

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

9895 HOUSE LABOR & COMMERCE

"C" Rate - Penalty rate

The "C" rate is the highest rate class in the current rate schedule and is assigned to employers who are ineligible for an "A" rate. This penalty rate is assigned to employers who have not filed reports, and/or not paid all contributions, interest, and penalties required by the Alaska Employment Security Act for the quarters ending with the June 30 computation date.

If an employer failed to file a contribution report and ES Tax filed an estimated report for a delinquent-report quarter(s), the estimated report does not take the place of the employer's factual report for rating purposes. An employer will receive an annual penalty rate based on any estimated report that remains on file for any quarter(s) used in the calculation of rates. An employer's rate, once assigned, is effective for the entire calendar year.

The quarterly payrolls of predecessor accounts are used in the determination of contribution rates. A predecessor's failure to file all the required reports or pay all contributions may also affect the successor's rate.

If an employer has a decline or decrease in total reported wages from one quarter to the next, this decline in wages is known as a *quarterly decline*. For rate purposes, a *quarterly decline quotient* is calculated, which is the percentage decrease in wages from one quarter to the next. All the *quarterly decline quotients* for an employer's qualifying quarters are added together, and this total is then averaged. An "A" rate is assigned based on this average of all the quarterly decline quotients.

Several factors may create artificial quarterly declines. If an employer pays bonuses or lump-sum payments, or pays bi-weekly, the Employment Security Tax office may be able to lower the employer's contribution rate by removing the effects of artificial declines created by these situations.

Employer Option Forms are used to even out quarterly declines in the above situations. An employer can choose to either delete or apportion the wage payments in order to obtain a more favorable rate.

Careful consideration should be given to the choice of options, as once an option method is chosen, it is effective for future years and may not be changed without approval. Employers are required to file an option form for every quarter in which their artificial decline situation arises.

Options can be made for payroll declines due to labor disputes or for declines caused by a change in accounting methods; for example, paychecks being issued late.

Options may be used to change a rate retroactively. Through June 30,

options can be used to correct the rate for the preceding calendar year as well as the current year. From July 1, only the current year's rate can be changed, but the lower rate would be retroactive to January 1 of the current year.

Questions on Options and requests for an *Employer Option Form* should be directed to the ES Tax Registration Unit in Juneau at (907) 465-2757.

When an employer purchases or otherwise acquires substantially all of the operating assets of a business, the payroll records of the seller/predecessor will transfer to the buyer/successor for purposes of rate determination. The buyer becomes the successor to the seller (or predecessor). There are two types of successor employers:

■ **Employer at the time of acquisition.**

If the buyer was an employer before buying the business, the buyer's contribution rate for the remainder of the calendar year is the current rate. Because the rate is based on a three year average, the rates for the following years may be calculated using the total of the buyer's payroll combined with the payroll of the seller's business.

■ **Not an employer at the time of acquisition**

If the buyer was not an employer before the purchase, the buyer acquires the rate that was assigned to the seller provided there was only one seller or multiple sellers with identical rates. If the sellers' rates were not identical, the buyer's rate will be set at the highest of the sellers' rates.

1. The successor (buyer) must register the business.
2. The successor (buyer) should withhold enough purchase money to cover the amount of taxes due and unpaid until the seller produces a receipt from Employment Security Tax showing the taxes are paid in full. If the buyer fails to withhold purchase money as required, and the taxes are not paid within 10 days, the buyer is liable for the payment of the seller's unpaid taxes.
3. The successor (buyer) should consider the wages paid by the predecessor (seller) when computing taxable wages for the remainder of the calendar year in which the business was acquired.
4. As with all employers, successors will receive a penalty rate if prior to the ES Tax annual rating process one of the following two conditions exists:
 - Either the predecessor's account or the current successor's account has a balance due, or
 - The quarterly report(s) have not been filed for all quarters. An estimated report does not take the place of a factual report.

When an employer purchases or otherwise acquires a business

Successor should follow these steps:

Nonprofit Organizations and Political Subdivisions

Nonprofit organizations and political subdivisions may choose to be taxable employers and pay contributions based on their quarterly wages, or elect to reimburse the state for the benefits paid out to their former employees. This important decision can save or cost a business many dollars. The definitions of nonprofit organizations and political subdivisions, and an explanation of the two payment options follow.

Defining a non-profit organization

Nonprofit organizations are these organizations that are exempt from federal income tax under 26 U.S.C.501(a). Nonprofit organizations also include those organizations described in 26 U.S.C.501(c)(3), which are also exempt from income tax under 26 U.S.C.501(a).

A nonprofit organization must participate in the Alaska Unemployment Insurance program if:

- ✓ it is exempt under IRC 501(a) and pays \$250 or more in wages in a calendar quarter.
- ✓ it is exempt under IRC 501(c)(3) and has four or more employees, at the same or different times, for some portion of a day in each of 20 weeks in the current or preceding calendar year. The weeks need not be consecutive.
- ✓ it is exempt under IRC 501(c)(3) and does not have four or more employees in each of 20 weeks, but does have individuals to whom it pays \$250 or more in wages in a calendar quarter.

Political subdivisions are defined as the state and its agencies, boroughs, cities, and municipalities and their agencies, such as hospitals or schools.

Reimbursable Payment Method

Nonprofit organizations and political subdivisions that elect the reimbursable payment method need to be aware of the risks and responsibilities. The following chart gives a comparison of different employment situations and what effect they may have on both the regular taxable method and the reimburseable method for payment of UI taxes.

IF AN EMPLOYER HAS:	WITH TAXABLE:	WITH REIMBURSABLE:
Few layoffs and low turnover	May pay more than benefits paid out	Lower costs
Temporary help	Fixed costs regardless of number of layoffs	Higher risks after layoff
Stable or improving economy	May pay more than benefits paid out	Lower costs
Many layoffs and high turnover	Fixed costs regardless of turnover	Higher risks. For the amount of an employer's liability, see The risks, below.

Employers who choose the reimbursable payment method must be aware of the risks associated with this payment method. Employers assume liability for their former employees when those workers draw benefits on wages paid while working for them. Reimbursable employers will pay dollar for dollar on that portion of their former employees' benefits attributable to those wages.

As of January 1, 1998, the potential liability for regular benefits paid to a single employee receiving the maximum weekly amount for the maximum number of weeks is \$6,448. The employer may also be liable for extended benefits that are triggered when the unemployment rate for the entire state reaches a certain level and duration.

Regular benefits as of January 1, 1998

Minimum weekly benefit amount: \$ 44
Maximum weekly benefit amount: \$248

Minimum number of weeks a claimant can draw: 16
Maximum number of weeks a claimant can draw: 26

Dependents allowance: \$ 24 per child up to 3 children

Extended benefits as of January 1, 1998

The number of weeks of extended benefits is based on one-half the time of the parent claim.

Minimum Number of Weeks a Claimant Can Draw: 8
Maximum Number of Weeks a Claimant Can Draw: 13

An employer electing to use the reimbursable method will have to continue reimbursement payments based on wages paid while the employer was on the reimbursable method. Liability for this obligation can extend up to two years. The two most common situations involving this type of liability are:

- ✓ if an employer ceases business, and employees are still drawing unemployment insurance benefits
- ✓ if a reimbursable employer chooses to become a regular contributory payer, that employer will continue to be liable for any remaining reimbursable payments based on the period during which the reimbursable method was used.

*Requirements for
becoming a
reimbursable
employer*

Election of the reimbursable payment method requires approval from the Alaska Department of Labor (AKDOL). These items must be submitted before approval can be granted:

- ✓ a completed Alaska Employer Registration Form (*Reimbursable Payment Method* must be checked on the form.)
- ✓ a copy of the IRS 501(c)(3) exemption letter
- ✓ a security deposit

*Additional
requirements
applying to bond
or deposit*

An election of the reimbursable payment method is not effective until a nonprofit organization files a surety bond with the Alaska Department of Labor or deposits money or securities with the Department. The amount of the bond or deposit is the larger of \$10,000 or one percent of the reportable wages paid by the nonprofit in the four calendar quarters immediately preceding the effective date of the election.

If the nonprofit organization did not pay wages in the four quarters before the effective date of their reimbursable account status, the payroll will be estimated using the most recent and applicable information available. As above, the minimum bond or deposit will be \$10,000 or one percent of the estimated total wages.

A bond is required to be in effect for three years after the business ceases operations or switches to the regular pay period. A cash deposit will not be refunded until all liability for benefits ends, which is also for a three year period.

Governmental entities that elect the reimbursable payment method may request in writing a waiver of the bond or deposit requirement. A waiver can only be granted if the government entity is not delinquent in its payments, and payments do not appear to be in jeopardy.

When the reimbursable payment method is selected, it remains in effect for a minimum of two full calendar years.

Termination by the employer

An employer who has been reimbursing the fund for benefit payments to former employees may terminate this election and begin to pay regular contributions. Written notice must be filed not later than 30 days before the beginning of the taxable year for which the termination will first be effective.

In addition to becoming a regular paying taxable employer, an employer who was once reimbursable will continue to be responsible for reimbursing the fund for benefits based on wages paid to former employees during the time the employer was using the reimbursable payment method.

Termination by Employment Security Tax

- An employer's election to reimburse the fund can be terminated by Employment Security Tax for failure to make timely payments. The election will be terminated at the beginning of the next taxable year, and the termination is effective for two years.
- Election to reimburse the fund also may be terminated by Employment Security Tax if an employer fails to meet the bonding or security requirements. At least 30 days' written notice of intention to terminate the reimbursable payment method must be given by Employment Security Tax. Termination under these conditions will be in effect for not less than the four consecutive calendar quarters beginning with the quarter in which the termination becomes effective.

Employees of nonprofit organizations who have chosen the reimbursable payment method are not required to contribute to the Unemployment Insurance program. Unlike regular contributory employers, reimbursable employers will not make deductions from their employees' pay to reimburse the Trust Fund.

For information about appeal rights or penalty and interest charges for reimbursable employers, see other sections of this handbook.

How to change from reimbursable to contributory employer

No employee deduction is made with the reimbursable method

Audits

A staff of field auditors in Employment Security Tax monitors and reviews employer accounts to verify compliance with Alaska Statutes and provides instructions on proper reporting procedures. Federal guidelines for 1998 require that at least two percent of all employers be audited. Information received is confidential and is not published or open to public inspection.

Questions concerning audits

Q. How does the audit program benefit employers?

A. Employment Security Tax auditors will provide education on:

- ✓ reporting and payment requirements
- ✓ coverage provisions of the law
- ✓ contract labor questions
- ✓ employers' liabilities
- ✓ tax rates

In some instances, the auditors may be able to point out ways to save the employer money.

Q. What will the auditor look for?

A. An auditor verifies that all wages have been reported and taxes computed correctly. The most common errors involve:

- ✓ casual and contract labor
- ✓ excluded employment
- ✓ wages being reported in the wrong quarter

Q. How far back will the audit cover?

A. Audits normally cover one year. However, if errors are discovered, it may be necessary to expand the audit to cover additional years.

Q. What records will be needed?

A. Records reviewed include all accounting, cash, payroll, and tax records of the employer, as well as income tax records of officers, partners, and sole proprietors.

Q. Where will the audit take place?

A. Usually the audit will take place wherever the records are located. Often this is the employer's place of business or accountant's office. However, arrangements can be made to have the audit take place at the Employment Security Tax office.

Q. Who should be present at the audit?

A. Anyone the employer wishes may be present at the audit.

Q. What if an employer doesn't have any employees?

A. Employment Security Tax may want to review the employer's records to confirm this.

Q. What happens if an employer has paid a person for services mistakenly believed to be casual or contract labor?

A. The employer will need to pay the amount of any tax plus any interest and/or penalty due.

Time period covered by the audit

Q. When can an employer expect to hear the results of the audit?

A. At the conclusion of the audit, the auditor will advise the employer of the preliminary findings. A letter with the complete audit findings will be sent to the employer at a later date.

Q. What if the audit results in a balance due, but the employer can't pay?

A. An auditor from Employment Security Tax will work with the employer to arrange for a payment contract.

Q. Will the audit findings affect an employer's federal tax reports?

A. If the audit results in a change in the wages the employer originally reported to Employment Security Tax, the employer should contact IRS to see if amended reports are necessary.

Q. What if an employer disagrees with some or all of the audit findings?

A. The employer will be issued a coverage determination letter or a Notice of Assessment. Both of these have a 30-day appeal period, and both require that the appeal request be in writing stating the reasons why the employer believes the notice is unjust or incorrect. The hearing request does not stop collection actions. (Refer to the section, "Employment Security Tax Appeals".)

Q. Does an employer's appeal request stop interest from accruing?

A. No. Interest will only stop by paying the disputed amount. If the decision is in the employer's favor, the money will be refunded.

Penalties and Interest

Employers are subject to interest and penalties if they do not file a report when due. The interest and penalties are computed differently for a **regular contributory employer** and for a **reimbursable employer**. The differing interest charges and penalties are explained below:

■ Penalty for failure to file a report

An employer who fails to file a contribution report when it is due will be charged a penalty of 5% of the contributions due for each 30-day period or fraction of a 30-day period that the report is late. The maximum penalty is 25% of the contributions due. The minimum penalty is \$10.

Penalties may be waived if the employer can show, to the satisfaction of Employment Security Tax, that the report was not filed for a reasonable cause. Reasonable causes may include:

- ✓ mail delay
- ✓ erroneous information given by the department
- ✓ death or serious illness of the employer or immediate family

If an employer cannot pay on time, the report should be filed on time to avoid a late filing penalty.

- ✓ destruction by fire or other calamity
- ✓ delay caused by Employment Security Tax
- ✓ ignorance of reporting requirements with no intent to violate the law

☒ Penalty for nonpayment of contributions

A penalty of \$10 or 10% of contributions due, whichever is greater, may be charged for failure to pay contributions by the date due.

☒ Penalty for misappropriation of employee contribution

A penalty equal to five times the employees' share due, but not less than \$25, may be charged to employers who convert to their own use, or otherwise misappropriate, contributions withheld from the employees.

☒ Interest on past due contributions

If contributions are not paid on the date they are due, the amount remaining unpaid accrues interest at 12% per year. Interest continues to accrue until payment is received for the full amount due.

Interest rate on past due amounts is 12%

■ Penalty for failure to file a report

The late filing penalty is 0.1% of the total reportable wages in the quarter for each 30-day period or fraction of a 30-day period for which the report is late. The penalty may not exceed 0.5% of total reportable wages paid for the quarter, and may not be less than \$10 for each delinquent report.

File timely reports to avoid penalty

☒ Interest on past due contributions

Interest accrues at 12% per year on all unpaid balances beginning 60 days after the end of the quarter.

Collections

As a taxing agency, Employment Security Tax has the responsibility to collect all outstanding amounts for contributions, interest, and penalty. To help employers learn their rights and responsibilities, a brief explanation of each collection action follows:

When a quarterly report is paid after the due date, the payment will be prorated for contributions, interest, and penalties due. Any additional interest and penalty will be added based on the unpaid contribution balance.

Employment Security Tax may compromise a claim for contributions, interest, or penalty if collection of the full amount would result in the insolvency of the employer or individual from whom the balance is due.

Employers who contract with, or have under them a contractor or subcontractor who is an employer, can be held liable for unpaid contributions and interest of their contractors or subcontractors. (For more information, see the section entitled *Employer and Contractor Responsibilities*.)

See also page 19,
"Employer and
Contractor
Responsibilities"

For purposes of collecting unemployment insurance contributions, *employer* also includes officers and employees of a corporation, or members or employees of a partnership, who have a *duty to pay* the contributions.

If an employer defaults in the payment of contributions or interest, the amount due may be collected by civil action. The fees or costs charged for the collection of the delinquent amount will be included by Employment Security Tax in the amount due. An employer who is liable will pay the cost of the collection, including all collection fees charged, as well as the costs of the legal action. Liens filed by Employment Security Tax may be foreclosed on by decree of the court.

