

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8386 SENATE LABOR & COMMERCE

1 improve the economy of the state and of the municipality that has applied for the grant
2 or the region represented by the organization that has applied for the grant.

3 (c) The legislature may appropriate or allocate from the economic development
4 fund or allocate in an appropriation to the fund all or a portion of the money requested
5 by a municipality or organization for a project identified in the prioritized list.

6 Sec. 29.60.680. GRANTS. The Department of Administration, after consulting
7 with the Department of Commerce and Economic Development and the Department
8 of Community and Regional Affairs, shall by regulation establish requirements for
9 economic development grants under AS 29.60.670 - 29.60.685 and shall administer the
10 grants. The regulations are subject to approval by the office of management and
11 budget. A grant may not be awarded by the department unless money for the project
12 is appropriated or allocated under AS 29.60.675(c) and the municipality or organization
13 meets or exceeds the amount of matching money identified in its grant application.

14 Sec. 29.60.685. DEFINITIONS. In AS 29.60.670 - 29.60.680, "regional
15 development organization" and "organization" have the meanings given in
16 AS 44.33.026(e).

17 * Sec. 2. This Act takes effect July 1, 1993.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CS 154 (L&C)

Revision Date: _____
Title: "An Act relating to the economic development grant program; and providing for an effective date."
Sponsor: Sen Jacko
Requestor: Sen L&C

Department Affected: Administration
BRU: Administrative Services
Component: Administrative Services
COMPONENT SERIAL NO. 46

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	62.3	62.3	62.3	62.3	62.3	62.3
TRAVEL	1.2	1.2	1.2	1.2	1.2	1.2
CONTRACTUAL	1.0	1.0	1.0	1.0	1.0	1.0
SUPPLIES	.2	.2	.2	.2	.2	.2
EQUIPMENT	3.0	3.0	3.0	3.0	3.0	3.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	67.7	67.7	67.7	67.7	67.7	67.7

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF	67.7	67.7	67.7	67.7	67.7	67.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	67.7	67.7	67.7	67.7	67.7	67.7

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: None

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

Prepared by: Sharon Barton, Director
Division: Administrative Services

Phone: 465-2277
Date: _____

Approved by Commissioner: Nancy Bear Usery
Agency: Administration

Date: 2/8/93

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CONTINUATION of FISCAL NOTE ANALYSIS
CSSB 154 (L&C)

The requested position is a Grant Administrator III. The position will be responsible for taking the lead in establishing regulations, evaluating grant applications as a member of the application committee, administering the grant program and performing some audit work. In addition, there will likely be some accounting structure preparation work as well as some fund accounting made necessary by the economic development grants program, that will be performed by the Grant Administrator.

The non-personnel services items are for minimal travel, the purchase of a computer and other associated costs.



CITY OF
DILLINGHAM
A L A S K A

RECEIVED MAR 10 1993

March 10, 1993

Senator George Jacko
State Capital, Room 125
Juneau, AK 99801-1182

Subject: Economic Development Legislation, Senate Bill #154

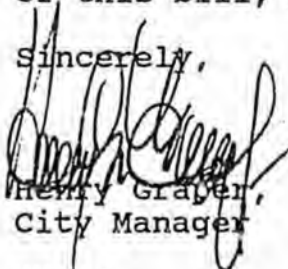
Dear Senator Jacko;

I have had an opportunity to review the material which was faxed to my office concerning Senate Bill #154. I believe that the Mayor and City Council and myself would wholeheartedly endorse your efforts to have this bill become a reality. We need all of the support that we can get from the legislature when it comes to Economic Development Grants. We have a number of projects but the one which is most brought to my mind at this time is the renovation and reconstruction of the cold storage dock facility. The cold storage dock facility which is leased by Peter Pan Seafoods needs approximately \$700,000 worth of work done to it. In the event that this work is not done we will not be able to use the dock during the 1994/95 fishing season. We would then lose our lease with Peter Pan and would find ourselves in the position where approximately 300 jobs would be lost to the City of Dillingham.

We realize that a number of these jobs which would be lost are not jobs which are filled by Dillingham people, but they do have an adverse effect upon the economy of the City of Dillingham. Therefore this project is very important to us and possibly could be addressed in Senate Bill #154 where it becomes a state law.

In the event that we can be of any further help to you in support of this bill, please don't hesitate to contact us.

Sincerely,


Henry Graper,
City Manager

HG:ad

SB

162



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 12, 1993

162

*The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182*

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will improve the financing of the state's unemployment compensation program and will enable the state to continue its participation in the federal emergency unemployment compensation program.

Section 1 authorizes the implementation of the federal emergency unemployment compensation program in this state as required under AS 23.20.080(b) for continued state participation in this program, and specifies that the eligibility standards for the emergency program are the same as for the existing unemployment compensation extended benefits program (AS 23.20.406).

Section 2 provides that an unemployed individual who cannot qualify for emergency unemployment benefits because of the earnings requirements of AS 23.20.406(1) will be able to receive supplemental state unemployment benefits during a period in which emergency unemployment compensation benefits are being provided in this state and under the same conditions as those established for emergency benefits.

Section 3 establishes an alternative method that will allow an unemployment benefits claimant to qualify for extended benefits by incorporating an earnings test that was added as an option in the 1992 version of the federal Emergency Unemployment Compensation Act (P.L. 102-318). This optional method will benefit approximately 500 Alaskan claimants and will result in unemployment trust fund savings annually of approximately \$150,000 during periods of extended benefits. The October 3, 1993 effective date for sec. 3 coincides with the end of the emergency unemployment compensation program. See sec. 13 of the bill.

GOVERNOR'S TRANSMITTAL LETTER

*The Honorable Rick Halford
Page 2*

Section 4 outlines a second level of benefits that are available during a "high unemployment period." Under this provision, Alaskans will be eligible for extended or emergency benefits for a longer period of time when the total unemployment rate equals or exceeds eight percent.

Section 5 adds an additional optional "trigger" to allow the state to provide extended unemployment benefits. Under this provision, the state may qualify under more than one set of requirements for the extended unemployment benefit program.

Section 6 eliminates the calculations that have been used to determine the "off" indicator and indicates that the "off" trigger occurs whenever the conditions indicating an "on" trigger are not applicable. This section also adds a provision that will allow the state to trigger "off" extended benefits in order to pay emergency unemployment compensation.

Section 7 sets out the conditions under which the state will be considered to be in a "high unemployment period," thereby indicating that a longer duration of unemployment payments may be made to qualified individuals.

Section 8 temporarily suspends the more stringent work search and eligibility requirements that have been required under the federal extended benefit program so that Alaska law will conform with new federal requirements. As a result, from March 7, 1993 through December 31, 1994, the same requirements that currently apply to regular unemployment benefits will be applicable to extended benefits or emergency benefits.

Sections 9 - 14 are sections that provide that the suspension of certain eligibility requirements will be effective retroactively to March 7, 1993 and that the additional provisions of the bill become effective on July 1, 1993, or October 3, 1993, to allow for an organized transition by the department. Sections 9 and 14 repeal the temporary suspension of eligibility requirements on January 1, 1995, consistent with the federal law.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

*Walter J. Hickel
Governor*

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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

FAX: (907) 465-2784

March 15, 1993

The Honorable Tim Kelly
Chair, Labor & Commerce Committee
Alaska State Senate
State Capitol, Room 101
Juneau, AK 99801-1182

Dear Senator Kelly:

Senate Bill No. 162, which will enable the state to continue its participation in the federal emergency unemployment compensation program and which makes changes relating to unemployment compensation under the extended benefits program and supplemental state benefits program was introduced and referred to the Senate Labor & Commerce and Finance Committees on March 12, 1993. I am requesting that the bill be scheduled for a hearing before the Senate Labor & Commerce Committee at the earliest possible date.

Congress first passed the Emergency Unemployment Compensation Act in late 1991. The state has participated in the federal emergency unemployment compensation program under emergency regulations and the provisions of AS 23.20.080(b) enacted in 1992. Under the Emergency Unemployment Compensation program, more than \$50 million has been paid to approximately 40,000 claimants since the program's inception in late 1991. Savings to Alaska's Unemployment Insurance Trust Fund are estimated at \$20 million since the federal government pays 100 percent of the benefits under the federal unemployment compensation program as opposed to the 50 percent paid under the state extended benefit program.

Continued state participation in the emergency unemployment benefit program must be approved this legislative session. In addition, certain amendments to Alaska's unemployment insurance law are required to be consistent with federal law. Failure to act can result in the loss of federal

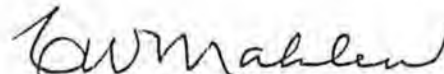
The Honorable Tim Kelly
Page 2

March 15, 1993

administrative funds for unemployment insurance as well as the loss of the Wagner-Peyser grant which funds the public employment service. These grants, plus the department's other employment and training grants total \$29.4 million. Job Training Partnership funds exceeding \$10.0 million would also be eliminated.

A sectional analysis, fiscal note and a copy of the bill are enclosed for your information. If you would like additional information concerning this legislation, please do not hesitate to contact my Special Assistant, Arbe Williams. Thank you for your consideration of my request to schedule Senate Bill No. 162 for a hearing.

Sincerely,



Charles W. Mahlen
Commissioner

Enclosures

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

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

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March 15, 1993

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Chair, Labor & Commerce Committee
Alaska State Senate
State Capitol, Room 101
Juneau, AK 99801-1182

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Continued state participation in the emergency unemployment benefit program must be approved this legislative session. In addition, certain amendments to Alaska's unemployment insurance law are required to be consistent with federal law. Failure to act can result in the loss of federal

DEPT. OF LABOR (COMM. MAHLEN)
POSITION PAPER

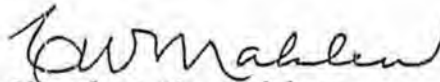
The Honorable Tim Kelly
Page 2

March 15, 1993

administrative funds for unemployment insurance as well as the loss of the Wagner-Pey er grant which funds the public employment service. These grants, plus the department's other employment and training grants total \$29.4 million. Job Training Partnership funds exceeding \$10.0 million would also be eliminated.

A sectional analysis, fiscal note and a copy of the bill are enclosed for your information. If you would like additional information concerning this legislation, please do not hesitate to contact my Special Assistant, Arbe Williams. Thank you for your consideration of my request to schedule Senate Bill No. 162 for a hearing.

Sincerely,


Charles W. Mahlen
Commissioner

Enclosures

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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

FAX: (907) 465-2784

March 31, 1993

The Honorable Drue Pearce
Co-Chair, Finance Committee
Alaska State Senate
State Capitol, Room 508
Juneau, AK 99801-1182

Dear Senator Pearce:

Senate Bill No. 162, which will enable the state to continue its participation in the federal emergency unemployment compensation program and which makes changes relating to unemployment compensation under the extended benefits program and supplemental state benefits program was considered by the Senate Labor & Commerce on March 23, 1993.

