

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2664 SLC SB 525 - SB 537

support the chosen level of benefits.<sup>2</sup> 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 observation does not lie in the number of states affected by the revisions, but in which 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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<sup>2</sup> 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 I

Maximum Tax Rate  
Percent On Taxable Payroll

|    |                |       |
|----|----------------|-------|
| 1  | Kentucky       | 10.00 |
| 2  | Michigan       | 9.00  |
| 3  | West Virginia  | 8.50  |
| 3  | Delaware       | 8.30  |
| 5  | South Dakota   | 7.70  |
| 5  | Minnesota      | 7.50  |
| 7  | Wisconsin      | 7.10  |
| 8  | Tennessee      | 7.00  |
| 9  | Virginia       | 6.30  |
| 10 | Massachusetts  | 6.20  |
| 11 | Pennsylvania   | 6.60  |
| 12 | New Hampshire  | 6.50  |
| 12 | Iowa           | 6.50  |
| 14 | New Jersey     | 6.20  |
| 15 | Arkansas       | 6.10  |
| 18 | Rhode Island   | 6.00  |
| 18 | Connecticut    | 6.00  |
| 18 | North Carolina | 5.70  |
| 17 | Illinois       | 5.70  |
| 20 | Vermont        | 5.50  |
| 21 | Georgia        | 5.20  |
| 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  |
| 41 | Oregon         | 3.80  |
| 43 | Nebraska       | 3.70  |
| 44 | Nevada         | 3.60  |
| 45 | Louisiana      | 3.50  |
| 46 | Indiana        | 3.30  |
| 47 | Oklahoma       | 3.10  |
| 48 | Washington     | 3.00  |
| 48 | Utah           | 3.00  |
| 50 | Arizona        | 2.80  |

tax base greater than \$9,000 and only three have a ratio of trust fund balance to total wages that exceeds one percent.<sup>3</sup> 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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<sup>3</sup>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 |
| <u>Alaska Taxes</u>     |                                      |         |         |         |         |         |          |          |          |
| <u>Current</u>          |                                      |         |         |         |         |         |          |          |          |
| Minimum (1%)            | \$10                                 | \$ 30   | \$ 50   | \$ 70   | \$ 80   | \$ 90   | \$100    | \$110    | \$ 200   |
| Maximum (3.8%)          | 38                                   | 114     | 190     | 266     | 304     | 342     | 380      | 418      | 760      |
| <u>After 1984</u>       |                                      |         |         |         |         |         |          |          |          |
| Minimum (1%)            | 10                                   | 30      | 50      | 70      | 80      | 90      | 100      | 110      | 200      |
| Maximum (3.8%)          | 38                                   | 114     | 190     | 266     | 304     | 342     | 380      | 418      | 760      |
| <u>5.4% After 1984</u>  |                                      |         |         |         |         |         |          |          |          |
| Minimum (1%)            | 10                                   | 30      | 50      | 70      | 80      | 90      | 100      | 110      | 200      |
| Maximum (5.4%)          | 54                                   | 162     | 270     | 378     | 432     | 486     | 540      | 594      | 1,080    |
| <u>Federal Taxes</u>    |                                      |         |         |         |         |         |          |          |          |
| <u>Current</u>          |                                      |         |         |         |         |         |          |          |          |
| Normal Tax              | 8                                    | 24      | 40      | 56      | 56      | 56      | 56       | 56       | 56       |
| Additional Tax          | 0                                    | 0       | 0       | 0       | 0       | 0       | 0        | 0        | 0        |
| <u>After 1984</u>       |                                      |         |         |         |         |         |          |          |          |
| Normal Tax              | 8                                    | 24      | 40      | 56      | 56      | 56      | 56       | 56       | 56       |
| Additional Tax          | 16                                   | 48      | 80      | 112     | 74      | 36      | 0        | 0        | 0        |
| <u>5.4% After 1984</u>  |                                      |         |         |         |         |         |          |          |          |
| Normal Tax              | 8                                    | 24      | 40      | 56      | 56      | 56      | 56       | 56       | 56       |
| Additional Tax          | 0                                    | 0       | 0       | 0       | 0       | 0       | 0        | 0        | 0        |
| <u>Total Taxes</u>      |                                      |         |         |         |         |         |          |          |          |
| <u>Minimum Tax Rate</u> |                                      |         |         |         |         |         |          |          |          |
| 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        |
| <u>Maximum Tax Rate</u> |                                      |         |         |         |         |         |          |          |          |
| 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      | 1,156    |
| 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 employees 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.<sup>4</sup> Employers with the remaining .01 percent of total

<sup>4</sup>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 state. 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.



**HAINES CHAMBER OF COMMERCE**

P.O. BOX 518  
HAINES, ALASKA 99827

Mar 3, 84

Senator Richard I. Eliason

The Alaska State Chamber of Commerce has advised us the Senate Labor and Commerce Committee has introduced SB-525 dealing with unemployment Insurance; which increases maximum weekly benefits from \$156.00 to \$198.00 per week.

With the economy in a poor state in our area, the feeling of small business is that a raise at this time is inadvisable.

We do not understand how this raise could decrease anything for the small business man, contrary to labors stand.

We would like to see this bill tabled for the present.

Sincerely,

Jane Bell  
Ex. Sec. Chamber of Commerce

March 29, 1984

Dear Richard Eliason,

This is concerning the proposed legislation SB 525. Regarding the denial of unemployment compensation for the nine and ten month classified employees of the school district.

We would like to state our objections to this legislation:

- 1) We are not employed during the summer months, which would mean no income.
- 2) We are being discriminated against. Other employees of the school district are covered or have the option to be covered during the full 12 month period. We have no such opportunity. Furthermore, no employer will hire someone to work for them for just 2 months at a comparable pay scale.
- 3) We are being singled out as a group and being denied this unemployment compensation when we pay in to this program out of our pay checks.

In conclusion, the undersigned classified employees of the Fairbanks School District would appreciate your "NO" vote on the above legislation.

Ryan School

Sincerely,

Sharon M. Angelle  
Linda D. Allen  
Starlette J. Saltzman  
Perry Secora  
Adeline Reimer  
LaDonna Mornton  
Fayone Oates

P.O. Box 1237  
Seward, Alaska 99664  
April 27, 1984

Senator Richard Eliason  
Pouch V  
Juneau, Alaska 99811

Dear Senator:

It has come to my attention that there is a bill before the legislature that, among other things, will do away with the classified school employees' right to draw unemployment compensation during the summer months.

I am a single parent and work only 9½ months. I prefer to spend my summer months with my daughter; however, do work as a substitute in clerical positions when there are temporary summer jobs available that I can cover. My salary during the 9½ working months is not enough to be able to save enough to cover expenses during the summer months. I do rely on the unemployment compensation in the summertime as I have a house payment, car payment, utilities, food, etc. that still need to be taken care of. I know there are many other school employees in the same situation.

Until two years ago my salary was low enough that my daughter was eligible to receive the reduced lunch rate (20¢ per meal vs. the full price of \$1.60). My salary now is just above the limit. There are many school district employees that still qualify for the free and reduced lunch program.

I would urge you to vote against any bill that would take away our right to unemployment compensation.

Thank you for your attention.

Sincerely,

Marilyn K. Pollard

Box 1096  
Seward, Alaska 99664

Senator Richard Eliason  
Pouch V  
Juneau, AK 99811

Dear Senator:

I understand that Senate Bill 525 (now in Finance Committee) will soon be on the Senate floor. Among other things contained in this bill is a clause deleting unemployment benefits for classified school employees during the summer months. For the record, and since this bill seems to be a perpetual one around the legislature each year, I would like to help you understand the plight of 9 and 10 month classified School District employees.

As a member of the Kenai Peninsula Borough School District Classified Association, I know that our employees have some benefits not enjoyed by other school districts, and since this is so, the majority of School Districts' classified employees have a hard lot.

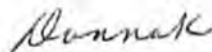
KPBSD classified employees who work 9, 9½, and 10 months work for lower than average pay in their respective jobs, receive no annual leave, receive no pay for Christmas vacation, Good Friday, or Spring Break, and are scheduled to work only 180 to 210 days per year. Several of the lower paid employees also work short days; i.e., 6 or 7 hours per day, which means an additional hardship. We have KPBSD employees whose children qualify for reduced lunches.

Knowing these things, and assuming that such wages do not facilitate saving enough money to get through the summer, I sincerely hope you will not bring further hardship on our people by allowing them to remain penniless through the summer months.

Our people do not receive a contract in the spring for return in the fall. Instead we receive a paper called "Classified Employees Personnel Action", with the words INFORMATIONAL PURPOSES ONLY - NOT A CONTRACT firmly emblazoned across the top.

I am not as familiar as I would like to be with the Anchorage School District's agreement with their employees; however, I know it has much better benefits than ours, including annual leave. Therefore, perhaps the Anchorage Senators are unaware of the plight of other school district classified people.

Sincerely,



DONNA L. KOWALSKI  
Secretary

P.S. Take the plight of a 6-hour a day assistant cook who works 180 days a year for a salary of 8.40/hour = under \$10,000 per year. This person may be making a small monthly payment (along with paying the rent, food bill, utilities, etc.) How will they get along after deductions?

March 22, 1984.

Dear Richard L. Eliason,

I have been an employee for the Fairbanks North Star Borough School district for a little over 3 years now. I've also been a member of the Classified Personnel Organization. I hold a 10 month job.

Every year I've been asked to sign in writing that I intend to return to work. This, however, isn't considered a contract, but it does insure my rehirement for the next school year.

Every spring I don't have a job for 2 months. I find it impossible to live for 2 months without any income! I also find it impossible to find a job for this short time! Employers are reluctant to hire me on these conditions because they consider me "job attached".

It seems to me the whole problem would be solved if employees in my predicament were given a 12 month pay option. We are not!

I strongly resent the  
chance that unemployment  
benefits be denied me!

Please vote no to SB 525.

Thanks you,

Melinda Modene



Official Business

# Alaska State Legislature

## Senate

### Office of the President

Pouch V  
State Capitol  
Juneau, Alaska 99811

April 6, 1984

Ms. Jane Bell, Executive Secretary  
Haines Chamber of Commerce  
Box 518  
Haines, Alaska 99827

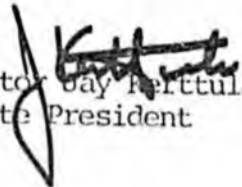
Dear Ms. Bell:

Thank you for contacting me regarding SB 525, relating to unemployment insurance.

Your letter has been forwarded to Senator Eliason, Chair of the Senate Labor & Commerce Committee, for the committee's consideration.

Thank you for letting me know of your concerns.

Sincerely,

  
Senator Jay Perttula  
Senate President

JK/jl/blm

LAUREL A. KENT  
96-A Trinidad St.  
Fairbanks, Alaska 99701

March 29, 1984

The Honorable Richard I. Eliason, Chairman  
Senate Labor and Commerce Committee  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Senator Eliason:

Re SB 525, I find it hard to imagine that responsible state officials would even consider passage of such ridiculously foolish legislation. Perhaps you are unaware of the extensive training required for some of the 9- and 10-month positions. Your bill could force extremely valuable and hard to replace people to seek employment elsewhere or, alternatively, to lobby for year-round pay arrangements equal to that of regular teachers. You also run the risk of reducing the quality of persons willing to accept these very difficult and often thankless jobs.

Passage of your proposed bill would essentially force every employee (most of whom have held these positions for many years and are extremely competent) who is dependent on a year-round income to reconsider their needs, and you effectively reduce the labor pool for these positions to only those people who can't find any other jobs. Are these the level of people you want to take care of your children? How about the more specialized positions, i.e., teacher's aides in special education, where lives could be endangered? Do you want to be responsible for risking the loss that could occur through employing less competent people?

I assure you there are many of us who would be placed in untenable positions through passage of SB 525 and I believe the resulting problem would be ten times more costly in the long run. Do yourself a favor, you already look ridiculous for allowing SB 525 to be introduced. Kill it now. Surely our state leaders have enough imagination and insight to come up with something better than this? How about a reduced salary spread over 12 months? It would solve both problems.

Sincerely,



Laurel A. Kent

cc: Kenneth Burnley, Superintendent of Schools  
Senate Labor and Commerce Committee

1. Bob Mulcahy
2. Fritz Pettyjohn
3. John C. Sackett
4. Patrick Rodey

Senator Don Bennett  
Senator Bettye Fahrenkamp  
Senator H. Pappy Moss  
Fairbanks Daily News Miner

Sent to finance 4/3/84

March 29, 1984

Dear Richard I. Eliason,

This is concerning the proposed legislation SB 525. Regarding the denial of unemployment compensation for the nine and ten month classified employees of the school district.

We would like to state our objections to this legislation:

- 1) We are not employed during the summer months, which would mean no income.
- 2) We are being discriminated against. Other employees of the school district are covered or have the option to be covered during the full 12 month period. We have no such opportunity. Furthermore, no employer will hire someone to work for them for just 2 months at a comparable pay scale.
- 3) We are being singled out as a group and being denied this unemployment compensation when we pay in to this program out of our pay checks.