For employers who experience temporary difficulty in making full payment, Employment Security Tax may offer a deferred payment contract. These contracts can allow up to one year to pay off an indebtedness. There are two conditions of these contracts: an employer must continue to file timely reports and pay contributions while the indebtedness is being paid off, and, in addition, a tax lien will be filed.

By seizing the property of the delinquent employer and selling it at public auction, Employment Security Tax may collect the amount stated in the Notice of Assessment.

If Employment Security Tax determines that an employer has been delinquent in paying contributions for two or more quarters, it may require an employer to deposit and keep on deposit a sum equal to the contributions payable for the four completed calendar quarters immediately preceding the delinquency.

The deposit, bond, or other security accepted by Employment Security Tax does not relieve the employer from paying delinquent contributions, interest, and penalty. See next section, *Injunctive relief*.

Injunctive relief

If an employer does not deposit and keep on deposit the security required as described under *Employer's Security for Delinquent Contributions*, Employment Security Tax may bring action in Superior Court to enjoin the employer from operating any business as an employer within the state until:

- ✓ the employer is current on all final assessments, including interest and penalty,
- ✓ the employer deposits and keeps the required security on deposit to protect against future failure, if requested, and
- ✓ the employer files and pays future quarterly reports on time.

Jeopardy Assessment

If Employment Security Tax believes that an employer is insolvent or if the collection of contributions due will be jeopardized by delaying collection, a Jeopardy Assessment may be issued and collection action begun immediately.

Lien

A lien is a claim for contributions, interest, and penalty filed against the real and personal property of the employer. Liens may be filed at any time there is a delinquency on the employer's account.

A lien is public information and is notice to possible purchasers and creditors of the state's claim against the property. Once a lien has been filed, it may remain on credit records for seven years.

Release of Lien

A notice of lien may be released by ES Tax by having a certificate of release recorded in the manner prescribed by the Recorder's Office. A lien may not be released by Employment Security Tax until the contributions, interest, penalty, and costs are paid or until Employment Security Tax receives adequate assurance of payment.

Notice and Order to Withhold and Deliver

A Notice and Order to Withhold and Deliver (referred to as a *levy*) will be issued by Employment Security Tax to any entity who may have in its possession money or property which is owed to, or owned by, the delinquent employer. The entity served with the levy must respond to the order within 10 days or may be served with a court judgment to pay the full amount of the levy.

Employers should file timely reports and pay the full amount due to avoid a tax lien being filed

When contributions, interest, and penalties are delinquent, Employment Security Tax will send by certified mail, with return receipt requested, a Notice of Assessment to the employer stating the delinquent amount. An employer has 30 days from receipt of the notice to respond.

A Notice of Assessment is the start of the legal collections process

Before proceeding to collect, as provided by Alaska Statutes, Employment Security Tax need only show that an effort has been made to deliver a Notice of Assessment. Refusal by an employer or the employer's agent to claim the certified mail does not stop the collection activities that Employment Security Tax may pursue.

If an employer acknowledges that the amount shown as the balance due is correct, it must be paid within the 30 days to stop further collection action. An employer who is unable to pay the full amount within the 30-day period should contact an ES Tax field office to discuss a payment plan.

An employer should always respond to a Notice of Assessment

If the Notice of Assessment indicates that the balance due is based upon an estimated report, filing the factual contribution report and paying the contributions, interest, and penalties due will stop further collection action. If an employer's records show that the report was filed and contributions were paid when due, the employer should contact a Field Tax Office.

If an employer disagrees with the Notice of Assessment, he or she has the right to appeal. Appeal rights and procedures are explained on the reverse side of the Notice of Assessment. A written request for a hearing must be made no later than 30 days from the date of the notice. (Refer to "Employment Security Tax Appeals")

If ES Tax seizes real or personal property from an employer, it must make an inventory of the seized property. A copy of the inventory must be given to the owner of the property, and must state when and where the property is to be sold.

Notices specifying the property to be sold and the time and place of sale must be posted in at least two public places. The time of sale may not be less than 20, nor more than 30 days from the date the notice was posted.

The property may be sold by parcel or lot at a public auction. A minimum price may be set by ES Tax to include the expenses of making the levy and advertising the sale. If the amount bid for the property is not at least equal to the minimum price fixed by ES Tax, the tax office or its representative may declare the property purchased by ES Tax for the minimum price.

Upon sale of the property, ES Tax will issue a bill of sale or a deed to the purchaser. The bill of sale or deed transfers from the delinquent employer to the purchaser all right, title, and interest in the property.

The proceeds of the sale will be applied by ES Tax first toward

reimbursement of the costs of distraint, seizure, and sale, and the balance toward satisfaction of the delinquent account. Any excess will be refunded by ES Tax to the employer.

Remedies given to the State of Alaska for the collection of contributions and interest are cumulative. An action taken by the Alaska Department of Labor may not be construed to be an election on the part of the state to pursue one remedy to the exclusion of another.

The amount stated in the Notice of Assessment may be collected by Employment Security Tax by seizing the property of the delinquent employer and selling it at a public auction.

By issuance of a Notice of Assessment or suit within five years after a contribution report is filed, the Alaska Department of Labor starts action for the collection of contributions, interest, and penalties. An assessment or suit for collection of these amounts may not *begin* until after the expiration of this period.

In case of a false or fraudulent contribution report with intent to evade contributions, or in the event of a failure to file a contribution report, the contributions may be assessed, or a proceeding initiated in court for the collection of contributions, at any time.

A buyer of a business must withhold enough purchase money to cover the amount of contributions due and unpaid until the seller presents a receipt or tax clearance from Employment Security Tax showing the contributions are paid in full.

If the buyer fails to withhold purchase money as required, and the contributions are not paid within 10 days, the buyer will be liable for the payment of the contributions accrued and unpaid by the seller. (See *Successor in Business*.)

An individual or organization that acquires a business should be aware of successor liability.

Employment Security Tax Appeals

This section provides information and requirements for an employer filing an Employment Security Tax (ES Tax) appeal. Understanding appeal rights and the appeals process can help an employer obtain a fair and timely decision. Employers are encouraged to contact the ES Tax staff at the Alaska

Department of Labor at any time to review an ES Tax adjustment, issue, or rate. Issues can usually be resolved by working together to ensure ES Tax has all the necessary information so that an employer's appeal is fairly and efficiently processed.

The appeal process

There are three levels of appeals. Two are within the Alaska Department of Labor, at the Tribunal and the Commissioner levels. The third is outside the Alaska Department of Labor with the Alaska Superior Court. The entry level of an appeal is defined by statute and by the issue(s) being appealed.

- ***Tribunal Level.*** The Tribunal level is a lower level appeal. The tribunal operates as a separate and independent unit of the Alaska Department of Labor, staffed with hearing officers who hear and decide appeals. If disagreement occurs at this level, an employer may appeal to the Commissioner level.
- ***Commissioner Level.*** The Commissioner level is an upper level appeal. The decision is made by the Commissioner of Labor. If an employer disagrees with the Commissioner's decision, further appeal must be made to Superior Court.

Filing an appeal

All appeals on ES Tax issues *must be filed in writing*. An appeal can be filed with an auditor, with other ES Tax representatives, or at any Appeal Tribunal office. The address, telephone number, and fax number of the Appeal Tribunal are listed at the end of this section.

Time limit

After a notice is issued, the time limit for filing an appeal on that notice is 30 days.

Late appeals

If an appeal is filed after 30 days, reasons for the delay must be stated. In some cases, late appeals may be accepted if delayed for reasons beyond the employer's control.

Bond or security requirements

A bond or other security is required for an appeal of a Notice of Assessment. The requirements are listed under "Types of Tax Appeals."

Acknowledgment of an appeal request

An employer will be mailed a letter acknowledging receipt of a hearing request. Copies of the documents that ES Tax will be presenting in the hearing will be enclosed with the acknowledgment letter. Additional documents may be presented to the Hearing Officer for introduction into the appeal process at later dates. This additional documentation should be received by all parties at least 10 days prior to the hearing date.

There are two appeal levels within the Department of Labor

The appeal must be in writing...

...and must be filed within 30 days

Withdrawing an appeal

The employer who filed the appeal, or the employer's representative, may request in writing that the appeal be withdrawn. The request should be accompanied by an explanation of why the appeal is being withdrawn. The withdrawal request should be addressed to the Hearing Officer.

There are four kinds of tax appeals. The specific requirements for each appeal are listed below along with their statutory references:

1. Notice of Assessment appeal

When an employer owes delinquent taxes, interest, and/or penalties, a Notice of Assessment is sent by certified mail, return receipt requested, to the employer. A Notice of Assessment may also be issued to an officer or employee of a corporation; a member or employee of a partnership; or an individual who is determined to be a responsible party under a duty to pay the contributions. (AS23.20.220, AS23.20.240, AS23.20.242)

- **Appeal Level.** A Notice of Assessment appeal is heard at the Commissioner level.
- **Employer's Notice of Appeal to the Department.** The employer has 30 days from the receipt of the Notice of Assessment to file a petition for a hearing. The hearing request must be in writing, must set out the reasons for objection to the assessment, and must list the amount of contributions that the employer admits is due.
- **Bond or Security Requirements.** The employer's hearing request must be accompanied by a bond or deposit of other security in the amount of the assessment to ensure future collection if necessary. The security requirement may be waived if the employer submits proof of solvency or reasonable assurance that contributions, interest, and penalties due are not in jeopardy. If the employer fails to provide the required security, collection is not stayed. The filing of an appeal does not affect the right of ES Tax to file/perfect a tax lien for the amount owed.

2. Coverage determination appeal

Coverage determination issues involve the question of whether the employing unit is an employer and/or whether service performed for the employer constitutes employment. A coverage determination issue also applies to a nonprofit organization and the effective date of any election it makes or terminates. (AS 23.20.315, AS 23.20.276)

ES Tax will mail a coverage determination notice or letter to the last address of record of the employer. The notice will include a statement of the supporting facts. If the employer disagrees, an informal reconsideration review or appeal can be filed.

- **Reconsideration Review.** Within 30 days, the employer may ask for a reconsideration of the ES Tax determination in light of

*How to handle
a Notice of
Assessment
appeal*

*A contract labor
issue would be
heard as a
coverage
determination
appeal*

additional facts or evidence. This initial examination is *not* an appeal, but an opportunity for the employer to present facts and information to ES Tax staff that may have been missed initially. Staff will review the information provided, make a *redetermination*, and mail the employer a second **notice of determination**, including a statement of the supporting facts. If the employer disagrees with this second determination notice, the employer may file an appeal.

- **Appeal Level.** A coverage determination issue, either after the reconsideration review mentioned above, or instead of the reconsideration review, is heard at the Appeal Tribunal level.
- **Employer's Notice of Appeal.** The employer has 30 days from receipt of the **notice of coverage determination letter** to file a petition for a hearing. The petition must be in writing.

Tax rate appeals are heard at the Commissioner's level

3. Employer's tax rate appeal

Each Alaska employer is assigned a rate and mailed a **Contribution Rate Notice**. The rate determination becomes conclusive for an employer unless the employer files an application for review and redetermination. (AS 23.20.305)

- **Appeal Level.** A rate appeal is heard at the Commissioner level.
- **Employer's Notice of Appeal.** The employer has 30 days after the rate notice is mailed to the employer's last address of record to file a written petition for a hearing. Reasons for the appeal must be provided in the written application for review and redetermination.

4. Adjustment or refund appeal

If contributions or interest have been erroneously paid by an employer, a written petition for an adjustment or refund may be filed *within two years after payment*. An adjustment of the payment can be used to offset future contribution payments. If ES Tax determines that an adjustment or refund should not be allowed, the application will be denied and the employer will be notified in writing. (AS 23.20.225)

- **Appeal Level.** An adjustment or refund appeal is heard at the Commissioner level.
- **Employer's Notice of Appeal.** The employer has 30 days after notification of an adjustment or refund denial to file a written petition for a hearing. The petition should give the reasons for requesting the hearing and the amount to be adjusted or refunded.

Audits

If a business has been audited by an ES Tax Field Auditor and the audit resulted in an appealable determination, the auditor will either issue a Notice of Assessment, or mail a letter of determination, and refer the employer to the applicable section above. Employers are encouraged to discuss any differences with their auditor to try to resolve the issue(s).

Can audit findings be appealed?

Hearing and Prehearing Conference Procedure

After receiving an employer's request for a hearing, the Appeal Tribunal will schedule a *prehearing conference* with the employer and the ES Tax representative and mail a notice to all parties. After the prehearing conference, the Appeal Tribunal will schedule the hearing and mail a notice to all parties. Both notices for the prehearing or hearing will contain the following information:

- ✓ the date, time, and place of the prehearing/hearing
- ✓ whether the prehearing/hearing will be conducted in person or by telephone
- ✓ the issue or issues that will be addressed at the prehearing/hearing
- ✓ instructions for participating in the prehearing/hearing

Read the notice carefully and follow all the instructions

- **Read the notice carefully.** The person who filed the appeal should check to make sure all issues are listed and make note whether the prehearing/hearing will be conducted by telephone or in person. All instructions on the prehearing/hearing notice should be followed.

- **The employer should call the Appeal Tribunal if:**

- ✓ the notice does not list the issues the employer expected to be covered at the prehearing/hearing
- ✓ the employer has a problem with the date, time, or place of the prehearing/hearing

Hearings may be conducted by telephone

- **Telephone Prehearing/Hearing.** If the prehearing/hearing is conducted by telephone, the employer must call the Appeal Tribunal at 1-800-232-4762 when the notice is received, to give the telephone number(s) where the employer and employer's witnesses can be reached at the time of the pre-hearing/hearing. If the employer does not call and provide their telephone number(s), the Hearing Officer cannot make contact for the prehearing/hearing, and the person who filed the appeal will likely receive an unfavorable decision.

The Prehearing Conference

The prehearing conference is scheduled to allow for both sides to meet and agree on the issue(s) under appeal, to exchange any documentation or other proposed exhibits not previously exchanged, to set a date and time for the hearing, and to go over the hearing procedures. Evidence is not presented at the prehearing conference. The prehearing conference may be recorded.

Preparing for the Hearing

- **Gathering the evidence**

The employer should begin to gather the evidence necessary to present the case as soon as the appeal is filed. Usually there will not be another chance to present evidence after the hearing. The employer may want to make notes to help remember important facts, however, the notes cannot

be read as testimony at the hearing.

■ **The first place to start**

A copy of the appeal file that contains the documents in the case, including the written evidence used by ES Tax in making its determination, is mailed to the employer along with the letter of acknowledgment of receipt of the hearing request. After reading this material, the person who filed the appeal should have an idea of which facts to challenge or to support. If the employer cannot understand the ES Tax determination, the case should be discussed with an ES Tax representative, other than the Hearing Officer, who is not allowed to discuss the issues of the case with the employer before the hearing.

■ **Interpreters**

If the employer needs an interpreter and cannot provide one, the Appeal Tribunal office should be contacted.

■ **Witnesses**

The employer has the right to present witnesses for testimony. The Hearing Officer, however, will not allow repetitive evidence or evidence that is not relevant to the case. There is no need to bring several witnesses to testify to the *same* occurrence or facts. One credible witness may be enough; however, more than one witness may be needed to cover *different* occurrences or facts.

*Witnesses should
not present
repetitive evidence*

Employers must notify witnesses of the hearing and provide telephone numbers if the hearing is to be conducted by telephone. If the witness(es) will not agree to testify, the Hearing Officer should be contacted immediately. If the witness(es) are necessary to the case, the Hearing Officer may, upon request, issue a subpoena that will compel the witness(es) to testify. The name(s) and current address(es) of the witness(es) must be provided.

■ **Written evidence**

An employer may submit and the Hearing Officer will only accept those records, letters, and other documents for the hearing that are relevant and necessary to decide the case. Written documentation should be sent to the Appeal Tribunal as requested, and should be received by both the Hearing Officer and ES Tax at least 10 days prior to the hearing date. Copies should be brought to the hearing, or should be immediately on hand if the hearing is conducted by telephone.