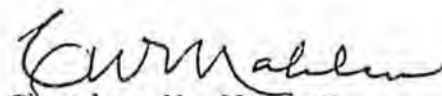
The Labor and Commerce Committee did pass the bill out and requested that the Department prepare amendments for the Senate Finance Committee to repeal the provisions of the emergency unemployment compensation program when the federal program expires. Enclosed for your consideration is an amendment to repeal the statutory provisions of the emergency unemployment compensation program at such time as the federal program expires.

Since the federal government pays 100 percent of the benefits under the federal unemployment compensation program as opposed to the 50 percent paid under the state extended benefit program, savings to Alaska's Unemployment Insurance Trust Fund is considerable. However, continued state participation in the program must be approved this legislative session as required by AS 23.20.080(b) enacted in 1992.

In addition, certain amendments to Alaska's unemployment insurance law are required to be consistent with federal law. Therefore, I am requesting that the bill be scheduled for a hearing before the Senate Finance Committee at the earliest possible date.

Thank you for your consideration of my request to schedule Senate Bill No. 162 for a hearing.

Sincerely,



Charles W. Mahlen
Commissioner

Enclosure

cc: The Honorable Tim Kelly, Chair
Senate Labor & Commerce Committee

SENATE AMENDMENT

BY: _____

TO: Page 4 SENATE BILL NO. SB 162

TO: _____ HOUSE BILL NO. _____

Line 3: Add a new section 9 to read

* Sec. 9. Sections 1 and 2 of this Act are repealed.
and renumber accordingly.

Line 9: Add a new section 16 to read

* Sec. 16. Section 9 of this Act takes effect on the date that the federal Emergency Unemployment Compensation Program expires. The Commissioner of Labor shall certify timely to the Revisor of Statutes the date upon which the program expires.

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 3/12/93

FURTHER: FINANCE

Date of 5-Day Notice: 3/18/93
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/23/93

L&C Committee considered SB 162

"An Act relating to the implementation of the federal emergency unemployment compensation program; making changes relating to unemployment compensation under the extended benefits program and the supplemental state benefits program; and providing for an effective date."

and recommends:

replace with _____ CS _____ ()

- same title
- new title
- technical title change (HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

FISCAL NOTE INFORMATION

(Doc)

Department	Date	Zero	Fiscal
DOL	3/9	✓	

Department:	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Tim Kelly - Do Pass
Chair: Signature and Recommendation

Alaska State Legislature

Senator Tim Kelly, Chair
Senator Steve Rieger, Vice Chair
Senator Drue Pearce
Senator Judy Salo
Senator Georgianna Lincoln



SENATE LABOR AND COMMERCE
COMMITTEE

STATE CAPITOL, SUITE 101
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-3822
FAX: (907) 465-3756

3111 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
(907) 561-7612

MEMORANDUM

TO: All Senators

FROM: Senator Tim Kelly, Chair
Senate Labor & Commerce Committee

DATE: April 16, 1993

RE: SB 162 - Emergency Unemployment Compensation Program

SB 162, introduced by the Rules Committee at the request of the Governor, will enable the State to continue its participation in the federal emergency unemployment compensation program, and makes changes relating to unemployment compensation under the extended benefits program and supplemental state benefits program.

Since Congress first passed the Emergency Unemployment Compensation Act in late 1991, more than \$50 million has been paid to approximately 40,000 claimants. Savings to Alaska's Unemployment Insurance Trust Fund for the first year are estimated at \$20 million since the federal government pays 100 percent of the benefits under the this program as opposed to the 50 percent paid under the extended benefits program.

Attached is a letter from Commissioner Mahlen, the Department of Labor's position paper, a sectional, and a brief summary of the various unemployment insurance programs.

Thank you for your consideration.

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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

FAX: (907) 465-2784

April 13, 1993

The Honorable George Jacko
Chair, Rules Committee
Alaska State Senate
State Capitol, Room 125
Juneau, AK 99801-1182

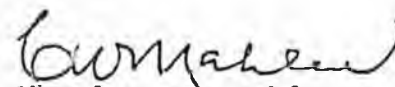
Dear Senator Jacko:

I am requesting that Committee Substitute for Senate Bill No. 162 (Finance) bill be scheduled for a vote at the earliest possible date. Senate Bill No. 162, which would enable the state to continue its participation in the federal emergency unemployment compensation program and which makes changes relating to unemployment compensation under the extended benefits program and supplemental state benefits program was considered by the Senate Labor & Commerce on March 23, 1993 and passed out of the committee with four "Do Pass" recommendations.

The bill was before the Senate Finance Committee on April 13, 1993. The committee adopted an amendment which provides for the repeal of the statutory provisions of the emergency unemployment compensation program when the federal program expires. Committee Substitute for Senate Bill No. 162 (Finance) was passed out of the Senate Finance Committee with five "Do Pass" recommendations.

A sectional analysis, fiscal note and position paper are enclosed for your information. If you would like additional information concerning this legislation, please do not hesitate to contact my Special Assistant, Arbe Williams. Thank you for your consideration of my request to schedule Senate Bill No. 162.

Sincerely,


Charles W. Mahlen
Commissioner

Enclosures

BILL NO: CSSB 162(FIN)

DATE: April 14, 1993

TITLE: Emergency Unemployment Compensation Program **CONTACT:** Arbe Williams
465-2700

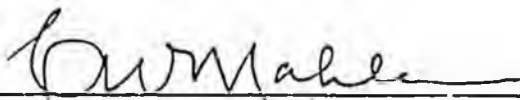
Congress first passed the Emergency Unemployment Compensation Act in late 1991. The state has participated in the federal emergency unemployment compensation program under emergency regulations and the provisions of AS 23.20.080(b) enacted in 1992. Under the Emergency Unemployment Compensation program, more than \$50 million has been paid to approximately 40,000 claimants since the program's inception in late 1991.

Savings to Alaska's Unemployment Insurance Trust Fund for the first year are estimated at \$20 million since the federal government pays 100 percent of the benefits under the federal unemployment compensation program as opposed to the 50 percent paid under the extended benefits program. An additional savings of \$20 million is expected through January of 1994. Continued state participation in the emergency unemployment benefit program must be approved this legislative session.

In addition, certain amendments to Alaska's unemployment insurance law are required to be consistent with federal law. Failure to act can result in the loss of federal administrative funds for unemployment insurance as well as the loss of the Wagner-Peyser grant which funds the public employment service. These grants, plus the department's other employment and training grants dependent upon the state's compliance with federal law, total \$29.4 million. Job Training Partnership funds exceeding \$10.0 million would also be eliminated.

The Department supports Committee Substitute for Senate Bill No. 162 (Finance) and urges passage this legislative session.

APPROVED:



Charles W. Mahlen, Commissioner

POSITION PAPER/Department of Labor

DEPARTMENT OF LABOR

SECTIONAL ANALYSIS

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 162 (FINANCE)

"An Act relating to the implementation of the federal emergency unemployment compensation program; making changes relating to unemployment compensation under the extended benefits program and the supplemental state benefits program; and providing for an effective date."

Section 1.

Authorizes the implementation of the federal emergency unemployment compensation program in this state as required under AS 23.20.080(b) for continued state participation in this program.

Specifies that the eligibility standards for the emergency unemployment compensation program are the same as for the existing unemployment compensation extended benefits program as provided for in AS 23.20.406.

Section 2.

Provides that an unemployed individual who cannot qualify for emergency unemployment benefits because of the earnings requirements of AS 23.20.406(1) will be able to receive supplemental state unemployment benefits during a period in which emergency unemployment compensation benefits are being provided in this state and will be able to receive supplemental state benefits under the same conditions as those established for emergency benefits.

Section 3.

Establishes an alternative method that will allow an unemployment benefits claimant to qualify for extended or emergency benefits by incorporating an earnings test that was added as an option in the 1992 version of the federal Emergency Unemployment Compensation Act.

Section 4.

Outlines a second level of benefits that are available during a high unemployment period. Under this provision, Alaskans will be eligible for extended or emergency benefits for a longer period of time when the total unemployment rate equals or exceeds eight percent.

Section 5.

Adds an additional optional "trigger" to allow the state to provide extended unemployment benefits. Under this provision, the state may qualify under an additional set of requirements for the extended unemployment benefit program.

Section 6.

Eliminates the calculations that have been used to determine the "off" indicator and indicates that the "off" trigger occurs whenever the conditions indicating an "on" trigger are not applicable.

Adds a provision that will allow the state to trigger "off" extended benefits in order to pay emergency unemployment compensation.

Section 7.

Sets out the conditions under which the state will be considered to be in a high unemployment period, thereby indicating that a longer duration of unemployment payments may be made to qualified individuals.

Section 8.

Temporarily suspends the more stringent work search and eligibility requirements that have been required under the federal extended benefit program so that Alaska law will conform with new federal requirements. As a result, from March 7, 1993 through December 31, 1994, the same requirements that currently apply to regular unemployment benefits will be applicable to extended benefits or emergency benefits.

Section 9.

Repeals sections 1 and 2 which authorize the implementation of the federal emergency unemployment compensation program in Alaska and enact laws to treat emergency unemployment compensation claimants the same as claimants under the extended benefits program.

Section 10.

Consistent with federal law, repeals the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill. Section 9 is to be effective January 1, 1995.

Section 11.

Provides for an effective date retroactive to March 7, 1993 for the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill.

Section 12.

Provides for an immediate effective date for the implementation of Sections 8 and 11 of this bill pertaining to the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program retroactive to March 7, 1993.

Section 13.

Provides for an effective date of July 1, 1993 for Sections 1, 2 and 4 through 7 pertaining to the authorization for the continuation of the federal emergency unemployment compensation program (Sec. 1); to various eligibility standards for claimants for the extended benefits program and the supplemental state benefits program (Sec. 1 and Sec. 2); to additional benefits available during a high unemployment benefits (Sec. 4 and Sec. 7); and to the triggering mechanisms for the state's qualifications to participate in the extended unemployment benefit program (Sec. 5 and Sec. 6).

Section 14.

Provides for an effective date of October 3 for Section 3 pertaining to an alternative method that will allow an unemployment benefits claimant to qualify for extended or emergency benefits.

Section 15.

Provides for an effective date for section 9 which repeals the emergency unemployment compensation program as the date that the federal Emergency Unemployment Compensation Program expires.

Section 16.

Provides for an effective date of January 1, 1995 for Section 10 pertaining to the repeal of the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill.

**UNEMPLOYMENT INSURANCE
AT-A-GLANCE**

STATE ELIGIBILITY REQUIREMENTS

\$1,000 in the base period with at least \$100 outside the highest quarter of wages.

Must have worked in at least two quarters.

Able and available for work each week claimed.

FEDERAL REQUIREMENTS FOR EXTENDED AND EMERGENCY UNEMPLOYMENT
COMPENSATION

Must have earned 40 times the regular weekly benefit amount or earned 1.5 times the wages during the calendar quarter of the base period in which the wages were the highest.

If living out of state, only two weeks are payable if that state is not paying extended benefits. (EB only)

BENEFITS FOR ALL PROGRAMS

A claimant will qualify for a minimum of \$44 per week to a maximum of \$212 per week.