In conclusion, the undersigned classified employees of the Fairbanks School District would appreciate your "NO" vote on the above legislation.

Sincerely,

Jana N. Chandler  
Jayce Thomas  
Gloria J. Batchelar  
Deborah C. Alcorn  
Lynette J. Smith

Cherita J. P. Ozen  
Rosie Stearns  
Shelley Szypozky  
Jane Alkire

SR 90385  
Fairbanks, AL  
99701  
March 26, 1989

To Whom It May Concern;

I am opposed to HSB 525, Sec 8, for the following reasons:

- ① This discriminates against non-teaching personnel who are denied the full year retirement credit that teachers have:
- ② Non teaching personnel do not ave the option of 12 monthly paychecks for 9 months of work as do teachers:
- ③ Non teaching personnel do not share the same leave benefits as do teachers.

What is the difference between public school support personnel and non-public school people, school bus drivers or construction workers. Nothing! Being laid off due to lack of work is the same throughout. Food still needs to be purchased; bills need to be paid.

Please reconsider this bill. Thank you.

Sincerely,  
Lee Grieme  
Lee Grieme

March 23, 1984

Senate Labor and Commerce Committee  
and

Fairbanks Area Legislators

Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Legislator;

This letter is written to express my concern regarding  
S.B. 525.

This bill discriminates against school district employees.  
They are being denied by this bill unemployment benefits  
during the summer months when they are unemployed, and  
willing to work.

The bill is completely unfair singling out a segment of  
the work force. It is contradictory in that the employees  
are denied the benefit of a year credit in their retirement  
by the State of Alaska on the one hand (the State by this  
action saying they are unemployed for 2 to 3 months of the  
year) and then reversing their stand by stating they have a  
12 month job and are thus ineligible for unemployment comp-  
ensation.

I am deeply concerned that any such legislation could even  
come out of committee. This bill would create an undue  
hardship on many people who are sole support of their families.  
Some would be forced to look for other permanent employment.  
This bill would effect lower income people while those who  
earn large salaries on the north slope would continue to reap  
benefits.

Your assistance in defeating this bill is appreciated.

Sincerely,



March 23, 1984

Senate Labor and Commerce Committee  
and

Fairbanks Area Legislators

Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Legislator;

This letter is written to express my concern regarding  
S.B. 525.

This bill discriminates against school district employees. They are being denied by this bill unemployment benefits during the summer months when they are unemployed, and willing to work.

The bill is completely unfair singling out a segment of the work force. It is contradictory in that the employees are denied the benefit of a year credit in their retirement by the State of Alaska on, the one hand (the State by this action saying they are unemployed for 2 to 3 months of the year) and then reversing their stand by stating they have a 12 month job and are thus ineligible for unemployment compensation.

I am deeply concerned that any such legislation could even come out of committee. This bill would create an undue hardship on many people who are sole support of their families. Some would be forced to look for other permanent employment. This bill would effect lower income people while those who earn large salaries on the north slope would continue to reap benefits.

Your assistance in defeating this bill is appreciated.

Sincerely,

*Bobbie Mansour*

March 21, 1984

S.R. Box 60600  
Fairbanks, Ak 99701

Senate Labor & Commerce Committee  
and  
Fairbanks Area Legislators  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Legislator:

I am writing to express my concern regarding  
S. B. 525.

This bill discriminates against school district  
employees. They are being denied by this bill  
unemployment benefits during the summer months  
when they are unemployed.

The bill is completely unfair singling out a segment  
of the work force. It is contradictory in that the  
employees are denied the benefit of a year credit in  
their retirement by the state of Alaska on the one  
hand (the state by this action saying they are unemployed  
for 2 to 3 months of the year) and then reversing their  
stand by stating they have a 12 month job and are thus  
ineligible for unemployment compensation.

I am deeply concerned that any such legislation could  
even come out of committee. This bill would create an  
undue hardship on many people who are sole support of  
their families. Some would be forced to look for other  
permanent employment. This bill would affect lower  
income people while those who earn large salaries on the  
north slope would continue to reap benefits.

Your assistance in defeating this bill is appreciated.

Sincerely,

  
Mary Jean (Cornelius) Mc Evoy

Linda Boisseau  
706 24th. Avenue  
Fairbanks, Alaska  
99701

Senate Labor and  
Commerce Committee  
Chairperson Richard Eliason.  
Pouch V (MS 3100)  
Juneau, Alaska  
99811

Dear Mr. Eliason:

Please find enclosed three letters that I have sent to my legislatures, concerning SB 525. I have urged them all to vote NO on that specific bill, as I feel it is most unfair.

Thank-you for your time.

Sincerely,  
*Linda Boisseau*  
Linda Boisseau

Linda Boisseau  
706 24th.Avenue  
Fairbanks, Alaska  
99701

Senator Don Bennett  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska  
99811

Dear Senator Bennett:

Senate Bill 525, which has been introduced by the Senate and Commerce Committee is another attempt at denying benefits to select persons working in the school district. Specifically, nine and ten month Classified Employees.

I am the Community School Monitor for Denali Elementary School, here in Fairbanks. I make the salary of \$9.04 an hour, and manage to clear \$484.33 every other week. If I am denied unemployment compensation during the period of time school is not in session, then feeding my family, may be harder then it is at the present.

If one seeks employment during the summer, it is usually not a temporary position, but a permanent one. Consideration on or for any jobs are then cut down to literally non existence.

Classified Employees in the school district do not have the same benefits as the Certified Employees, with understanding. But there are many discreptionies:

CERTIFIED EMPLOYEES

Are paid for the entire school year, while many only work nine months.

Their nine months count as a full year towards their retirement.

Their personal leave is carried over from year to year. They are not forced to use it up before the close of the school year or lose it.

CLASSIFIED EMPLOYEES

Are not paid for entire year. Only for the nine or ten month position.

Their nine or ten months service counts as only nine or ten months service, not an entire year.

Our personal leave has to be used up before the close of the school year, or it is lost. We are not allowed to carry it over one year to the next.

Since we do our jobs, we would like to have the opportunity to draw unemployment compensation during the period that school is not in session.

Please vote NO on SB 525. Thank-you for your time on this matter.

Sincerely,

*Linda Boisseau*  
Linda Boisseau

Linda Boisseau  
706 24th. Avenue  
Fairbanks, Alaska  
99701

Senator Pappy Moss  
Alaska State Legislature  
Pouch V (3100)  
Juneau, Alaska  
99811

Dear Senator Moss:

Senate Bill 525, which has been introduced by the Senate and Commerce Committee, is another attempt at denying benefits to select persons working in the school district. Specifically, the nine and ten month Classified Employees.

I am the Community School Monitor, for Denali Elementary School, here in Fairbanks. I make the salary of \$9.04 an hour, and manage to clear \$484.33 every other week. If I am denied unemployment compensation during the period that school is not in session, then feeding my family, may be harder than it is at the present.

If one seeks summer employment, it is usually not a temporary position, but a permanent one. (if you can find one) Consideration on or for any job are then cut down to literally non-existence.

Classified Employees in the school district do not have the same benefits as the Certified Employees, with understanding. But there are many discreptionies.

CERTIFIED EMPLOYEES

Are paid for the entire school year, while many only work nine months.

Their nine months are counted as a full year towards their retirement.

Their personal leave is carried over from one year to the next.

CLASSIFIED EMPLOYEES

Are paid only for their nine or ten months of work. They rely on the unemployment compensation for their time off in the summer.

Their nine or ten months of service counts only as nine or ten months toward their retirement.

Their personal leave is not carried over from year to year. They are required to take it before the close of the school year or lose it. (Three days of personal leave)

Since we do our jobs, we would like to have the opportunity to draw unemployment compensation during the period that school is not in session.

Please, vote NO on SB525. Thank-you for your time on this matter.

Sincerely

*Linda Boisseau*  
Linda Boisseau

Linda Boisseau  
706 24th.Avenue  
Fairbanks, Alaska  
99701

Senator Betty Fahrenkamp  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska  
99811

Dear Senator Fahrenkamp:

Senate Bill 525, which has been introduced by the Senate and Commerce Committee, is another attempt at denying benefits to select persons working in the school district. Specifically, the nine and ten month Classified Employees.

I am the Community School Monitor, for Denali Elementary School, here in Fairbanks. I make the salary of \$9.04 an hour, and manage to clear \$484.33 every other week. If I am denied unemployment compensation during the period of time school is not in session, then feeding my family, may be harder then it is at the present.

If one seeks summer employment, it is usually not a temporary position, but a permanent one. Consideration on or for any job are then cut down to literally non-existence.

Classified Employees in the school district do not have the same benefits as the Certified Employees with understanding. But there are many discreptionies;

CERTIFIED EMPLOYEES

Are paid for the entire school year, while many only work nine months.

Their nine months counts as a full year towards their retirement.

Their personal leave is carried over from year to year.

CLASSIFIED EMPLOYEES

Are paid only for the nine or ten months they work. They rely on unemployment compensation for their time off.

Their nine or ten month service counts as only nine or ten months toward their retirement.

Their personal leave is not carried over from year to year. They have to use it up before each school year is over.

Since we do our jobs, we would like to have the opportunity to draw unemployment compensation during the period that school is not in session.

Please vote NO on SB 525. Thank-you for your time on this matter.

Sincerely,

*Linda Boisseau*  
Linda Boisseau

March 20, 1984

Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Ak. 99811

Dear Richard I. Eliason

I have been working for the Fairbanks North Star Borough School District since 1975 or a total of nine (9) years, and am a member of The Classified Personnel Organization.

Every year for these past nine (9) years I have been asked to sign an "intent" form stating (in writing) that I do intend to return to my job the following school year. While I am asked to sign this form to guarantee my job, I have never been asked to sign a contract.

Each spring when school is out I do not have a job for the next following 2½ months until school resumes in the fall. As a result I have no income for that period of time. I FIND IT IMPOSSIBLE TO LIVE WITHOUT ANY INCOME DURING THESE 2½ MONTHS. However, I also find it impossible to get work in my field for such a short time as I am still considered job attached, and employers are reluctant to hire someone for that length of time.

It seems to me the problem could be resolved if employees such as myself were given an option of receiving their pay on a 12 month basis.

I strongly resent the position taken that unemployment benefits be denied me.

PLEASE, vote against SB 525.

Sincerely,



Charlotte J. Eudy  
P. O. Box 284  
Fairbanks, Alaska 99707

SR Box 40025  
1319 Summit Drive  
Fairbanks, AK 99701

April 10, 1984

Richard I. Eliason, Chairperson  
Senate Labor and Commerce Committee  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. Eliason,

This letter is written in support of SB 525 which would make it impossible for 9 and 10 month employees of school systems to be eligible for unemployment compensation during the summer.

I myself am a 10 month administrative secretary of an elementary school in Fairbanks. Previous to that, I was a 12 month secretary in the personnel department for the same school district. While in my previous position, part of my duties included processing the hundreds of unemployment compensation forms that passed through our offices. With each one I would become more and more angry.

The large majority of people who accept 9 and 10 month positions do so that they may enjoy the summers off. How can they then turn around and file for unemployment? If they need the money during the summer, then let them find employment. These people supposedly go on a work list and are called for positions for which they qualify - they may turn down the job and still continue to receive their unemployment if the job offered pays less than their current position. We are paid good wages and with seniority, these temporary jobs are almost always paid less.

Several of my co-workers say that the money is there because of the current law, and thus they will take advantage of it. I feel this is wrong and so is the current law.

I waited for 8 years for the opportunity to transfer to a 10 month position so that I could have the summers off to enjoy with my family. Yes, I took a pay cut, but that was my decision. If you queried the 9 and 10 month employees, I bet you would find very few who would move to a 12 month position. Why should they when the state makes it easy for them to stay home in the summer,

enjoy the weather. and each week collect an unemployment check?

The money wasted on this current situation could so much benefit other areas. such as direct support for education in the classroom.

Thank you for taking the time to read my letter. I feel this is a long needed change in the current law.