■ **Researching the law**

The Hearing Officer is knowledgeable about unemployment insurance law and will summarize the law at the hearing. An employer may want to review the Alaska Employment Security Act (AS 23.20) and the regulations governing the UI program (8 AAC 85), in order to become familiar with the law before the hearing.

An employer may also review the statutes and past Department and Superior Court decisions to determine how similar cases have been decided.

The law, precedent decisions, and the Tax Policy Manual are available at the following locations:

- ✓ Employment Security Tax Offices
- ✓ Local Employment Service Offices
- ✓ Appeal Tribunal Offices
- ✓ Anchorage Law Library, 303 K Street, Anchorage
- ✓ Anchorage Ombudsman's Office

The Alaska Statutes, Title 23, may also be accessed through the Internet at the following address:

<http://www.legis.state.ak.us/FOLHOME.HTM>

A copy of the Tax Policy Manual is available from ES Tax offices on a 3 1/2 inch IBM format disk using either WordPerfect or MS Word.

The hearing

■ **Be Prompt**

Be sure you understand when and where the hearing is to be held. If the hearing is to be conducted by telephone, the person appealing must be at the contact telephone number for the call.

■ **Tardiness**

If the person who filed the appeal *does not appear at the time of the hearing or is not available to take the call*, the Hearing Officer will allow the other parties and witnesses to leave. The hearing cannot be held unless both parties are present.

■ **If the employer does not attend**

If the employer does not participate in the hearing, the Hearing Officer may dismiss the appeal or uphold ES Tax's decision.

■ **Representation**

Parties may appear with or without an attorney or other representative. The Hearing Officer will explain the hearing procedures and safeguard the rights of all parties during the hearing. Participants may be represented, however, at their own expense by an attorney or any other representative of their choice. The name and telephone number of the representative must be provided to the Appeal Tribunal.

ES Tax is generally represented by a staff member. ES Tax has the right to legal representation, and would, if necessary, be represented by the Attorney General's Office.

■ **Postponement**

If it is impossible for an employer to participate in the hearing, the Hearing Officer must be called immediately at 1-800-232-4762 to request a postponement. Hearings will be postponed only for good cause.

■ **Confidentiality**

Unemployment tax records are confidential and may be released only for the specific purposes spelled out in AS 23.20.110. The confidentiality rules do not apply to appeal hearings. These hearings are open to the public, and the record of the hearing is a public record. This includes both testimony and written evidence introduced at the hearing. If it can be shown that an open record would cause potential damage to property or reputation, the Hearing Officer may close a portion of the hearing record.

Parties may be represented by an attorney at their own expense

■ **Hearing Procedure**

At the time of the hearing, all the interested parties will be together, either by telephone or in person. The Hearing Officer will explain the hearing procedures and issues to be decided. Each person who gives testimony will be under an oath, and all the testimony will be recorded. The person filing the appeal will have the opportunity to testify, and to ask questions of witnesses who testify.

The Hearing Officer will introduce documents or other material evidence in addition to the testimony. An employer may offer additional documents for the record at any time in the hearing. It is important to remember, however, that the Hearing Officer must exclude evidence that is repetitious or not relevant. At the end of the hearing, the Hearing Officer will allow the appealing party to make a closing statement that explains their position.

■ **Assistance at the hearing**

The Hearing Officer has a duty to provide a full, fair, and courteous hearing for all parties. The Hearing Officer will control the hearing to prevent intimidation or discourtesy, and will assist the employer, when necessary, in presenting their case. If the appealing party is taken by surprise or confused about what to do next, the Hearing Officer may be asked for help.

A party who disagrees with a ruling by the Hearing Officer should make a brief statement informing the Hearing Officer of the reason for disagreement. Even if the Hearing Officer does not change the ruling at the hearing, the objection or request is on the record. The Hearing Officer's ruling may be reversed on appeal.

After the hearing, a written decision stating the facts, law, and reasons for the decision will be mailed to the appealing party. The decision will explain an employer's right to further appeal

■ **From Appeal Tribunal decisions to the Commissioner level**

An employer who disagrees with the Hearing Officer's decision at the Tribunal level can file an appeal to the Commissioner of Labor.

■ **From Commissioner level to Superior Court**

A decision of the Commissioner will include information on the employer's right to further appeal in Superior Court.

■ **Appeal Tribunal offices:**

Appeal Tribunal
P.O. Box 107023
Anchorage, AK 99510-7023

Phone: 907-269-4890
1-800-232-4762
Fax: 907-269-4840

Appeal Tribunal
P.O. Box 25509
Juneau, AK 99802-5509

Phone: 907-465-2775
1-800-232-4762
Fax: 907-465-3374

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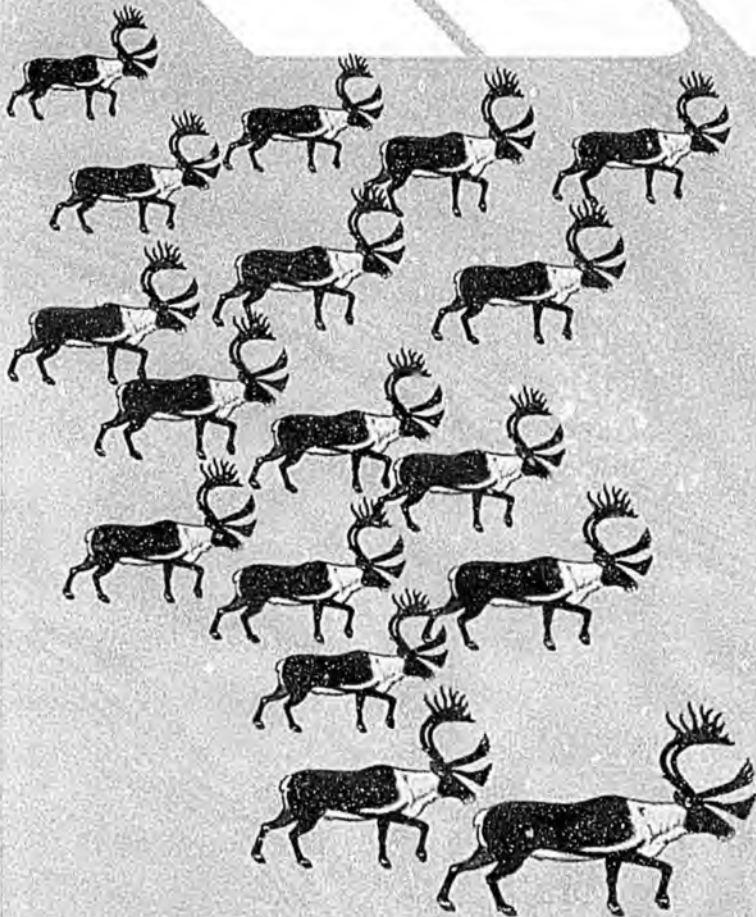


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ALASKA ECONOMIC

JANUARY 1999

TRENDS



A Profile:

The Northwest Arctic Borough

In the NWAB, most residents are Inupiat Eskimo, who participate in subsistence harvest of caribou, salmon, seal and moose. A tightly integrated social area, its economic powerhouse is the Red Dog Mine.

Also Inside:

Unemployment Insurance

Employment Scene:

Year Winds Down on Positive Note

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Year Winds Down on Positive Note	

A Profile:

Northwest Arctic Borough

by Neal Fried and
Brigitta Windisch-Cole
Labor Economists

Hugging Kotzebue Sound and belted by the Arctic Circle, the Northwest Arctic Borough is Alaska's second largest borough. Only the North Slope Borough is larger. Although the Northwest Arctic Borough was not formed until 1986 and its 11 communities are spread out over nearly 36,000 square miles, it is one of the most economically and culturally unified political subdivisions in the state.

The vast majority of its residents are Inupiat Eskimo, sharing a common language and similar customs. Subsistence remains a powerful unifying force. Most of the borough's communities can be found along one of four major rivers, the Noatak, the Kobuk, the Selawik and the Buckland. These four rivers converge on the coast near Kotzebue, which has developed into the region's largest community and hub. Nearly all goods and services pass through Kotzebue on their way to the borough's 10 other communities. A reflection of the area's tight economic and social integration is the fact that all of its key institutions—including the borough; the Northwest Arctic Native Association (NANA), the area's regional Native corporation; the Northwest Inupiat Housing Authority; the Northwest Arctic Borough School District; and Maniilaq, a health and social service provider—share virtually identical geographical boundaries.

A remote and sparsely populated area

The Northwest Arctic Borough is one of the most remote and sparsely populated areas of Alaska.

Year-round access to the rest of the state exists only by air. No roads connect the borough's 11 communities. During the warmer months when rivers are navigable, boats are the main transportation link among the villages. In the winter, some of the communities are linked by snow machine or dog team routes. The total resident population of the region in 1998 was 6,844. The region's communities range in size from 2,964 in Kotzebue to 102 in Kobuk. Kotzebue is the only community larger than 750. (See Exhibit 1.) Some of these communities

Population of Communities in Northwest Arctic Borough



	1990	1998
Northwest Arctic Borough	6,113	6,844
Ambler	311	315
Buckland	318	408
Deering	157	156
Kiana	385	402
Kivalina	317	349
Kobuk	69	102
Kotzebue	2,751	2,964
Noatak	333	410
Noorvik	531	598
Selawik	596	746
Shungnak	223	257
Remainder of census subarea	122	137
Red Dog	39	42
Candle	10	11

Source: Alaska Department of Labor, Research and Analysis Section

2 A Statistical Snapshot Of the Northwest Arctic Borough

	Alaska	Northwest Arctic Borough
Population 1998	621,400	6,844
A young population and large households		
Median age (1997)	32.2	23.0
Persons per household (1997)	2.7	3.75
...with more children (1997)		
Percent under 5 years old	8.5%	11.5%
Percent school age population (5 to 17)	23.2	32.2
Percent adult workforce population (18 to 64)	63.2	51.2
Percent seniors (65 years & over)	5.1	5.1
...and more women		
Percent female (1997)	47.9%	48.1%
Demographics of the region (1997)		
Percent Native American	16.7%	87.1%
Percent White	74.2	11.7
Percent African American	4.5	0.2
Percent Asian/Pacific Islander	4.6	1.1
Percent Hispanic	4.5	1.6
More unemployed (1997)		
Percent of all 16 years + in labor force (est.)	72.2%	54.5%
Percent unemployed (annual average)	7.9	16.1
Income measured:		
Personal per capita income (1996)	\$24,597	\$18,392
Wage and salary employment (annual average 1997)	32,781	38,515
Educational Attainment (1990)		
Percent high school graduate or higher	86.6%	63.8%
Percent bachelor's degree or higher	23.0%	11.9%

Sources: Alaska Department of Labor, Research and Analysis Section;
U.S. Department of Commerce, Bureau of Economic Analysis,
and Bureau of the Census

evolved from traditional hunting camps or winter settlements and have been inhabited for thousands of years. Other communities developed around churches, trading posts, schools and mining camps. All of the communities except Noatak are incorporated.

A very young population

Even with a relatively high birth rate, population in the Northwest Arctic Borough in the 1990s has grown by only 1.5% per year, a rate nearly identical to that of the rest of Alaska. But this is where the demographic similarities between the borough and the rest of the state end. While Native Alaskans comprise 16.7% of Alaska's population, more than 87 percent of the Northwest Arctic Borough's population are Native Alaskan, and nearly all are Inupiat Eskimos. (See Exhibit 2.) The balance of the population is largely white. There is no other borough in the state with a larger concentration of Native Alaskans. Only the unorganized area of Wade Hampton, which lies south of the Nome census area, has a larger concentration of indigenous people.

Although northwest Alaska was one of the first settled areas in the state and has been inhabited for over 10,000 years, it is now home to one of the state's youngest populations. The region's median age in 1997 was 23.0 years, nearly 10 years less than the statewide median age of 32.2 years. Considering the youth of the borough's population, it is no surprise that household size is larger than average. At 3.75 persons per household, the borough's household size is surpassed only by the Wade Hampton region. The statewide average household size is 2.70. Another manifestation of the region's youth is the size of its school-aged population. Over 32 percent of its population is school-aged, versus 23 percent statewide. As Exhibit 3 illustrates, the Northwest Arctic Borough School District's enrollment has grown rapidly in recent years.

Public sector important; private sector making big inroads

As elsewhere in rural Alaska, the public sector is the leading employer of residents in the borough. Nearly a third of the employment in the borough is in the public sector, making government the largest employer in the region. (See Exhibit 4.) The Northwest Arctic Borough School District, the City of Kotzebue and federal and state government are among the largest public employers in the region. (See Exhibit 5.)

From an income standpoint, the public sector's influence is even more far-reaching. According to a recent study, approximately 70 percent of the borough's personal income came from public sources via federal, state, local and tribal government payrolls and transfer payments. The absence of a substantial private sector is a factor in the public sector's dominance in the local economy.

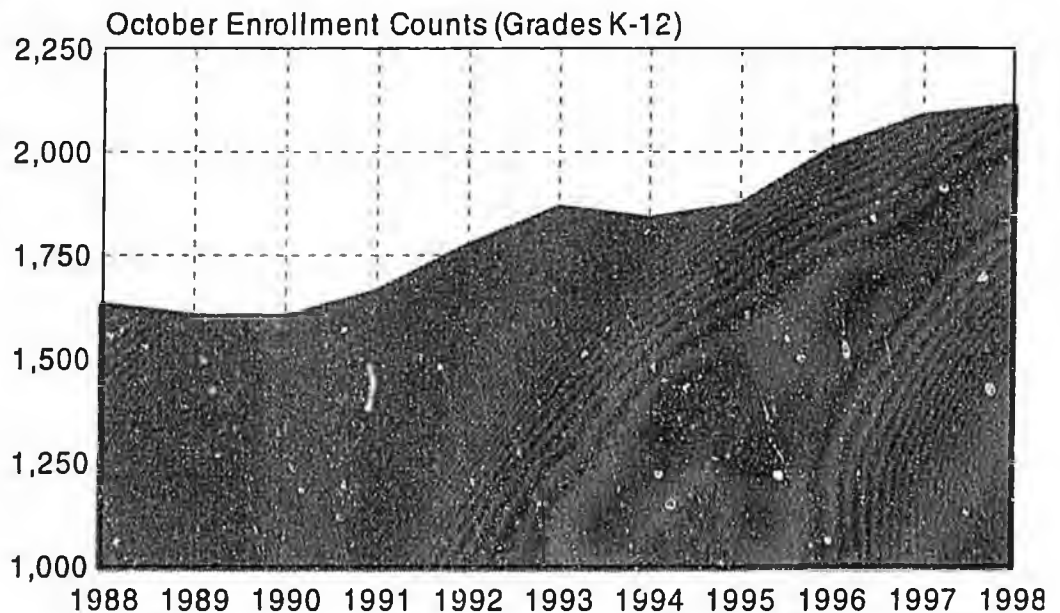
Although public sector employment is the largest in the borough, its direct role has diminished remarkably over the past decade. As late as 1989, more than half of all direct wage and salary employment in the region was in the public sector. Part of the change occurred as a number of federal and state programs were turned over to local nonprofit organizations. One example of this is the borough's second largest employer, the Maniilaq Association, a regional nonprofit corporation primarily funded through federal and state programs. Maniilaq provides comprehensive health, social services, public assistance and training programs to the residents of the region. It also operates the newly constructed 25-bed hospital in Kotzebue.

Although privatization of some government services has played a role in the change, strong growth in the private sector has been even more important. Services industry employment, for example, nearly doubled over the past decade. (See Exhibit 6.) Growth in health care, private social services and the visitor industry has pushed services employment upwards.

Kotzebue serves as the gateway to four major National Park systems: the Noatak National Preserve, Kobuk Valley National Park, Cape Krusenstern National Monument and the Selawik National Wildlife Refuge. In 1998, the National Park Service tallied over 13,000 visits to the parks and about 10,000 to the refuge.