Dependent's allowance for children under 18 of \$24 per dependent up to three (3) dependents.

REGULAR BENEFITS

The claimant may be eligible for a minimum of 16 weeks to a maximum of 26 weeks during the benefit year.

FUNDING SOURCE

UI Trust Fund
or
Direct billed to
reimbursable employers
(Gov't and non-profits)

EXTENDED BENEFITS

A claimant will be eligible for additional weeks equal to one-half the regular entitlement, or an additional 8-13 weeks.

1/2 UI Trust Fund
and 1/2 Federal Funding
or
100% Direct billed to
reimbursable employers
(Gov't and non-profits)

(OVER)

DEPARTMENT OF LABOR

SECTIONAL ANALYSIS

SENATE BILL NO. 162

"An Act relating to the implementation of the federal emergency unemployment compensation program; making changes relating to unemployment compensation under the extended benefits program and the supplemental state benefits program; and providing for an effective date."

Section 1.

Authorizes the implementation of the federal emergency unemployment compensation program in this state as required under AS 23.20.080(b) for continued state participation in this program.

Specifies that the eligibility standards for the emergency unemployment compensation program are the same as for the existing unemployment compensation extended benefits program as provided for in AS 23.20.406.

Section 2.

Provides that an unemployed individual who cannot qualify for emergency unemployment benefits because of the earnings requirements of AS 23.20.406(1) will be able to receive supplemental state unemployment benefits during a period in which emergency unemployment compensation benefits are being provided in this state and will be able to receive supplemental state benefits under the same conditions as those established for emergency benefits.

Section 3.

Establishes an alternative method that will allow an unemployment benefits claimant to qualify for extended or emergency benefits by incorporating an earnings test that was added as an option in the 1992 version of the federal Emergency Unemployment Compensation Act.

Section 4.

Outlines a second level of benefits that are available during a high unemployment period. Under this provision, Alaskans will be eligible for extended or emergency benefits for a longer period of time when the total unemployment rate equals or exceeds eight percent.

SECTIONAL

Section 5.

Adds an additional optional "trigger" to allow the state to provide extended unemployment benefits. Under this provision, the state may qualify under more than one set of requirements for the extended unemployment benefit program.

Section 6.

Eliminates the calculations that have been used to determine the "off" indicator and indicates that the "off" trigger occurs whenever the conditions indicating an "on" trigger are not applicable.

Adds a provision that will allow the state to trigger "off" extended benefits in order to pay emergency unemployment compensation.

Section 7.

Sets out the conditions under which the state will be considered to be in a high unemployment period, thereby indicating that a longer duration of unemployment payments may be made to qualified individuals.

Section 8.

Temporarily suspends the more stringent work search and eligibility requirements that have been required under the federal extended benefit program so that Alaska law will conform with new federal requirements. As a result, from March 7, 1993 through December 31, 1994, the same requirements that currently apply to regular unemployment benefits will be applicable to extended benefits or emergency benefits.

Section 9.

Consistent with federal law, repeals the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill. Section 9 is to be effective January 1, 1995.

Section 10.

Provides for an effective date retroactive to March 7, 1993 for the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill.

Section 11.

Provides for an immediate effective date for the implementation of Sections 8 and 10 of this bill pertaining to the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program retroactive to March 7, 1993.

Section 12.

Provides for an effective date of July 1, 1993 for Sections 1, 2 and 4 through 7 pertaining to the authorization for the continuation of the federal emergency unemployment compensation program (Sec. 1); to various eligibility standards for claimants for the extended benefits program and the supplemental state benefits program (Sec. 1 and Sec. 2); to additional benefits available during a high unemployment benefits (Sec. 4 and Sec. 7); and to the triggering mechanisms for the state's qualifications to participate in the extended unemployment benefit program (Sec. 5 and Sec. 6).

Section 13.

Provides for an effective date of October 3 for Section 3 pertaining to an alternative method that will allow an unemployment benefits claimant to qualify for extended or emergency benefits.

Section 14.

Provides for an effective date of January 1, 1995 for Section 9 pertaining to the repeal of the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill.

*Governor's Committee on
Employment of People with Disabilities*

John - Here is our
"best estimate". Judy
Bright & myself are
available any time
throughout if you have
additional questions -
Call me at 313-415-4154 +
staff will get a hold
of me if you wish.
Debra

VOICE 907-269-4877
TDD 907-269-4879

DEPARTMENT OF LABOR

SECTIONAL ANALYSIS

SENATE BILL NO. 162

"An Act relating to the implementation of the federal emergency unemployment compensation program; making changes relating to unemployment compensation under the extended benefits program and the supplemental state benefits program; and providing for an effective date."

Section 1.

Authorizes the implementation of the federal emergency unemployment compensation program in this state as required under AS 23.20.080 (b) for continued state participation in this program.

Specifies that the eligibility standards for the emergency unemployment compensation program are the same as for the existing unemployment compensation extended benefits program as provided for in AS 23.20.406. // establishes standards of euc program

Savings:
50% off
1st 13
weeks of
pmts paid
EUC claimants

Section 2.

Provides that an unemployed individual who cannot qualify for emergency unemployment benefits because of the earnings requirements of AS 23.20.406(1) will be able to receive supplemental state unemployment benefits during a period in which emergency unemployment compensation benefits are being provided in this state and will be able to receive supplemental state benefits under the same conditions as those established for emergency benefits. // same rights to claimants as currently afforded under extended benefits - expanded eligibility under euc increases cost

1st yr
cost only
\$300,000
estimated
cost

Section 3.

Establishes an alternative method that will allow an unemployment benefits claimant to qualify for extended or emergency benefits by incorporating an earnings test that was added as an option in the 1992 version of the federal Emergency Unemployment Compensation Act. // adds wage qualifier; more claimants will qualify for extended benefits or euc (50/50 or 4/100 vs 100% regular benefits from Trust Fund)

\$150,000
savings
estimated
gains
forward

Section 4.

Outlines a second level of benefits that are available during a high unemployment period. Under this provision, Alaskans will be eligible for extended or emergency benefits for a longer period of time when the total unemployment rate equals or exceeds eight percent. // mandatory federal compliance // 2-tier approach to length of pmts; if higher unemployment, will pay up to 20 weeks; // additional cost to Trust Funds when claimant is receiving extended benefits (see Section 7)

\$1 million
estimated
cost

Section 5.

Adds an additional optional "trigger" to allow the state to provide extended unemployment benefits. Under this provision, the state may qualify under more than one set of requirements for the extended unemployment benefit program.

// mandatory for federal compliance // more claimants would qualify for benefits

(to 700,000 estimated cost)

Section 6.

Eliminates the calculations that have been used to determine the "off" indicator and indicates that the "off" trigger occurs whenever the conditions indicating an "on" trigger are not applicable.

// currently in state law - refer to Alaska as 2 sections

savings: 50% off 1st 13 weeks of payments to assist EUC claimants

Adds a provision that will allow the state to trigger "off" extended benefits in order to pay emergency unemployment compensation.

// goes w/ Section 2 - to allow state to trigger off extended benefits & pay directly to EUC.

Section 7.

Sets out the conditions under which the state will be considered to be in a high unemployment period, thereby indicating that a longer duration of unemployment payments may be made to qualified individuals.

// see Section 4

Section 8.

Temporarily suspends the more stringent work search and eligibility requirements that have been required under the federal extended benefit program so that Alaska law will conform with new federal requirements. As a result, from March 7, 1993 through December 31, 1994, the same requirements that currently apply to regular unemployment benefits will be applicable to extended benefits or emergency benefits.

// mandatory for federal compliance // cost is offset by savings from E.U.C. - not included in fiscal analysis - may be 1.2 million cost

Section 9.

Consistent with federal law, repeals the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill. Section 9 is to be effective January 1, 1995.

offset by savings from E.U.C. (340 million savings estimated through January 1994)

Section 10.

Provides for an effective date retroactive to March 7, 1993 for the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill.

Section 11.

Provides for an immediate effective date for the implementation of Sections 8 and 10 of this bill pertaining to the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program retroactive to March 7, 1993.

Section 12.

Provides for an effective date of July 1, 1993 for Sections 1, 2 and 4 through 7 pertaining to the authorization for the continuation of the federal emergency unemployment compensation program (Sec. 1); to various eligibility standards for claimants for the extended benefits program and the supplemental state benefits program (Sec. 1 and Sec. 2); to additional benefits available during a high unemployment benefits (Sec. 4 and Sec. 7); and to the triggering mechanisms for the state's qualifications to participate in the extended unemployment benefit program (Sec. 5 and Sec. 6).

Section 13.

Provides for an effective date of October 3 for Section 3 pertaining to an alternative method that will allow an unemployment benefits claimant to qualify for extended or emergency benefits.

Section 14.

Provides for an effective date of January 1, 1995 for Section 9 pertaining to the repeal of the temporary suspension of the more stringent work search and eligibility requirements of the extended benefits program established in Section 8 of this bill.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO : SB 162

Revision Date: _____
 Title: Emergency Unemployment
Compensation Program
 Sponsor: Senate Rules
 Requestor: Senate Labor & Commerce

Department Affected: Labor
 BRU: Employment Security
 Component: Employment/Unemployment Services
 COMPONENT SERIAL NO. 1807

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Judy Knight Phone: 465-2712
 Division: Employment Security Date: 3/15/93

Approved by Commissioner: Charles W. Mahlen Date: 3/15/93
 Agency: Department of Labor

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
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Fiscal Note Analysis for
Emergency Unemployment Compensation Program

This bill would make changes to the state's Extended Benefits program for unemployment insurance and to enable the state to continue participation in the federal Emergency Unemployment Compensation program.

Federal law extends the Emergency Unemployment Compensation program through October 2, 1993. Claimants may continue to draw Emergency Unemployment Compensation benefits through January 15, 1994.

Under the Emergency Unemployment Compensation program, more than \$50 million has been paid to approximately 40,000 claimants since the program's inception in late 1991.

Savings to Alaska's Unemployment Insurance Trust Fund are estimated at \$20 million since Extended Benefits have not been paid and unemployment claims were paid under the Emergency Unemployment Compensation Program. These savings will continue assuming that the State of Alaska remains triggered off Extended Benefits and benefit payments continue to be paid under the Emergency Unemployment Compensation program.

Several sections of this bill require additional benefits to be paid to claimants. Under a "worst case scenario" it is projected that an additional \$2.1 million would be paid out annually. Revenues to the Unemployment Insurance Trust Fund for the past three years averaged \$164,864.8 annually. Total benefits paid to claimants averaged \$148,467.7 for the same time period.

Sections 4, 7, and 8 are conformity requirements for Alaska to keep its unemployment insurance law consistent with federal law. Failure to enact these sections can result in the loss of federal administrative funds for unemployment insurance, as well as loss of the Wagner-Peyser grant which funds the public employment service and other employment and training grants totalling \$29.4 million. Job Training Partnership funds exceeding \$10.0 million would also be eliminated.