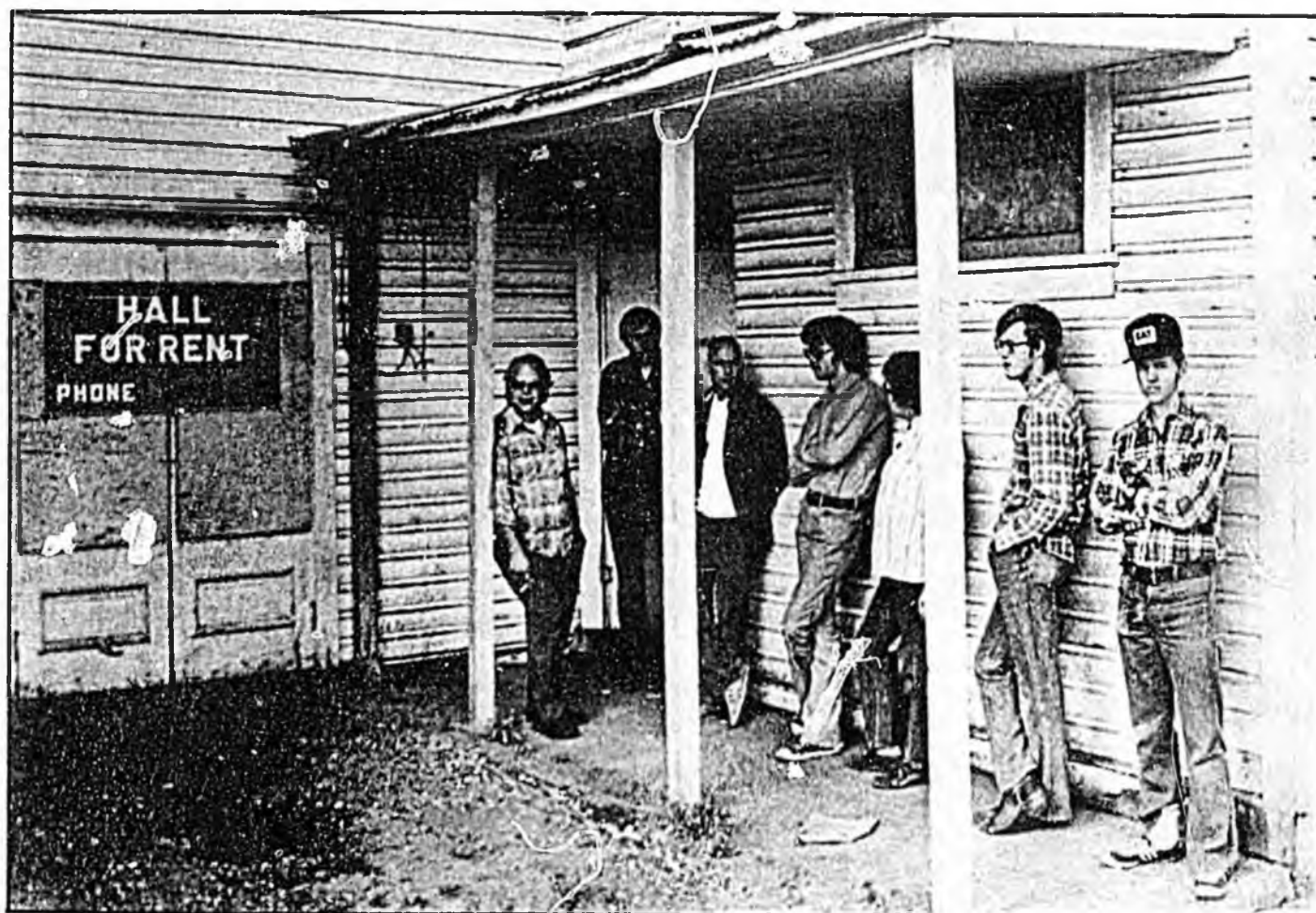
Sincerely.

*Kay S. Hendrickson*

Kay S. Hendrickson

NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:  
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.  
TITLE PAGE ONLY HAS BEEN FILMED.

# Unemployment Insurance Actuarial Study and Financial Handbook December 1983



PROPOSED TITLE: HCSC95B 525(FIN)  
AN ACT RELATING TO UNEMPLOYMENT INSURANCE, AND PROVIDING  
FOR AN EFFECTIVE DATE

PRIME SPONSOR: SENATE LABOR&COMM COMMITTEE.  
GENERAL DOLLARS: \$2,742,000 (F. NOTE)  
OTHER DOLLARS: \$47,300

CO-SPONSORS:  
CURRENT STATUS: 5/30/84 (S) CONCURRD (H) AM

| DATE     | SEQ | PAGE | LEGISLATIVE ACTION                                     |
|----------|-----|------|--|
| 03/07/84 | 01  | 2277 | FIRST READING -- COMMITTEE REPORTS                     |
| 03/23/84 | 02  | 2447 | L&C -- DP03, NR02                                      |
| 03/23/84 | 03  | 2447 | L&C F/NOTE SEN SUPPL #66                               |
| 05/03/84 | 04  | 2906 | FIN -- CS05  |
| 05/03/84 | 05  | 2906 | FIN F/NOTES SEN SUPPL #79                              |
| 05/07/84 | 06  | 2953 | RLS -- FIN CS03, NR01, OTHER04<br>TAKEN UP IMMEDIATELY |
| 05/07/84 | 07  | 2956 | SECOND READING   |
| 05/07/84 | 08  | 2956 | FIN CS ADOPTED BY UNAN CONSENT                         |
| 05/07/84 | 09  | 2956 | ADVANCED TO 3RD READING BY UNAN CONSENT                |
| 05/07/84 | 10  | 2956 | THIRD READING  |
| 05/07/84 | 11  | 2957 | PASSED BY DIV 20-00-00                                 |
| 05/07/84 | 12  | 2957 | EFF DATE VOTE SAME SEC 14,15,16,17,18                  |
| 05/29/84 | 28  | 3325 | POSTPONED UNTIL 05/30/84 BY UNAN CONSENT               |
| 05/30/84 | 29  | 3305 | CONCURRED IN HOUSE AMS BY DIV 16-02-02                 |
| 05/30/84 | 30  | 3305 | EFF DATE VOTE SAME UNAN CONSENT                        |

| DATE     | SEQ | PAGE | LEGISLATIVE ACTION                        |
|----------|-----|------|---|
| 05/08/84 | 13  | 3750 | FIRST READING -- COMMITTEE REPORTS        |
| 05/16/84 | 14  | 3870 | L&C -- CS04, OTHER02                      |
| 05/16/84 | 15  | 3870 | L&C F/NOTES HSE SUPPL #143                |
| 05/25/84 | 16  | 4063 | FIN -- CS07, NR01, OTHER01                |
| 05/25/84 | 17  | 4063 | FIN F/NOTE HSE SUPPL #147                 |
| 05/29/84 | 18  | 4130 | SECOND READING                            |
| 05/29/84 | 19  | 4130 | FIN CS ADOPTED BY UNAN CONSENT            |
| 05/29/84 | 20  | 4131 | AM01 NOT ADOPTED BY DIV 04-34-02          |
| 05/29/84 | 21  | 4131 | ADVANCED TO 3RD READING BY UNAN CONSENT   |
| 05/29/84 | 22  | 4131 | THIRD READING                             |
| 05/29/84 | 23  | 4131 | PASSED BY DIV 38 00-02                    |
| 05/29/84 | 24  | 4132 | EFF DATE CLAUSES VOTE SAME UNAN           |
| 05/29/84 | 25  | 4132 | NOTICE OF RECONSIDERATION GIVEN           |
| 05/29/84 | 26  | 4134 | PASSED ON RECONSIDERATION BY DIV 32-00-01 |
| 05/29/84 | 27  | 4134 | EFF DATE CLAUSES VOTE SAME UNAN           |

# COMMITTEE REPORT

## SENATE

FURTHER:

EVANCO

3/7/64

Date 3/2/64

Mr. President

The Committee on LABOR AND CAPITAL considered SB 305

UNEMPLOYMENT INSURANCE; RFD.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

**MEMBERS SIGNING  
DC PASS**

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**MEMBERS HAVING  
OTHER RECOMMENDATIONS**

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature]  
Chairman

[Signature]  
Chairman recommendation





# STATE OF ALASKA

## DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

P.O. BOX 1149  
JUNEAU, ALASKA 99802  
PHONE:

465-2700

March 20, 1984

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

Dear Senator Eliason:

This is in response to the question you asked during your meeting with Jack Shay, Director of the Employment Security Division, on March 16. My staff has compared the benefit increase proposed in SB 525 to the 1930 law change. However, because of the many other changes implemented in 1980, and changes in the extended benefit program since then, it is difficult to isolate the issues and provide comparable figures. As a result of the changes, several assumptions had to be incorporated into the model used to derive the cost estimates. Some estimates are outlined below.

|                                    | <u>1979</u><br><u>benefit schedule</u> | <u>1983</u><br><u>benefit schedule</u> | <u>Percent</u><br><u>Change</u> |
|------------------------------------|--|--|---------------------------------|
| Employer Contributions             | \$64.2 million                         | \$73.5 million                         | 14.5%                           |
| Employee Contributions             | \$14.0 million                         | \$16.1 million                         | 15.0%                           |
| Benefits Paid Out of<br>Trust Fund | \$71.5 million                         | \$85.4 million                         | 19.4%                           |
| Average Weekly Benefit<br>Amount   | \$87.58                                | \$134.40                               | 53.5%                           |

The original cost projection provided in 1980 estimated that the average weekly benefit amount would increase 51%, and that the variable duration concept would partially offset this for a net increase of 27%. Since

Honorable Richard Eliason

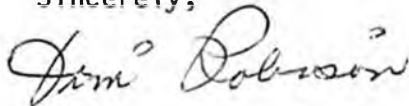
- 2 -

March 20, 1984

1980, changes affecting the extended benefit program plus a different economic picture have resulted in an actual increase of 19.4%. With the benefit increase proposed in SB 525 the increased cost is projected at 14%.

If you have any questions please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Jim Robison".

Jim Robison  
Commissioner

# 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 |         | Employee Tax Rate |         | Total Cost of Increase To Employers to Employees |             |
|------|----------|---------------------------|---------|-------------------|---------|--|-------------|
|      |          | w/o/incr.                 | w/incr. | w/o/incr.         | w/incr. |  |             |
| 1985 | \$22,600 | 4.08%                     | 4.08%   | .6%               | .6%     | \$ 0   | \$ 0        |
| 1986 | 23,000   | 3.84                      | 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.

The Honorable Richard Elison

-2-

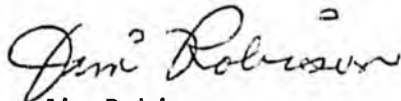
March 14, 1984

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"

| <u>Major Industry Division</u> | <u>Number of Employers</u> |
|--------------------------------|----------------------------|
| 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                          |
|                                | <u>163</u>                 |

STATE OF ALASKA

Bill Sheffield, Governor

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

December 5, 1983

M E M O R A N D U M

TO: Honorable Bill Sheffield  
Governor

FROM: *for* *Norman C. Gorsuch*  
Norman C. Gorsuch  
Attorney General

RE: Attached bill on employment insurance  
Our file: 377-043-84

Attached is a bill containing changes to the unemployment insurance statutes in AS 23.20. The changes were developed by the Department of Labor and for the most part are in response to changes and requirements of the federal statutes under which the department operates the unemployment insurance program Alaska.

The bill contains other "housekeeping" measures, including the provision for effective dates for certain sections, again in order to conform to effective dates for federal requirements in the unemployment insurance program.

A draft transmittal letter to the legislature, explaining the bill in more detail, is also attached.

NCG:GIA:bap

cc w/enc.: Honorable James Robison  
Commissioner  
Department of Labor

D R A F T

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to unemployment insurance. In large part this bill is a response to changes in federal requirements for the operation of Alaska's Unemployment Insurance Program.

Section 1 of the bill involves the training and building fund created under AS 23.20.130. State law presently requires that any unobligated money in excess of \$100,000 in the fund must be transferred to the Unemployment Trust Fund on the last day of the fiscal year. Often the legislature does obligate that excess money, but just as often, the bill accomplishing that action is not signed into law until after the end of the fiscal year. Therefore, by the time a bill is signed obligating the money, it has technically already passed into the Unemployment Trust Fund. By providing a 30-day "grace period" following the last day of each fiscal year, this problem should not arise.

Sections 2 and 3 of this bill are in response to certain 1982 amendments to the Federal Unemployment Tax Act (FUTA), effective January 1, 1985. Under the amended version of the FUTA, employers in the State of Alaska will not receive a full credit for the contributions made to the state unemployment fund unless state law includes a maximum tax rate of at least 5.4 percent, a tax rate which

must actually be assessed against at least one employer in the state. Sections 2 and 3 will create that standard rate and identify a class of employers which are assessed that rate, thus insuring that all employers in the State of Alaska can receive the full credit for their contributions to the state unemployment trust fund.

Section 4 of the bill will amend AS 23.20.350(d) by increasing the maximum unemployment insurance benefit amount to \$198 per week, not including an allowance for dependents. This increase will provide approximately two-thirds of unemployment insurance claimants with a replacement of at least 50 percent of their average weekly wages. These increases were developed in order to fight the impact of inflation and to more closely parallel suggested federal benefit adequacy guidelines for wage replacement.