The transportation sector has also expanded its presence significantly. Airlines have increased the frequency of their flights, bringing in more visitors to the area. As in so many other areas of the state, retail trade expanded its offerings in the borough, coupled with retail employment growth. One of the large employers contributing to this growth has been the

School Enrollments Increase **3** Northwest Arctic Borough School District



Source: Alaska Department of Education

Kikiktagruk Inupiat Corporation (KIC), Kotzebue's village corporation. The KIC is the fifth largest employer in the region and the third largest private sector player. The company is involved in construction, real estate, retail, and a variety of other ventures. All the rest of the area's village corporations merged with NANA, which has become the most significant player in the dramatic expansion of the private sector in the borough.

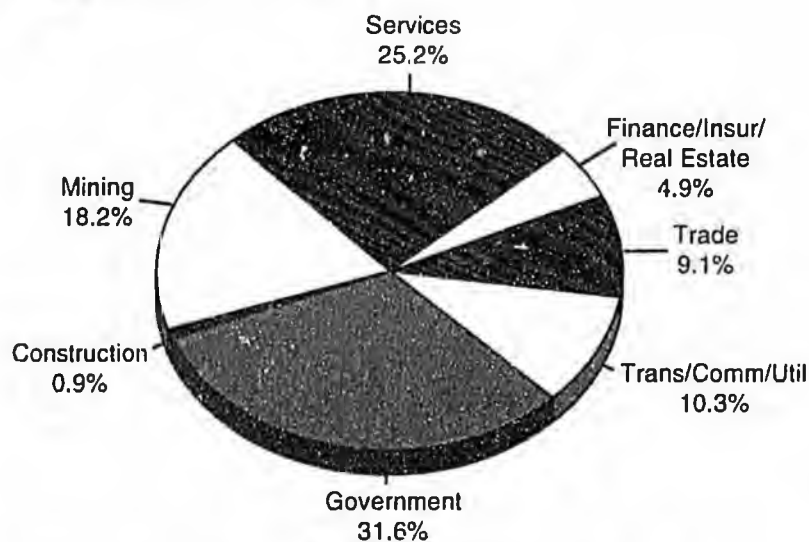
A recent report prepared for NANA estimates that its activities were responsible for one in five jobs and for 10 percent of all personal income in the borough. Just for starters, the NANA/Marriott joint venture is the seventh largest employer in the borough and the Nullagvik Hotel, operated by NANA, is the 14th largest employer. NANA also operates many subsidiaries outside of the borough. For example, it now operates three hotels in Anchorage. Although these are outside of the borough, NANA works to recruit and train shareholders for jobs both inside and outside the region. NANA's crown jewel is the Red Dog

Mine, 90 miles north of Kotzebue, which opened in 1990. The mine is the single biggest reason the private sector in the borough gained so much ground over the past decade.

Red Dog changes the economic picture of the borough

The Red Dog Mine is a NANA joint venture with Cominco Alaska, Inc., the world's largest zinc concentrate producer. The ore deposits are owned by NANA and leased to Cominco, which owns and operates the mine, including its shipping facilities. As the single largest employer in the Northwest Arctic Borough, the mine wields an influence on the region's economy not to be underestimated. Approximately 59 percent of the mine's workers and its contractors are NANA shareholders. The mine's workforce represents 14 percent of the borough's wage and salary employment. Even more impressive are the wages generated by the mine. Red Dog payroll represents over a quarter of the borough's wage and salary payroll. (See Exhibit 7.) In 1997, the mine's payroll was nearly \$26.4 million and its annual wages averaged \$71,124, versus \$32,995 for the rest of the borough. Cominco also provides the borough with the largest source of revenues through payments in lieu of taxes.

4 Government is Largest Employer



Source: Alaska Department of Labor, Research and Analysis Section

When this \$415 million mine opened in 1990, mining employment soared both in the Northwest Arctic Borough and statewide. Red Dog represented the first large-scale mining operation to open in Alaska in decades, and it remains the state's largest operating mine. Prior to Red Dog's opening, the average wage in the borough came in well below the statewide average; a year after the mine opened, the borough's average wage exceeded the state average. In 1997, the borough's average monthly wage was \$3,210, compared to \$2,732 statewide, and most of this premium can be attributed to the mine. Not only are these good-paying jobs, but they are also stable, year-round jobs, a scarce commodity nearly everywhere in

rural Alaska. Most of the workforce at the mine works a two-weeks-on and one-week-off schedule.

The expenditure of these wages and other spin-offs from the mine are the major reasons for the borough's strong private sector growth. For example, a recent study found that more than a half dozen NANA subsidiaries are involved in providing services to the mine. Other contract partners and vendors profit from the mine's existence as well. Its influence on the borough's economy continues to grow. During the past two years, the mine has gone through an \$85 million expansion, with a workforce that peaked at nearly 600. The modernization of the mine and additional ore storage space will give Cominco the ability to expand its production by 40 percent. Moreover, the discovery of an additional large ore body will extend the life of the mine for another 30 years. The Red Dog Mine will remain a huge influence and driving force in both the borough's economy and the state's mining industry for many years to come.

Subsistence remains important

While land in the Northwest Arctic Borough offers great potential in mining and other wage and income opportunities, subsistence activity represents an important source of non-cash income, as well as employment. To some extent, subsistence resources help offset the much higher cost of living and unemployment in the borough. Caribou, sheefish, salmon, seals and moose are the most important subsistence resources, but small game and berries are also harvested. The Western Arctic caribou herd, which is one of the largest in North America with nearly half a million animals, migrates through the region.

Nearly the entire population engages in subsistence activities. In Kivalina, a community of 349, all households are involved with subsistence activities. The average household harvests 3,636 pounds of usable subsistence resources, or 761 pounds per person, according to a 1992 Alaska Department of Fish and Game study on subsistence resource

harvest and use. Although subsistence may be relatively more critical to the smaller communities of the borough, where few payroll employment opportunities exist, most Kotzebue residents (74%) engage in subsistence harvests as well.

Reindeer herding, which for many years was an important source of both cash and subsistence, has been on the wane. In recent years, many of the animals have been lost to the migrating caribou herds. Several herds were once owned privately, but now only one herder still has reindeer in his corral. Reindeer meat can be bought in local grocery markets in towns such as Nome, Kotzebue and Barrow. Reindeer antler harvests, however, are exported from the region. In recent years, the price for antlers in Asian and domestic markets has been severely depressed.

Major Employers **5** In Northwest Arctic Borough

Rank	Employer	Annual Average Employment 1997
1	Cominco Alaska Inc.	370
2	Maniilaq Association Inc.	369
3	Northwest Arctic Borough School Dist.	356
4	Veco Construction Inc.	96
5	Kikiktagruk Inupiat Corp.	93
6	City of Kotzebue	74
7	NANA/Marriott, joint venture	63
8	Federal Government	62
9	State Government	58
10	Baker Aviation, Inc.	45
11	Arrow Transportation International, Inc.	42
12	Carr Gottstein Foods	37
13	Alaska Commercial Company	34
14	Nullagvik Hotel	33
15	City of Noorvik	30
16	OTZ Telephone Cooperative, Inc.	28
17	Selawik Council	25
17	Lions Club of Kotzebue	25

Source: Alaska Department of Labor, Research and Analysis Section

6 Wage and Salary Employment In the Northwest Arctic Borough

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total Industries	1,822	1,823	1,732	1,785	1,991	2,220	2,190	2,227	2,298	2,465	2,509	2,436	2,564
Mining	*	*	*	41	116	266	327	337	335	343	358	360	467
Construction	*	*	*	*	33	43	28	9	11	23	42	24	19
Manufacturing	*	*	*	*	*	*	*	*	*	*	*	2	0
Trans/Comm/Util	120	99	153	153	167	192	202	210	223	230	236	251	263
Trade	188	232	209	171	184	152	101	127	242	224	256	243	233
Finance/Insur/R.E.	81	69	86	84	65	101	80	60	65	96	90	103	125
Services	251	277	336	354	413	438	472	516	522	643	688	630	645
Government	1,132	1,104	910	932	1,009	1,028	974	964	895	900	837	823	809
Federal	137	151	111	101	89	79	78	79	75	67	63	63	62
State	93	92	93	88	86	84	77	79	77	73	62	60	58
Local	903	862	705	744	834	865	819	806	744	760	712	700	689
Miscellaneous	*	*	*	*	*	*	*	*	*	6	2	1	0

* Nondisclosable

Source: Alaska Department of Labor, Research and Analysis Section

Salmon provides a subsistence resource to the region, and there is also a small commercial fishery in the Kotzebue area. Most of the salmon harvested are chums, and recently low catches and low prices have plagued this commercial fishery. In 20 years of fish harvest history, the 1998 catch was the smallest both in volume and in value. Only 22 percent of local fishers participated in the commercial chum harvest.

Unemployment higher; incomes lower

Although job opportunities and wages have improved in the Northwest Arctic Borough over the past decade, high unemployment, low incomes and high rates of poverty persist in most of its communities. Economic and social indicators illustrate this phenomenon. For example, in 1996 the borough's per capita income of \$18,392 ranked 20th out of 27 areas in Alaska. This compares with a statewide per capita income of \$24,597. Part of the difference can be explained by demographics. Because such a large share of the population is under 18, its income is shared among a

proportionately greater number of people too young to work. However, the more telling explanation for this disparity is that fewer opportunities exist locally for employment, especially on a year-round basis. Unemployment in the Northwest Arctic Borough typically runs at least twice the statewide rate and for the past two years was the highest in the state. An even more telling statistic is the percent of the population that participates in the labor force. Statewide in 1997, 72 percent of the over-16 population is active in the labor market, compared to 55 percent in the Northwest Arctic Borough. This is indicative of the high proportion of "discouraged" workers, those not actively seeking employment and not counted in the unemployment statistics. Not surprisingly, incomes and job opportunities are far more plentiful in Kotzebue than elsewhere in the borough.

Incomes are low and job opportunities scarce in the 10 communities outside of Kotzebue. In some communities, year-round jobs are limited to the school district, the city, the local store and possibly

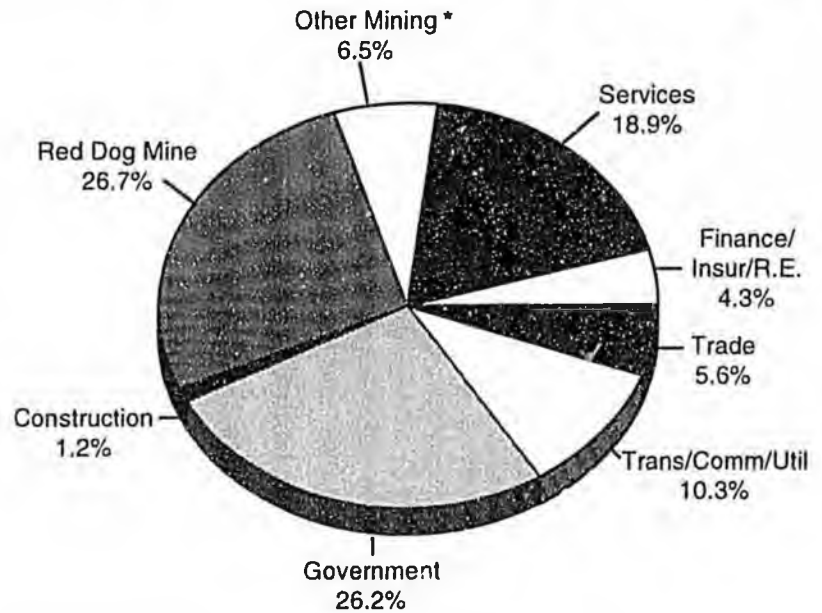
Mining's Payroll the Largest In Northwest Arctic Borough in 1997



a few health practitioners. In some communities, a third of the population lives in poverty (based on cash income). The lack of employment and business opportunities helps explain most of these differences. Low educational attainment also plays a role. Per capita income in some of these communities is half the level found in Kotzebue or in the borough as a whole. High living costs exacerbate the impact of these lower incomes in the villages. According to studies conducted a number of years ago, costs run approximately 40-45 percent higher than they do in Anchorage. Taking into account the value of the subsistence harvest would reduce this differential. Given the demographics of the borough, there will be increasing pressure in the region to provide more economic opportunities as a growing number of residents reach working age.

Summary

Although the Northwest Arctic Borough covers a vast geographical area, it is one of the most economically and culturally unified regions in the state. One of Alaska's most impressive economic powerhouses, the Red Dog Mine, operates in the remote area of the Borough. In eight years of operation, it has become the world's largest producer of zinc ore. It has spurred private sector employment growth and has greatly improved the Northwest Arctic Borough's wage and employment picture. Although many residents benefit from the mine, others still rely heavily on subsistence resources. High unemployment, low labor force participation and high incidences of poverty are still prevalent. Employment is concentrated in Kotzebue, and in most of the outlying villages job opportunities are scarce. Because the Northwest Arctic Borough has a very young population that soon will be entering the labor force, creating enough employment opportunities for these youth will be a challenge.



* Contractors during Red Dog Mine expansion project

Source: Alaska Department of Labor, Research and Analysis Section

Unemployment Insurance

by
Gaile Haynes
Employment Security Analyst

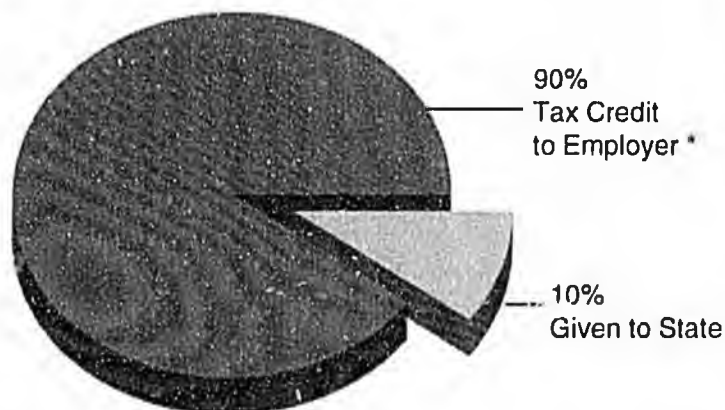
Service delivery in tune with claimant need

As recently as 20 years ago, unemployed workers in Alaska cities and towns lined up in unemployment offices statewide at rigidly scheduled times, showed their identification, answered questions on their availability for work and eligibility for benefits, and received bank payment authorization forms for their weekly benefits. Today, unemployed workers can file by telephone at times convenient to their own schedules. Automated telephonic inquiries replace the claims-taker, and claimants answer by pushing the designated numeral on their telephone keypads.

The Alaska Department of Labor's Employment Security Division has been changing the way unemployment

benefits are paid at a pace in synch with technological advances and claimant need. From 1939 to 1980, benefits were calculated by hand and paid directly to the workers, who, except in rural areas, needed to report in person every other week to collect a benefit payment authorization that could be cashed at a participating bank. In 1980, computerization went into effect, replacing the hand calculation. In 1983, unemployed workers no longer were required to file for benefits in person, but could claim benefits by mail or drop box, receiving a check good at any bank. Since 1996, workers have been able to file for benefits telephonically to Anchorage, Fairbanks or Juneau. The next advance, expected in January 1999, will be direct deposit, which will give workers the option of having their unemployment payments deposited directly to their bank accounts. In the near future, additional technologies, such as Internet and voice recognition, will be used to further enhance the delivery of unemployment insurance services.

1 Distribution of FUTA Taxes (Federal Unemployment Tax Act)



* If employer pays timely and Alaska complies with federal law

Source: Alaska Department of Labor, Employment Security Division

Need for these changes came from several directions — primarily a result of proposed federal legislation that would decrease administrative funding with no corresponding decrease in workload. In Alaska, using technology to pay benefits positions the Employment Security Division to weather future funding cuts, while helping the unemployed receive payments quicker, so that they can devote more of their time and energy to looking for work. But why and how does the federal government control the way that Alaska pays its unemployment insurance claimants?