**UNEMPLOYMENT INSURANCE
AT-A-GLANCE**

STATE ELIGIBILITY REQUIREMENTS

\$1,000 in the base period with at least \$100 outside the highest quarter of wages.

Must have worked in at least two quarters.

Able and available for work each week claimed.

FEDERAL REQUIREMENTS FOR EXTENDED AND EMERGENCY UNEMPLOYMENT
COMPENSATION

Must have earned 40 times the regular weekly benefit amount or earned 1.5 times the wages during the calendar quarter of the base period in which the wages were the highest.

If living out of state, only two weeks are payable if that state is not paying extended benefits. (EB only)

BENEFITS FOR ALL PROGRAMS

A claimant will qualify for a minimum of \$44 per week to a maximum of \$212 per week.

Dependent's allowance for children under 18 of \$24 per dependent up to three (3) dependents.

REGULAR BENEFITS

The claimant may be eligible for a minimum of 16 weeks to a maximum of 26 weeks during the benefit year.

FUNDING SOURCE

UI Trust Fund
or
Direct billed to
reimbursable employers
(Gov't and non-profits)

EXTENDED BENEFITS

A claimant will be eligible for additional weeks equal to one-half the regular entitlement, or an additional 8-13 weeks.

1/2 UI Trust Fund
and 1/2 Federal Funding
or
100% Direct billed to
reimbursable employers
(Gov't and non-profits)

(OVER)

Regs - What about putting repealers in? If it just happens for federal when they don't happen sharp sunset w/ federal legislation

SENATE BILL NO. 162

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/12/93
Referred: L&C, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the implementation of the federal emergency unemployment
2 compensation program; making changes relating to unemployment compensation
3 under the extended benefits program and the supplemental state benefits program;
4 and providing for an effective date."

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

6 * Section 1. AS 23.20 is amended by adding a new section to read:

7 Sec. 23.20.081. EMERGENCY UNEMPLOYMENT COMPENSATION
8 PROGRAM. The department may take the steps necessary to implement the
9 emergency unemployment compensation program in 26 U.S.C. 3304. An individual's
10 eligibility for benefits payable under the emergency unemployment compensation
11 program is determined by the provisions of AS 23.20.406.

12 * Sec. 2. AS 23.20.353 is amended by adding a new subsection to read:

13 (c) In addition to the provisions of (b) of this section, supplemental state
14 benefits remain available to an eligible individual for the same period, and under the

**UNEMPLOYMENT INSURANCE
AT-A-GLANCE**

STATE ELIGIBILITY REQUIREMENTS

\$1,000 in the base period with at least \$100 outside the highest quarter of wages.

Must have worked in at least two quarters.

Able and available for work each week claimed.

**FEDERAL REQUIREMENTS FOR EXTENDED AND EMERGENCY UNEMPLOYMENT
COMPENSATION**

Must have earned 40 times the regular weekly benefit amount or earned 1.5 times the wages during the calendar quarter of the base period in which the wages were the highest.

If living out of state, only two weeks are payable if that state is not paying extended benefits. (EB only)

BENEFITS FOR ALL PROGRAMS

A claimant will qualify for a minimum of \$44 per week to a maximum of \$212 per week.

Dependent's allowance for children under 18 of \$24 per dependent up to three (3) dependents.

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The claimant may be eligible for a minimum of 16 weeks to a maximum of 26 weeks during the benefit year.

FUNDING SOURCE

UI Trust Fund
or
Direct billed to
reimbursable employers
(Gov't and non-profits)

EXTENDED BENEFITS

A claimant will be eligible for additional weeks equal to one-half the regular entitlement, or an additional 8-13 weeks.

1/2 UI Trust Fund
and 1/2 Federal Funding
or
100% Direct billed to
reimbursable employers
(Gov't and non-profits)

(OVER)

STATE SUPPLEMENTAL BENEFITS

A state program that pays additional benefits to claimants who do not meet the federal qualifying requirements of extended benefits or emergency unemployment compensation. Benefits are the same as extended benefits or emergency unemployment compensation.

UI Trust Fund
or
Direct billed to
reimbursable employers
(Gov't and non-profit)

EMERGENCY UNEMPLOYMENT COMPENSATION (EUC)

A claimant qualifies for the same number of weeks as regular benefits, less any EB paid.

100% Federal Funding

Initially a claimant must have exhausted regular or extended benefits, or had the benefit year end after 3/1/91 to be eligible.

Department of Labor
March 23, 1993

begs - what about putting repealers in? If it just happens for federal when they say up. Sharp sunset w/ federal legislation.

SENATE BILL NO. 162

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/12/93
Referred: L&C, FIN

A BILL

FOR AN ACT ENTITLED

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9 emergency unemployment compensation program in 26 U.S.C. 3304. An individual's
10 eligibility for benefits payable under the emergency unemployment compensation
11 program is determined by the provisions of AS 23.20.406.

12 * Sec. 2. AS 23.20.353 is amended by adding a new subsection to read:

13 (c) In addition to the provisions of (b) of this section, supplemental state
14 benefits remain available to an eligible individual for the same period, and under the

1 same conditions as the emergency unemployment compensation program under
2 AS 23.20.081 and 26 U.S.C. 3304, during a period in which there is a state "off"
3 indicator in place under AS 23.20.408(g)(2).

4 * Sec. 3. AS 23.20.406(l) is amended to read:

5 (l) Notwithstanding (a) and (b) of this section, an individual is not eligible for
6 extended benefits unless, in the base period determined with respect to the individual's
7 applicable benefit year, the individual has been paid, for employment covered by this
8 chapter,

9 (1) total wages that equal or exceed 40 times the weekly benefit
10 amount, including any allowance for dependents, which is payable to the individual
11 during the individual's applicable benefit year; or

12 (2) total wages that equal or exceed 1.5 times the individual's wages
13 during the calendar quarter of the base period in which the individual's wages
14 were the highest.

15 * Sec. 4. AS 23.20.407 is amended by adding a new subsection to read:

16 (d) During a high unemployment period, as described in AS 23.20.408(i), the
17 total extended benefit amount payable to an eligible individual with respect to the
18 individual's applicable benefit year equals the lowest amount calculated under the
19 following:

20 (1) 80 percent of the total amount of regular benefits, including
21 dependents' allowances, that were payable to the individual under this chapter in the
22 individual's applicable benefit year;

23 (2) 20 times the weekly benefit amount, including dependents'
24 allowances, that was payable to the individual under this chapter for a week of total
25 unemployment in the applicable benefit year, or

26 (3) 46 times the weekly benefit amount, including dependents'
27 allowances, that was payable to the individual under this chapter for a week of total
28 unemployment in the applicable benefit year, reduced by the total amount of regular
29 benefits that were paid or considered by the department to be paid to the individual
30 under this chapter with respect to the benefit year.

31 * Sec. 5. AS 23.20.408(f) is repealed and reenacted to read:

1 (f) Except as provided in (g)(2) of this section, there is a state "on" indicator
2 for a week if

3 (1) the rate of insured unemployment under this chapter for the period
4 consisting of that week and the immediately preceding 12 weeks either

5 (A) equaled or exceeded 120 percent of the average rate of
6 insured unemployment for the corresponding 13-week period in each of the
7 preceding two calendar years and equaled or exceeded five percent; or

8 (B) equaled or exceeded six percent, without regard to the rate
9 of insured unemployment in the two previous years; or

10 (2) the average rate of seasonally adjusted total unemployment, as
11 determined by the United States Secretary of Labor, for the period consisting of the
12 most recent three months for which data for all states are published before the end of
13 that week

14 (A) equals or exceeds 6.5 percent; and

15 (B) equals or exceeds 110 percent of that average for either or
16 both of the corresponding three-month periods ending in the two preceding
17 calendar years.

18 * Sec. 6. AS 23.20.408(g) is repealed and reenacted to read:

19 (g) There is a state "off" indicator for a week if,

20 (1) for the period consisting of that week and the immediately
21 preceding 12 weeks, there was not an "on" indicator under (f) of this section; or

22 (2) notwithstanding (f) of this section, in that week the state is
23 otherwise eligible to participate in the emergency unemployment compensation
24 program in 26 U.S.C. 3304, but the department must trigger "off" to enable the state
25 to participate in that program.

26 * Sec. 7. AS 23.20.408 is amended by adding a new subsection to read:

27 (i) The state is in a high unemployment period if the circumstances set out in
28 AS 23.20.408(f)(2) are present, but the average rate of seasonally adjusted total
29 unemployment equals or exceeds eight percent.

30 * Sec. 8. TEMPORARY SUSPENSION OF INELIGIBILITY CRITERIA FOR
31 EXTENDED BENEFITS. For the period March 7, 1993 through December 31, 1994, the

1 provisions of AS 23.20.406(c) - (h) and (k) regarding ineligibility for extended benefits are
2 suspended for those weeks of an individual's unemployment during that period.

3 * Sec. 9. Section 8 of this Act is repealed.

4 * Sec. 10. Section 8 of this Act is retroactive to March 7, 1993.

5 * Sec. 11. Sections 8 and 10 of this Act take effect immediately under AS 01.10.070(c).

6 * Sec. 12. Sections 1, 2, and 4 - 7 of this Act take effect July 1, 1993.

7 * Sec. 13. Section 3 of this Act takes effect October 3, 1993.

8 * Sec. 14. Section 9 of this Act takes effect January 1, 1995.

SB

163



Official Business

Alaska State Legislature

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

SPONSOR STATEMENT

SB 163, AN ACT RELATING TO POWER COST EQUALIZATION

The language in SB 163 is taken from Governor Hickel's proposed restructuring of the Alaska Energy Authority. The changes in the bill are essential if the Legislature is going to be able to fully fund Power Cost Equalization at the Governor's requested level of \$17,920,000. Both Finance Committees have introduced identical bills to make certain the issue is resolved as early as possible this session.

The bill proposes two changes to current statute. First, it excludes from payment-eligibility "customers that are state or federal offices or state or federal facilities other than public schools." Under the proposal, therefore, public facilities will not have the benefit of subsidized power; public schools will retain the subsidy. Secondly, it increases the minimum power cost eligibility from 8.5 cents per KWH to 9.5 cents per KWH.

With the ever-increasing strain on the operating budget, both proposed changes are designed to keep budgetary expenses in check while insuring adequate G.F. funding for PCE.

For FY 94, the Alaska Energy Authority estimates that it would take \$20.7 million to fully fund the existing requirements. Each of the cost-savings above would represent an estimated \$1.0 million savings in general fund dollars.

The Alaska Energy Authority has estimated that the average residential consumer uses 367 KWH per month. The "floor" increase of 1c per KWH represents a monthly increase of \$3.67...or \$44.04 annually. Commercial consumers will see their costs increase an estimated \$4.30 per month...or \$51.60 annually.

The program first received state funding in FY 81...\$2,657,600. This year, the Governor's Budget reflects an appropriation of \$17,920,000.



