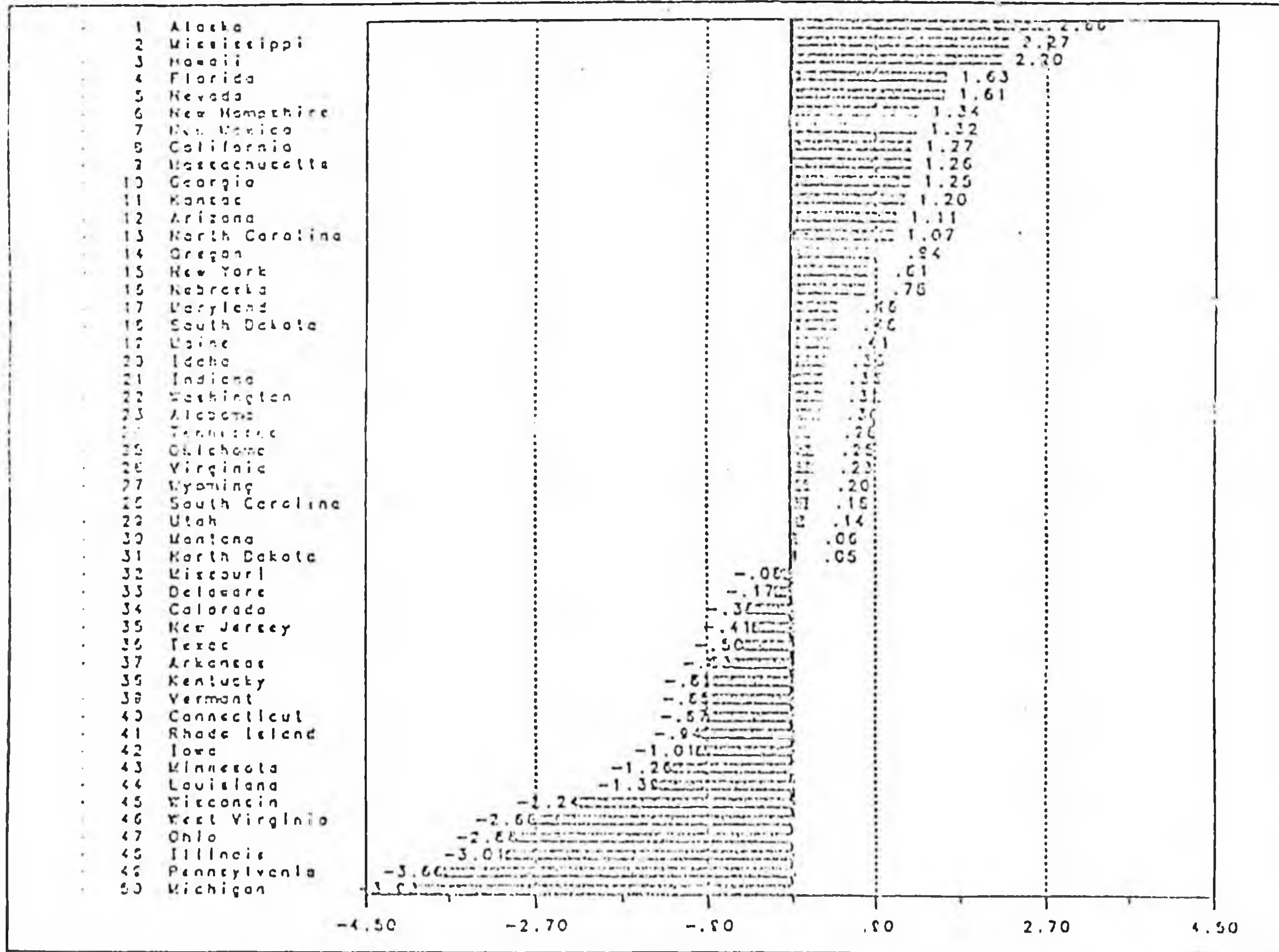
- "Excess" contributions are a drain on Alaska's economy. However, contributions during a period of economic growth may be preferable to contributions made during a period of economic

decline. A delay in implementing the suggested provisions would increase the trust fund balance. A large trust fund balance would generate interest that could be used to reduce contributions if Alaska experiences an economic downturn in the future.

I would be pleased to expand the scope of this memorandum or to discuss the subject at your convenience. Please call the agency if you would like additional information.

DT

Attachments



Source: State of Nevada

(b) This penalty does not attach if within 30 days after mailing or personal delivery of the demand, arrangements for payments are made with the department, and payment is made in accordance with the arrangements.

(c) Penalties collected under this section shall periodically be transferred from the clearing account to the training and building fund. (§ 513 ch 5 ESLA 1955; am § 4 ch 106 SLA 1969; am § 22 ch 9 SLA 1980; am §§ 60, 61 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment corrected an error in the designation of subsection (c). As originally enacted in § 4, ch 106, SLA 1969, subsection (c) was designated as subsection (d).

Article 4. Experience Rating.

Section
290. Rate determination

Sec. 23.20.290. Rate determination. (a) The department shall determine each eligible employer's ratable payroll. The department shall then put all eligible employers in the order of their average quarterly decline quotients beginning with the smallest average decline quotient and shall determine, with respect to each employer, the cumulative ratable payroll during the four consecutive quarters ending with the computation date of the employer together with all employers who precede him on the list.

(b) The department shall segregate the employers into groups in accordance with cumulative ratable payroll. The limits of the groups are those set out in column B of the table in (c) of this section. Each of these groups shall be identified by the rate class number in column A which is opposite the figures in column B which represent the percentage limits of each group. An employer shall be assigned the experience factor in column C which is opposite the rate class in which the greater part of the employer's ratable payroll falls. If one-half of the employer's ratable payrolls falls in one class, and one-half in another, he shall be assigned to the lower numbered rate class. No employer may be assigned to a higher numbered rate class than is assigned to another employer with the same average quarterly decline quotient.

(c) Beginning January 1, 1981, the rate of contributions for each employer is 82 percent of the average benefit cost rate multiplied by the employer's experience factor set out in column C of the table in this subsection opposite his applicable rate class set out in column A plus the fund solvency contribution required under (f) of this section. However, the rate of contributions for an employer may not be less than one percent or more than six and one-half percent. The rate of contributions for an employer must be rounded to the nearest one-hundredth of one percent.