Sections 5 and 6 of the bill rewrite AS 23.20.350(f), which provides for an allowance for dependents in addition to a weekly unemployment benefit amount. The amount of the allowance for dependents remains unchanged. The amendments contained in sec. 5 will permit the Department of Labor to administer the program in a manner more likely to accomplish its purpose, i.e., to provide additional wage replacement income to claimants with dependents. The present law artificially and perhaps unreasonably

restricts certain claimants from obtaining the benefits of the allowance for dependents.

The amendment will permit an allowance for dependents to be paid to a claimant having physical custody of a child or to a claimant who provides over 50 percent of support for the child. If two claimants qualify to claim the allowance, it will be paid to the claimant who provides over 50 percent of support. In addition, unlike under present law, a claimant need not claim the allowance for dependents when he or she first files a claim for unemployment benefits. The bill does continue to prohibit the allowance for dependents from being claimed by more than one individual.

Wendy Dimond v. Department of Labor, State of Alaska, 1JU-83-341 Civil, is an appeal of an administrative decision of the Employment Security Division's Appeal Tribunal. The litigation involves an interpretation of AS 23.20.350(f). Sections 5 and 6 of the bill would correct some of the more serious legal questions about the statute.

Section 7 of the bill will amend AS 23.20.362(c) by permitting severance and termination pay to be deductible from unemployment insurance benefits in the same way that other wage replacement payments are presently deducted.

Sections 8, 9, and 11 of the bill are responses to changes in federal law which directly effect the administration of our unemployment insurance program. Section 8 extends the disqualifications under AS 23.20.381(e) to all employees of educational institutions, employees of "educational service agencies" serving educational institutions, and to those same employees for any established vacation period or holiday recess. Section 9 modifies the disqualification for failing to actively seek work by exempting a claimant who is hospitalized or serving on jury duty. Section 11 brings the state into conformity with federal law by repealing AS 23.20.526(a)(22)(D), which the U.S. Department of Labor interprets as a waiver of benefit rights. A waiver of benefit rights is prohibited by sec. 303(a)(1) of the Social Security Act and AS 23.20.395.

Section 10 of the bill closes a "loophole" in the current unemployment insurance law by prohibiting individuals on "R and R" from collecting unemployment insurance benefits.

The Department of Labor supports this bill. I urge your prompt action on it.

Sincerely,

Bill Sheffield  
Governor

# Alaska Tomorrow

The Actuarial Unit of the Research and Analysis Section has used two computer models since 1978 to aid in the analysis of proposed legislation. One model enables rapid and accurate computation of an average payment for a variety of benefit schedules. Once a relationship is established between the current schedule and an alternate schedule, a second mathematical model uses the established relationship to project costs and other significant variables under three different scenarios. In this way it is possible to evaluate a variety of changes to the law which would have a financial impact on the Trust Fund.

The following four exhibits are the output from the mathematical model designed to simulate various actions affecting Alaska's unemployment insurance system. All four runs use the same assumptions: that the number of claimants, total earning and financing provisions are the same for each alternative. By holding input assumptions constant, the effect of a specific change in state law can be evaluated.

The current system is the basis for comparison. Exhibit 9 was run using the most likely growth scenario

## Exhibit 9 Trust Fund Model

AID DESCRIPTION: CURRENT LAW - NO CHANGES  
 RUN DATE: 24 SEPTEMBER 1983  
 SCENARIO: MOST LIKELY GROWTH

| YEAR | AVERAGE ANNUAL EMPLOY | TOTAL ANNUAL EARNINGS | AVERAGE WEEKLY WAGE | ANNUAL AVERAGE SUR | WEEKS COMPENSATED REGULAR | WEEKS COMPENSATED EXT BEN | AVERAGE WEEKLY BENEFIT | TRUST FUND INT RATE |
|------|-----------------------|-----------------------|---------------------|--------------------|---------------------------|---------------------------|------------------------|---------------------|
| 1982 | 133,720               | 3,789,058,000         | 365                 | 7.5                | 521,430                   | 78,215                    | 129.50                 | 10.0                |
| 1983 | 140,600               | 4,214,562,400         | 577                 | 7.5                | 548,340                   | 85,801                    | 132.89                 | 10.0                |
| 1984 | 140,700               | 4,243,512,000         | 580                 | 9.0                | 658,476                   | 79,017                    | 133.89                 | 9.0                 |
| 1985 | 141,200               | 4,383,412,400         | 597                 | 8.0                | 587,322                   | 70,447                    | 134.89                 | 8.0                 |
| 1986 | 141,800               | 4,534,764,000         | 615                 | 7.5                | 553,020                   | 66,362                    | 135.90                 | 8.0                 |
| 1987 | 141,300               | 4,709,123,000         | 640                 | 7.5                | 551,850                   | 66,222                    | 136.92                 | 7.0                 |
| 1988 | 141,600               | 4,856,528,000         | 665                 | 7.5                | 552,240                   | 66,269                    | 137.95                 | 7.0                 |

CURRENT TAX RATE IS 75 PERCENT OF AAW  
 PROPOSED TAX RATE IS 75 PERCENT OF AAW BEGINNING 1985

MODEL OUTPUT (DOLLARS IN MILLIONS UNLESS OTHERWISE NOTED)

| YEAR | INITIAL FUND BALANCE | TAX BASE (\$) | TAXABLE WAGE RATIO | TAXABLE WAGES | RESERVE RATIO | AVERAGE TAX RATE | MIN TAX RATE | MAX TAX RATE | LE TAX RATE | TOTAL EMPLOYER CONTRIB | TOTAL EMPLOYEE CONTRIB | TRUST FUND INTEREST | TOTAL REVENUE | BENEFITS PAID BY ALASKA | BENEFIT COST RATE | FINAL FUND BALANCE | FEDERAL SHARE OF BEN | SOLV TAX RATE |
|------|----------------------|---------------|--------------------|---------------|---------------|------------------|--------------|--------------|-------------|------------------------|------------------------|---------------------|---------------|-------------------------|-------------------|--------------------|----------------------|---------------|
| 1982 | 103.6                | 14,600        | 0.62               | 2,343.6       | 0.036         | 0.0304           | 0.0122       | 0.007        | 0.007       | 69.1                   | 15.7                   | 11.7                | 96.5          | 74.0                    | 0.026             | 126.1              | 4.0                  |               |
| 1983 | 126.1                | 20,200        | 0.78               | 3,290.5       | 0.036         | 0.0238           | 0.0100       | 0.0380       | 0.005       | 78.2                   | 16.5                   | 12.6                | 107.3         | 81.6                    | 0.019             | 151.8              | 4.4                  |               |
| 1984 | 151.8                | 21,900        | 0.76               | 3,225.1       | 0.036         | 0.0257           | 0.0103       | 0.0410       | 0.006       | 82.7                   | 18.4                   | 13.7                | 115.4         | 94.7                    | 0.023             | 169.8              | 5.3                  |               |
| 1985 | 168.4                | 22,800        | 0.75               | 3,287.6       | 0.038         | 0.0255           | 0.0102       | 0.0408       | 0.006       | 83.4                   | 19.7                   | 13.5                | 117.1         | 88.7                    | 0.020             | 197.2              | 4.8                  |               |
| 1986 | 197.2                | 23,000        | 0.75               | 3,401.1       | 0.044         | 0.0240           | 0.0100       | 0.0384       | 0.005       | 81.7                   | 17.0                   | 15.8                | 114.5         | 64.2                    | 0.019             | 227.5              | 4.5                  |               |
| 1987 | 227.5                | 23,600        | 0.75               | 3,531.1       | 0.049         | 0.0232           | 0.0100       | 0.0370       | 0.005       | 81.8                   | 17.7                   | 15.9                | 115.4         | 64.6                    | 0.018             | 258.7              | 4.5                  |               |
| 1988 | 258.7                | 24,500        | 0.75               | 3,672.4       | 0.054         | 0.0215           | 0.0100       | 0.0342       | 0.005       | 78.9                   | 18.4                   | 18.1                | 115.4         | 65.3                    | 0.017             | 288.2              | 4.6                  |               |

TOTAL EMPLOYER CONTRIBUTIONS: \$ 556 MILLION  
 TOTAL REVENUE: \$ 382 MILLION  
 REGULAR AND ALL EXTENDED BENEFITS PAID: \$ 639 MILLION  
 FEDERAL SHARE OF EXTENDED BENEFITS: \$ 32 MILLION

REASONABLE UNEMPLOYMENT AND UNEMPLOYMENT IS EXCLUDED FROM SCENARIO

Chart indicating employer's rate

under the assumption that no changes will occur in either financing provisions of the law or in benefit provisions. In the years 1986, 1987, and 1988, the average insured unemployment in this scenario is assumed to remain unchanged. In spite of this, the benefit cost rate drops year to year, even though the actual amount of benefits paid increase. This displays the impact of inflation where benefits do not increase as rapidly as wages. The \$156 cap in maximum weekly benefits prevents more and more claimants from achieving the intended return of 50 percent of their own average weekly wage.

Exhibit 10 assumes that the maximum WBA will increase to \$198 effective January 1, 1985 but that everything else will remain unchanged. This model demonstrates the effectiveness of the self-correcting feature of the current tax system. Without a change in the tax rate schedule, the benefit cost increases cause an increase in tax rates over the prior scenario. The benefit cost rate will still drop, indicating a need to frequently adjust the benefit maximum as long as wages increase through inflation.

Exhibit 11 assumes that alternative #2 in response to TEFRA would be put into effect along with increasing maximum WBA to \$198. Since we are looking at millions of dollars, the impact of the 21st rate class at 5.4 percent cannot be detected. It was expressed earlier that this alternative would have the least impact on employers' state unemployment insurance contributions, while preserving the full 5.4 percent FUTA credit for certified employers.

Exhibit 12 shows the impact of reducing the tax base to 50 percent of average annual wage, along with the increase of maximum WBA to \$198. Although no maximum of 5.4 percent employer tax was specified for this example, the maximum exceeded 5.4 percent in all years shown from 1985 through 1988. Total employer tax collections remain unchanged; however, in this example the proportion of taxes from low-wage employers would increase.

**Exhibit 10  
Trust Fund Model**

RUN DESCRIPTION: MAXIMUM WBA INCREASED TO \$198 EFF. 1/1/85, EVERYTHING ELSE REMAINS UNCHANGED  
 RUN DATE: 24 SEPTEMBER 1983  
 SCENARIO: MOST LIKELY GROWTH

| YEAR | AVERAGE ANNUAL EMPLOY | TOTAL ANNUAL EARNINGS | AVERAGE WEEKLY WAGE | ANNUAL AVERAGE IUR | WEEKS COMPENSATED REGULAR | EXT BEN | AVERAGE WEEKLY BENEFIT | TRUST FUND INT RATE |
|------|-----------------------|-----------------------|---------------------|--------------------|---------------------------|---------|------------------------|---------------------|
| 1982 | 132,700               | 1,789,058,000         | 545                 | 7.5                | 521,430                   | 78,215  | 129.50                 | 10.0                |
| 1983 | 140,800               | 4,218,561,400         | 577                 | 7.5                | 548,140                   | 85,801  | 132.89                 | 10.0                |
| 1984 | 140,700               | 4,243,512,000         | 580                 | 7.0                | 658,476                   | 79,017  | 133.89                 | 9.0                 |
| 1985 | 141,700               | 4,383,412,800         | 597                 | 8.0                | 887,392                   | 112,487 | 153.77                 | 8.0                 |
| 1986 | 141,800               | 4,314,764,000         | 615                 | 7.5                | 553,020                   | 66,362  | 154.91                 | 8.0                 |
| 1987 | 141,500               | 4,704,120,000         | 640                 | 7.5                | 551,850                   | 66,222  | 158.09                 | 7.0                 |
| 1988 | 141,600               | 4,896,578,000         | 665                 | 7.5                | 552,240                   | 64,364  | 157.26                 | 7.0                 |