State of Alaska
Walter J. Hickel, Governor

Alaska Energy Authority

A Public Corporation

March 10, 1993

The Honorable Eileen MacLean
Alaska State Representative
Co-Chair House Finance Committee
State Capitol
Juneau, Alaska 99801-1182

Subject: FY94 Operating Budget Request/Power Cost Equalization Grants

Dear Representative MacLean:

I am pleased to provide the following information on the Power Cost Equalization (PCE) program, in response to your request letter dated March 9, 1993.

- The updated FY94 budget estimate as of today for the full funding of the PCE program is presented below. However, due to the numerous factors affecting use of electricity and the eligible cost of each utility participating to the program, it is difficult to closely project what would be the actual program demand; limited upward or downward adjustments may continue to occur.

FY94 Preliminary Grant Budget Projects as of 3/10/93*

FY93 Participating Utilities Requirement of 100%	\$20,204,077
Increased FY94 Rates/Power Sales of	
FY93 Participating Utilities	404,082
New Participating Utilities	50,000
APUC Regulatory Cost Charges	<u>80,000</u>
FY94 PCE Grant Requirements	\$20,738,159

Estimated Savings (subject to passage of proposed legislation):

Federal, State offices	\$ 1,000,000
Schools	566,516
Increase floor to 9.5 cents**	<u>1,000,000</u>
FY94 Revised Grant Requirements	\$18,171,643 (a)

Less: FY94 PCE Grant Budget Request	<u>\$17,920,000</u>
Potential FY94 Shortfall	<u>(\$251,643)</u>

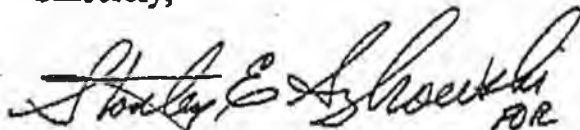
Letter to: Representative Eileen MacLean
 Subject: FY94 Operating Budget Request/PCE Grants
 March 10, 1993

- * Based on FY92 actual program requirements plus budget amounts for those utilities with pending disbursements.
- ** Savings related to residential, commercial customers, and community facilities. It assumes that Federal, State offices and Schools are eliminated from the program.
- o Our best estimate of cost savings due to the removal of state and federal facilities from the program, is about \$1 million. The cost of the schools continued participation in the program is about \$570,000, as presented in the above schedule.
- o Based on the FY91 PCE program statistics report, issued December 1992, the average monthly consumption of residential and commercial customers eligible for PCE is 374 kwh/mo. Community facilities are excluded from this computation.
- o Based on the FY91 PCE program statistics, the average monthly consumption of residential customers eligible for PCE is 367 kwh/mo.
- o If the PCE "floor" is increased to 9.5 cents, the electrical customers, as an average, will incur additional costs as follows:

<u>Customers</u>	<u>Average Consumption</u>	<u>Cost Increase 1¢/kwh</u>	
		<u>Monthly</u>	<u>Annual</u>
Residential	367 kwh/mth	\$3.67	\$44.04
Commercial	430 kwh/mth	\$4.30	\$51.6

I appreciate your interest and your support of this program that is essential to insure economic viability of local rural electric utilities. Please call my office at 561-7877 if you have any questions or need additional information.

Sincerely,



Ronald A. Garzini
 Executive Director

GM:RAG:tj

Revision Date: n/a

Department Affected: Commerce & Economic Development

Title: "An act relating to power cost equalization; and providing for an effective date."

BRU: Alaska Energy Authority

Component: Power Cost Equalization Grants

Sponsor: The House Finance Committee

Requestor: _____

COMPONENT SERIAL NO.

965			
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EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS	600.0	624.0	649.0	674.9	701.9	730.0
MISCELLANEOUS						
TOTAL OPERATING	600.0	624.0	649.0	674.9	701.9	730.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	600.0	624.0	649.0	674.9	701.9	730.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	600.0	624.0	649.0	674.9	701.9	730.0

POSITIONS: N/A

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ none

ANALYSIS: (Attach a separate page if necessary.)

See Attached.

Prepared By: Gloria Manni

Phone: 561-7877

Division: Alaska Energy Authority

Date: 3/16/93

Approved By Commissioner: Paul Fuhs

Agency: Commerce and Economic Development

Date: _____

ANALYSIS: (continued)

The intent of SB163 is to cut the costs of the PCE program effective July 1, 1993. However, the FY94 PCE Grants budget request submitted by the Alaska Energy Authority, as approved by the Board of Directors, in the amount of \$17,920,000 assumes the implementation of the above legislative changes, plus the exclusion of school facilities from PCE credit. Enactment of SB163 would result either in an increase of the PCE Grants budget request in FY94 and following years, or, if the increased cost is not funded, in a pro-rata reduction of PCE rates for all customers to accommodate the unbudgeted requirement for school facilities.

SB 163: "An Act relating to power cost equalization; and providing for an effective date."

The bill includes the following provisions:

1. Excludes state or federal offices and facilities from the Power Cost Equalization (PCE) program.
2. Increases the minimum power cost for which PCE may be paid to an electrical utility (floor) from 8.5 cents/kwh to 9.5 cents/kwh.

The Alaska Energy Authority supports the proposed legislation, however, it would prefer the enactment of more comprehensive legislation (see below SB124 section).

Program Background

Power Cost Equalization (PCE) is a formula program that reduces the consumers' cost of electricity generated and sold by eligible electric utilities in rural Alaska. The program attempts to provide for statewide equalization of power cost per kilowatt-hour (kwh) at a cost close to the average kwh/cost in Anchorage, Fairbanks and Juneau.

During FY's 92 and 93 the limited funding of the program has made it necessary to reduce, on a pro-rata basis, PCE rates to all participating utilities customers, 20% and 10% respectively, impacting residential customers the most as the cost of electricity, especially in the communities with low per capita income.

Analysis

Sections 1 and 3 of the bill propose to make state and federal facilities ineligible for PCE, effective July 1, 1993. This change is expected to decrease program costs about \$1 million. Conversely, state offices/facilities in rural communities eligible for PCE would incur, on average, increased electrical cost of about \$1,350 per year. This estimate assumes that each state budgetary unit would be eligible for the maximum 750kwh each month of the year, at the PCE average rate of 15¢/kwh. Federal offices and facilities would experience similar cost increases. No significant impact is expected on the affected customers or local economies.

Section 2 of the bill proposes to increase the minimum power cost for which PCE may be paid to an electric utility (floor) from 8.5¢/kwh to 9.5¢/kwh effective July 1, 1993. This program change would bring the minimum cost of electricity in rural Alaska closer to the cost of electricity in the urban areas of state, and it would decrease program costs an additional \$1 million. Our best estimate assumes that once the state and federal facilities are removed from the program about 100,000 megawatt-hours will continue to be eligible for PCE annually. If the PCE floor is increased to 9.5¢/kwh, as an average, residential customers would incur

POSITION PAPER

SB 163

Page 2

increased costs of about \$45 per year; commercial customers about \$52 per year and community facilities \$165 per year.

The proposed change in Section 2 to increase the PCE floor to 9.5¢/kwh may require legislative action in future years to maintain the statutory relationship between the PCE floor and the average kwh/cost in Anchorage, Fairbanks and Juneau as the cost of power in these urban communities continues to grow. During CY 1990 and 1991 the weighted average electric residential rate for urban electrical customers with consumption of 500 kwh/mo. was 9.6¢/kwh and 9.8¢/kwh, respectively.

Other Related Legislation/SB124

Senate Bill 124, Sections 11, 12 and 13 reflect the PCE program legislative changes that would match the Alaska Energy Authority FY94 budget request for PCE Grants by excluding from the program federal, state and school facilities.

It would also provide for a formula to administratively adjust the PCE floor in future years "by an amount equal to the percentage change in the Consumer Price Index, All Urban Consumers, U.S. City Average, published by the U.S. Department of Labor, for the 12-month period ending April 30 of the fiscal year preceding the fiscal year for which the adjustment is being made."

SB124 was introduced by the Senate Rules Committee by request of the Governor, on February 19, 1993. If passed, the bill would financially restructure the Alaska Energy Authority. Such plan, among other things, would generate a \$17 million annuity for 20 years to assure reasonable power costs to residential customers in rural areas through PCE or more efficient energy project.

The concept of a PCE program directed mostly to residential customers, combined with a long-term, financially stable and foreseeable program funding reinforces the Alaska Energy Authority's support of SB124.

A handwritten signature in blue ink, appearing to read "Paul" followed by a stylized flourish.

**STATISTICAL REPORT
of the
POWER COST EQUALIZATION
PROGRAM**

FOURTH EDITION

**FISCAL YEAR 1991
July 1, 1990 - June 30, 1991**

December 1992

ALASKA ENERGY AUTHORITY

**Ronald A. Garzini
Executive Director**

PCE PROGRAM STATISTAL REPORTS

**POWER COST EQUALIZATION PROGRAM
HISTORICAL TRENDS
Fiscal Year 1985 - 1991**

	Fiscal Year 85	Fiscal Year 86	Fiscal Year 87	Fiscal Year 88	Fiscal Year 89	Fiscal Year 90	Fiscal Year 91
PARTICIPATION							
Participating Utilities	83	94	97	99	97	96	96
Communities Served	149	162	164	168	166	165	160
Population Served	59,007	62,042	63,025	66,131	66,444	68,764	67,223
CUSTOMERS							
Residential & Commercial	20,967	22,175	23,372	23,431	24,110	24,990	24,711
Community Facilities	1,023	1,040	1,093	1,070	1,080	1,133	1,195
Total Customers	21,990	23,215	24,465	24,501	25,190	26,123	25,906
FUNDING							
Appropriations (\$)	\$19,100,000	\$21,700,000	\$13,840,299	\$15,000,000	\$19,724,000	\$16,814,000	\$16,912,100
Disbursements (\$)	\$13,770,449	\$17,785,390	\$16,771,338	\$17,018,680	\$17,104,631	\$17,785,256	\$19,607,435
Disbursements/Customer (\$)	\$636	\$766	\$686	\$695	\$679	\$681	\$757
CONSUMPTION							
Total MWH Sold (MWH)	160,804	225,414	242,621	261,762	270,265	293,086	286,508
PCE Eligible MWH Residential & Commercial	66,253	91,788	97,578	102,561	105,531	112,251	111,065
PCE Eligible KWH/Month/Cust, Resid & Comrc	348	347	354	367	376	385	379
PCE Eligible MWH Community Facilities	14,099	16,551	17,014	16,964	16,200	18,004	19,703
Elig. KWH/Month/Capita, Community Facilities	21.8	22.3	22.8	21.5	21.2	23.0	25.0
Total PCE Eligible MWH (MWH)	95,353	108,339	114,592	119,525	121,732	130,255	130,769
Eligible KWH/Month/Cust, Total Customers	390	392	397	409	415	428	427
COSTS							
Average Price of Fuel Oil (\$/gallon)	\$1.174	\$1.170	\$1.013	\$0.996	\$0.874	\$0.920	\$1.050
Total Gallons of Fuel Oil Consumed (gallons)	14,861,722	20,994,795	20,155,802	23,128,769	23,124,266	24,827,962	23,540,785
Total Cost of Fuel Oil (\$)	\$18,706,253	\$23,284,918	\$18,930,252	\$21,948,620	\$21,154,979	\$22,865,957	\$24,631,042
Total Operating Costs (\$)	\$20,179,674	\$31,707,920	\$29,053,402	\$32,415,081	\$32,058,897	\$40,998,307	\$38,058,236
EFFICIENCY RATIOS							
KWH Sold per Gallon of fuel oil (kwh/gallon)	10.6	10.7	11.0	11.3	11.7	11.8	12.2
Operating Expenses per total KWH Sold (\$/kwh)	\$0.154	\$0.140	\$0.122	\$0.124	\$0.119	\$0.140	\$0.133
RATES							
Average PCA/PCE per Eligible KWH (\$/kwh)	\$0.156	\$0.164	\$0.146	\$0.143	\$0.141	\$0.139	\$0.150