COLUMN A	COLUMN B		COLUMN C
Rate Class	Cumulative Ratable Payroll		Experience Factor
	at least (percent)	but less than (percent)	
1		5	.30
2	5	10	.45
3	10	15	.50
4	15	20	.55
5	20	25	.60
6	25	30	.65
7	30	35	.70
8	35	40	.80
9	40	45	.90
10	45	50	1.00
11	50	55	1.00
12	55	60	1.10
13	60	65	1.20
14	65	70	1.30
15	70	75	1.35
16	75	80	1.40
17	80	85	1.45
18	85	90	1.50
19	90	95	1.55
20	95		1.60

(d) Beginning January 1, 1981, and for each succeeding year thereafter, the rate of contributions payable by each employee of an employer who is subject to AS 23.20.165 is 18 percent of the average benefit cost rate as determined in (e) of this section rounded to the nearest one-tenth of one percent. However, the rate of contributions for an employee may not be less than one-half percent or more than one percent.

(e) The department shall determine the average benefit cost rate as follows:

(1) the department shall determine the amount of benefits paid to insured workers during the last three computation years;

(2) the department shall subtract from the amount determined in (1) of this subsection the amount of any benefits reimbursed to the fund during those computation years;

(3) the department shall divide the amount determined in (2) of this subsection by the total wages paid by all employers required to pay contributions under this chapter during the first three of the last four computation years;

(4) the department shall determine the amount of total wages subject to contributions under this chapter paid during the preceding computation years;

CHANGES IN FEDERAL UNEMPLOYMENT TAX CREDITS UNDER THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

PREPARED BY

THE ALASKA DEPARTMENT OF LABOR
and
THE ALASKA HOUSE OF REPRESENTATIVES RESEARCH AGENCY

August 1983

CHANGES IN FEDERAL UNEMPLOYMENT TAX CREDITS UNDER THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

SUMMARY

Since the mid 1970s, this nation's unemployment insurance system has been plagued with shortages of funds for administrative purposes and for payment of unemployment compensation. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) made changes to the unemployment tax system which provided additional administrative funds and which were intended to bolster the state trust funds used for payment of unemployment benefits. The changes which provide additional administrative funds were implemented in 1983. Alaska strongly supports the 1983 TEFRA changes. However, the State cannot support the changes scheduled for implementation in 1985. In that year, states must adopt a maximum tax rate of at least 5.4 percent or face the prospect of employers in the state losing federal tax credits. The loss of tax credits would cause employers to make additional contributions to the federal unemployment insurance system.

If the intent of the 1985 TEFRA revisions was to encourage increased tax collection efforts by those states which have failed to provide collections necessary to finance unemployment compensation, the legislation clearly fails to fulfill its objective. When TEFRA was passed in 1982, only three of the 30 states affected by the revisions had insolvent trust funds, while 13 of the 20 states <u>not</u> affected by the revisions were insolvent. Clearly, the legislated attempt to increase tax collection efforts fails to affect the majority of states that have demonstrated by their insolvency that increased revenue is necessary. In addition to the misdirected encouragement of fiscal responsibility, the 1985 TEFRA revisions are likely to cause some states to reverse fiscally responsible actions of the past.

Although technical problems associated with adopting a 5.4 percent state tax rate are not insurmountable, adoption of that state tax rate may redistribute the burden of financial support of the unemployment insurance system among employers and could upset the program balance that some states have achieved. The cause of the redistribution and imbalance is TEFRA's focus on tax rates rather than tax effort. Tax effort depends on the amount of earnings subject to tax as well as the rate at which those earnings are taxed. Although the State of Alaska mildly objects to the 1985 TEFRA revisions because they fail to encourage fiscal responsibility where a need for such responsibility has been demonstrated, we strongly object to the failure of the law to recognize collection efforts other than increases in tax rates. The treatment (under the 1985 TEFRA revisions) of states that have demonstrated fiscal responsibility adds insult to injury because other tax efforts--such as employee contributions and high tax bases--are recognized under provisions dealing with states that have insolvent trust funds.

As is often the case with federal intervention in the unemployment insurance system, compliance with the revisions is optional. However, the incentive to comply with the 1985 TEFRA revisions is so strong that "mandate" is an accurate description of states' potential courses of action. This paper discusses potential state actions, but the only attractive option is a revision of federal law. A revision need not remove the incentive to increase tax efforts at the state level; it could simply give states the flexibility to demonstrate effort in ways other than tax rates. We urge others to join the campaign to revise the TEFRA provisions so that states have a voice in the determination of tax effort.

CHANGES IN FEDERAL UNEMPLOYMENT TAX CREDITS UNDER THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

Prepared by
The Alaska Department of Labor and
The Alaska House of Representatives Research Agency
August 1983

The unemployment insurance system in the United States is administered as a partnership of the federal and state governments. Employers contribute a portion of their payroll to both the federal and state partners. Contributions to the federal government are used for program administration and for unemployment compensation for which the federal government is liable. Contributions to state governments are used only for payment of unemployment compensation.

In recent years, the federal unemployment insurance tax has been 3.4 percent of the first $6,000 paid to each employee in each calendar year. However, employers could receive credit for contributions made to an approved state unemployment insurance program. These tax credits could reduce employers' net federal contribution to .7 percent of the first $6,000 paid to each employee in each year, or $42 dollars per employee. Each state was free to set a tax base (the amount of earnings subject to state tax) and contribution rates which it deemed sufficient to support the unemployment compensation paid through its own program. However, full federal credit could be obtained by all employers in a state only if the tax base was at least $6,000 and the highest state contribution rate was at least 2.7 percent. Alaska's tax base in 1983 is $20,200, and Alaska employers pay state rates that range from 1.0 percent to 3.8 percent.