CURRENT TAX RATE IS 75 PERCENT OF AAV  
 PROPOSED TAX RATE IS 75 PERCENT OF AAV BEGINNING 1985

NOTE: OUTPUT (DOLLARS IN MILLIONS UNLESS OTHERWISE NOTED)

| YEAR | INITIAL FUND BALANCE | TAX BASE (\$) | TAXABLE WAGE RATIO | TAXABLE WAGES | RESERVE RATIO | AVERAGE TAX RATE | MIN TAX RATE | MAX TAX RATE | PK TAX RATE | RR TAX RATE | TOTAL EMPLOYER CONTRIB | TOTAL EMPLOYEE CONTRIB | TRUST FUND INTEREST | TOTAL REVENUE | BENEFITS PAID BY ALASKA | BENEFIT COST RATE | FINAL FUND BALANCE | FEDERAL SHARE UP LB | STATE RATE |
|------|----------------------|---------------|--------------------|---------------|---------------|------------------|--------------|--------------|-------------|-------------|------------------------|------------------------|---------------------|---------------|-------------------------|-------------------|--------------------|---------------------|------------|
| 1982 | 103.6                | 14,600        | 0.62               | 2,343.6       | 0.036         | 0.0304           | 0.0122       | 0.0487       | 0.007       |             | 69.1                   | 15.7                   | 11.7                | 96.5          | 74.0                    | 0.026             | 126.1              | 4.0                 |            |
| 1983 | 126.1                | 20,203        | 0.78               | 3,280.5       | 0.038         | 0.0238           | 0.0100       | 0.0380       | 0.005       |             | 78.2                   | 16.5                   | 12.6                | 107.3         | 81.6                    | 0.019             | 151.8              | 4.4                 |            |
| 1984 | 151.8                | 21,900        | 0.76               | 3,225.1       | 0.036         | 0.0257           | 0.0103       | 0.0410       | 0.006       |             | 82.7                   | 19.4                   | 13.7                | 115.8         | 98.7                    | 0.021             | 180.8              | 5.3                 |            |
| 1985 | 188.8                | 22,600        | 0.75               | 3,287.6       | 0.038         | 0.0255           | 0.0102       | 0.0404       | 0.006       |             | 81.9                   | 19.7                   | 12.5                | 117.1         | 101.2                   | 0.021             | 180.4              | 5.4                 |            |
| 1986 | 184.8                | 21,000        | 0.75               | 3,401.1       | 0.041         | 0.0251           | 0.0100       | 0.04         | 0.006       |             | 85.4                   | 20.4                   | 14.8                | 120.6         | 96.0                    | 0.021             | 209.4              | 5.1                 |            |
| 1987 | 209.4                | 21,600        | 0.75               | 3,531.4       | 0.045         | 0.0257           | 0.0101       | 0.0403       | 0.004       |             | 88.9                   | 21.2                   | 14.7                | 124.8         | 96.5                    | 0.020             | 237.7              | 5.2                 |            |
| 1988 | 237.7                | 24,500        | 0.75               | 3,675.4       | 0.049         | 0.0244           | 0.0100       | 0.0390       | 0.003       |             | 89.6                   | 18.4                   | 16.6                | 124.6         | 97.2                    | 0.020             | 265.1              | 5.2                 |            |

TOTAL EMPLOYER CONTRIBUTIONS: \$ 578 MILLION  
 TOTAL REVENUE: \$ 807 MILLION  
 REGULAR AND ALL EXTENDED BENEFITS PAID: \$ 680 MILLION  
 FEDERAL SHARE OF EXTENDED BENEFITS: \$ 35 MILLION

NONRECURRING EMPLOYMENT AND UNEMPLOYMENT IS EXCLUDED FROM SCENARIO

the claimant shall be promptly notified of the determination and the reason for it. The claimant may appeal the determination in the same manner prescribed in this chapter for appeals of initial determinations and redetermination. Benefits may not be paid while a determination is being appealed for any weeks for which the determination of disqualification was made. However, if a decision on the appeal allows benefits to the claimant, those benefits must be paid promptly.

(g) If, after the initial determination, benefits with respect to a week for which a claim has been filed are denied for reasons other than matters included in the initial determination, the claimant shall be promptly notified of the denial and the reasons for it and may appeal in accordance with the procedures prescribed in this chapter for an appeal from an initial determination.

Sec. 23.20.345.

PAYMENT OF BENEFITS

Benefits are payable from the fund. All benefits shall be paid through employment offices in accordance with regulations prescribed by the department.

Sec. 23.20.350.

AMOUNT OF BENEFITS

(a) An individual who is paid at least \$1,000 in wages during his base period for employment covered by this chapter is eligible to receive benefits under this chapter if those wages were paid in at least two of the calendar quarters of his base period.

(b) This paragraph is repealed as of 6/26/82.

(c) For the purposes of computing the benefits payable under this chapter, the base period wages of an insured worker shall be determined as follows:

(1) if the insured worker is paid 90 percent of his wages in the calendar quarter of his base period in which he was paid the greatest amount of wages, the base period wages are the wages paid in the quarter of the base period other than the one in which the greatest amount of wages were paid, multiplied by 10; and

(2) if the insured worker is paid less than 90 percent of his wages in the calendar quarter of his base period in which he was paid the greatest amount of wages, the base period wages are the wages paid to him during the base period.

(d) An individual who is eligible under (a) of this section is entitled to receive the weekly benefit amount set out in column (B) of the table in this subsection which is opposite the amount set out in column (A) of the individual's base period wages determined under (c) of this section:

| (A)<br>Base Period Wages |       | (B)<br>Weekly Benefit Amount |
|--------------------------|-------|------------------------------|
| 0                        | 1,000 | \$ 0                         |
| 1,000                    | 1,250 | 34                           |
| 1,250                    | 1,500 | 36                           |
| 1,500                    | 1,750 | 38                           |
| 1,750                    | 2,000 | 40                           |
| 2,000                    | 2,250 | 42                           |

|                  |                  |               |
|------------------|------------------|---------------|
| 2,250            | 2,500            | 44            |
| 2,500            | 2,750            | 46            |
| 2,750            | 3,300            | 48            |
| 3,000            | 3,250            | 50            |
| <del>3,250</del> | <del>3,500</del> | <del>52</del> |
| <del>3,500</del> | <del>3,750</del> | <del>54</del> |
| <del>3,750</del> | <del>4,000</del> | <del>56</del> |
| 4,000            | 4,250            | 58            |
| 4,250            | 4,500            | 60            |
| 4,500            | 4,750            | 62            |
| 4,750            | 5,000            | 64            |
| 5,000            | 5,250            | 66            |
| 5,250            | 5,500            | 68            |
| 5,500            | 5,750            | 70            |
| 5,750            | 6,000            | 72            |
| 6,000            | 6,250            | 74            |
| 6,250            | 6,500            | 76            |
| 6,500            | 6,750            | 78            |
| 6,750            | 7,000            | 80            |
| 7,000            | 7,250            | 82            |
| 7,250            | 7,500            | 84            |
| 7,500            | 7,750            | 86            |
| 7,750            | 8,000            | 88            |
| 8,000            | 8,250            | 90            |
| 8,250            | 8,500            | 92            |
| 8,500            | 8,750            | 94            |
| 8,750            | 9,000            | 96            |
| 9,000            | 9,250            | 98            |
| 9,250            | 9,500            | 100           |
| 9,500            | 9,750            | 102           |
| 9,750            | 10,000           | 104           |
| 10,000           | 10,250           | 106           |
| 10,250           | 10,500           | 108           |
| 10,500           | 10,750           | 110           |
| 10,750           | 11,000           | 112           |
| 11,000           | 11,250           | 114           |
| 11,250           | 11,500           | 116           |
| 11,500           | 11,750           | 118           |
| 11,750           | 12,000           | 120           |
| 12,000           | 12,250           | 122           |
| 12,250           | 12,500           | 124           |
| 12,500           | 12,750           | 126           |
| 12,750           | 13,000           | 128           |
| 13,000           | 13,250           | 130           |
| 13,250           | 13,500           | 132           |
| 13,500           | 13,750           | 134           |
| 13,750           | 14,000           | 136           |
| 14,000           | 14,250           | 138           |
| 14,250           | 14,500           | 140           |
| 14,500           | 14,750           | 142           |
| 14,750           | 15,000           | 144           |
| 15,000           | 15,200           | 146           |
| 15,200           | 15,400           | 148           |
| 15,400           | 15,600           | 150           |
| 15,600           | 15,800           | 152           |
| 15,800           | 16,000           | 154           |
| 16,000           | and over         | 156           |

Effective  
1/1/83

(e) An individual who is eligible under (d) of this section is

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B

532



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

sh 532

March 21, 1984

The Honorable Jalmar Kerttula  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Kerttula:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to amend AS 43, the Revenue and Taxation Code, by repealing AS 43.20.031(d) and AS 43.70.030(b).

This bill repeals AS 43.20.031(d), which exempts banks and savings and loan associations from taxation under AS 43.20, the corporate income tax chapter. It also repeals AS 43.70.030(b), which taxes banks, trust companies, and savings and loan associations under AS 43.70, the Business License Act.

Currently, banks and savings and loan associations are specifically exempted from the corporate income tax under AS 43.20 because of federal restrictions which required states to tax national banks and savings and loan associations separately from other corporations. Those federal restrictions no longer exist. Therefore, we may now tax banks under AS 43.20 along with all other corporate taxpayers, and that is what this bill will accomplish.

Sincerely,

  
Bill Sheffield  
Governor

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: \_\_\_\_\_  
Title: State taxation of national banks

Sponsor: Governor

Requestor: \_\_\_\_\_

Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Department of Revenue  
Program Category Affected: Collection and Management

BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

|               |   |   |   |   |   |   |
|---------------|---|---|---|---|---|---|
| GENERAL FUND  | - | - | - | - | - | - |
| FEDERAL FUNDS | - | - | - | - | - | - |
| OTHER         | - | - | - | - | - | - |
| <u>TOTAL</u>  | - | - | - | - | - | - |

POSITIONS:

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| FULL-TIME | - | - | - | - | - | - |
| PART-TIME | - | - | - | - | - | - |
| TEMPORARY | - | - | - | - | - | - |

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Maureen C Brien *Maureen C Brien*  
Division: Audit Division

Phone: 465-2320

Date: March 20, 1984

Approved by Commissioner: *R. H. Heston*  
Agency: Revenue

Date: 3/20/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Fiscal Note

Currently banks are required to file returns and pay tax under a statute separate from all other corporations (AS 43.70). This results in significant administrative and legal problems. The Department of Revenue therefore recommends that banks be taxed under the same income tax statutes as other corporations (AS 43.20).

Although state and municipal interest is currently taxable under AS 43.70 and would not be subject to tax under AS 43.20, we estimate that requiring banks to file under AS 43.20 rather than AS 43.70 will result in no loss of revenue to the State. The Department's position is that under IRC sec. 265(2), which is adopted by reference in AS 43.20.021(a), no deduction is allowed for expenses and interest incurred or continued to purchase or carry obligations the interest on which is exempt from tax. This includes not only expenses and interest related to tax exempt state and municipal interest income, but also expenses and interest related to tax exempt U.S. interest income. Therefore, the total amount of nondeductible expenses under AS 43.20 will be close to the amount of nontaxable income.

BILL SHEFFIELD  
GOVERNOR



SB 532  
Distributed by Sen Mulcahy

SB 532

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 21, 1984

The Honorable Jalmar Kerttula  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

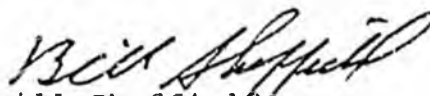
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Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to amend AS 43, the Revenue and Taxation Code, by repealing AS 43.20.031(d) and AS 43.70.030(b).

This bill repeals AS 43.20.031(d), which exempts banks and savings and loan associations from taxation under AS 43.20, the corporate income tax chapter. It also repeals AS 43.70.030(b), which taxes banks, trust companies, and savings and loan associations under AS 43.70, the Business License Act.

Currently, banks and savings and loan associations are specifically exempted from the corporate income tax under AS 43.20 because of federal restrictions which required states to tax national banks and savings and loan associations separately from other corporations. Those federal restrictions no longer exist. Therefore, we may now tax banks under AS 43.20 along with all other corporate taxpayers, and that is what this bill will accomplish.

Sincerely,

  
Bill Sheffield  
Governor

SB 532

SENATE BILL 532 AMENDS AS 43, THE REVENUE AND TAXATION CODE, TO ALLOW THE DEPARTMENT OF REVENUE TO TAX BANKS AS CORPORATE ENTITIES. CURRENTLY, BANKS AND SAVINGS AND LOAN ASSOCIATIONS ARE SPECIFICALLY EXEMPTED FROM THE CORPORATE INCOME TAX UNDER AS 43.20 BECAUSE OF FEDERAL RESTRICTIONS WHICH REQUIRED STATES TO TAX NATIONAL BANKS AND SAVINGS AND LOAN ASSOCIATIONS SEPARATELY FROM OTHER CORPORATIONS. THOSE FEDERAL RESTRICTIONS NO LONGER EXIST. THEREFORE, THE STATE MAY NOW TAX BANKS ALONG WITH ALL OTHER CORPORATE TAXPAYERS.

SB 532 IS SUPPORTED BY THE ADMINISTRATION. THE ALASKA ASSOCIATION OF BANKERS HAS A NEUTRAL POSITION ON THIS LEGISLATION.

I RECOMMEND PASSAGE OF SB 532.

ADDITIONAL INFORMATION

1) THE DEPARTMENT OF REVENUE STATED THAT THIS LEGISLATION HAS TWO MAIN GOALS:

A) TAXING BANKS AS CORPORATIONS WOULD BE CONSISTENT WITH THEIR TAXING POLICY.

B) THIS CHANGE WILL AVOID ANY POSSIBLE LITIGATION REGARDING WHETHER THE STATE CAN TAX INTEREST ON U.S. SECURITIES, IE. TREASURY BONDS. EVIDENTLY, OTHER STATES HAVE BEEN BROUGHT TO COURT BY THE BANKS AND SEVERAL SUPREME COURTS HAVE RULED THAT IT IS UNCONSTITUTIONAL TO TAX THIS INTEREST.