History and philosophy shape federal-state partnerships

In 1932, Wisconsin passed the first unemployment insurance law, the Huber Bill. No other state followed

Wisconsin's example, probably because to do so would have put employers in that state at a competitive disadvantage with employers in states with no unemployment tax laws. The resulting loss of revenue and jobs in the state that did have unemployment tax laws would have increased unemployment rather than relieved it. The only solution seen by those in favor of unemployment compensation was for the federal government to take action directly.

This action was the Social Security Act, signed by President Franklin Roosevelt on August 14, 1935. Part of the Act, the Economic Security Bill, had as its purpose the protection of the economy by maintaining the buying power of persons who, through no fault of their own, were no longer working. Within the two years following the passage of the Social Security Act, legislatures of all states and territories had passed unemployment insurance laws. In order to let funds accumulate to make payments, no benefits were paid until two years after employer contributions began.

The portion of the Social Security Act affecting unemployment taxes is the Federal Unemployment Tax Act, commonly called FUTA, which is managed by the Social Security Board. Under FUTA, most employers must pay a federal tax on their payrolls, whether or not they are subject to the unemployment insurance laws of any state. Ninety percent of this money returns to employers as a tax credit under two conditions:

- The states in which these employers do business must also collect payroll taxes and pay unemployment benefits in accordance with federal requirements.
- The individual employer must properly report and pay unemployment contributions to the state.

A portion of the remaining 10% of the FUTA taxes is returned to the state to pay its administrative expenses on the condition that its law and the administration of it are in accordance with federal standards. (See Exhibit 1.)

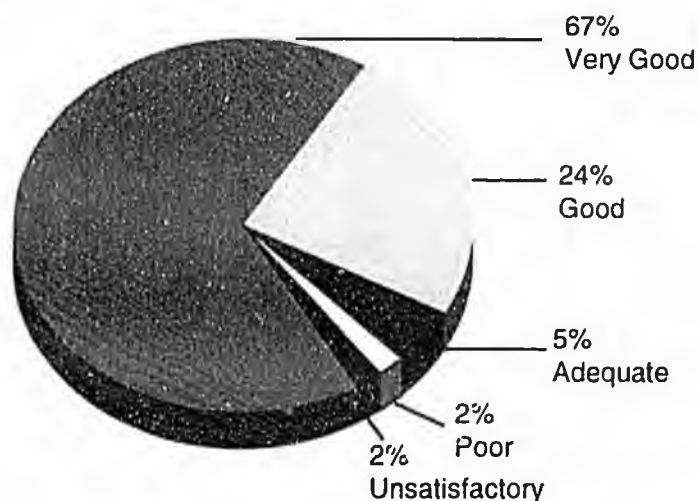
Because Alaska is small in population and vast in geographic area, its per-person costs are disproportionately high, and the Social Security Board takes this factor into account in the distribution of FUTA money, giving Alaska a larger share than is actually earned. Most states receive 60 percent or less of the taxes employers pay into FUTA. Alaska and five other states receive more than a 100 percent return from the fund. The Employment Security Division's cost of doing business is only 10 cents for every dollar of benefits paid, with seven cents of this cost going to benefits administration and three cents for the cost of collecting revenue.

Alaska's employers contribute to the Alaska Unemployment Trust Fund, which, by FUTA regulations, may be used only to pay unemployment benefits. Federal and state agencies do not contribute to the Trust Fund, but instead are charged directly for all benefits paid to their former employees. Non-profit employers may also use this option if they feel it is to their advantage. If unemployed workers were employed in other

Satisfaction with VICTOR* 2

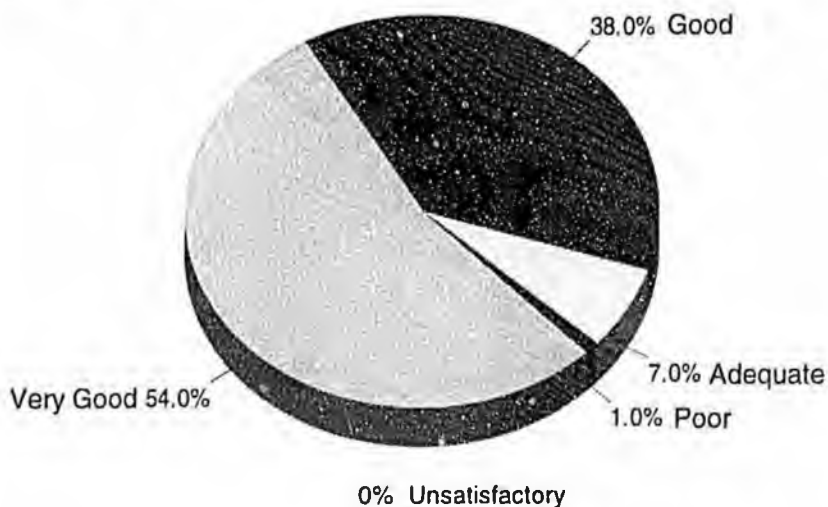
From UI client surveys

*Telephonic claim filing system



Source: Alaska Department of Labor, Employment Security Division

3 Overall Service Satisfaction



Source: Alaska Department of Labor, Employment Security Division

states, those states are charged in proportion to the workers' wages for the unemployment benefits paid on Alaska claims.

The current federal emphasis is two-fold.

- States are required to pay claims accurately, both in terms of the correct monetary amount and in terms of allowing benefits to eligible recipients and denying them to those who are ineligible.
- States are required to pay benefits according to stringent federal standards for promptness.

Compliance with federal requirements controls cost of doing business

In an attempt to control its cost of doing business, the Alaska Department of Labor, Employment Security Division has separated employment and unemployment services. In 1996, telephonic Call Centers were set up in Anchorage, Fairbanks and Juneau to handle all unemployment claims. This division did not, however, sever the link between the two arms of Employment Security Division. Those workers identified as likely to remain unemployed and exhaust their benefits due to

changing labor market conditions are given extensive assistance by the Employment Service. Special programs assist them in writing resumes, interviewing techniques, and choosing and training for new careers. In that way, the Employment Service offices spend their resources helping laid-off workers become re-employed.

Concurrent with the move of unemployment insurance to the telephonic Call Center environment was the change in filing procedures. Unemployment insurance claimants need not wait to receive paper forms to request benefits.

Now, an automated telephone system known as 'VICTOR' enables claimants to answer recorded questions by pressing a number on their telephone keypad. Claimants in the Call Center cities can reach a claims representative or VICTOR via local numbers, while toll-free telephone numbers are available to claimants filing from other locations. Three out of four unemployment claimants use VICTOR telephonic filing. Of these, more than two-thirds rated this service "very good," and 90 percent rated it as "good" or better. (See Exhibit 2.)

The companion technological advance, direct deposit of unemployment payments to claimants' bank accounts, will take effect in January 1999. With direct deposit, claimants will have immediate access to their benefits through any checking or savings account they designate. Both the telephonic procedures and direct deposit are especially beneficial in rural Alaska where mail can be delayed. Now, no matter how inaccessible the worker's residence, an eligible person may file for benefits and receive the payment on time.

Measuring customer satisfaction

Unemployment Insurance customer satisfaction surveys are becoming the basis of evaluation for program success in Alaska. Current claimants are randomly selected twice yearly and questioned about their satisfaction with various aspects of the services they receive. More than half the claimants considered the overall service they received to be "very good," and more than 90 percent rated the

service "good" or better. (See Exhibit 3.)

Training of unemployment service workers focuses on making accurate and timely determinations of eligibility. Call Centers have adopted as their mission statement: "To pay benefits accurately and promptly while treating claimants with dignity and respect." In a recent claimant satisfaction survey, when claimants were asked whether they felt they had been treated with courtesy and respect, more than two-thirds rated their treatment as "very good" and more than 90 percent rated it "good" or better. (See Exhibit 4.)

UI mitigates economic highs and lows

The Great Depression of the early 1930s brought home the understanding that the problems of unemployment were a concern of the nation as a whole, and that a principal value of unemployment insurance was in stabilizing buying power within the community.

Unemployment is, of course, most serious for affected workers and their families, but it also is a problem to employers, to communities, and to the nation. Within the community, unemployment lowers overall buying power. Unemployment benefits keep temporarily unemployed workers in their home communities, available for work. The benefits they receive and spend help stabilize purchasing power, equalize business fluctuations, and prevent the "domino effect" of mass unemployment, where the closing of one business triggers the downfall of others.

Unlike welfare, which is needs-based and government-funded, unemployment benefits are based on an insurance model and operate in much the same way that any other insurance system works. Similarly, unemployment insurance is designed to be actuarially self-sustaining.

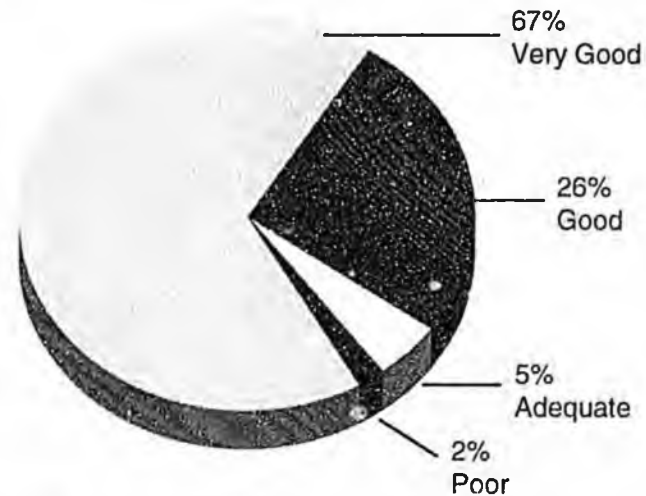
Alaska unique in financing benefits

All states except Alaska have some form of "charge back" benefits financing system, in which employers' experience is measured by actual

Courtesy and Respect

How claimants felt they were treated

4



Source: Alaska Department of Labor, Employment Security Division

benefits paid. Alaska uses the payroll decline quotient system. When an employer's average quarterly payroll declines, their tax rate is set higher than that of an employer whose payroll is stable. This system, unlike conventional charge-back models, does not penalize employers for turnover. Alaska is also one of only three states—New Jersey and Pennsylvania being the others—that charges both employers and employees to fund benefits. Currently employers pay 80% of the cost of benefits, and 20% is paid for by employees.

Summary

As the delivery of unemployment services makes increasing use of automation, human resources are used more efficiently and delivery of unemployment insurance services to workers improves. Call Centers with telephonic filing for benefits have replaced mail claims and in-person filing. Shortly, payments will be deposited directly to clients' bank accounts. Alaska unemployment insurance claimants show in periodic surveys that they are satisfied with the new service delivery methods and with the degree of respect they are accorded. As time moves on, the Unemployment Insurance system in Alaska will continue to make technology its ally in providing the best and speediest possible services to its clients.

Year Winds Down On Positive Note

Oil prices scrape bottom of barrel;
retail sector turbulent

Alaska Employment Scene

by
Neal Fried
Labor Economist

With only two months of 1998 left to go and the busiest time of the year behind, 1998, like so many years of the past decade, will end on a positive note—possibly with a bit of extra panache. Not only was October's unemployment rate of 5.8% again a record low for the month, but employment growth in some of the state's industries is also adding some real spunk to the general picture. For example, construction activity has heated up enough this year that it is beginning to acquire a speculative air. In Anchorage alone, the value of new construction is running more than \$100 million ahead of year-ago levels. Moreover, construction's strength is pulling several industries right along with it. A short list of these includes the financial sector, building supply industries and engineering services.

The effects of one full year in which oil prices dropped below \$15 per barrel are beginning to translate into concern and layoffs in the oil industry. Nevertheless, the oil field services workforce remains at the moment the busiest it's been in more than a decade. Air transportation continues to gain altitude in spite of the Asian economic crisis, and competition and technology are keeping the communication industry's numbers growing. Health care continues its relentless march forward, and jobs created by the string of new hotels dotting the landscape are now showing up in the employment numbers. Even the public sector's numbers, though paltry at best, are running slightly

ahead of year-ago levels. With the recent record \$869 million Permanent Fund Dividend disbursement and the Christmas season in full swing, the retail picture remains positive, but with a befuddling mix of gains and losses.

The rough and tumble retail market continues

After the explosive growth of retail in the mid-1990s and the incremental growth for every year since then, 1998 was a bit different because so many retailers closed their doors. What caught many off guard and got people's attention was the fact that many of these retailers were large, long established players, some of whom had been around for over 30 years. There is some speculation that some of the explosive growth of the past was finally coming home to roost, a case of consolidation just taking longer than anticipated. This wave of closures began in late 1997 when Woolworth's shut its doors in Fairbanks and Anchorage. Then Rite Aid, formerly known as PayLess, closed its stores in Fairbanks, Anchorage, Soldotna and Juneau, costing 300 jobs. Simultaneously, JC Penney closed in Fairbanks and Juneau, eliminating 150 and 45 jobs respectively. During this same period, Carr's Groceries bought out the SuperValue grocery chain in Fairbanks and closed two of its stores, costing that community approximately 140 jobs. A spate of other smaller retailers also went out of business.

Thus far, all these losses have not deep-sixed retail growth. In fact, retail employment in October was still running more than 1,100 jobs ahead of year-ago levels. Eating and drinking establishments, car dealers and building supply stores are largely responsible for keeping the overall retail employment numbers in the black. Even so, these closures have not gone unnoticed in the retail employment statistics. Several segments of this industry are beginning to slow down. For example, retail employment in the general merchandise and food stores segments of the industry is just barely running ahead of year-ago levels, and the "other retail" category, which included players such as Rite Aid, is registering modest losses.

In Fairbanks, hardest hit by these closures, retail employment has not budged from year-ago levels. Unlike some of the other communities in the state, there have not been any big new players in Fairbanks yet to back fill some of these losses. It could be just a matter of time before retail employment in Fairbanks bounces back. However, not reflected in these numbers is the fact that many of these long-tenured retailers often had long-term employees who were frequently at the higher end of the retail wage scale. Although retail employment opportunities are probably plentiful because of high turnover, many of the more senior employees may be finding it difficult to land equivalent jobs.

There are no signs that the retail industry is ready to settle down. The purchase of Carr Gottstein Foods by Safeway has made this certain. Although Safeway has not yet articulated what changes might be in the cards, changes are bound to come. In the short run, some of Safeway's stores will probably be closed, and reduction of Carr's existing administrative staff is likely. It is possible that in the long run, Safeway may open new stores, in new locations, which could offset some of these losses. But other big changes in retail are in the offing.

In contrast to Fairbanks, Wasilla's retail employment will soon experience a burst of growth. Wal-Mart recently announced it is going to replace its existing store in Wasilla with the largest store in the state. Fred Meyer's, recently bought out by Kroger Co., is also building a new store in the same community. This store will have a workforce of approximately 225. Not far from Wasilla, in Eagle River, a new factory outlet mall, with 20 stores, will open in late 1999. Wal-Mart is also currently building a store in Kodiak. A raft of other small and medium retail stores is either on the drawing boards or being built.