REVISIONS TO THE CONTRIBUTION SYSTEM UNDER TEFRA

Contributions to the unemployment insurance system in recent years have provided insufficient administrative funds and have seriously underfinanced benefit payments in many states. It was in this context of inadequate federal administrative funds and insolvent state trust funds that system changes were made by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Effective in 1983, the federal unemployment insurance contribution rate was raised to 3.5 percent and the federal tax base was increased to $7,000. The provision for a federal tax credit of 2.7 percent for contributions to an approved state program was unchanged, so contributions to the federal government by employers eligible for full federal tax credits were increased by $14 to $56 per employee per year.

The 1983 TEFRA changes also had an impact on state financing of unemployment compensation. In those states which use the federal tax base as the amount of earnings subject to state tax, the acceptance of a higher tax base can increase revenue to state unemployment insurance programs.

TEFRA also included revisions scheduled for implementation in 1985. In that year, the federal contribution rate will increase from the current 3.5 percent to a rate of 6.2 percent. Simultaneously, the potential federal tax credit for contributions to state programs will be increased to 5.4 percent. These changes appear to leave employers' net rate of contributions to the federal government unchanged (from the 1983 level) at .8 percent of each employee's first $7,000 of earnings, or $56 per employee per year.

IMPACT OF REVISIONS EFFECTIVE IN 1985

Although the 1985 TEFRA revisions maintain the $56 per year net federal unemployment insurance contribution that is currently applicable and therefore appear to have no effect on employers' costs, that appearance is deceptive. The revisions effective in 1985 force states with maximum state contribution rates of less than 5.4 percent to choose between 1) increasing their maximum state contribution rate to at least 5.4 percent or 2) allowing some employers in the state to lose federal tax credits.[1] Loss of federal tax credits would cause affected employers to pay additional federal taxes for support of the unemployment insurance system.

The 1983 TEFRA changes were clearly designed to increase contributions for both administrative purposes and for state benefit trust funds, but the 1985 changes leave the net federal contributions unchanged and are clearly designed to encourage states to take additional action that will increase their tax collection efforts. Alaska supports national efforts to improve the fiscal integrity of the unemployment insurance system, but we strongly object to the way in which the 1985 TEFRA revisions address the problem of insolvent state trust funds.

Although some states or groups of employers may have seen national legislation as an attractive alternative to state action, we do not believe that the 1985 TEFRA revisions will significantly reduce the number of states with insolvent trust funds. Insolvency occurs when benefits exceed contributions. The states themselves have been given--and should retain--the ability to implement a benefit schedule of their own choice. Along with that freedom comes the responsibility to implement an experience rating system that will adequately

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[1] Section 3302(a) of the Federal Unemployment Tax Act (FUTA) allows credit against federal tax liabilities for amounts actually paid to an approved state unemployment insurance program. Section 3302(b) of FUTA provides an employer with additional credit against the tax for the difference between actual payments to a state system and the amount he would have paid "if throughout the taxable year he had been subject under such State law to the highest rate applied thereunder in such 12-month period to any person having individuals in his employ, or to a rate of 5.4 percent, whichever rate is lower." Unless a state has a tax rate of at least 5.4 percent after 1984, some employers are likely to lose additional credits provided by section 3302(b).

support the chosen level of benefits.[2] We are convinced that tax collection efforts depend on the amount of earnings subject to tax as well as the rate at which those earnings are taxed. The 1985 TEFRA revisions address tax rates but ignore the equally important function of the tax base. Further, the revisions do not appear to address the problem of solvency where that problem needs to be addressed.

Effect on States

If the intent of the 1985 TEFRA revisions was to encourage increased tax collection efforts by those states which have failed to provide the collections necessary to finance unemployment compensation, the legislation clearly fails to fulfill its objective. If the legislation does encourage increased tax collection efforts, it will do so primarily in those states that have the least need to generate additional collections. In addition, the legislation may have the unintended effect of encouraging states to reverse fiscally responsible acts of the past.

According to figures published by the Nevada Employment Security Department, 20 states already had maximum tax rates greater than 5.4 percent in 1982. If the TEFRA revisions requiring a 5.4 percent tax rate had been effective in that year, only those states with maximum tax rates below 5.4 percent would have been affected. Table 1 shows that Alaska is one of the 30 states affected by the 1985 TEFRA revisions.

The significance of this observaton does not lie in the number of states affected by the revisions, but in <u>which</u> states are affected. Thirteen of the 20 states which would not be affected by the federal revisions have insolvent state trust funds. In addition, only one of those 20 states has a

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[2]Experience rating is a system whereby employers are assigned reduced contribution rates if they demonstrate a history of low unemployment risk for their employees. Theoretically, experience rating should increase employers' motivation to stabilize employment and to monitor the claims of the unemployed. When benefit payout is high and there is a need for additional tax collections, states with a low tax base must place more and more employers in higher tax brackets. As employers crowd into the higher tax brackets, the experience rating concept is eroded; a good record of unemployment risk has diminished influence on tax rates when all employers are at or near the top of the tax rate schedule.

We realize that some states may face great difficulty in moving tax increases through state legislatures and that states may therefore passively await federal "mandates" to increase taxes. We also realize that the simple solution to the erosion of experience rating--increasing the tax base--is unpopular in the majority of states which still use the antiquated "reserve ratio" experience rating system. (A mathematical quirk in that rate-making formula causes tax rates to rise when the tax base is increased.) However, we believe that adjustments to experience rating systems should be made by the individual states, not by the federal government.