2) THE CORPORATE TAX RATE IS HIGHER THAN THE CURRENT TAX RATE BUT SINCE INTEREST ON U.S. SECURITIES IS NOT GOING TO BE TAXED, THE AMOUNT OF MONEY TO BE TAXED WILL BE LESS.

3) THE DEPARTMENT OF REVENUE ESTIMATES THAT THIS CHANGE WILL NOT REDUCE THE AMOUNT OF REVENUE AVAILABLE TO THE STATE.

(e) The department may credit or refund overpayments of taxes, taxes erroneously or illegally assessed or collected, penalties collected without authority, and taxes that are found unjustly assessed or excessive in amount, or otherwise wrongfully collected. The department shall set limitations, specify the manner in which claims for credits or refunds are made, and give notice of allowance or disallowance. When a refund is allowed to a taxpayer, it shall be paid out of the general fund on a warrant issued under a voucher approved by the department.

(f) [Repealed, § 10 ch 1 SSSLA 1980.]

(g) [Repealed, § 10 ch 1 SSSLA 1980.] (§ 7 ch 115 SLA 1949; am § 2 ch 132 SLA 1951; am § 4 ch 5 SLA 1953; am § 2 ch 169 SLA 1972; am § 3 ch 70 SLA 1975; am § 2 ch 22 SLA 1980; am §§ 6, 10 ch 1 SSSLA 1980; am §§ 6, 9 ch 2 SSSLA 1980)

**Cross references.** — For legislative findings and purposes of the second and third 1980 amendments, see § 1, ch. 1, SSSLA 1980, and § 1, ch. 2, SSSLA 1980, in the Temporary and Special Acts.

**Effect of amendments.** — The second 1980 amendment substituted "If a partnership which has a corporation as a partner or a corporation is" for "Every individual, fiduciary, partnership and corporation"

and inserted "it" in the introductory paragraph of subsection (a) and repealed subsections (f) and (g), added by the first 1980 amendment, which concerned the tax credit for political campaign contributions and the credit for household and dependent care services, respectively.

The third 1980 amendment made the same changes as the second 1980 amendment.

These  
are to  
be  
repealed

NOTES TO DECISIONS

**Delegation of legislative authority valid.** — The legislative authority conferred by this section appears to be within the test laid down in *Bowles v. Willingham*, 321 U. S. 503, 64 S. Ct. 641, 88 L. Ed. 892 (1944), in which the administrator of the Office of Price Administration was empowered to fix maximum rents which, in his judgment, would be generally fair and equitable in any defense rental area whenever in his judgment that action was necessary or proper in order to effectuate the purposes of the act, and further empowered to make adjustments for such relevant factors as he may determine and deem to be of general applicability, and to provide for such adjustments and reasonable exceptions as in his judgment are necessary and proper in order to effectuate the purposes of the act. *Alaska S.S. Co. v. Mullaney*, 12 Alaska 433, 84 F. Supp. 561 (D. Alaska 1949), aff'd, 12 Alaska 594, 180 F.2d 805 (9th Cir. 1950).

Subsection (d) of this section creates a duty to speak when it requires a notice of modification of a taxpayer's federal

income tax return. *Stevenson v. Burgess*, Sup. Ct. Op. No. 1514 (File No. 2791), 570 P.2d 728 (1977).

**Taxpayers estopped from asserting statute of limitations due to failure to notify regarding modification of federal tax liability.** — The failure of certain taxpayers to notify the department of the modification in their federal income tax liability for two years constitutes a breach of the duty to give notice of modification pursuant to this section and amounts to the concealment of a material fact. Where the state, to its detriment, relying on that lack of notice, as it reasonably could, failed to institute the statutory mechanism for collection of additional taxes, the taxpayers are estopped from asserting the protection of the statute of limitations embodied in AS 43.20.200(b). *Stevenson v. Burgess*, Sup. Ct. Op. No. 1514 (File No. 2791), 570 P.2d 728 (1977).

Quoted in *Hickel v. Stevenson*, Sup. Ct. Op. No. 351 (File No. 624), 416 P.2d 236 (1966).

**Sec. 43.20.031. Taxable income of residents; deductions; exemptions.** (a) [Repealed, § 10 ch 1 SSSLA 1980.]

(b) [Repealed, § 10 ch 1 SSSLA 1980.]

(c) In computing the tax under this chapter, the taxpayer is not entitled to deduct any taxes based on or measured by net income.

(d) Banks and savings and loan associations chartered by the federal government or the state are exempt from income tax under this chapter.

(e) An affiliated group of corporations may make or the commissioner may require them to make a consolidated return for the taxable year in place of separate returns. For purposes of calculating the amount of tax payable by the group under a consolidated filing, 26 U.S.C. 1501 — 1552 (Internal Revenue Code), as amended, apply.

(f) [Repealed, § 10 ch 1 SSSLA 1980.]

(g) [Repealed, § 10 ch 1 SSSLA 1980.]

(h) [Repealed, § 10 ch 1 SSSLA 1980.]

(i) A corporation which is a member of a group of unitary corporations which collectively has income from business activity taxable both inside and outside the state, or income from other sources both inside and outside the state, shall determine its income from sources in this state by use of the combined method of accounting. (§ 5 ch 70 SLA 1975; am §§ 3 — 5 ch 125 SLA 1976; am § 8 ch 73 SLA 1977; am § 6 ch 133 SLA 1977; am § 1 ch 8 SLA 1978; am § 235 ch 100 SLA 1980; am §§ 14 — 17 ch 113 SLA 1980; am § 10 ch 1 SSSLA 1980; am § 9 ch 2 SSSLA 1980)

**Cross references.** — For legislative findings and purpose of the third and fourth 1980 amendments, see § 1, ch. 1, SSSLA 1980, and § 1, ch. 2, SSSLA 1980, in the Temporary and Special Acts; for disclosure of contributions, see AS 24.45.121; for tax exemption for permanent fund dividends, see AS 43.23.090.

The second and fourth 1980 amendments affected subsections (a) and (h) repealed by the third 1980 amendment, deleted "or combined" following "make a consolidated" in the first sentence of subsection (e), and added subsection (i).

The third 1980 amendment repealed subsections (a), (b), (f), (g), and (h).

**Sec. 43.20.033. Taxable income of fiduciary.** [Repealed, § 10 ch 1 SSSLA 1980.]

**Sec. 43.20.035. Taxable income of nonresidents and part-year residents.** [Repealed, § 10 ch 1 SSSLA 1980.]

**Sec. 43.20.036. Federal tax deductions and credits.** (a) For purposes of calculating the income tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the foreign tax credit allowed as to federal taxes under 26 U.S.C. 33 (Internal Revenue Code).

(b) For purposes of calculating the income tax payable under this chapter, the taxpayer may apply as a credit against tax liability the investment credit allowed as to federal taxes under 26 U.S.C. 38 (Inter-

license. 1960 Op. Att'y Gen., No. 27.

AS 43.70.110 and this section make no provision for the exemption from the license requirement of a religious corporation which is doing business. 1960 Op. Att'y Gen., No. 25.

A religious corporation receiving rents from the renting of an apartment or apartments must obtain an Alaska business license as a condition precedent to

engaging in such business. 1960 Op. Att'y Gen., No. 25.

The state may revoke the license of a collection agency which does not have a proper bond on file with the tax commission. 1960 Op. Att'y Gen., No. 27.

A guide to a workable procedure for license revocation is found in chapter 2 of the Alaska Administrative Procedure Act. 1960 Op. Att'y Gen., No. 27.

#### NOTES TO DECISIONS

A license confers no right of property. *Thlinket Packing Co. v. Harris & Co.*, 5 Alaska 471 (1916).

It merely authorizes the holder to carry on a certain business, but does not grant to the holder any place of business, any more than the issuance of a saloon license grants to the holder a building in which to conduct a saloon, or the issuance of a mercantile license, a building in which to conduct a store. *Columbia Salmon Co. v.*

*Berg*, 5 Alaska 538 (1916).

**Purpose of tax.** — Although this section requires a license for the "privilege" of engaging in a business in Alaska, this language does not render it invalid nor destroy the legislative intent that the purpose of the tax is to raise revenue, and not to regulate any business. *Territory of Alaska v. Journal Printing Co.*, 15 Alaska 676, 135 F. Supp. 169 (D. Alaska 1955).

**Sec. 43.70.030. Levy and computation of license fee.** (a) The license fee for each business is \$25.

(b) The license fee for each national bank and state bank, trust company and savings and loan association is seven percent of its net income. Net income means the taxable income of each taxpayer before net operating loss deduction and special deductions, computed as required under the Internal Revenue Code of the United States and includes all other income including income from federal, state or municipal obligations. Each of these taxpayers required to make a return under the provisions of the Internal Revenue Code shall at the same time file with the department a return setting out the amount of tax due under this chapter, and other information for the purpose of carrying out the provisions of this chapter which the department requires. Each of these taxpayers shall also at the same time file a true and correct copy of the tax return which it has filed with the Internal Revenue Service. A taxpayer filing under this subsection shall use the same tax year as the taxpayer uses for federal income tax purposes. Any approved extension of time to file the taxpayer's federal income tax return automatically extends the time for filing under this chapter. Any agreement which a taxpayer enters into with the Internal Revenue Service which extends the statute of limitations for any federal income tax return will apply to returns filed under this chapter. The department may, in its discretion, grant an extension of time to file or an extension of the statute of limitations independent of federal action. Every taxpayer shall notify the department in writing, within 90 days, of any alteration in, or modification of its federal income tax return and

of a recomputation of tax or determination of deficiency. For purposes of applying the statute of limitations, this notification constitutes a separate return, and failure to file this notification will have the same effect as the failure to file a return under this title.

(c) The license for the privilege of taking orders through use of catalogs and by mail order offices in the state is the same as set out in this chapter for business generally.

(d) The fee of \$25 applies to all of the provisions of this section, and shall accompany the application. The balance is due and payable on the last day of the taxpayer's tax year and shall be paid before the 15th day of the third month following the end of the tax year, except that the time for filing the return may be extended as provided in (b) of this section. To enable accurate determination of the balance of the tax due at the end of each year, each person to whom this chapter applies shall keep records, give statements under oath, and make returns which the department requires. Returns are made under penalty of perjury. (§ 5 ch 43 SLA 1949; am § 1 ch 128 SLA 1955; am § 1 ch 101 SLA 1960; am § 1 ch 68 SLA 1973; am § 1 ch 50 SLA 1975; am § 3 ch 144 SLA 1978)

#### NOTES TO DECISIONS

**Tax imposed on state obligations and bonds.** — To the extent that all federal obligations are subject to the business license tax, including those obligations afforded a specific tax exemption by Congress, subsection (b) of this section must equally impose the tax on state obligations and bonds, which are otherwise tax exempt pursuant to specific state tax exemptions, in order to avoid any unlawful discrimination against federal securities. *National Bank v. State, Dep't of Revenue, Sup. Ct. Op. No. 2480 (File No. 5482), 642 P.2d 811 (1982).*

The legislature intended to define the term "net income" broadly for business license tax calculation purposes. *National Bank v. State, Dep't of Revenue, Sup. Ct. Op. No. 2480 (File No. 5482), 642 P.2d 811 (1982).*

The "all other income" category in subsection (b) is interpreted as an attempt by the legislature to reach those types of income, such as bond interest, which are not otherwise subject to federal income taxation. *National Bank v. State, Dep't of Revenue, Sup. Ct. Op. No. 2480 (File No. 5482), 642 P.2d 811 (1982).*

Alaska State Housing Authority and Alaska Housing Finance Corporation bonds are not "state obligations" for purposes of subsection (b) of this section.