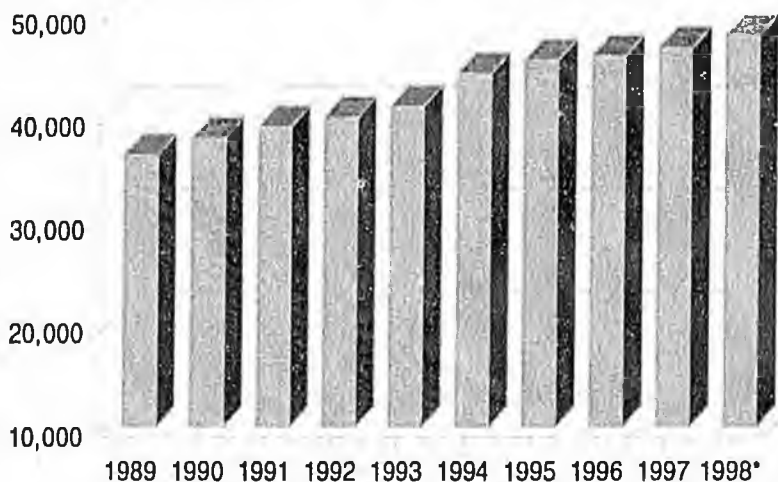
Many of these changes are simply a reflection of the churning that is taking place in the retail market around the nation—one competitor replacing another, and mergers or realignments. The overall result has been that for each year over the past decade, there has been a net increase in

(continued on page 18)

Retail Creates 10,000 Jobs In 10 years



Annual average retail employment



*Based on 10 months

Source: Alaska Department of Labor, Research and Analysis Section

2 Nonagricultural Wage and Salary Employment by Place of Work

Alaska	preliminary	revised	Changes from:			Municipality of Anchorage	preliminary	revised	Changes from:		
	10/98	9/98	10/97	9/98	10/97		10/98	9/98	10/97	9/98	10/97
Total Nonag. Wage & Salary	275,400	285,700	269,500	-10,300	5,900	Total Nonag. Wage & Salary	129,000	129,900	125,000	-900	4,000
Goods-producing	38,900	43,400	38,200	-4,500	700	Goods-producing	12,300	12,900	11,400	-600	900
Service-producing	236,500	242,300	231,300	-5,800	5,200	Service-producing	116,700	117,000	113,600	-300	3,100
Mining	11,100	11,200	10,700	-100	400	Mining	2,700	2,700	2,500	0	200
Oil & Gas Extraction	9,400	9,400	8,900	0	500	Oil & Gas Extraction	2,500	2,500	2,400	0	100
Construction	14,700	16,000	14,200	-1,300	500	Construction	7,600	8,200	7,000	-500	600
Manufacturing	13,100	16,200	13,300	-3,100	-200	Manufacturing	2,000	2,000	1,900	0	100
Durable Goods	3,000	3,200	3,400	-200	-400	Transportation/Comm/Utilities	12,900	12,900	12,300	0	600
Lumber & Wood Products	1,800	1,900	2,300	-100	-500	Air Transportation	5,600	5,400	5,200	200	400
Nondurable Goods	10,100	13,000	9,900	-2,900	200	Communications	2,600	2,600	2,400	0	200
Seafood Processing	7,500	10,300	7,200	-2,800	300	Trade	31,200	31,600	30,500	-400	700
Transportation/Comm/Utilities	25,300	26,700	24,500	-1,400	800	Wholesale Trade	6,400	6,400	6,400	0	0
Trucking & Warehousing	2,900	3,000	2,800	-100	100	Retail Trade	24,800	25,200	24,100	-400	700
Water Transportation	2,000	2,600	2,000	-600	0	Gen. Merchandise & Apparel	5,000	4,900	4,900	100	100
Air Transportation	8,800	9,000	8,300	-200	500	Food Stores	2,900	3,000	2,900	-100	0
Communications	4,400	4,500	4,200	-100	200	Eating & Drinking Places	8,700	9,200	8,400	-500	300
Electric, Gas & Sanitary Svcs.	2,500	2,400	2,400	100	100	Finance/Insurance/Real Estate	7,300	7,300	7,200	0	100
Trade	56,300	59,000	55,100	-2,700	1,200	Services & Misc.	36,500	36,900	35,200	-400	1,300
Wholesale Trade	8,700	9,000	8,700	-300	0	Hotels & Lodging Places	2,600	2,800	2,500	-200	100
Retail Trade	47,600	50,000	46,400	-2,400	1,200	Business Services	6,300	6,400	6,200	-100	100
Gen. Merchandise & Apparel	9,800	9,900	9,700	-100	100	Health Services	7,900	7,900	7,700	0	200
Food Stores	7,000	7,100	6,900	-100	100	Legal Services	1,200	1,200	1,200	0	0
Eating & Drinking Places	15,700	17,600	15,100	-1,900	600	Social Services	3,300	3,300	3,100	0	200
Finance/Insurance/Real Estate	12,500	12,800	12,200	-300	300	Engineering & Mgmt. Svcs.	5,800	5,700	5,600	100	200
Services & Misc.	67,700	70,600	65,400	-2,900	2,300	Government	28,800	28,300	28,400	500	400
Hotels & Lodging Places	6,300	8,300	6,000	-2,000	300	Federal	9,800	10,000	9,900	-200	-100
Business Services	8,900	9,300	8,600	-400	300	State	8,600	8,200	8,400	400	200
Health Services	15,100	15,000	14,800	100	300	Local	10,400	10,100	10,100	300	300
Legal Services	1,700	1,700	1,700	0	0						
Social Services	7,300	7,200	6,900	100	400						
Engineering & Mgmt. Svcs.	7,800	7,800	7,500	0	300						
Government	74,700	73,200	74,100	1,500	600						
Federal	16,900	17,500	17,000	-600	-100						
State	21,700	21,100	21,400	600	300						
Local	36,100	34,600	35,700	1,500	400						

Notes to Exhibits 2, 3, 4—Nonagricultural excludes self-employed workers, fishers, domestics, and unpaid family workers as well as agricultural workers. Government category includes employees of public school systems and the University of Alaska.

Exhibits 2 & 3—Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Exhibit 4—Prepared in part with funding from the Employment Security Division.

Source: Alaska Department of Labor, Research and Analysis Section

3 Hours and Earnings for Selected Industries

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	preliminary 10/98	revised 9/98	10/97	preliminary 10/98	revised 9/98	10/97	preliminary 10/98	revised 9/98	10/97
Mining	\$1,514.05	\$1,382.73	\$1,325.70	53.5	48.5	49.1	\$28.30	\$28.51	\$27.00
Construction	1,131.27	1,107.14	1,118.48	42.9	41.7	44.0	26.37	26.55	25.42
Manufacturing	581.53	625.54	650.33	51.6	57.6	55.3	11.27	10.86	11.76
Seafood Processing	469.24	557.15	521.86	54.5	61.7	60.4	8.61	9.03	8.64
Transportation/Comm/Utilities	676.60	682.64	662.59	34.0	34.9	34.6	19.90	19.56	19.15
Trade	433.53	426.30	420.84	33.4	33.7	33.4	12.98	12.65	12.60
Wholesale Trade	628.26	626.08	641.44	37.0	37.2	38.0	16.98	16.83	16.88
Retail Trade	399.18	391.24	380.44	32.8	33.1	32.6	12.17	11.82	11.67
Finance/Insurance/Real Estate	556.76	530.82	516.19	36.2	35.2	36.3	15.38	15.08	14.22

Average hours and earnings estimates are based on data for full-time and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing). Averages are for gross earnings and hours paid, including overtime pay and hours.

Benchmark: March 1997

Source: Alaska Department of Labor, Research and Analysis Section

4 Nonagricultural Wage and Salary Employment by Place of Work

Fairbanks		preliminary	revised	Changes from:		Interior Region		preliminary	revised	Changes from:			
North Star Borough		10/98	9/98	10/97	9/98	10/97			10/98	9/98	10/97	9/98	10/97
Total Nonag. Wage & Salary		33,650	34,250	33,000	-600	650	Total Nonag. Wage & Salary	39,150	40,800	38,400	-1,650	750	
Goods-producing		4,000	4,350	3,850	-350	150	Goods-producing	4,400	4,650	4,400	-250	0	
Service-producing		29,650	29,900	29,150	-250	500	Service-producing	34,750	36,150	34,000	-1,400	750	
Mining		1,300	1,400	1,300	-100	0	Mining	1,600	1,600	1,600	0	0	
Construction		2,100	2,350	2,000	-250	100	Construction	2,200	2,400	2,200	-200	0	
Manufacturing		600	600	550	0	50	Manufacturing	600	650	600	-50	0	
Transportation/Comm/Utilities		3,100	3,350	3,000	-250	100	Transportation/Comm/Utilities	3,700	4,050	3,550	-350	150	
Trucking & Warehousing		550	600	600	-50	-50	Trade	7,800	8,450	7,700	-650	100	
Air Transportation		700	750	700	-50	0	Finance/Insurance/Real Estate	1,150	1,200	1,150	-50	0	
Communications		500	500	400	0	100	Services & Misc.	9,150	9,950	8,950	-800	200	
Trade		6,900	6,950	6,850	-50	50	Hotels & Lodging Places	1,100	1,750	1,000	-650	100	
Wholesale Trade		850	850	800	0	50	Government	12,950	12,500	12,650	450	300	
Retail Trade		6,050	6,100	6,050	-50	0	Federal	3,800	4,050	3,750	-250	50	
Gen. Merchandise & Apparel		1,250	1,200	1,350	50	-100	State	4,650	4,200	4,550	450	100	
Food Stores		750	750	800	0	-50	Local	4,500	4,250	4,350	250	150	
Eating & Drinking Places		2,050	2,100	1,950	-50	100	Anchorage/Mat-Su Region						
Finance/Insurance/Real Estate		1,100	1,100	1,050	0	50	Total Nonag. Wage & Salary	141,450	142,450	136,950	-1,000	4,500	
Services & Misc.		8,050	8,400	7,950	-350	100	Goods-producing	13,700	14,400	12,850	-700	850	
Hotels & Lodging Places		750	1,000	700	-250	50	Service-producing	127,750	128,050	124,100	-300	3,650	
Health Services		1,950	1,900	1,950	50	0	Mining	2,700	2,700	2,550	0	150	
Government		10,500	10,100	10,300	400	200	Construction	8,750	9,450	8,100	-700	650	
Federal		3,200	3,400	3,200	-200	0	Manufacturing	2,250	2,250	2,200	0	50	
State		4,400	3,950	4,300	450	100	Transportation/Comm/Utilities	14,000	14,000	13,300	0	700	
Local		2,900	2,750	2,800	150	100	Trade	34,150	34,700	33,350	-550	800	
Southeast Region							Finance/Insurance/Real Estate	7,800	7,800	7,700	0	100	
Total Nonag. Wage & Salary		35,450	39,650	35,700	-4,200	-250	Services & Misc.	39,900	40,400	38,300	-500	1,600	
Goods-producing		5,350	6,500	5,650	-1,150	-300	Government	31,900	31,150	31,450	750	450	
Service-producing		30,100	33,150	30,050	-3,050	50	Federal	10,000	10,100	10,050	-100	-50	
Mining		400	400	350	0	50	State	9,400	9,050	9,200	350	200	
Construction		1,700	1,750	1,800	-50	-100	Local	12,500	12,000	12,200	500	300	
Manufacturing		3,250	4,350	3,500	-1,100	-250	Southwest Region						
Durable Goods		1,600	1,650	1,800	-50	-200	Total Nonag. Wage & Salary	16,800	17,600	16,400	-800	400	
Lumber & Wood Products		1,400	1,450	1,600	-50	-200	Goods-producing	3,800	4,500	3,750	-700	50	
Nondurable Goods		1,650	2,700	1,700	-1,050	-50	Service-producing	13,000	13,100	12,650	-100	350	
Seafood Processing		1,300	2,350	1,250	-1,050	50	Seafood Processing	3,550	4,200	3,500	-650	50	
Transportation/Comm/Utilities		2,900	3,700	2,950	-800	-50	Government	5,900	5,600	5,800	300	100	
Trade		6,200	7,300	6,300	-1,100	-100	Federal	400	400	400	0	0	
Wholesale Trade		600	650	600	-50	0	State	500	500	500	0	0	
Retail Trade		5,600	6,650	5,700	-1,050	-100	Local	5,000	4,700	4,900	300	100	
Food Stores		1,300	1,400	1,350	-100	-50	Gulf Coast Region						
Finance/Insurance/Real Estate		1,550	1,700	1,550	-150	0	Total Nonag. Wage & Salary	26,350	29,250	26,150	-2,900	200	
Services & Misc.		7,000	7,950	6,850	-950	150	Goods-producing	6,300	7,550	6,300	-1,250	0	
Health Services		1,650	1,650	1,650	0	0	Service-producing	20,050	21,700	19,850	-1,650	200	
Government		12,450	12,500	12,400	-50	50	Mining	1,350	1,400	1,200	-50	150	
Federal		1,800	1,950	1,900	-150	-100	Oil & Gas Extraction	1,350	1,400	1,200	-50	150	
State		5,300	5,300	5,200	0	100	Construction	1,450	1,550	1,450	-100	0	
Local		5,350	5,250	5,300	100	50	Manufacturing	3,500	4,600	3,650	-1,100	-150	
Northern Region							Seafood Processing	2,550	3,600	2,400	-1,050	150	
Total Nonag. Wage & Salary		15,950	16,050	15,750	-100	200	Transportation/Comm/Utilities	2,250	2,500	2,250	-250	0	
Goods-producing		5,500	5,650	5,350	-150	150	Trade	4,950	5,600	4,850	-650	100	
Service-producing		10,450	10,400	10,400	50	50	Wholesale Trade	550	750	550	-200	0	
Mining		5,050	5,050	5,000	0	50	Retail Trade	4,400	4,850	4,300	-450	100	
Oil & Gas Extraction		4,650	4,600	4,550	50	100	Eating & Drinking Places	1,350	1,700	1,350	-350	0	
Government		4,650	4,600	4,850	50	-200	Finance/Insurance/Real Estate	700	700	700	0	0	
Federal		150	150	200	0	-50	Services & Misc.	5,350	6,000	5,250	-650	100	
State		300	350	300	-50	0	Health Services	1,150	1,150	1,150	0	0	
Local		4,200	4,100	4,350	100	-150	Government	6,800	6,900	6,800	-100	0	
							Federal	700	800	700	-100	0	
							State	1,600	1,700	1,650	-100	-50	
							Local	4,500	4,400	4,450	100	50	

5 Unemployment Rates by Region and Census Area

Not Seasonally Adjusted	Percent Unemployed		
	preliminary		10/97
	10/98	9/98	
United States	4.2	4.4	4.4
Alaska Statewide	5.8	4.8	7.1
Anch/Mat-Su Region	4.6	4.1	6.1
Municipality of Anchorage	4.2	3.8	5.5
Mat-Su Borough	6.7	5.5	8.6
Gulf Coast Region	9.3	6.6	11.5
Kenai Peninsula Borough	10.7	7.8	12.9
Kodiak Island Borough	5.6	4.0	7.5
Valdez-Cordova	8.6	5.4	11.5
Interior Region	6.3	4.9	7.1
Denali Borough	10.4	2.3	12.5
Fairbanks North Star Borough	5.7	4.6	6.5
Southeast Fairbanks	10.1	7.2	9.2
Yukon-Koyukuk	10.6	10.0	13.1
Northern Region	8.3	8.3	8.8
Nome	8.5	8.6	8.5
North Slope Borough	6.2	6.3	6.2
Northwest Arctic Borough	11.2	11.0	13.2
Southeast Region	6.4	4.6	7.3
Haines Borough	9.1	5.6	9.7
Juneau Borough	5.9	4.5	6.7
Ketchikan Gateway Borough	7.2	4.4	8.3
Prince of Wales-Outer Ketchikan	8.5	7.0	8.7
Sitka Borough	4.5	4.1	5.4
Skagway-Hoonah-Angoon	4.8	3.7	6.9
Wrangell-Petersburg	7.3	4.8	8.5
Yakutat Borough	7.5	6.7	6.6
Southwest Region	7.3	7.0	7.7
Aleutians East Borough	2.7	1.7	2.6
Aleutians West	4.1	4.6	6.7
Bethel	8.6	8.3	8.8
Bristol Bay Borough	8.1	4.4	9.6
Dillingham	7.5	5.9	7.6
Lake & Peninsula Borough	4.6	3.3	6.4
Wade Hampton	11.0	12.7	9.7
Seasonally Adjusted			
United States	4.6	4.6	4.8
Alaska Statewide	6.1	5.9	7.6

(continued from page 15)

retail employment (See Exhibit 1.) In fact, retail employment in Alaska has grown faster than any other industry but services. Between 1990 and 1998, retail employment in Alaska grew by 26 percent, or by 10,000 jobs. Is there a limit to this growth? There is, but given the present merger mania and technological change, such as the growing influence of Internet as a retailer, it would be foolish to venture a guess.