TABLE 1

Maximum Tax Rate

Percent On Taxable Payroll

Rank	State	Rate
1	Kentucky	10.00
2	Michigan	9.00
3	West Virginia	8.50
3	Delaware	8.50
5	South Dakota	7.70
6	Minnesota	7.50
7	Wisconsin	7.10
8	Tennessee	7.00
9	Virginia	6.70
10	Massachusetts	6.70
11	Pennsylvania	6.60
12	New Hampshire	6.50
12	Iowa	6.50
14	New Jersey	6.20
15	Arkansas	6.10
16	Rhode Island	6.00
16	Connecticut	6.00
18	North Carolina	5.70
18	Illinois	5.70
20	Vermont	5.50
21	Georgia	5.30
22	New York	5.20
23	North Dakota	5.00
23	Maryland	5.00
23	Maine	5.00
26	Alaska	4.88
27	Ohio	4.80
28	Hawaii	4.50
28	Florida	4.50
28	Colorado	4.50
31	Montana	4.40
32	Missouri	4.40
33	Kansas	4.30
34	New Mexico	4.20
35	California	4.20
36	Wyoming	4.12
37	South Carolina	4.10
38	Texas	4.00
38	Mississippi	4.00
38	Idaho	4.00
38	Alabama	4.00
42	Oregon	3.80
43	Nebraska	3.70
44	Nevada	3.60
45	Louisiana	3.30
46	Indiana	3.30
47	Oklahoma	3.10
48	Washington	3.00
48	Utah	3.00
50	Arizona	2.80

Axis: .00 2.00 4.00 6.00 8.00 10.00 12.00

Nevada Department of Employment Security

tax base greater than $9,000 and only three have a ratio of trust fund balance to total wages that exceeds one percent.[3] Of the 30 states that would be affected by the revisions, only three are insolvent, eight have a tax base greater than $9,000 and 15 have a ratio of trust fund balance to total wages that exceeds one percent.

Clearly, the legislated attempt to increase tax collection efforts fails to affect the majority of states that have demonstrated by their insolvency that increased revenue is necessary. The law does affect many states which have a trust fund of a size that indicates that additional collection efforts are unnecessary. Further, the law affects many states that have responded to the need for increased tax collections by increasing their tax base as an alternative (or supplement) to increased tax rates.

For those states that have already raised their tax base above the federal tax base in order to keep pace with increases in wages and unemployment compensation, the federal revisions are particularly troublesome. The new federal law may be counterproductive because it encourages states to reverse the fiscally responsible act of increasing their tax base. Although we mildly object to the law because it fails to encourage fiscal responsibility where a need for such responsibility has been demonstrated, we believe that the indirect encouragement for states to lower their tax bases is unconscionable. Lower tax bases diminish the ability of states to control total tax revenue and can distort an otherwise equitable distribution of program costs.

Effect on Employers

Adoption of a maximum unemployment tax rate of at least 5.4 percent is a state option. If a state fails to implement a tax rate at or above that level, some employers in that state may lose a portion of the additional credits granted by section 3302(b) of the Federal Unemployment Tax Act (FUTA). The attached table shows the cost to selected Alaska employers under the current contribution rate schedule and under the following scenarios applicable after 1984: 1) Alaska's maximum tax rate remains at 3.8 percent; and 2) Alaska adopts a 5.4 percent maximum tax rate with no change in the tax base. The impact of these scenarios on various groups of employers is summarized below.

Low Wage/Low Rate Employers

Employers who pay annual wages under $7,000 and contribute at the minimum state tax rate will be strongly affected if the state does not adopt a 5.4 percent maximum tax rate. These employers would lose federal tax credits and thus pay additional federal taxes. The maximum additional federal tax would be $112 per employee for employers paying annual wages of $7,000. In Alaska, trade and service employers tend to be in this category.

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[3] The ratio of trust fund balance to total wages is a measure of the adequacy of the trust fund. The one percent level is arbitrary. All figures concerning tax rates and tax bases are for 1982, the latest year for which data are available.

ANNUAL PER EMPLOYEE CONTRIBUTIONS TO THE UNEMPLOYMENT INSURANCE SYSTEM*

	Annual Average Earnings per Employee								
	$1,000	$3,000	$5,000	$7,000	$8,000	$9,000	$10,000	$11,000	$20,000
Alaska Taxes									
Current									
Minimum (1%)	$10	$ 30	$ 50	$ 70	$ 80	$ 90	$100	$110	$ 200
Maximum (3.8%)	38	114	190	266	304	342	380	418	760
After 1984									
Minimum (1%)	10	30	50	70	80	90	100	110	200
Maximum (3.8%)	38	114	190	266	304	342	380	418	760
5.4% After 1984									
Minimum (1%)	10	30	50	70	80	90	100	110	200
Maximum (5.4%)	54	162	270	378	432	486	540	594	1,080
Federal Taxes									
Current									
Normal Tax	8	24	40	56	56	56	56	56	56
Additional Tax	0	0	0	0	0	0	0	0	0
After 1984									
Normal Tax	8	24	40	56	56	56	56	56	56
Additional Tax	16	48	80	112	74	36	0	0	0
5.4% After 1984									
Normal Tax	8	24	40	56	56	56	56	56	56
Additional Tax	0	0	0	0	0	0	0	0	0
Total Taxes									
Minimum Tax Rate									
Current	18	54	90	126	136	146	156	166	256
After 1984	34	102	170	238	210	182	156	166	256
5.4% After 1984	18	54	90	126	136	146	156	166	256
Increase**	(16)	(48)	(80)	(112)	(74)	(36)	0	0	0
Maximum Tax Rate									
Current	46	138	230	322	360	398	436	474	816
After 1984	62	186	310	434	434	434	436	474	816
5.4% After 1984	62	186	310	434	488	542	596	650	1,136
Increase**	0	0	0	0	54	108	160	176	320

*Contributions under current law assume a state tax base of $20,200 and a maximum state tax rate of 3.8%.

**"Increase" refers to additional taxes owed by employers if the state adopts a maximum tax rate of 5.4% after 1984. Negative numbers show savings associated with adopting a maximum tax rate of 5.4% relative to retaining the current law after 1984.

Low Wage/High Rate Employers

Employers who pay annual wages under $7,000 but contribute at the maximum state tax rate would pay increased taxes regardless of which alternative is chosen. Contributions to the state by this group of employers would, of course, be higher if the maximum state tax rate were increased to 5.4 percent. However, the increased state contribution under a 5.4 percent state tax rate would be the same amount that would be paid in additional federal taxes if a 5.4 percent state tax rate were not adopted. The sum of federal and state contributions would therefore be the same for this group of employers whether or not the state adopts a 5.4 percent maximum tax rate. Although total contributions would be unchanged, a larger share of total contributions would go to the federal government if the state does not adopt a maximum state tax rate of 5.4 percent. In Alaska, many fish processors are in this group of employers.