*National Bank v. State, Dep't of Revenue, Sup. Ct. Op. No. 2480 (File No. 5482), 642 P.2d 811 (1982).*

Alaska State Housing Authority and Alaska Housing Finance Corporation bond interest falls within the meaning of the phrase "all other income" in subsection (b) of this section and is to be considered as "net income" of the banks for purposes of determining their business license tax liability pursuant to subsection (b). *National Bank v. State, Dep't of Revenue, Sup. Ct. Op. No. 2480 (File No. 5482), 642 P.2d 811 (1982).*

The purpose of excluding "insurance businesses" from the coverage of subsection (a) by virtue of the definition in AS 43.70.110(1) is apparently to avoid taxing these businesses twice, since insurers are subject to a premiums tax imposed by AS 21.09.210. *Northern Adjusters, Inc. v. Department of Revenue, Sup. Ct. Op. No. 2332 (File No. 5128), 627 P.2d 205 (1981).*

**Adjusters.** — Because adjusters are not "insurers" subject to the premiums tax, they should not be viewed as "insurance businesses" exempt from the general license tax. *Northern Adjusters, Inc. v. Department of Revenue, Sup. Ct. Op. No. 2332 (File No. 5128), 627 P.2d 205 (1981).*

SB 532 TITLE & SPONSOR SUMMARY

16:47 6/04/84 PAGE 1 OF 3

PROPOSED TITLE:

AN ACT RELATING TO STATE TAXATION OF NATIONAL BANKS, STATE BANKS, TRUST COMPANIES, AND SAVINGS AND LOAN ASSOCIATIONS, AND PROVIDING FOR AN EFFECTIVE DATE

GENERAL DOLLARS: \$0 (F. NOTE)  
 OTHER DOLLARS: \$0

CO-SPONSORS:

CURRENT STATUS: 5/31/84 TRANSR TO GOVERNOR

SB 532 SENATE ACTION

16:47 6/04/84 PAGE 2 OF 3

| DATE     | SEQ | PAGE | LEGISLATIVE ACTION                      |
|----------|-----|------|---|
| 03/21/84 | 01  | 2414 | FIRST READING -- COMMITTEE REPORTS      |
| 03/21/84 | 02  | 2414 | GOV TRANSMITTAL LETTER                  |
| 03/21/84 | 03  | 2414 | F/NOTE EQUALS ZERO                      |
| 03/21/84 | 04  | 2414 | DEPT REVENUE ANALYSIS                   |
| 04/13/84 | 05  | 2722 | L&C -- DP01, NR03                       |
| 05/07/84 | 06  | 2751 | FIN -- DP05, NR02                       |
| 05/25/84 | 07  | 3281 | RLS -- OTHER04<br>TAKEN UP IMMEDIATELY  |
| 05/25/84 | 08  | 3281 | SECOND READING                          |
| 05/25/84 | 09  | 3282 | ADVANCED TO 3RD READING BY UNAN CONSENT |
| 05/25/84 | 10  | 3282 | THIRD READING                           |
| 05/25/84 | 11  | 3282 | PASSED BY DIV 16-00-04                  |
| 05/25/84 | 12  | 3282 | EFFECTIVE DATE VOTE SAME AS PASSAGE     |
| 05/25/84 | 13  | 3282 | NOTICE OF RECONSIDERATION GIVEN         |
| 05/25/84 | 14  | 3282 | RECONSIDERATION NOT TAKEN UP            |
| 05/31/84 | 25  | 3433 | TRANSMITTED TO GOVERNOR                 |
| ***      | **  | **   | *** ** *                                |

SB 532 HOUSE ACTION

16:48 6/04/84 PAGE 3 OF 3

| DATE     | SEQ | PAGE | LEGISLATIVE ACTION                        |
|----------|-----|------|---|
| 05/20/84 | 15  | 4095 | FIRST READING -- COMMITTEE REPORTS        |
| 05/29/84 | 16  | 4135 | L&C -- DP06<br>TAKEN UP IMMEDIATELY       |
| 05/29/84 | 17  | 4132 | SECOND READING                            |
| 05/29/84 | 18  | 4132 | ADVANCED TO 3RD READING BY UNAN CONSENT   |
| 05/29/84 | 19  | 4132 | THIRD READING                             |
| 05/29/84 | 20  | 4132 | PASSED BY DIV 37-02-01                    |
| 05/29/84 | 21  | 4133 | EFFECTIVE DATE VOTE SAME AS PASSAGE       |
| 05/29/84 | 22  | 4133 | NOTICE OF RECONSIDERATION GIVEN           |
| 05/30/84 | 23  | 4152 | PASSED ON RECONSIDERATION BY DIV 35-01-04 |
| 05/30/84 | 24  | 4152 | EFFECTIVE DATE VOTE SAME AS PASSAGE       |
| ***      | **  | **   | *** ** *                                  |



COMMITTEE REPORT  
SENATE

FURTHER:

FINANCE

Date

4/12/89

Mr. President

The Committee on LABOR & COMMERCE considered SB 537

relating to cease operation of national banks, state banks, trust companies, and savings and loan associations; etc.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title \_\_\_\_\_
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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

\_\_\_\_\_  
\_\_\_\_\_  
*Bob [unclear] M/R*  
*[unclear]*  
\_\_\_\_\_  
\_\_\_\_\_

*[Signature]*  
Chairman

*[Signature]*  
Chairman recommendation

S B

537

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: April 2, 1984

REQUEST

Bill/Resolution No.: SB 537  
Title: An Act relating to the real estate surety fund  
Sponsor: Labor, Commerce & Finance  
Requestor: Legislature  
Date of Request: March 28, 1984

FISCAL DETAIL

Agency Affected: Real Estate Commission  
Program Category Affected: Consumer Protection  
BRU, Program or Subprogram(s) Affected: Real Estate Commission/Dept. of Comm. & Econ. Dev.

EXPENDITURES/REVENUES: (Thousands of Dollars)

|                       | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
|-----------------------|-------|-------|-------|-------|-------|-------|
| OPERATING             |       |       |       |       |       |       |
| 100 PERSONAL SERVICES |       |       | 57.0  | 70.0  | 75.0  | 75.0  |
| 200 TRAVEL            |       |       | 3.0   | 5.0   | 5.0   | 6.0   |
| 300 CONTRACTUAL       |       |       | 1.0   | 1.0   | 1.2   | 1.2   |
| 400 SUPPLIES          |       |       | 0.4   | 0.5   | 0.5   | 0.7   |
| 500 EQUIPMENT         |       |       | 1.0   | -0-   | -0-   | -0-   |
| 600 LAND & STRUCTURES |       |       | -0-   | -0-   | -0-   | -0-   |
| 700 GRANTS, CLAIMS    |       |       | -0-   | -0-   | -0-   | -0-   |
| 800 MISCELLANEOUS     |       |       | -0-   | -0-   | -0-   | -0-   |
| TOTAL OPERATING       |       |       | 72.4  | 76.5  | 81.7  | 82.9  |
| CAPITAL               |       |       |       |       |       |       |
| REVENUE               |       |       |       |       |       |       |

FUNDING: (Thousands of Dollars)

|               |  |  |      |  |  |  |
|---------------|--|--|------|--|--|--|
| GENERAL FUND  |  |  | 60.0 |  |  |  |
| FEDERAL FUNDS |  |  |      |  |  |  |
| OTHER SURETY  |  |  | 12.4 |  |  |  |
| TOTAL         |  |  |      |  |  |  |

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

- NOTE: 1. Fund payments reduced by 30,000 - 70,000 per year.  
2. Current case load will be handled in FY '85 under existing law. Savings will result in FY '86.

ANALYSIS: Attach a separate page for analysis

Prepared By: James L. Magowan, Executive Director Phone: 563-2169  
Division: Real Estate Commission Date: \_\_\_\_\_  
Approved by Commissioner: Richard A. Lyon Date: 4/2/84  
Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

12/1/83



OFFICIAL BUSINESS

ALASKA STATE LEGISLATURE - SENATE  
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON  
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811  
(907) 465-3844

MEMORANDUM

TO: Dick Monkman  
Assistant Attorney General

FROM: Senator Dick Eliason, Chair  
Senate Labor and Commerce Committee

DATE: April 6, 1984

RE: "White Paper" from Alaska Association of Realtors

SB 537, "An Act relating to the real estate surety fund", is presently under consideration by the Senate Labor and Commerce Committee. This legislation incorporates the suggestions proposed in the "White Paper" prepared by the Alaska Association of Realtors.

As the Real Estate Commission has requested further analysis of the proposal before formulating a position on SB 537, the Senate Labor and Commerce Committee decided to defer action until the review process is complete. This committee is very much interested in your comments regarding this "White Paper".

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE  
SUITE 200  
ANCHORAGE, ALASKA 99501  
PHONE: (907) 276-3550

1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

April 24, 1984

James L. Magowan, Executive Director  
Alaska Real Estate Commission  
3601 C Street Suite 722  
Frontier Building  
Anchorage, AK 99503

Re: Alaska Association of Realtors  
"White Paper" on the surety  
fund

Dear Mr. Magowan:

At your request on behalf of the Real Estate Commission, we have reviewed the White Paper dated March 5, 1984, by the Alaska Association of Realtors pertaining to the real estate surety fund. Some of the comments and concepts advanced by the Alaska Association of Realtors in the White Paper are now embodied in proposals before the 13th Legislature, specifically HB 705 and SB 537.

The current real estate surety fund claims program as outlined in AS 08.88.450 et seq. has benefited hundreds of Alaskan consumers and real estate professionals since it was enacted in 1980. The program has provided a swift, inexpensive, and fair method of resolving many real estate sales disputes. It has allowed hundreds of consumers to bring their grievances before a qualified, impartial tribunal without the frustration, delay and high cost of going to court. In our view, the program has given a measure of protection to consumers while providing real estate professionals with a full and fair opportunity to contest the merits of any claim made against the surety fund. The existing surety fund has done much to enhance the public trust and confidence in the real estate profession in general, a goal we support and encourage.

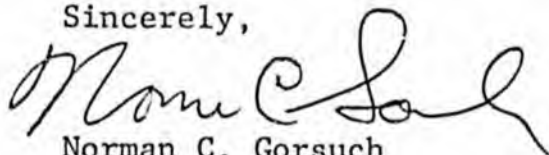
To be sure, the surety program could be improved in some respects. I agree with the point made by the Alaska Association of Realtors that some means must be found to reduce frivolous claims against the surety fund. It is my belief that frivolous claims can be essentially halted by imposing a significant

filing fee, perhaps up to \$150, to be paid by each claimant prior to processing a claim against the surety fund. If the claimant does not prevail, then the filing fee would be lost. Such a filing fee would most likely chill frivolous claims without unnecessarily impeding valid claims made against the fund.

I recognize that this is a policy call rather than a legal determination. I would therefore simply urge the commission to carefully weigh the effects of the approach taken in the White Paper and by the two pending bills and carefully consider their effects on both the real estate consumers and on the real estate profession. As a general rule, I am not enamoured with placing more disputes in our already overworked judicial system. Of course, any aggrieved party from a real estate surety fund proceeding does and ought to have the ability to appeal the findings and award to a superior court.

If we can be of additional assistance to the commission concerning any aspect of the surety fund, please contact us.

Sincerely,



Norman C. Gorsuch  
Attorney General

NCG:eer

cc: The Honorable Dick Elaison,  
Senator

The Honorable Jalmar Kerttula  
President of the Senate

The Honorable Joe Hayes  
Speaker of the House

Ray Gillespie  
Special Staff Assistant  
to the Governor

The Honorable Dick Lyon, Commissioner  
Department of Commerce and Economic Development

# MEMORANDUM

# State of Alaska

TO: Dick Monkman  
Assistant Attorney General  
Dept. of Law

DATE: March 9, 1984

FILE NO:

TELEPHONE NO:

FROM: James L. Magowan  
Executive Director  
Alaska Real Estate Commission

SUBJECT: Re: Attached White Paper  
from Alaska Association  
of Realtors

The attached "White Paper" has been presented to the Commission. The Alaska Association of Realtors favors immediate action to implement the recommendations of this paper and it has asked the Commission to join the Association in supporting inclusion of these provisions.

The Commission did not act to do this because it wanted to get more information before acting. The first action by the Commission is to request your comment and input on the recommendations of the Association.

JLM/cw/0702C9

RECEIVED  
Department of Law

MAR 12 1984

Office of the Attorney General  
Anchorage Branch  
Anchorage, Alaska

To: Alaska Real Estate Commission

From: Alaska Association of REALTORS

Date: March 5, 1984

This is Part 1 of the industry response to the request from the Commission at their January 1984 meeting for recommendation of needed changes in the relevant statutes, regulations and operating procedures. It addresses only the Surety Fund, and is drafted so that pages 1-11 may be lifted for use by the Commission and Association in approaching the legislature. Pages 12 & 13 are recommended as a briefing and instruction sheet for hearing officers of surety fund claims under the existing statute and regulations.

The remainder of the real estate statute and corresponding regulations will be reviewed and subsequent parts of this white paper will detail to the Commission

- 1) the content recommendations
- 2) the rationale for the recommendations
- 3) the suggested action to accomplish, i.e. propose a statute change, amend the regulations, or adopt an operating procedure.

## History

From its creation in 1964, as reflected in AS 08.88, the Real Estate Commission's primary purpose has been the protection of the public through the examining and licensing of real estate practitioners. Through 1975, the public's guarantee of monetary relief was a required bond in the amount of \$1000/Salesman and \$5000/broker.

Through the early '70's there were few claims against the bonds; however, the industry realized that the bonding level was not adequately protecting the public's interests. Following the example of twelve other states, (Footnote: 1974 NARELLO Report, page 25) the industry together with the Real Estate Commission actively lobbied for the 1974 legislation (Attachment A: 45.85.010-110 & 08.38.281, .071, & .401) to create a surety fund with a two-fold purpose:

1) to provide indemnification up to \$10,000/transaction for judgments awarded by the courts to persons who suffered financial loss because of a licensee's actions that involved fraud, deceit, misrepresentation, or conversion of trust funds, and

2) to provide funding for real estate education of both the public and the licensees from funds collected in excess of the specified \$250,000 minimum balance in the fund.