First Annual
Statistical Report
of the
Power Cost
Equalization Program

December 15, 1988

ALASKA POWER AUTHORITY

Robert E LeResche
Executive Director

Table IX

ADJUSTED PROGRAM STATISTICS
POWER COST ASSISTANCE/EQUALIZATION
FY 81 - 88

	P/CA FY 81	PCA FY 82	PCA FY 83	PCA FY 84	PCA/PCE FY 85	PCE FY 86	PCE FY 87	PCL FY 88
FUNDING								
Appropriations	\$2,657,600	\$9,300,000	\$8,300,000	\$8,300,000	\$19,100,000	\$21,700,000	\$13,840,299	\$15,067,900
Total Disbursements	\$2,183,168	\$6,419,408	\$8,327,152	\$8,740,820	\$13,800,868	\$17,785,390	\$16,771,338	\$17,642,895
Disbursements Less CVEA & KFA	\$1,781,104	\$5,606,201	\$7,795,705	\$8,531,713	\$13,740,030	\$17,785,390	\$16,771,338	\$16,787,586
Disbursements/Customer	\$235	\$442	\$476	\$385	\$623	\$766	\$686	\$686
PARTICIPATION								
# of Utilities	13	31	48	61	83	94	97	98
Communities Served	66	84	112	127	149	162	164	165
Population Served	NA	40,488	45,969	51,435	59,007	62,042	63,025	65,886
CUSTOMERS								
Residential & Commercial	6,982	11,930	15,579	18,057	21,106	22,175	23,372	23,401
Community Facilities	603	757	739	890	1,040	1,040	1,093	1,054
Total Customers	7,585	12,687	16,318	18,946	22,146	23,215	24,465	24,455
CONSUMPTION								
Total MWH Generated	49,389	122,743	169,244	183,968	182,065	211,553	227,909	251,540
Total MWH Sold	50,809	NA	NA	NA	160,804	225,414	242,621	256,653
Elig. MWH Resid. & Comrc.	15,396	37,730	54,445	63,729	81,253	91,788	97,578	101,095
Elig. KWH/Month, Resid. & Comrc.	350	341	329	330	357	371	376	396
Elig. MWH Comm. Facil.	4,521	7,717	9,487	12,305	14,193	16,551	17,014	16,605
Elig. KWH/Month, Comm. Facil.	1,354	1,204	1,605	1,679	1,980	2,196	2,166	2,366
Total Elig. MWH	19,916	45,450	63,931	76,031	95,446	108,339	114,592	117,700
Elig. KWH/Month, Total Cust.	393	376	369	375	402	421	424	445
COSTS								
Average Fuel Price (per gallon)	\$1.150	\$1.279	\$1.283	\$1.265	\$1.172	\$1.147	\$0.984	\$0.970
Fuel Consumed (gallons)	NA	NA	NA	NA	14,861,722	20,994,795	20,155,802	22,860,528
Total Fuel Costs	NA	NA	NA	NA	\$18,706,253	\$23,284,918	\$18,950,252	\$21,638,546
Total Operating Costs	NA	NA	NA	NA	\$20,179,674	\$31,707,920	\$29,053,402	\$32,003,859
EFFICIENCY RATIOS								
Fuel Efficiency (KWH Sold/Gal.)	NA	NA	NA	NA	10.6	10.7	11.0	11.2
Operating Costs/KWH Sold	NA	NA	NA	NA	\$0.154	\$0.140	\$0.122	\$0.132
RATES								
Avg. PCA/PCE Amount (\$/KWH)	\$0.009	\$0.125	\$0.122	\$0.112	\$0.144	\$0.164	\$0.166	\$0.145

**ELECTRICAL APPLIANCE
KILOWATT HOUR REQUIREMENTS**

Since the price of electricity for AVEC consumers is higher than that charged in larger cities where it can be produced less expensively, it is always important for members to make every effort to conserve electricity. One of the first things to think about when you plan to purchase an electrical appliance is how much it will affect your monthly AVEC bill.

Most people have a tendency to overlook the hidden cost when they purchase an appliance. AVEC consumers should never do this. Be especially careful when shopping for any appliance that generates heat, as it will use more electricity. Hot water heaters are a prime example. If you have one, consider changing to oil. Electric hot water heaters are not recommended at these rates. Always buy the highest efficiency appliances. Frostless freezers and self-cleaning ovens can use much more electricity than manual models. Do not leave the CB radio on when not essential. Consider a good quality microwave range. They save much electricity for many cooking jobs.

APPLIANCE	TYPICAL CONSUMPTION* per month	ACTUAL COST**
Electric Hot Water Heater	351 KWH	\$130.79
Freezer (Frostless 15')	195 KWH	72.54
Refrigerator (Frostless)	182 KWH	67.70
Sauna Heater, 1,000 Watt (6 hrs. per day)	180 KWH	66.96
Heat Tape, 200 Watt (24 hrs. per day)	144 KWH	53.57
Refrigerator (Automatic Defrost)	127 KWH	47.24
Freezer (Manual Defrost, Upright, 15')	105 KWH	39.06
Refrigerator (Manual Defrost)	104 KWH	38.69
Electric Range	100 KWH	37.20
Small Space Heater, 1,500 Watt (60 hrs. per mo.)	90 KWH	33.48
Clothes Dryer	90 KWH	33.48
Freezer (Manual Defrost, Chest, 15')	88 KWH	32.74
Lights (small home, 800 sq. ft.)	60 KWH	22.32
Television (color)	55 KWH	20.46
Heat Tape, 75 Watt (24 hrs. per day)	54 KWH	20.09
Television (black/white, tube)	53 KWH	19.71
Microwave Oven	16 KWH	5.95
Electric Fry Pan	15 KWH	5.58
Coffee Maker	10 KWH	3.72
Hot Plate	10 KWH	3.72
Automatic Washing Machine	9 KWH	3.48
AM Radio	7 KWH	2.60
CB Radio (10 hrs. per day)	7 KWH	2.60
Toaster	5 KWH	1.86

*Variations of up to 50% or more depending on your use patterns.

**Does not reflect fuel surcharge figures.

Jack Kreinheder
January 20, 1987
Page 2

During the considered fall/winter month, the average residential customer electric power consumption among the selected communities ranges from a minimum of 276 Kwh to a maximum of 682 Kwh per month, with an average consumption of about 430 kwh per month, depending on the community geographic location, level of economic development, available disposable income, etc. This indicates that even in the fall/winter period when energy needs are high, the residential customers usage remains below the PCEP cap of 750 Kwh per month.

For general information and to test the residential customers electrical needs we have summarized, using either state or national standards, the potential components of energy demand for rural lifestyle:

Rural Lifestyle Basic Electric Power Need

Components

	Kwh	
	Annual	Monthly
Lighting	1560	
Refrigerator (12 cu. ft./manual defr.)	241	
T.V. Color/Solid State	440	
Radio/Record Player	109	
Sewing Machine	11	
Shop Appliance or Portable Heater	176	
Coffee Maker or Block Heater	140	
Humidifier	163	
Subtotal	2840	236
Freezer (15 cu.ft./manual defr.)	1195	
Total	4035	336

Once the residential customers fall/winter energy demand (55%) is adjusted to reflect reduced spring/summer demand (45%), it appears that in a large number of communities the consumption is even below the level of a rural lifestyle basic electric power need.

Please feel free to call me if you have any questions.

GM:kyf

cc: Robert D. Heath, Alaska Power Authority
Susan White, Alaska Power Authority
Gene Dusek, Alaska Power Authority

State of Alaska

***Power Cost Equalization
Program Manual***

Alaska Energy Authority

Alaska Public Utilities Commission

January 1990

ENERGY
005172

PCE PROGRAM MANUAL

*POWER COST EQUALIZATION
PROGRAM MANUAL*

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APPENDIX I:
POWER COST EQUALIZATION STATUTES

APPENDIX II:
POWER COST EQUALIZATION REGULATIONS
ALASKA ENERGY AUTHORITY
ALASKA PUBLIC UTILITIES COMMISSION

Throughout this publication the following abbrevia-
tions will be used:

AEAAlaska Energy Authority
APUCAlaska Public Utilities Commission
PCEPower Cost Equalization
kwhKilowatt-hour

INTRODUCTION

The State of Alaska's Power Cost Equalization program has been helping rural electric utility customers by paying part of their electricity costs since 1985. Prior to that time, the Power Production Assistance Program (1980) and the Power Cost Assistance Program (1981) were in effect.

The goal of the PCE program is to provide economic assistance to customers in rural parts of Alaska where, in many instances, the kilowatt-hour charge for electricity can be three to five times higher than the charge in the more urban areas of the State. As an example, in 1989, the following are typical energy rates paid by residential customers in different areas of Alaska:

Anchorage	7c/kwh	Cold Bay	37c/kwh
Fairbanks	9c/kwh	Fort Yukon	44c/kwh
Juneau	8c/kwh	Unalaska	17c/kwh

State funds are appropriated by the Legislature for the PCE program each year and are paid to utilities on behalf of eligible customers. During 1989, 103 utilities participate in the program, a number that has remained relatively constant since 1987 (Tables 1 and 2). The cost of this statewide program in FY89 was \$17.6 million which provided assistance to over 24,000 customers living in 170 rural communities.

The Alaska Public Utilities Commission and the Alaska Energy Authority, formerly the Alaska Power Authority, administer PCE. The Alaska Legislature has established functions for each agency by statute; AS 44.83.162-165 governs APUC and AEA program responsibilities. The APUC determines if a utility is eligible to be in the pro-

gram and calculates the amount of PCE per kwh payable to the utility. The AEA determines the eligibility of the community facilities and authorizes payment to the electric utility. The utility is required to reduce each customer's bill by the amount that the State pays for PCE. Appendix I and II are copies of the statute and the regulations governing PCE.

This publication offers a general description of the PCE program. Further information on any aspect of the program is available from the:

Alaska Public Utilities Commission
1016 West Sixth Ave, Ste 400
Anchorage, AK 99501
Telephone: (907) 276-6222

Alaska Energy Authority
P.O. Box 190869
Anchorage, AK 99519-0869
Telephone: (907) 561-7877

SB

171



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

**PROJECT FACT SHEET: Anchorage Fueling and Service Company
Tank Farm and Distribution Facilities**

DATE: November 25, 1992

STATUS: The Legislature failed to act on bonding authority for this project in 1992. AIDEA may seek bonding approval in 1993.