High Wage Employers

Under Alaska's current maximum tax rate of 3.8 percent, employers paying annual average wages of at least $10,000 would earn sufficient federal tax credits to offset the loss of tax credits on wages below $7,000. That is, there would be no net loss of federal tax credits--and no additional federal taxes owed--by these employers even if the state does not adopt a 5.4 percent maximum tax rate. If the state does adopt a 5.4 percent maximum tax rate, the amount of state contributions owed would depend on the tax base adopted by the state and the tax rate assigned to the employer.

For those employers paying annual average wages between $7,000 and $10,000, total contributions can decline as wages increase. Between those levels of earnings, the gain in federal tax credit may exceed the higher taxes owed to the state. (See attached table.)

Impact on the Equity of the State Program

Alaska faces no significant technical problems in adopting a 5.4 percent state tax rate; our objections to the 1985 TEFRA revisions focus on the damage to Alaska's "user pay" philosophy of financial support for unemployment compensation. As the attached table shows, adoption of a 5.4 percent state tax rate will redistribute the tax burden among Alaska employers.

Alaska expended a good deal of effort to develop a contribution system that fits the needs of the state. In Alaska, many high-wage occupations tend to be seasonal, which allows em oyees in those occupations to collect unemployment compensation despite their high earnings. By raising the tax base while lowering tax rates, Alaska has been able to redistribute program costs so that employers in high-wage, seasonal industries contribute approximately as much as employees in those industries draw in unemployment compensation.

Adoption of a 5.4 percent state tax rate without a corresponding reduction in the tax base would cause Alaska to collect contributions that are un-

necessary. Alaska's benefit payment account is adequate and our contribution system is designed to protect the financial integrity of the fund in the future. Alaska has accepted the responsibility of providing adequate funds for unemployment compensation and currently collects a maximum tax over twice as large as the $378 annual contribution that the federal revisions attempt to encourage. Unless adoption of a 5.4 percent state tax rate is accompanied by a corresponding reduction in the state tax base, potential employer contributions at the maximum rate would increase by 42 percent to nearly $1,100 per employee per year. In order to avoid this unnecessary drain on the state economy, Alaska may be forced to reduce its tax base.

A reduced tax base is objectionable not only because it implies acceptance of the federal view that tax effort can be measured by tax rates instead of by tax rates and tax base in combination, but also because a reduced tax base would introduce serious problems of equity. The above discussion mentioned that the tax base can be used to redistribute the tax burden among employers. A lower tax base in Alaska would disturb the balance we have achieved in this area.

In addition, a reduction in the state tax base would disturb the balance between benefit eligibility and taxes paid. Unless the tax base is equal to the amount of wages that are used to compute the amount of weekly compensation a claimant may receive, the system is unbalanced. If the tax base exceeds the earnings used to determine benefit eligibility, taxes are being paid on wages that cannot contribute to claimants' compensation. If the tax base is set at a level below the amount of earnings used to determine benefit eligibility, compensation is being paid on wages that have no corresponding tax liability.

If the Alaska Employment Security Act had been revised to ensure a maximum tax rate of 5.4 percent in 1983 under the current rate formula, adequate collections would have been obtained at a tax base of $13,400. Alaska's benefit schedule currently reaches a maximum at $16,000 in annual earnings and the state is preparing legislation to extend the schedule to $20,200, which is the 1983 state tax base. The options for designing a benefit schedule that peaks at $13,400 in annual earnings are not attractive to the state.

Impact on Program Costs

The costs associated with the decision to adopt a 5.4 percent state tax rate are difficult to estimate because there are many options and the cost of each option may change over time. One approach is to examine the effects of retaining the current law. Under this approach, it is clear that some employers will lose federal tax credits and will therefore have greater federal tax liability if a 5.4 percent maximum state tax rate is not adopted. This option could drain an additional $2 million per year from employers in Alaska. The additional contributions would go entirely to the federal government.

If Alaska does adopt a 5.4 percent state tax rate, any additional contributions would go to the state trust fund rather than to the federal govern-

ment. There are several options that could maintain total state collections at the current level, but all of the options redistribute the tax burden among Alaska employers. In summary, failure to adopt a 5.4 percent maximum state tax rate will redistribute the tax burden among employers and increase total contributions, while the impact of adopting a 5.4 percent maximum state tax rate may be limited to a redistribution of the tax burden.

OPTIONS FOR ACTION

Under current federal law a "no action" option would cost Alaska employers an estimated $2 million per year in increased contributions to the federal government. Unless it can be shown that a "no action" option is preferable to the distortion that would be introduced by adopting a 5.4 percent state tax rate, failure to act is obviously not an economically attractive option.

Another option is to work to enact a change in federal law that will recognize Alaska's tax collection efforts and will revise the criteria for obtaining federal tax credits. This option is clearly preferable to the "no action" alternative, but there is limited time to enact revised legislation before the scheduled implementation date of 1985.

Prior to the implementation date, the state may wish to examine alternatives that meet the requirements of the law to determine which alternative introduces the least amount of distortion to the present system. State action in this direction need not preclude attempts to revise the federal criteria. Some options for state action are discussed below.

Include Employee Contributions in the Definition of Tax Effort

Alaska is one of three states in which employees contribute to the unemployment insurance system. In Alaska, employees provide 18 percent of the contributions to the state trust fund. Despite this significant support, the Federal Unemployment Tax Act does not recognize employee contributions as a part of Alaska's tax effort for purposes of determining normal federal tax credits. The Act does, however, include employee contributions in the definition of "employer contribution rate" for purposes of determining federal tax credits in those states that have insolvent state trust funds and have outstanding advances under Title XII of the Social Security Act.

If employee contributions were included for normal FUTA tax credit purposes, the impact of increasing Alaska's maximum tax rate to 5.4 percent would be diminished by about one-third. State action to consolidate employer and employee contributions might face a legal challenge if the employee contribution were then interpreted as a deduction from employees' paychecks for the purpose of paying employers' taxes. A better approach toward the goal of achieving recognition of employee contributions is to push for a revision of federal law so that the rules concerning employee contributions are applied consistently. Whatever the approach on this issue, action taken to ensure recognition of employee contributions can be used in combination with, rather than as a substitute for, other actions discussed below.