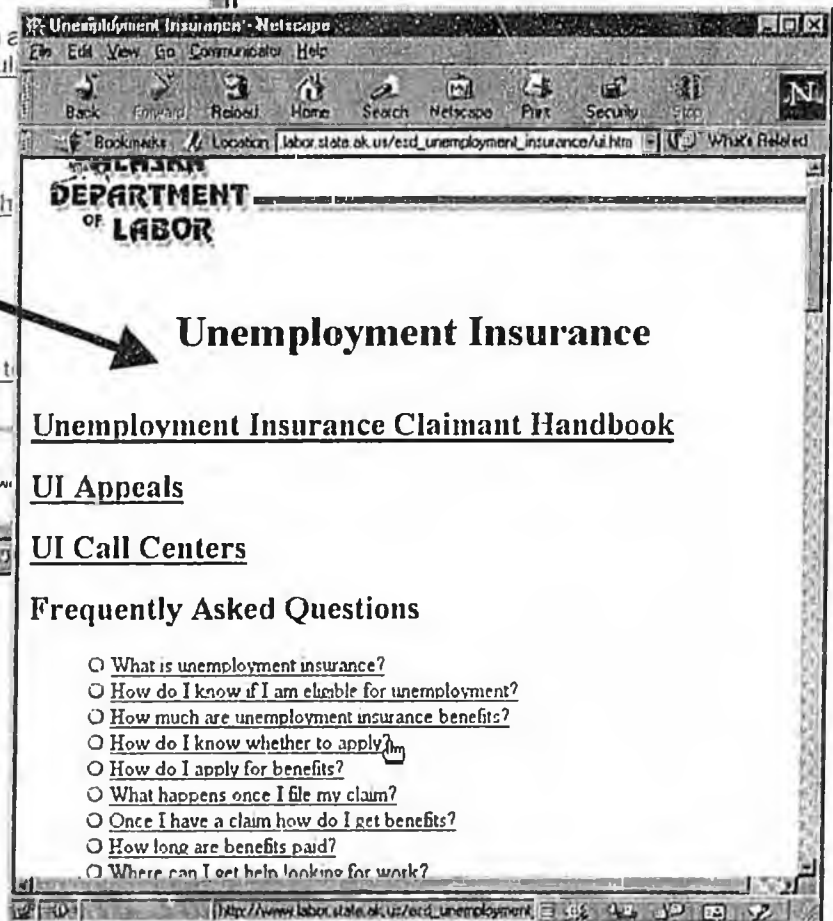
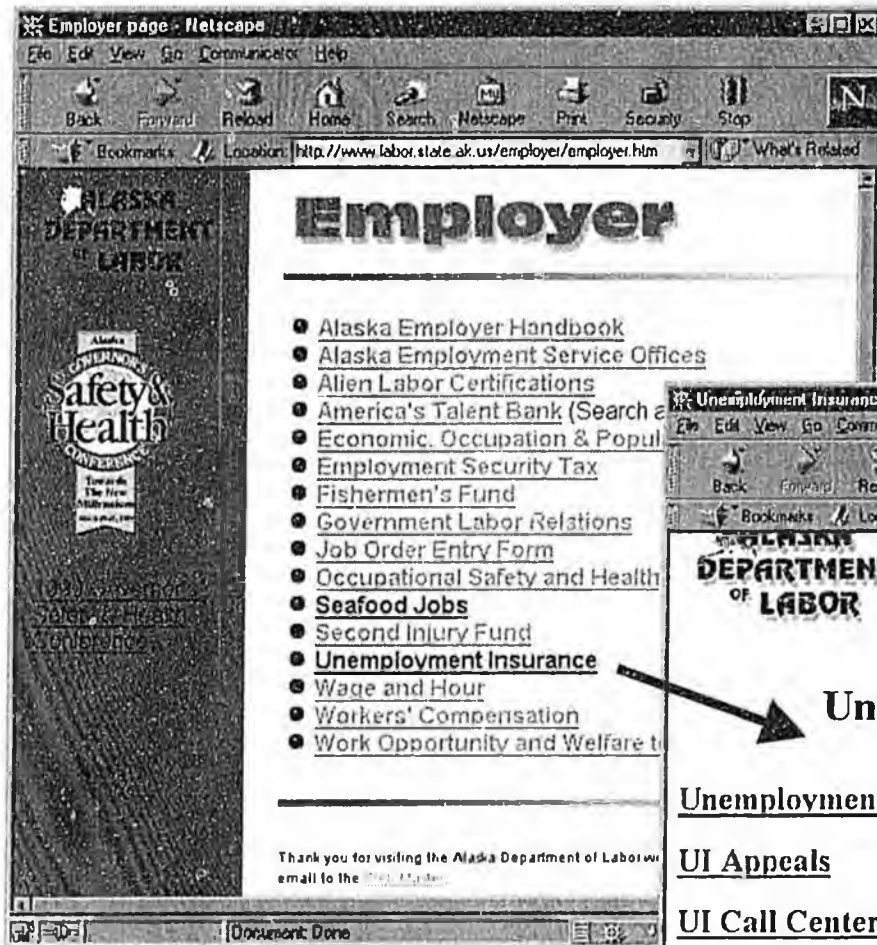
The growth in retail in Alaska is not happening in a vacuum—it's a story being replayed around the country. Nationally, retail employment has also experienced strong growth, although at a more modest 15 percent. In 1998, retail employment was responsible for nearly 18 percent of all wage and salary employment in the nation, and this number has not budged for several years. Over the years, Alaska's stronger growth has been moving the state closer to the national average. With 17 percent of the state's wage and salary employment now in retail trade, it will not be long before Alaska reaches the "national average." The rate of retail growth in Alaska then probably will begin to resemble more closely that of the nation as a whole. This would not bring an end to the present rough and tumble nature of this industry, but it might just slow it down a bit.

1997 Benchmark

Comparisons between different time periods are not as meaningful as other time series produced by Research and Analysis. The official definition of unemployment currently in place excludes anyone who has not made an active attempt to find work in the four-week period up to and including the week that includes the 12th of the reference month. Due to the scarcity of employment opportunities in rural Alaska, many individuals do not meet the official definition of unemployed because they have not conducted an active job search. They are considered not in the labor force.

Source: Alaska Department of Labor, Research and Analysis Section

Employer Resource Page



The Alaska Department of Labor's *Employer* site on the Internet can be reached at

<http://www.labor.state.ak.us/employer/employer.htm>

One of the websites linked to this page is the Unemployment Insurance site at

http://www.labor.state.ak.us/esd_unemployment_insurance/ui.htm

The site lists questions frequently asked about unemployment insurance, with the answers just a click away. Questions and answers cover the purpose of the unemployment insurance system, eligibility, benefits, applying, how benefits are paid and for how long, and where to get help finding work.

The site also gives access to the phone numbers for the UI Call Centers. Information on appeals regarding UI is also available here. Unemployment Insurance claimants will want a copy of the UI Claimant Handbook, available through this netsite.

ALASKA ECONOMIC TRENDS
ALASKA DEPARTMENT OF LABOR
Alaska Employment Service
P.O. Box 25509
Juneau, Alaska 99802-5509

FIRST CLASS MAIL
POSTAGE AND FEES PAID
DEPARTMENT OF LABOR
PERMIT NO. G-12
ANCHORAGE, ALASKA

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300



ALASKA STATE LEGISLATURE

HOUSE LABOR AND COMMERCE COMMITTEE

Representative Norman Rokeberg, Chairman
Representative Andrew Halcro, Vice-Chairman
Representative John Harris
Representative Lisa Murkowski
Representative Jerry Sanders
Representative Tom Brice
Representative Sharon Cissna



State Capitol
Juneau, AK 99801-1182
Telephone: (907) 465-4954
Fax: (907) 465-2040

February 10, 1999

Commissioner-Designee Ed Flanagan
Department of Labor
PO Box 21149
Juneau, AK 99802-1149

FAX: 465-2784

Dear Ed:

Thank you for the briefing you provided the House Labor & Commerce Committee last week. I know that the Committee's members, especially the new members, appreciated the opportunity to learn more about the Department. Even though I have served some five years on this Committee, I always find out something new or interesting at these briefings.

As I indicated at the overview, Rep. Gail Phillips has expressed to me some concerns about the Asbestos Abatement Certification proposed regulations. I would appreciate it if you could send me some written answers to the following:

- a. The proposed regulations lengthen the time to review an application from 30 days to 90 days. I understand that the justifications are because some of these applications are rather large and the Department does not have enough staff to review such applications in 30 days. Could you please expand on this?
- b. Would the delay of issuing of a certification impact a site cleanup if it were necessary to have workers certified first because asbestos was found? How would the Department handle such a matter?
- c. Have you received any comments from the public on these proposed regulations? If so, has any concern been expressed about this new proposed expansion of the time limit?
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Commissioner-Designee Ed Flanagan
February 10, 1999
Page Two

- e. It was also indicated at the overview that one of the purposes of the new proposed regulations was to avoid having two certificates. Could you expand on this?
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- g. Is there any statutory revision needed to help the Department accomplish its responsibility in this area?

Thank you. I look forward to your prompt reply.

Sincerely,



Representative Norman Rokeberg
Chairman, House Labor & Commerce Committee

cc: Rep. Gail Phillips

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700
FAX: (907) 465-2784

February 17, 1999

The Honorable Norman Rokeberg
Chairman, House Labor and Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

FEB 19 1999

Dear Representative Rokeberg:

I am responding to your letter of February 10 1999, regarding the proposed regulation changes for the Asbestos Abatement Certification program. The proposed changes will result in Alaska's asbestos abatement certification program being in compliance with the U.S. Environmental Protection Agency (EPA) Model Accreditation Plan (MAP). I have responded to your individual questions or concerns below.

Question A: The timeframe for program review is being extended from 30 to 90 days to provide adequate time for staff to review program documents, which can be 400-600 pages in length, and to conduct a 40-hour on-site audit of the actual class in order to meet EPA guidelines. Additionally, the division has limited staff resources to perform these functions since existing positions are funded through other federal grant programs and will have to stop performing their normal duties while reviewing a program plan. Prior to the early 1990's, state-funded positions carried out the program review responsibilities but that funding has since been eliminated. In spite of these difficulties, staff will make every attempt to complete the review as quickly as possible.

Question B: Delayed issuance of a certification should not impact a site cleanup since the six programs which are already approved would remain in approval status under these regulation changes. The programs would be upgraded and audited; however, they are already meeting the guidelines established by EPA. Additionally, there are 1,180 workers currently certified in the State of Alaska to conduct asbestos work. Those certifications remain in effect through their existing expiration date. After adoption of the regulations, any expired certification would be renewed annually as required by EPA.

Question C: At this time, we have not received any written public comments on the proposed change for reviewing plans.

Question D: We have not received any comments from industry pertaining to the proposed regulation changes. Industry is already in compliance with these requirements and no impact is anticipated.

Question E: Current state and EPA regulations require different training requirements pertaining to workers and supervisors. As an example, a 40 hour supervisor course allows the person to work as a supervisor or a worker. However, if a person took the required 32 hour worker course they could only perform as a worker and not as a supervisor. The proposed regulations provide for training course subject content that results in both parties having the same training, therefore eliminating the need for two certificates.

Question F: With the proposed changes, training providers will no longer have to deal with the conflict between state and federal requirements. Training providers wanted the State to update the regulations so control of the program would return to the state level.

Question G: The proposed regulation changes do not require statutory revisions (AS 18.31.020 and .200).

Thank you in your interest in our proposed regulations. The public comment period ends February 26, 1999. The department will be evaluating any written comments in conjunction with EPA representatives and the Department of Law prior to promulgation.

Sincerely,



Ed Flanagan
Commissioner

cc: Alan Dwyer, Director, LS&S
Laura Baker, LS&S

TONY KNOWLES, GOVERNOR

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

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ALASKA STATE LEGISLATURE

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February 10, 1999

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FAX: 465-2784

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Commissioner-Designee Ed Flanagan
February 10, 1999
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A handwritten signature in black ink, appearing to read "Norman", written over a horizontal line.

Representative Norman Rokeberg
Chairman, House Labor & Commerce Committee

cc: Rep. Gail Phillips

TONY KNOWLES, GOVERNOR

DEPARTMENT OF LABOR
OFFICE OF THE COMMISSIONER

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700
FAX: (907) 465-2784

February 17, 1999

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Chairman, House Labor and Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

FEB 19 1999

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Sincerely,



Ed Flanagan
Commissioner

cc: Alan Dwyer, Director, LS&S
Laura Baker, LS&S

*Lutherell
on 30-90
Flanagan*

cc:

MEMORANDUM

TO: Representative Gail Phillips

FROM: Representative Norman Rokeberg
Chairman, House Labor & Commerce Committee

DATE: February 5, 1999

RE: D. O. L. Asbestos Regulations

Thank you for your memorandum of January 25, 1999.

During the February 3rd committee meeting (which was an overview of the Department of Labor) I queried Al Dwyer and Commission-Designee Flanagan about the asbestos regulations.

Mr. Dwyer advises that the proposed regulations are to bring Alaska up to federal EPA standards and confirmed that the additional time (30 days to 90 days) is caused by the lack of adequate personnel to review the 600-800 page applications. Commissioner-Designee Flanagan indicated that one of the purposes was to avoid having two certificates and was in response to a request from training providers.

If you have further questions, I would urge you to contact Mr. Dwyer or Commissioner-Designee Flanagan.

Alaska State Legislature



JAN 28 1999

State Capitol
Juneau AK
99801-1182

Official Business


Representative Gail Phillips

DATE: JANUARY 25, 1999

FROM: REPRESENTATIVE GAIL PHILLIPS

TO: REPRESENTATIVE NORMAN ROKEBERG
CHAIR - HOUSE LABOR & COMMERCE COMMITTEE

RE: D.O.L. PROPOSED REGS ON ABESTOS ABATEMENT
CERTIFICATION PROCEDURES



In reviewing the proposed regulations attached, I noted that the Department of Labor is proposing changing the time they are allowed to review an asbestos abatement certification application from 30 days to 90 days. The department maintains that the reasons they need 90 days are due to limited staff resources and the fact that some of these applications may be 600 to 800 pages long. Delaying certification approval for such an extended period of time could potentially unduly delay a site cleanup if it were necessary to have the workers certified first because asbestos was found during a remodel or other project and already certified workers were not available.

Would you please have your committee investigate this change and consider whether we need legislation to speed up the certification process?

Thank you.

GP:jmj

Enc.