PROJECT BUDGET: \$40 million

SOURCE OF FUNDS: Revenue bonds sold by AIDEA.

PURPOSE: To construct a new jet fuel storage tank farm and distribution system in order to accommodate future airline growth. The site of the existing system is needed for airport expansion. Existing facilities are also old and potentially unreliable or environmentally unsafe.

PARTICIPANTS: AIDEA may finance the relocation and construction of the new tank farm and distribution system at Anchorage International Airport.

BACKGROUND: The existing tank farm and distribution facilities must be removed due to planned airport expansion and roadway/traffic improvements at the airport. The existing facilities also cannot accommodate future airline growth and old pipelines should be replaced to guarantee an uninterrupted supply of jet fuel to the airport and to eliminate the possibility of an environmental problem. The new facilities would be modern, efficient, safe, and environmentally sound.

ECONOMIC EFFECTS: The new facilities would support increased activity at Anchorage International Airport and ensure a stable work environment for more than 100 employees.

SOCIAL EFFECTS: The project would ensure continued fuel service to the airport, while also ensuring operations that are safe to the environment and to workers.

SCOPE OF PROJECT: The new tank farm would consist of three 100,000-barrel tanks, pumps, filters, operations building, and an on-ramp truck loading island. New piping would be laid to tie into the Nikiski pipeline, replace the Port of Anchorage pipeline, and reroute the hydrant fueling system piping. The project would also include demolition of existing facilities and any necessary environmental remediation.

PROJECT FACT SHEET FOR FUELING
& TANK FARM DISTRIBUTION FACILITIES



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX (907) 561-8998

March 22, 1993

The Honorable Senator Drue Pearce
Alaska State Legislature
State Capitol
Juneau, AK 99811

Dear Honorable Senator Pearce:

I would like to take this opportunity to provide you with an update on the Rural Development Initiative Fund (RDIF) loan program. As you will recall, the RDIF program was established by the Alaska Legislature in 1992 to provide business loans to rural Alaskans. The RDIF program targets small businesses that may not be eligible for traditional commercial financing.

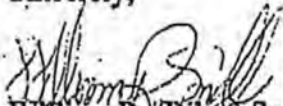
Throughout the latter part of 1992 AIDEA worked closely with commercial lenders and the Department of Community and Regional Affairs (DCRA) in finalizing the emergency regulations and other administrative details of the program. Working in concert with DCRA we produced a brochure for statewide distribution and also bought air time for a paid public service announcement on the Alaska Public Radio Network, whose member stations reach virtually every part of rural Alaska. The response has been overwhelming.

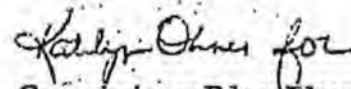
DCRA has been literally flooded with loan applications (over 300). Interest has been so high that radio announcements were canceled after running less than three weeks. Total FY 93 funding for the RDIF program was \$500,000. We share concerns with DCRA that given limited program funding and a maximum loan amount of \$100,000 (\$200,000 for two or more borrowers), the RDIF program will run out of money in a few months. It is critical that there is not a gap in available funding for RDIF loans during the first year of lending activity.

The program also faces an additional challenge: the RDIF program operates under AIDEA's Business Assistance Program, which is scheduled to be sunset on July 1, 1993. AIDEA fully supports the language in HB 110 and companion bill SB 79 which extends the sunset date to July 1, 1994. In our letters of February 17 and March 8, we provided the House State Affairs Committee and the Senate Health and Social Services Committee respectively with an overview of the Business Assistance Program. To date the Business Assistance Program has been underutilized but remains a valuable tool to assist in developing and expanding small businesses throughout Alaska. At the request of financial institutions, changes were made to the Business Assistance program in 1992 under SB 226 and the Authority has seen an increased interest in the program.

I am enclosing a copy of the RDIF brochure. If I can answer additional questions about this exciting new program, or about our Business Assistance Program, please do not hesitate to contact me.

Sincerely,


William R. (Riley) Snell
Executive Director


Commissioner Edgar Blatchford
Dept. of Com. and Regional Affairs

RURAL DEVELOPMENT INITIATIVE
FUND IN BUSINESS ASST. PROGRAM

Rural Development Initiative Fund

RDF



Business loans for rural Alaskans



POSTAGE

For additional information about a RDF loan, contact:

Elstun Laursen
State-wide Economic Development Specialist
DGRA, 533 W. 4th Ave, Suite 220,
Anchorage, AK 99501-2341
269-4529

Economic Development Specialist
Service Areas

Vic Soldsberry Ted Christie
(Nome) 443-5469 (Tuk) 833-4494



Fiona Orvan
(Bethel) 548-2885

Tom Peterson Elstun Laursen
(Kodiak) 468-8878 (Anchorage) 269-4578

For AIDA information:

Sue Wilts, Economic Development Coordinator
Sue Warner, Training Officer
AIDA, 480 W. 11th, Anchorage, AK 99503
561-8050

You may also contact your AIDA

What is the RDIF loan program?

The Rural Development Initiative Fund (RDIF) was established and funded by the Alaska Legislature in 1992. Its purpose is to target small businesses that may not be eligible for traditional commercial financing. RDIF loans are geared toward creating employment opportunities in rural Alaska by providing small, basic industries with business capital.

Who administers the program?

The Department of Community and Regional Affairs, in conjunction with private lenders and the Alaska Industrial Development and Export Authority (AIDEA).



Who is eligible to apply for a RDIF loan?

Alaska businesses located in communities of 5,000 or less, or in unincorporated communities.

How do I apply?

Prospective borrowers should discuss their proposed venture with their bank and the Economic Development Specialist serving their region from the Department of Community and Regional Affairs.

The bank and the Economic Development Specialist will work together to initiate and package the loan for submission to AIDEA. If the loan is approved, AIDEA may guarantee 80% of the bank's financing, with up to 20% of the remaining financing coming from the Department of Community and Regional Affairs.

How can I use a RDIF loan?

Purpose	Terms
Working Capital	Maximum of 5 Years
Personal Property	Maximum of 15 Years
Construction	Maximum of 20 Years

What is the maximum amount that I can borrow?

\$100,000 per individual borrower, or \$200,000 for two or more borrowers. The number and size of loans may be limited by availability of funding.

Is there an application fee?

Yes, it's \$100.

What is the interest rate?

7% until October 1, 1993
Prime + 1% thereafter
(Never less than 6%)

Alaska State Legislature

During Interim:
3111 C Street, Suite 150
Anchorage, AK 99503-3925
(907) 561-2038
Fax (907) 561-4194



During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-4993
Fax (907) 465-3872

Senator Drue Pearce
District F

SPONSOR STATEMENT FOR SB 171

If enacted, Senate Bill 171 would accomplish two key objectives related to the Alaska Industrial Development and Export Authority (AIDEA).

Section one of the bill gives legislative approval to the AIDEA to authorize the issuance of revenue bonds, up to \$40 million, to finance the acquisition, design, and construction of public use aircraft fueling facilities located at the Anchorage International Airport.

Section two of the bill extends the sunset date of AIDEA's Business Assistance Fund to July 1, 1996 from the current sunset date of July 1, 1993.

SB 171: "An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority, giving approval of the issuance of the authority's revenue bonds, and delaying the termination date of the authority's business assistance program; and providing for an effective date.

The bill as proposed provides authority for the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$40,000,000 in bonds to finance the acquisition, design, and construction of public use aircraft fueling facilities at the Anchorage International Airport. The bill also provides a procurement exemption under AS 36.30 as allowed under AS 36.30.850(b)(8). This would authorize AIDEA to work through the Anchorage Fueling and Service Company (ASFC), the owner of the existing fueling facilities, to obtain information and services to develop a finance plan, and to manage the design and construction of the project. Design and construction contracting will be performed on a competitive basis.

The purpose of the project is to construct a new jet fuel storage tank farm and distribution system to accommodate future projected airline growth. The existing facilities are old, potentially unreliable and out-of-date as to environmental safety. In addition, the site of ASFC's existing system is required for airport expansion which includes roadway/traffic improvements.

The bill also extends the sunset date of the Authority's business assistance program until July 1, 1996. The program provides an 80 percent guarantee on bank originated loans up to \$1 million. The business assistance program is a helpful financial "tool" to assist in the development and expansion of small businesses throughout Alaska. In addition, the business assistance program is key to facilitating the newly created Rural Development Initiative Fund (RDIF) which is operated jointly through the Department of Community and Regional Affairs and AIDEA. The RDIF was designed to assist rural Alaskan entrepreneurs who may not currently be served by commercial financial institutions.

AIDEA fully supports SB 171.

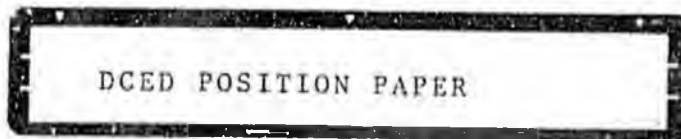


Paul Fuhs, Commissioner

3-22-93

Date

dg/161pp/aidea



FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. SB 171

Revision Date: _____
Title: An Act relating to the contracting and financing authority of AIDEA and extending a program.
Sponsor: Senator Pearce
Requestor: Senator Pearce

Department Affected: Commerce and Economic Development
BRU: AIDEA
Component: AIDEA
COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Bonds of AIDEA will be sold to finance the Anchorage public-use aircraft fueling facilities and will have no fiscal impact on the General Fund. The Business Assistance program is a guarantee program on bank originated loans and with careful oversight should have no fiscal impact on AIDEA.

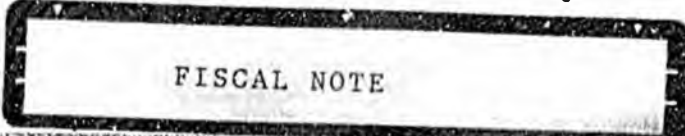
Prepared by: William R. Snell, Executive Director
Division: AIDEA

Phone: 561-8050
Date: March 22, 1993

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: March 22, 1993

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SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 3/18/93

FURTHER: FINANCE

Date of 5-Day Notice: 3/18/93
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/23/93

L&C Committee considered SB 171

"An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority, giving approval of the issuance of the authority's revenue bonds, and delaying the termination date of the authority's business assistance program; and providing for an effective date." and recommends:

replace with _____ CS _____

- same title
- new title
- technical title change (HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
DCED	3/22	<input checked="" type="checkbox"/>	

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Rep. Kelly (Do Pass with additional info.)
Alvin Rieger No Rec
J. E. Salo No Rec

Tim Kelly - Do Pass

Chair: Signature and Recommendation

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR PEARCE

TO: SB 171

Page 1, line 2-3:

Delete

"giving approval of the issuance of the authority's revenue bonds,"

Insert

"authorizing the Alaska Industrial Development and Export Authority to issue bonds in a principal amount not to exceed \$40,000,000 to finance the acquisition, design, and construction of public use aircraft fueling facilities and authorizing the Alaska Industrial Development and Export Authority to issue bonds in a principal amount not to exceed \$30,000,000 to finance the acquisition, design, and construction of port facilities related to the development and operation of a direct reduction iron ore processing facility located at Point Mackenzie,"

Page 2, following line 1:

Insert a new bill section to read:

"* Sec. 2. (a) The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, design, and construction of a port facility related to the development and operation of a direct reduction iron ore

processing facility to be located at Point Mackenzie, to be owned by the authority. The principal amount of the bonds may not exceed \$30,000,000.