Assign the Maximum Rate only to Delinquent Employers

Federal law may allow full federal tax credits to employers in those states that charge a 5.4 percent rate to some or all delinquent employers, even if no other employers are charged that rate. Section 3302(b) of the Federal Unemployment Tax Act (FUTA) states that all employers in a state may be eligible for full federal tax credits if the maximum state tax rate is at least 5.4 percent (after 1984) and any reduced tax rates meet the criteria of Section 3303. The provision allows employers to claim federal tax credits each year as if they had been subject under state law to "the highest rate applied thereunder in such 12-month period to any person having individuals in his employ, or to a rate of 5.4 percent, whichever rate is lower." (Emphasis added.)

Section 3303 of FUTA discusses criteria for assigning reduced contribution rates. That provision says that for a pooled benefit payment account such as exists in Alaska, a "taxpayer shall be allowed an additional credit under section 3302(b) with respect to any reduced rate of contributions permitted by State law" if reduced tax rates are assigned solely "on the basis of his (or their) experience with respect to unemployment or other factors bearing a direct relation to unemployment risk."

The implication of these provisions is that all employers could be assigned a standard tax rate of 5.4 percent, with reductions from that rate assigned to non-delinquent employers on the same basis as is currently accepted by the Secretary of Labor for rate assignments in Alaska. The 5.4 percent tax rate would then be the standard rate and any reductions from that rate would be based on an accepted experience rating system. The fact that some employers would be ineligible for reduced tax rates because of their delinquent status is irrelevant; the law does not require states to grant reduced rates, it requires only that no reduced rates be granted unless they are based solely on employers' experience with respect to unemployment or other factors bearing a direct relationship to unemployment risk. This option appears to meet the legal criteria for obtaining the additional tax credits allowed under the Federal Unemployment Tax Act.

Add a Rate Class with a 5.4 Percent Rate

Addition of a rate class to Alaska's experience rating system is a potential solution to the problem of assigning a 5.4 percent state tax rate. As an example, rate class 20 could be redefined to include employers whose payroll consists of 4.99 percent of total statewide payroll instead of the current 5 percent.[4] Employers with the remaining .01 percent of total

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[4] Alaska's experience rating system currently includes 20 rate classes, each containing five percent of total statewide payroll. Starting with employers with the best unemployment experience, employers are placed in rate class 1 (lowest tax rate) until five percent of total statewide payroll is accounted for. The next-best-ranked employers are placed in rate class 2 until it also contains employers whose total payroll equals five percent of total statewide payroll. This continues through all 20 rate classes.

statewide payroll would then be assigned to (the new) rate class 21. Employers in that rate class would be assigned a contribution rate of 5.4 percent. This alternative would probably affect fewer employers than the option discussed above, particularly if delinquent employers were no longer assigned the highest tax rate on the rate schedule.

The above options would introduce minimal distortion to the current program, but their legal support should be examined before implementing them. Other options involving adjustments to the state tax base could ensure a state tax rate of 5.4 percent while maintaining secure legal standing. The most attractive option is to work toward a revision of federal law; that option would cause no distortion and would leave no grounds for legal challenge.

RECOMMENDED REVISIONS TO FEDERAL LAW

This paper has shown that tax effort can be measured only by considering both the amount of wages subject to tax and the tax rate applied to those wages. The 1985 TEFRA revisions focus only on tax rates and therefore penalize those states that have increased their tax efforts by increasing the state tax base. Incorporation of provisions similar to those adopted recently in Public Law 98-21 would substantially alleviate this penalty.

Public Law 98-21 revised the formula for computing the tax effort of states that have outstanding advances from the federal government. The revised formula recognizes the role of the state tax base in determining tax effort and may grant additional credit to employers in states which have a tax base higher than the federal tax base.

If a similar provision were applied to the tax credits available to those states without insolvent state trust funds, the penalties (in the form of lost federal tax credits) scheduled to take effect in 1985 would be decreased, but a problem would still exist. The problem relates to the amount of tax effort that is required in a state. States with liberal benefit provisions obviously need a greater tax effort than states with stringent eligibility requirements and/or low levels of unemployment compensation.

The level of tax effort that is adequate for a state is easy to determine; if total revenue to a state trust fund equals or exceeds benefit payments in the long-run, tax effort in that state is adequate. Determination of the tax base and tax rates used to produce the necessary revenue is the responsibility of the states. When states fail to accept that responsibility, federal action should be taken. The number of states with insolvent trust funds indicates that federal action is needed now. This paper has shown, however, that the 1985 TEFRA revisions fail to address the solvency problem where it needs to be addressed.

A provision that bases federal tax credits on adequacy of contributions rather than simply on maximum tax rates would be fair to all states and would allow the flexibility for state action that is necessary in a true partnership. We strongly urge that federal law be revised to reflect the principles of equity and flexibility.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

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

March 14, 1984

The Honorable Richard Eliason
Chairman, Senate Labor and
Commerce Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

This is in reply to the questions asked by the Senate Labor and Commerce Committee on March 13 concerning SB 525, the unemployment insurance bill.

Question: What will be the total cost to employers and employees if we raise maximum benefits from $156 to $198 per week?

As indicated during the hearing, the employer rates are projected to decline after 1984 (even with an increase in benefits); however, the rates will not go down as fast when benefits are raised. The tax base is also expected to increase somewhat. The projected tax base figures were compiled by the Research and Analysis section of the Department and reflect an approximate increase of 2½ percent annually. The net result is projected as:

Year	Tax Base	Maximum Employer Tax Rate w/o/incr.	Maximum Employer Tax Rate w/incr.	Employee Tax Rate w/o/incr.	Employee Tax Rate w/incr.	Total Cost of Increase To Employers	Total Cost of Increase to Employees
1985	$22,600	4.08%	4.08%	.6%	.6%	$ 0	$ 0
1986	23,000	3.34	4.02	.5	.6	3.7 million	.8 million
1987	23,600	3.70	4.03	.5	.6	7.1 million	1.5 million
1988	24,500	3.42	3.90	.5	.5	10.3 million	2.3 million

Question: What sections of the bill are conformity items with the Federal Government?

Sections 8 and 11 are conformity items. Sections 2 and 3, while not strictly conformity items, are necessary to have our law relate to the federal FUTA law and save employers in this state between $1.5 and $2.0 million annually in increased FUTA taxes.