The 1974 legislation, which was patterned after the California model, required court action and a judgment against a licensee prior to any disbursement of Surety Fund dollars. However, Alaska's enacted version did not require an attempt to collect money from or attach the assets of the named licensee, nor did it provide for any review by the Commission prior to payment from the fund.

--- Thus from the 1976 license renewal cycle when the first fees were paid into the surety fund, judges were able to order payment directly from the fund to satisfy a judgment.

These conditions were in effect until 1980 when the statute was amended, initiated by the Legislative Audit Committee during the Sunset Review, to charge the Real Estate Commission with the responsibility to both hear cases and award payments but without ensuring the full protection of due process and judicial precedent (Attachment B).

The use of hearing officers (as allowed by the Administrative Procedures Act) starting in January 1982 and the regulations adopted by the Commission in December 1982 (effective April 1983) have further attempted to work within the current statute (Attachment C).

- Attachments: A) 1974 Surety Fund Statute  
B) 1980 Amended Surety Fund Statute  
C) 1982 Surety Fund Regulations

### Current Situation

The real estate industry in Alaska consists of some 4000 licensees who support sensible legislation to regulate the industry and to protect the public against illegal real estate practices. This sense of professional responsibility has not changed throughout the 20-year historical summary period outlined above.

Currently there are no filing fees or costs if a claim is denied, nor is the claimant required to exhaust other remedies before receiving satisfaction from the Surety Fund. Thus, the "no-risk" and "no-costs incurred" status of claimants simply encourages claims. Further, the state entity, either contracted or appointed, is in the position of being both judge and jury.

It is the consensus of the industry that a concentrated effort must be made immediately to restore the integrity of the surety fund, both in concept and in actual administration.

### Points to Achieve

1. Ensure the rights of all parties to due process through the court system with the determination of a claim's validity and resultant damage assessment in the courts.
2. Maintain the Surety Fund as a resource to be drawn upon only when funds are not collectable from the judgment debtor by any other means.
3. Charge the Real Estate Commission with the responsibility of timely license action on the licensee whose action has resulted in a draw from the Fund.
4. Direct the Real Estate Commission to provide quality education programs to licensees and the public as to licensees' responsibilities under the real estate statutes and regulations.

Means to Achieve

The following is proposed to be introduced as an amendment to HB 389.

Add a Section 11: Article 5 (AS 08.88.450-500) is amended so that in its entirety it would read:

Sec. 08.88.450 Real estate surety fund. There is created a special account in the general fund known as the real estate surety fund to carry out the purposes of this chapter. The fund shall be composed of payments made by licensed real estate brokers and salesmen under AS 08.88.455. The fund may not exceed \$500,000 and amounts in the fund in excess of \$250,000 may be appropriated for real estate educational purposes as provided in AS 08.88.091. (1 ch 148 SLA 1974, am 34 ch 167 SLA 1980; AS 45.85.010)

NO CHANGE

AS 08.88.455 Payments by real estate brokers and salesmen.

(a) A licensed real estate broker, associate broker, of salesman when obtaining or renewing a real estate license, in lieu of obtaining a corporate surety bond, shall pay to the commission in addition to the license fee, a Surety Fund fee not to exceed \$125. After the fund reaches \$250,000, the commission shall by regulation adjust the bond fees so that, taking into account anticipated expenditures for claims against the fund and real estate educational purposes, the fund is maintained at a level not less than \$250,000.

Already in CSHB389 for equalization of fee structure.

(b) All fees collected under this section shall be paid at least once a month by the commission into the general fund. These payments shall be credited to the real estate surety fund. (1 ch 143 SLA 1974; am 35 ch 167 SLA 1980; AS 45.85.020)

AS 08.88.460 Claim for payment.

(a) When any aggrieved person obtains a final judgment in any court of competent jurisdiction against any person or persons licensed under AS 08.88, under grounds of fraud, deceit, intentional misrepresentation or conversion of trust funds, arising directly out of any transaction when the judgment debtor was licensed and performed acts for which a licensee is required under AS 08.88, the aggrieved person may, upon the judgment becoming final, file a verified application in the court in which the judgment was entered for an order directing payment out of the Real Estate Surety Fund of the amount of actual and direct loss in the transaction up to the sum of ten thousand dollars (\$10,000) of the amount unpaid upon the judgment.

In the case of a small claims court judgment, the aggrieved person shall file the verified application in the district court in which the judgment was entered in favor of the aggrieved person. The court shall then make a determination as to whether the small claims court judgment was based on facts constituting grounds for recovery under this section and may enter an order directing payment of the small claims court judgment out of the Real Estate Surety Fund.

NGE

NEW

A copy of the verified application shall be served upon the commission and the judgment debtor and a certificate or affidavit of that service filed with the court.

(b) Nothing in this section shall be interpreted to authorize payment from the Real Estate Surety Fund for transactions or events which solely involves innocent misrepresentation on the part of a real estate licensee.

(c) Application for payment from the fund shall be made within one year from the date that the judgment becomes final.

AS 08.88.465 Time for action by court on application for payment: required showing of person aggrieved.

NEW (a) The court shall conduct a hearing upon such application 30 days after service of the application upon the commission. Upon petition by the commission and showing of good cause, the court may continue the hearing for such further period as it deems appropriate. At the hearing, the aggrieved person shall be required to show that:

(1) he is not a spouse of the debtor, or the personal representative of such spouse.

(2) he has complied with all requirements of this article.

(3) he has obtained a judgment as set out in AS 08.88.460, stating the amount thereof and the amount owing thereon at the date of the application.

(4) he has made all reasonable searches and inquiries to ascertain whether the judgment debtor is possessed of real or personal property or other assets, liable to be sold or applied in satisfaction of the judgment.

(5) he has discovered no personal or real property or other assets liable to be sold or applied, or that he has discovered certain of them owned by the judgment debtor and liable to be so applied, and that he has taken all necessary action and proceedings for the realization thereof, and that the amount thereby realized was insufficient to satisfy the judgment, stating the amount so realized and the balance remaining due on the judgment.

(6) he has diligently pursued his remedies against all the judgment debtors and all other persons liable to him in the transaction for which he seeks recovery from the Real Estate Surety Fund.

(7) he is making said application no more than one year after the judgment becomes final.

AS 08.88.470 Order of Court; grounds; defense of actions; burden of proof; presumption; dismissals; compromise of claims.

(a) Whenever the court proceeds upon an application as set forth in AS 08.88.465 it shall order payment out of the Real Estate Surety Fund only upon a determination that the aggrieved party has a valid cause of action within the purview of AS 08.88.460 and has complied with the provisions of AS 08.88.465.

If the judgment in favor of the applicant was by default, stipulation, or consent, or if the action against the licensee was defended by a trustee in bankruptcy, the applicant shall have the burden of proving that the cause of action against the licensee was for fraud, intentional misrepresentation, deceit, or conversion of trust funds. Otherwise the judgment shall create a rebuttable presumption of the fraud, intentional misrepresentation, deceit, or conversion of trust funds by the licensee, which presumption shall affect the burden of producing evidence.

The commission may move the court at any time to dismiss the application when it appears there are no triable issues and the petition is without merit. The motion may be supported by affidavit of any person or persons having knowledge of the facts, and may be made on the basis that the petition, and the judgment referred to therein, does not form the basis for a meritorious recovery claim within the purview of AS 08.88.460; provided, however, that the commission shall give written notice at least 10 days before such motion.

AS 08.88.471 Defense of actions: conclusive adjudications of issues.

NEW

(a) If the judgment is found against more than one individual licensed under AS 08.88 for performance of acts for which a license is required under that chapter, it shall be the responsibility of the commission, in the absence of proration by the court, to prorate the award charges among the said judgment debtors.

AS 08.88.472 Order directing payment out of fund: limitation of liability.

NEW

If the court finds after the hearing that the claim should be levied against the Real Estate Surety Fund, the court shall enter an order directed to the commission requiring payment from the Real Estate Surety Fund of the amount payable upon the claim pursuant to the provisions of and in accordance with the limitations contained in this chapter.

Notwithstanding any other provisions of this chapter, the liability of the Real Estate Surety Fund for the purposes of this chapter shall not exceed ten thousand dollars (\$10,000) for any one transaction for which the cause of action occurred, regardless of the number of persons injured, the number of licensees involved, or the number of parcels of real estate involved in the transaction.

NO CHANGE

Sec. 08.99.475 Maximum liability. (a) The maximum liability of the real estate surety fund does not exceed \$50,000 for any one broker or salesman.

NO CHANGE

Sec. 08.88.480. Order of claim payment. If the money deposited in the real estate surety fund is insufficient at a given time to satisfy a duly authorized claim against the fund, the commission shall, when sufficient money has been deposited in the fund and appropriated, satisfy unpaid claims in the order that the claims were originally filed, plus accumulated interest at the rate of eight percent a year. (1 ch 143 SLA 1974; am ch 167 SLA 1980; AS 45.85.070)

AS 08.88.490. Right to Subrogation.

to Substantive  
Change

When upon the order of the court, the commission has paid from the Real Estate Surety Fund any sum to the judgment creditor, the commission shall be subrogated to all of the right of the judgment creditor and the judgment creditor shall assign all his right, title and interest in the judgment to the commission. Any amount and interest recovered by the commission on the judgment shall be deposited in the Real Estate Surety Fund.

AS 08.88.495. Disciplinary action against brokers and salesmen.

Nothing contained herein shall limit the authority of the commission to take disciplinary action against any licensee for a violation of any of the provisions of AS 08.88 or the regulations promulgated by the commission. The repayment in full of all obligations to the Real Estate Surety Fund by any licensee does not nullify or modify the effect of disciplinary proceeding brought under the provisions of AS 08.88.

NO CHANGE

Sec. 08.88.500. Definition. In this chapter a commission means the Real Estate Commission established under this chapter.  
(40 ch 167 SLA 1980; AS 40.85.120)

NEW

(a) "final judgment" means a judgment not subject to further judicial review.

Observations of Julian Mason:

1. At such time as the first version of suggested changes may be enacted by the legislature, the commission as a matter of housekeeping should rescind the Surety Fund regulations which would no longer be relevant.
  
2. To my knowledge, no other regulatory body in the state can award damages to a third party without a jury trial. They can fine and/or assess losers to pay attorney fees.
  
3. Small claims court defendants can opt for district court in order to have a jury trial.

Recommended Hearing Officer Briefing and Instructions

The 1974 legislations which provided for the creation of a surety fund, starting with fees collected in the 1976 license renewal cycle, was the culmination of joint efforts of the commission and the industry to more adequately protect the public from illegal actions of licensees. Its intended purpose was two-fold:

(1) to provide indemnification up to \$10,000/transaction and \$50,000/Licensee for judgments awarded by the courts to persons who suffered financial loss because of a licensee's actions that involved fraud, deceit, misrepresentation, or conversion of trust funds, and

(2) to provide funding for real estate education of both the public and the licensees from funds collected in excess of the specified \$250,000 minimum balance in the fund.

When the 1980 amendments to the statute removed the necessity of a court judgment to access the fund, it shifted the responsibility for providing a fair and impartial hearing and a decision based on facts to our arena. It is this hearing, held in accordance with the Administrative Procedures Act, and a proposed decision with its accompanying rationale that we, the Alaska Real Estate Commission, require of you.

It is worthy of note that most states which have similar recovery funds provide some means of attempting to collect from the wrongdoer-licensee prior to considering a claim against their respective funds. Other provisions common to many states require proof of fraud, intentional misrepresentation, or intentional improper actions; most states do not support collection based on negligence, and this commission has reservations about awards based on reasons other than intentional misrepresentation.

It is the policy of this commission to stay proceedings pursuant to AS 08.88.465 (a) when a court action is pending.

When writing your findings on an assigned case, please use the following format for submitting the proposed decision to the commission.

1. Case file number
2. Identity of Claimant and Respondent
3. Summary paragraph which includes:
  - a) claimant's requested amount
  - b) respondent licensee's alleged violation, i.e. fraud, deceit, misrepresentation, or conversion of trust funds.
  - c) Dates--of the transaction, of the claim, and of the hearing
4. Any other pertinent introductory material should be in a second paragraph.
5. Findings of fact elicited in the hearing.
6. Conclusions of law with rationale and case precedent as needed.
7. Recommendation:
  - a) to pay in total
  - b) to pay in part
  - c) to deny payment
8. If more than one licensee is named as respondent and payment is recommended, specify which licensee(s) were actually guilty of the fraud, deceit, misrepresentation, or conversion of trust funds.



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Attached is a summary of a problem area of vital concern to the real estate industry. The ALASKA ASSOCIATION OF REALTORS is suggesting content for a bill which will address the issue. We seek your consideration and support.

Summary

History

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