(b) Subsection (a) of this section grants the legislative approval required by AS 44.88.095(g).

Renumber the following bill sections accordingly.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR PEARCE

TO: SB 171

Page 1, line 12:

Delete "revenue"

SB

173

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
NFIB/ALASKA

IN
SUPPORT
OF

SB 173 HEALTH INSURANCE FOR SMALL EMPLOYERS

9159 Skywood Lane
Juneau, AK 99801



The Guardian of
Small Business

LETTER OF SUPPORT FROM
THE NFIB ALASKA

Chairman, members of the Committee, my name is Resa Jerrel, and I am the State Director for the National Federation of Independent Business - NFIB/Alaska. I am happy to be here today in support of SB 173.

BACKGROUND

NFIB/Alaska is comprised of 5,000 small and independent business owners. The legislative agenda of NFIB/Alaska is determined by our ballot. The ballot is our annual poll of our members on a series of issues deemed critical to small business. A majority vote, of the members in response to the poll, sets our policy and position on legislative issues.

For the record the following are the results of the 1991 NFIB/Alaska ballot questions regarding health insurance:

Should legislation be passed in order to create a voluntary health insurance plan which would be administered by private insurance companies and which would pool small businesses together so they could purchase employee health insurance at group rates?

Yes 72% No 17% Undecided 11%

If this pooling of employers in order to purchase health insurance was available, would you participate?

Yes 50% No 19% Undecided 31%

Should employers be allowed the option of having their employees pay part of the premium cost of health insurance purchased through the above pooling plan?

Yes 90% No 5% Undecided 5%

The NFIB Foundation Survey nationwide first found health insurance listed as a key concern for small business in 1986 when it was cited as the number one problem for small business owners out of 75 potential problems. Again in 1990, 92% of small business owners characterized health insurance as a "serious problem". The NFIB Foundation recently released Survey, Problems and Priorities, it listed the cost of health insurance as still the number one problem. No other difficulty was close. Sixty-one (61) percent ranked the problem "critical," the most extreme assessment it could be given.

On 1992 ballot we asked our members in Alaska to choose from eleven (11) problem areas - the most costly or burdensome problem they faced

and the top two were: #1 workers compensation cost and, #2 health insurance for employees.

Further surveys have found that small business owners want to offer health insurance as a fringe benefit out of both a sense of family obligation and competitive necessity.

The ability of the small business owner to provide insurance is greatly influenced by the high costs of premiums and profitability of the business. For many small business the skyrocketing annual premium increases, small profit margins, struggling regional economies, and restricted cash flow all contribute to the increasing difficulty small business owners have in purchasing health insurance. If the cost of purchasing or continuing to provide health insurance continues increasing, small business owners will be forced to increase employee contributions, cut benefits, raise deductibles or in some cases drop coverage altogether.

Small business are most severely impacted by adverse selection, the demographics of the work force (such as, age and gender of employees and the hours they work), higher employee turnover resulting in unpredictable participation rates, and a lack of expertise and clout in purchasing plans. By virtue of their size, small businesses have very little access to cost containment mechanisms available to large firms such as self-insurance. Being unable to obtain the benefits of self-insurance they must comply with expensive state mandates, pay state premium taxes and shoulder a larger portion of the carrier's administrative expenses.

SMALL BUSINESS MARKET REFORM

Small business owners desire to build on the existing health care system. SB 173 is a voluntary health insurance program to provide more accessibility, renewability, predictability and stability for small businesses. It is a viable means of providing health insurance to the uninsured population in Alaska.

State mandates cumulatively can raise the cost of health insurance for small businesses. SB 173 has a provision that state mandates do not apply to health benefit plans provided to small employers. This will allow the insurance industry to design basic health insurance policies.

It also, requires the small employer insurers to disclose information relating to premium rates and health benefit plans. It requires insurers to describe in detail their rating practices and renewal underwriting practices. Providing this information will help small

business owners to be better informed. The Congressional Budget Office believes that "giving consumers the information they need to make more informed decisions might enhance both the quality and cost-effectiveness of care."

Thank you for the opportunity to comment on this legislation. NFIB/Alaska has and will continue to support this and other legislation that will help make privately administered health insurance more accessible, renewable, predictable and stable for small businesses.

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

March 26, 1993

Senator Tim Kelly, Chairman
Labor & Commerce Committee
Alaska State Senate
Capitol Building
Juneau AK 99801

Re: Support SB 173 (Small Employer
Health Insurance Reform)

Dear Senator Kelly:

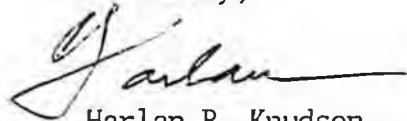
The Association would like to be on record in support of SB 173, providing health insurance for small employers. We understand this is former SB 40 under new sponsorship.

We listened in on the hearing on SB 40 March 23 and would be supportive of amendments offered by Jan Meisels, representative of the Health Insurance Association of America.

Meaningful health reform by the U.S. Congress is at least one to three years before it will be implemented. SB 173 should compliment Congressional efforts as it provides a state option for helping small employers to purchase a health insurance program for themselves and their employees.

We urge the support of the Senate Labor & Commerce Committee.

Sincerely,



Harlan R. Knudson
President/CEO

BILL ANALYSIS - SB 173

"An Act relating to health insurance for small employers and providing for an effective date."

Sec. 1. PURPOSE.

The bill provides health insurance to small employers without cost shifting, adverse selection and limits the use of preexisting condition exclusions.

AS 21.36.025 UNFAIR MARKETING PRACTICES PROHIBITED.

It is a violation to violate AS 21.56.180.

AS 21.36.090(d).

This section adds 21.56 to the list of titles that may not permit unfair discrimination against a person who provides a service covered under a group disability policy.

AS 21.36.090(d).

This is a repeat of Sec. 3.

Sec. 21.56.010. CREATION MEMBERSHIP.

This section creates a nonprofit legal entity known as Small Employer Health Reinsurance Association (SEHRA) and consists of all insurers licensed to transact health insurance in the state. Participation is mandatory as a condition for transacting health insurance in the state.

Sec. 21.56.020. BOARD OF DIRECTORS: ORGANIZATION.

(a) The board of directors of the association consists of nine individuals subject to approval by the director. The director shall endeavor to appoint at least six board members who are also small employer insurers.

(b) One board member shall represent a health maintenance organization, one board member shall represent a hospital or medical service corporation, one board member's principal health insurance business shall be in the small employer market, and one board member's principal health insurance business shall be in the large employer market.

(c) A member of the board serves for a term of three years and may be reappointed to an unlimited number of terms.

Sec. 21.56.030. GENERAL POWERS.

- (1) exercise the powers granted to insurers under the laws of the state;
- (2) sue or be sued;
- (3) enter into contracts with insurers, similar associations in other states, or with other persons for the performance of administrative functions;
- (4) establish administrative and accounting procedures for the operation of the association;
- (5) take legal action as necessary to avoid the payment of improper claims against the association;
- (6) define the array of health coverage products for which reinsurance will be provided and issue reinsurance policies;
- (7) establish rules, conditions, and procedures pertaining to the reinsurance of members' risks by the association;
- (8) establish actuarial functions appropriate to the operation of the association;
- (9) assess members under the provisions of this chapter and make advance interim assessments as may be reasonable and necessary for organizational and interim operating expenses; interim assessments shall be credited as offsets against regular assessments due following the close of the calendar year;
- (10) appoint appropriate legal, actuarial, and other committees as are necessary to provide technical assistance in the operation of the association, design of a policy or contract, or to assist in other functions of the association;
- (11) borrow money to accomplish the purposes of the association; notes or other evidence of indebtedness of the association that are not in default are investments for insurers and may be carried as admitted assets.

Sec. 21.56.040. PLAN OF OPERATION.

The director may, after notice and hearing, approve the plan of operation that should include but not be limited to:

- (1) handling and accounting of program assets and money of the association and for an annual fiscal report to the director;
- (2) reinsuring risks under the provision of this section;
- (3) collecting assessments from all members to provide for claims reinsured by the association and for administrative expenses incurred or estimated to be incurred by the association;
- (4) selection of an administering insurer and establish the administering insurer's powers and duties; and
- (5) provisions necessary or proper for the execution of the powers and duties of the association.

Sec. 21.56.050. HEALTH CARE REINSURANCE.

This section establishes the procedures, premiums and assessment mechanisms for the reinsurance association to follow. All plans of implementation are subject to director approval and contain time guideline before the director may act.

Sec. 21.56.060. HEALTH BENEFIT PLAN COMMITTEE.

This section establishes the members who will recommend benefit levels, cost sharing levels, exclusion and limitations for the basic and standard health benefit plan. The plan may contain cost containment features. The members are as follows:

- (1) three members who are representatives of participating insurers;
- (2) one member who represents small employers;
- (3) one member who represents employees of small employers;
- (4) one member who represents health care providers; and

- (5) one member who represents agents or brokers.

Sec. 21.56.070. REQUIRED REPORT.

The board shall study and report at least once every two years to the director and to the legislature on the effectiveness of this chapter. The report must analyze the effectiveness of the chapter in promoting rate stability, product availability, and coverage affordability.

Sec. 21.56.080. ADMINISTRATIVE PROCEDURE ACT.

The association is exempt from AS 44.62 (Administrative Procedure Act).

Sec. 21.56.090. TAX EXEMPTION.

The association is exempt from the payment of fees and taxes levied by the state or any of its political subdivisions except taxes levied on real or personal property.

Sec. 21.56.100. LIMITATION OF LIABILITY.

A member of the association is not liable for civil damages resulting from an act or omission of the member on behalf of the association unless the member acts with gross negligence or intentional misconduct.

Sec. 21.56.110. APPLICABILITY.

Sets the conditions that must be met for the individual or group health benefit plan to apply. Other provisions of law requiring coverage or benefits do not apply to these plans unless stated in this chapter.

Sec. 21.56.120. PREMIUM RATE RESTRICTIONS DISCLOSURES; REPORTS; CONFIDENTIALITY.

This section establishes the premium basis that small employer insurers may charge. They include maximums by percentage. Underwriting characteristics are established and disclosure is required by the insurer giving coverage. Information and specific groups or employers, employees filed with the director will be held in confidence.

Sec. 21.56.130. RENEWABILITY OF COVERAGE.

- (a) A health benefit plan subject to this chapter shall be renewable