Question: Do you have information on firms affected by Sections 2 and 3 of the bill?

Yes, the enclosed listing identifies the industry make-up of the 163 firms potentially eligible for the 21st rate class. If this law change had been in effect currently, it would have affected 163 employers in 1983 for a total increase of $2,800, or an average of $17 per employer. In 1984, it would not have affected any employers in the state.

I hope this answers the questions posed by your committee. We will respond to the query from Senator Pettyjohn concerning tax base period calculations in a separate memorandum. If you need additional information, please contact me.

Sincerely,

Jim Robison
Commissioner

Enclosures

FIRMS POTENTIALLY ELIGIBLE FOR A "21ST RATE CLASS"

Major Industry Division	Number of Employers
Agric. Forestry Fisheries	7
Mining	4
Construction	51
Food Processing	4
Wood Products	1
Transp-Commun-Public Util.	9
Wholesale Trade	10
Retail Trade	15
Finance Insur-Real Estate	10
Services	49
Government	1
Unspecified	2
	163

FISCAL NOTE

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE
BILL/RESOLUTION NO: HCS CSSB 525 (L&C)
TITLE: "An Act relating to Unemployment Insurance."
AGENCY AFFECTED: Department of Labor

The following assumptions were made in preparing the forecasted costs:

1. State employment will continue to increase through FY 1986. Thereafter, state employment will level off with consolidation of administrative jobs and belt tightening being offset by jobs based on increased population.

2. There is no wage increase for calendar year 1984. The wages through FY 1986 reflect the recent agreement with APEA. A 5 percent yearly increase continues throughout the remainder of the forecast period.

3. As provided in this bill, the maximum weekly benefit amount paid for unemployment insurance claims will increase from $156 to $188, effective October 1, 1984.

As a result, the State of Alaska would be required to pay more in its personal service benefit costs for unemployment insurance. The total amount of the increased costs (which would affect all Departments in the State) is projected from past experience and a computerized modeling technique. The estimated increase in the average payment using this method is 12.7%. This increase would not occur immediately in FY '85, because claimants are paid for an entire year at the rates in effect when they first claim benefits. The total effect of the increase would not be felt until FY '87.

LEG:A:4

QUESTIONS:

1. HOW MUCH MONEY DOES THE STATE AND EMPLOYERS IN ALASKA STAND TO LOSE IF THIS BILL DOES NOT PASS ? WHY ?

2. HOW ID YOU ARRIVE AT THE 3.3 PERCENT FIGURE ? (THE UNEMPLOYMENT INSURANCE FUND IS 3.3% OF THE STATES TOTAL WAGES)

3. WHY DID THE FED'S DECIDE TO CUT OUT CERTAIN EDUCATIONAL INSTITUTION WORKERS FOR WEEKLY UNEMPLOYMENT BENEFITS ?

4. WILL THIS NEW SECTION CREATING A BENEFIT PROGRAM ALLOW THOSE PEOPLE TO DRAW UNEMPLOYMENT WITHOUT CAUSING FEDERAL CONFORMITY PROBLEMS ?

5. HOW MANY PEOPLE ARE EFFECTED BY THIS CHANGE ?

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST
Bill/Resolution No.: CSSB 525
Title: "An Act relating to Unemployment Insurance"
Sponsor: Senate Labor/Commerce
Requestor: Senate Finance
Date of Request: April 25, 1984

FISCAL DETAIL
Agency Affected: Labor
Program Category Affected: Social Services
BRU, Program or Subprogram(s) Affected: Employment Security, Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	5.0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS		5.0				
OTHER						
TOTAL	0	5.0	0	0	0	0

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:
Federal funds will be requested to fund reprogramming of automated programs. [125 hours x $40 per hour.]

ANALYSIS: Attach a separate page for analysis

Prepared By: John M. Shay, Jr. Phone: 465-2712
Division: Employment Security Division Date:

Approved by Commissioner: Jim Robison Date: 4/25/84
Agency: Labor

LFO:A.5
Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget

LABOR

MEMORANDUM State of Alaska

TO: Ken Johnson
Administrative Assistant
Representative Cowdery's Office

DATE: May 10, 1984

FILE NO:

TELEPHONE NO: 465-2700

FROM: Eileen Plate
Special Assistant
to the Commissioner
Department of Labor

SUBJECT: CS for SB 525

This will confirm our telephone conversation and your request for additional information.

1. The UI Trust Fund currently has a balance of $148 million.

2. Sections 10 and 13 of the UI bill, CS for SB 525, are conformity items with the Federal Unemployment Tax Act (FUTA). The additional cost to Alaska for not remaining in conformity with FUTA is the loss of $21 million in Administrative funds to the State for operation of the Unemployment Insurance (UI) and Job Service programs; $86.4 million in increased FUTA taxes to all employers in the state; and loss of $4.8 million in benefit payments for their Extended Benefits program. The total cost would be $112.2 million.

   Attached is a copy of a letter from the U.S. Department of Labor regarding the conformity requirements of Section 10.

3. Sections 2 and 3, which are not strictly conformity items, would cost the employers in this state an additional $2 million annually if not passed. Attached is a paper that was prepared on this subject in cooperation with the House Research Agency. On page 4 of the paper, the affect on employers is detailed. On page 7 the options are listed--we elected to propose the option that would have the least affect on Alaskan employers.

If Sections 2 and 3 had been in effect for 1984, there would have been no impact on employers. This is because of the requirement that employers with the same payroll decline percentage must be placed in the lower rate class rather than splitting the group. In 1983 there would have been 163 employers affected, for a total of $2,800 (or $17 per employer).

If you need any additional information on CS for SB 525, please contact me at 465-2700 or Jack Shay at 465-2712.

Attachments (2)

MEMORANDUM State of Alaska

TO: Ken Johnson
Administrative Assistant
Representative Cowdery's Office

DATE: May 14, 1984

FILE NO:

TELEPHONE NO: 465-2700

FROM: Eileen Plate
Special Assistant
to the Commissioner
Department of Labor

SUBJECT: House CS for CS for SB 525

This will confirm our telephone conversation and your request for additional information.

1. The UI Trust Fund currently has a balance of $148 million.

2. Sections 11 and 14 of the UI bill, House CS for CS for SB 525 (L&C), are conformity items with the Federal Unemployment Tax Act (FUTA). The additional cost to Alaska for not remaining in conformity with FUTA is the loss of $21 million in Administrative funds to the State for operation of the Unemployment Insurance (UI) and Job Service programs; $86.4 million in benefit payments for their Extended Benefits program. The total cost would be $112.2 million.

   Attached is a copy of a letter from the U.S. Department of Labor regarding the conformity requirements of Section 11.

3. Sections 2 and 3, which are not strictly conformity items, would cost the employers in this state an additional $2 million annually if not passed. Attached is a paper that was prepared on this subject in cooperation with the House Research Agency. On page 4 of the paper, the affect on employers is detailed. On page 7 the options are listed--we elected to propose the option that would have the least affect on Alaskan employers.

If Sections 2 and 3 had been in effect for 1984, there would have been no impact on employers. This is because of the requirement placed in the lower rate class rather than splitting the group. In 1983 there would have been 163 employers affected, for a total of $2,800 (or $17 per employer).

If you need any additional information, please contact me at 465-2700 or Jack Shay at 465-2712.

Attachments (2)

MAY 15, 1984

TO: JOHN

FROM: KEN

RE: L & C COMMITTEE HEARINGS (OPENING REMARKS)

THERE ARE FOUR BILLS ON SCHEDULED TO BE HEARD IN COMMITTEE TODAY. BECAUSE OF THE COMPLEXITY OF THE FIRST BILL TO COME BEFORE THE COMMITTEE, WE MAY NOT BE ABLE TO HEAR ALL THIS LEGISLATION TODAY. IF WE ARE NOT FINISHED WITH THIS LEGISLATION TODAY, IT IS MY INTENTION TO RECESS UNTIL TOMORROW MORNING AT 8:15. WE WILL CONTINUE THE PROCESS UNTIL THE COMMITTEE HAS COMPLETED THE WORK NECESSARY ON THESE BILLS.

THE FIRST PIECE OF LEGISLATION TO HEARD IS SB 525, "AN ACT RELATING TO UNEMPLOYMENT INSURANCE." THE MAIN PURPOSE OF THIS BILL IS TO BRING THE STATES UNEMPLOYMENT INSURANCE LAWS IN TO CONFORMITY WITH FEDERAL LAWS. IT ALSO WOULD INCREASE WEEKLY UNEMPLOYMENT BENEFITS AND CALLS FOR A NEW METHOD OF CALCULATING THE UNEMPLOYMENT TAX THAT EMPLOYERS PAY. THAT IS JUST A BRIEF OUTLINE FOR A VERY COMPLEX BILL. I WOULD NOW ASK THE DEPARTMENT OF LABOR TO COME FORWARD TO GO THROUGH THIS BILL WITH THE COMMITTEE.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST
Bill/Resolution No.: HCS CSSB 525 (L&C)
Title: "An Act relating to Unemployment Insurance"
Sponsor: Senate Labor/Commerce
Requestor: House Labor & Commerce
Date of Request: May 14, 1984

FISCAL DETAIL
Agency Affected: Labor
Program Category Affected: Social Services
BRU, Program or Subprogram(s) Affected: Employment Security, Unemployment Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		5.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	5.0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND						
FEDERAL FUNDS		5.0				
OTHER						
TOTAL	0	5.0	0	0	0	0

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Federal funds will be requested to fund reprogramming of automated programs. [125 hours x $40 per hour.]

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
Division: Employment Security Division Date: 5/14/84

Approved by Commissioner: for Jim Robison Date: 5/14/84
Agency: Labor

LEG:A:5

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
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Office of Management and Budget
Impacted Agency(ies)

12/1/83

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date:

REQUEST
Bill/Resolution No.: HCS for CSSB 525 (L&C)
Title: "An Act relating to Unemployment Insurance"
Sponsor: Senate Labor/Commerce
Requestor: House Labor & Commerce
Date of Request: May 14, 1984

FISCAL DETAIL
Agency Affected: All
Program Category Affected: All
BRU, Program or Subprogram(s) Affected: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES		169.1	463.3	518.6	522.4	526.6
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		169.1	463.3	518.6	522.4	526.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND		126.8	347.5	389.0	391.8	395.0
FEDERAL FUNDS		11.8	32.4	36.3	36.6	36.9
OTHER		30.5	83.4	93.3	94.0	94.7
TOTAL		169.1	463.3	518.6	522.4	526.6

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Personal Service benefits would increase for all agencies based on the projected increase in unemployment insurance paid to ex-state employees and seasonal employees.

ANALYSIS: Attach a separate page for analysis

Prepared By: John W. Shay, Jr. Phone: 465-2712
Division: Employment Security Division Date: 5/14/84

Approved by Commissioner: fr Jim Robison Date: 5/14/84
Agency: Labor

LEG:A:4
Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

FISCAL NOTE

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE
BILL/RESOLUTION NO: HCS CSSB 525 (L&C)
TITLE: "An Act relating to Unemployment Insurance."
AGENCY AFFECTED: Department of Labor

The following assumptions were made in preparing the forecasted costs:

1. State employment will continue to increase through FY 1986. Thereafter, state employment will level off with consolidation of administrative jobs and belt tightening being offset by jobs based on increased population.

2. There is no wage increase for calendar year 1984. The wages through FY 1985 reflect the recent agreement with APEA. A 5 percent yearly increase continues throughout the remainder of the forecast period.

3. As provided in this bill, the maximum weekly benefit amount paid for unemployment insurance claims will increase from $156 to $188, effective October 1, 1984.

As a result, the State of Alaska would be required to pay more in its personal service benefit costs for unemployment insurance. The total amount of the increased costs (which would affect all Departments in the State) is projected from past experience and a computerized modeling technique. The estimated increase in the average payment using this method is 12.7%. This increase would not occur immediately in FY '85, because claimants are paid for an entire year at the rates in effect when they first claim benefits. The total effect of the increase would not be felt until FY '87.

LEG:A:4