JAN 23 1999

ARTICLE 8. ASBESTOS ABATEMENT CERTIFICATION

Section	720. Issuance <u>and duration of</u>
600. Certification required	certificate
610. Training	730. [FEE AND DURATION OF]
620. Training program and	<u>Certificate fees</u>
contractor plan approval	735. <u>Repealed</u> [SPECIAL REQUIREMENT
required	FOR PERSONS PERFORMING
630. Application for training	ABATEMENT WORK UNDER THE
program approval	ASBESTOS HAZARD EMERGENCY
<u>635. Application for renewal</u>	<u>RESPONSE ACT]</u>
<u>course approval</u>	740. Renewal <u>course requirements</u>
640. Changes to an approved	<u>and renewal of certificate</u>
training program <u>or</u>	745. Notification of department
<u>contractor plan</u>	750. <u>Suspension or r[RE]vocation</u>
650. (Repealed)	of certificate
660. Action on applications	760. Withdrawal of training
670. Duration of training program	program approval
approval	765. Citation and penalties
680. Minimum instructor	770. Appeals
qualifications	780. Department notification and
700. <u>Initial c[OURSE]</u>	monitoring of training
<u>requirements</u>	programs
710. Examination	<u>785. Course Provider Recordkeeping</u>
	790. Definitions

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8 AAC 61.610 is repealed and readopted to read:

8 AAC 61.610. TRAINING. An employer must assure that employees who perform, design, directly supervise, or monitor asbestos abatement work obtain current certification as provided in 8 AAC 61.600 through a department approved asbestos abatement training program. (Eff. 10/1/85, Register 96; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.630(a) is amended and paragraphs (8), (9) and (10) are added to read:

8 AAC 61.630. APPLICATION FOR TRAINING PROGRAM APPROVAL. (a) An application for approval of an asbestos abatement training program submitted to the department must include

(1) the applicant's name, address, [AND] telephone number and social security number;

(2) a detailed description of the topics, including the amount and type of hands-on training, [CONTENTS] used in [OF] the training course, which verifies inclusion of the subjects and procedures described in 8 AAC 61.700;

(3) a description of all audio-visual materials to be used in the training course;

(4) a copy of the written examination and a detailed description of the practical examination to be administered to trainees to test their skills and knowledge. Information must be provided to describe the length, format and passing score of the written and practical examinations used to test the trainees' skill and knowledge;

(5) a detailed description of the scoring methodology to be used in grading the written and practical examinations described in 8 AAC 61.710, and a detailed statement about the development of the examination used in the course;

(6) the name of the course instructors and a description of the instructor['s] qualifications, which verifies that the instructors meet[S] the minimum qualifications in 8 AAC 61.680 [AND];

(7) an application fee of \$1,000; [.]

(8) a list of any other states that currently approve the training course;

(9) a copy of all course materials which include student manuals, instructor notebooks, and handouts; and

(10) a copy of the instructions provided to students that specify the procedures that students must follow under 8 AAC

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61.720 and 8 AAC 61.730 to obtain their asbestos certification
after successful completion of the initial training course. (Eff.
10/1/85, Register 96; am 11/7/93, Register 128; am / / ,
Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61 is amended by adding a new section to read:

8 AAC 61.635. APPLICATION FOR RENEWAL COURSE APPROVAL. (a)
The training provider must have an approved training course under
8 AAC 61.630 in order to receive approval to instruct an asbestos
renewal course.

(b) The renewal course shall be conducted as a separate and
distinct course and shall not be combined with any other training
during the period of the renewal course.

(c) An application for approval of an asbestos abatement
training program submitted to the department must include

(1) the applicant's name, address, telephone number and
social security number;

(2) a detailed description of the topics, including the
amount and type of hands-on training as appropriate, audio-visuals
used in the training course, which verifies inclusion of the
subjects, and procedures described in 8 AAC 61.740;

(3) a copy of all course materials which include student manuals, instructor notebooks, and handouts;

(4) the name of the course instructors and a description of the instructors' qualifications, which verifies that the instructors meet the minimum qualifications in 8 AAC 61.680;

(5) a list of any other states that currently approve the training course, and;

(6) a copy of the instructions provided to students that specify the procedures that students must follow under 8 AAC 61.720, 8 AAC 61.730 and 8 AAC 61.740 to obtain their asbestos certification after successful completion of the renewal training course.

(d) The department may, in its discretion, request copies of the audio-visual materials described in (c)(2) of this section. After its review, the department will return the materials to the applicant. (Eff. / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.640(a) is amended and subsection (c) is added to read:

8 AAC 61.640. CHANGES TO AN APPROVED TRAINING PROGRAM OR CONTRACTOR PLAN. (a) A change to an approved asbestos abatement training program or contractor plan must be approved by the department prior to any implementation of the proposed change. A

filing fee of \$250 must be submitted with any proposed content change.

(b) If a change in state or federal asbestos regulations occurs, the department will notify approved training programs of the change. The training program then must incorporate the change into its next scheduled training course.

(c) The department must be notified in writing of a proposed change of course instructors demonstrating that the proposed instructors meet the requirement of 8 AAC 61.880. The proposed instructors may not begin to provide instruction until the department has, in writing, approved the instructors. (Eff. 10/1/85, Register 96; am 11/7/93, Register 128; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.660 is amended to read:

8 AAC 61.660. ACTION ON APPLICATIONS. (a) The department will, within 90 [30] days after receipt,

(1) review [APPROVE] an application filed under 8 AAC 61.620(a) that meets the requirements of 8 AAC 61.630, or 8 AAC 61.635, as appropriate; and

(2) review [APPROVE] a contractor's plan that meets the requirements of 8 AAC 61.620(b).

(b) If an application for a training program or contractor plan does not meet the requirements of 8 AAC 61.630, 8 AAC 61.635, or 8 AAC 61.620(b), as applicable, the department will assist the applicant in meeting the requirements by outlining the deficiencies and suggesting solutions. (Eff. 10/1/85, Register 96; am 1/4/90, Register 113; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.670(b) is amended and subsection (c) is added to read:

8 AAC 61.670. DURATION OF TRAINING PROGRAM APPROVAL. (a) The department's approval of a training program is valid for one year after the date of approval unless the department withdraws approval of the program under 8 AAC 61.760.

(b) The department will renew its approval of an initial [A] training program for a period of one year, if

(1) the department has not withdrawn approval of the training program;

(2) the applicant submits an application that meets the requirements of 8 AAC 61.630 or an affidavit stating that no changes in the program have occurred; and

(3) the applicant submits a non-refundable filing fee of \$250.

(c) The department will renew its approval of a renewal training program for a period of one year, if

(1) the department has not withdrawn approval of the renewal training program;

(2) the applicant submits an application that meets the requirements of 8 AAC 61.635 or an affidavit stating that no changes in the program have occurred;

(3) the applicant has met the requirements of 8 AAC 61.670(b); and

(4) the initial course has not been withdrawn or revoked under 8 AAC 61.760. (Eff. 10/1/85, Register 96; am 11/7/93, Register 128; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.680 (a) and (c) are amended to read:

8 AAC 61.680. MINIMUM INSTRUCTOR QUALIFICATIONS. (a) An instructor of a training program that certifies persons under 8 AAC 61.720 must

(1) be an industrial hygienist who

(A) is certified by the American Board of Industrial Hygiene; or

(B) has asbestos field experience doing air and bulk asbestos sampling and has made written recommendations to

an employer or organization on at least three occasions,
regarding the abatement of asbestos health hazards; or

(2) have education and experience that includes

(A) at least

(i) Five [5] days of Asbestos Hazard Emergency Response Act (AHERA) Supervisor/Contractor training at an asbestos training course recognized by the U.S.

Environmental Protection Agency, [NATIONAL INSTITUTE OF OCCUPATIONAL SAFETY AND HEALTH, OR THE U.S. OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION, AND] which includes training on the subjects and procedures described in 8 AAC 61.700; and

(ii) two years of experience in asbestos abatement work, asbestos abatement training, or a combination of the two; or

(B) at least five years of experience as a safety professional.

(c) Nothing in this section prevents a person who does not meet the requirements of this section from assisting a qualified instructor in conducting a training course, except that the qualified instructor must be present at all times during the training course. The initial training course must have a minimum

of two qualified instructors that meet the qualifications under (a)(1) or (a)(2) of this section. The renewal training course may have only one instructor qualified under (a)(1) or (a)(2) of this section.

(Eff. 10/1/85, Register 96; am 2/7/86, Register 97; am / / ,
Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.700 is repealed and readopted to read:

8 AAC 61.700. INITIAL COURSE REQUIREMENTS. (a) An initial training course must

(1) be conducted in Alaska;

(2) provide two department approved instructors that meet the requirements of 8 AAC 61.680;

(3) provide at least 40 hours of instruction given in a five day period, with 14 hours of hands-on training that includes subject matter instruction on

(A) topics and definitions specified in 40 C.F.R. Part 763, Appendix C to Subpart E, (I) (B) (2) of the course requirements for contractors/supervisors in the AHERA;

(B) notification requirements specified for demolition and renovation in 40 C.F.R. Part 61, Subpart M

(National Emission Standard Hazardous Air Pollutants (NESHAP) for asbestos);

(C) proper disposal of asbestos-containing materials and clothing, including the requirements of 40 C.F.R. Part 61, Subpart M (NESHAP) and the Alaska Department of Environmental Conservation (ADEC) (18 AAC 61.450[087 AND ADEC FIELD DIRECTIVE NUMBER 2350]) pertaining to disposal of asbestos;

(D) proper emission and disposal controls and regulations in 40 C.F.R. Part 61, Subpart M (NESHAP);

(E) all of 29 C.F.R. 1926.1101 asbestos standard, including all appendices;

(F) all of 29 C.F.R. 1910.134 pertaining to respiratory protection when working with asbestos;

(G) section 8 AAC 61.1030, Additional respiratory protection standards;

(H) proper asbestos spill response, including

(i) evacuation and isolation of the spill area;

(ii) the need for exposed persons who were inadequately protected to shower and change clothes;

(iii) selection of personal protective equipment and clothing for cleaning up a spill, and;

(iv) techniques for cleaning up minor versus major asbestos fiber release after a spill;

(I) proper use and application of surfactants and encapsulants.

(b) The 14 hours of hands-on training must include, in addition to any audio-visual instruction provided;

(1) the use of barrier and decontamination systems, airlocks, and hepa-filtered negative pressure ventilation;

(2) proper tool selection, including selection of tools with HEPA vacuum attachments;

(3) proper contamination prevention and decontamination procedures;

(4) proper work area preparation, including

(A) assembly and maintenance of airlock, barrier, and decontamination systems; and

(B) recognition of flaws in a decontamination setup which could cause inhalation of asbestos fibers, or contamination of clothing or the environment;

(5) proper working techniques for minimizing fiber release as specified for various classes of work in 29 C.F.R. 1926.1101, including, but not exclusive of

(A) wet methods and use of surfactants including water injection and airless spray techniques;

(B) scoring and breaking techniques for rigid asbestos products, and

(C) glove bag techniques to meet specifications in 29 C.F.R. 1926.1101, including

(i) selection and maintenance of personal protective equipment and clothing;

(ii) pipe lagging preparation;

(iii) sequence of glove bag operations;

(iv) proper clean up, disposal, and tool decontamination procedures, and;

(v) proper cleaning and disposal of personal protective equipment and clothing.

(6) proper takedown and disposal techniques and procedures;

(7) qualitative or quantitative fit testing of each trainee in accordance with fit test protocols found in Appendix C, 29 C.F.R. 1926.1101, and;

(8) proper methods of respirator inspection, maintenance, cleaning, and storage.

(c) Only mock asbestos materials, such as plaster, may be used for the hands-on training required under (b) of this section or other practical training the instructor may provide. Real

asbestos may be used only for observation by trainees and must be enclosed in glass or plastic.

(d) Each trainee must be provided with a copy of the Alaska Occupational Safety and Health regulations, 29 C.F.R. 1926.1101, EPA asbestos regulations (40 C.F.R. Part 61, Subpart M and 40 C.F.R. Part 763) and the training manual used during the course.

(Eff. 10/1/85, Register 96; am 2/7/86, Register 97; am 1/4/90, Register 113; am 11/7/93, Register 128; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

[EDITOR'S NOTES - DEC FIELD DIRECTIVE NUMBER 2350 MAY BE OBTAINED FROM THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION, 410 WILLOUGHBY, SUITE 105, JUNEAU, AK 99801-1795.]

8 AAC 61.710(a) is amended to read:

8 AAC 61.710. EXAMINATION. (a) An examination must be given to each trainee to test the trainee's knowledge and skill in the subjects and procedures covered by the initial training course. The examination must include

(1) a closed book, written examination that tests the trainee's knowledge of the material covered in 8 AAC 61.700(a); and

(2) a practical examination that tests the trainee's

(A) skills in the techniques and procedures covered in the course under 8 AAC 61.700 (b) [(A) (4) (C) AND (A) (16) - (19)]; and

(B) ability to wear a respirator for at least one [TWO] hour[s] during activities similar to asbestos abatement work.

(Eff. 10/1/85, Register 96; am 1/4/90, Register 113; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.720 is repealed and readopted to read:

8 AAC 61.720. ISSUANCE AND DURATION OF CERTIFICATE. (a) A training provider must provide notification to the department in accordance with 8 AAC 61.745.

(b) Persons may make application for certification after successfully completing a department approved training course in accordance with 8 AAC 61.700 and 8 AAC 61.710 and including

- (1) payment of a fee in accordance with 8 AAC 61.730(a);
- (2) a head and shoulders photo which is at least 2 inches by 2 inches in size or have a photo taken at the Mechanical Inspection Office, 3301 Eagle Street, Suite 302, Anchorage, Alaska, during the hours of 8:00 am to 3:30 p.m. Monday through Friday;

(3) the person's name, height, weight, social security number, date of birth, current address, telephone number, and name of employer if applicable.

(4) the date(s) of the course attended.

(5) whether initial or renewal course.

(6) name of the training provider.

(c) The department will issue an initial certificate valid for one year from the date of successful completion of the initial course or, in the case of renewal, one year from the expiration date of the previously issued certificate. The certificate will contain the following information:

(1) the certificated person's name, height, weight, social security number, date of birth, and current address; and

(2) the date that the certificate is issued, the date that the certificate expires and the unique certificate number.

(d) For each certificated person, the department will maintain the following information:

(1) the name of the certificated person;

(2) whether the certificated person has a supervisor/contractor designation;

(3) the date that the certificated person took the initial training course;

(4) the date that the certificated person took the renewal training course, if applicable;

(5) the date that the certificated person took the initial training course examination;

(6) the name, address and telephone number of the training provider that provided the certificated person with the required training;

(7) that the person receiving the certificate has completed the requisite asbestos training for certification under TSCA Title II; and

(8) the expiration date of the certificate.

(e) Persons who have successfully completed the initial or renewal course, must, within 45 calendar days, make application to the department for certification to perform asbestos work.

(f) The department will not issue certification to a person who fails to comply with (e) above and will require the person(s) to repeat the initial or renewal course as appropriate.

(g) The department will require a person, who fails to renew a certificate in accordance with 8 AAC 61.740 within one year of the certification expiration date, to repeat the initial course in accordance with 8 AAC 61.700 and 8 AAC 61.710.

(h) A person may not perform asbestos work as defined under 8 AAC 61.600 beyond the certification expiration date. (Eff.

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10/1/85, Register 96; am 11/7/93, Register 128; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.730(a) is amended and subsection (b) is repealed:

8 AAC 61.730. [FEE AND DURATION OF]CERTIFICATE FEES. (a)
An applicant shall pay a fee of \$50 [\$100] to the department for a certificate issued under 8 AAC 61.720.

(b) Repealed / / . (Eff. 10/1/85, Register 96; am 1/4/90, Register 113; am 11/7/93, Register 128; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.735 is repealed:

8 AAC 61.735. SPECIAL REQUIREMENTS FOR PERSONS PERFORMING ABATEMENT WORK UNDER THE ASBESTOS HAZARD EMERGENCY RESPONSE ACT.
Repealed / / . (Eff. 1/4/90, Register 113; Repealed / / , Register) Authority: AS 18.31.020

8 AAC 61.740 is amended to read:

8 AAC 61.740. RENEWAL COURSE REQUIREMENTS AND RENEWAL OF CERTIFICATE. (a) A renewal course must

(1) be conducted in Alaska;

(2) provide an instructor that meets the requirements of 8 AAC 61.680; and

(3) must provide 8 hours of instruction.

(b) [A] A certificate issued under 8 AAC 61.720 may be renewed if the certificate holder pays the required fee under (c) [B] of this section and an instructor of a training program approved under 8 AAC 61.660(a) certifies that the certificate holder has completed at least 8 hours of instruction in an approved [AN 8-HOUR] renewal course under subsection (a) of this section that includes instruction in

(1) changes in state or federal regulations pertaining to asbestos abatement, if any;

(2) changes in the state-of-the-art of asbestos abatement practices and procedures, if any; [AND]

(3) the personal protective, decontamination, and disposal procedures set out in 8 AAC 61.700(a)(4), (5) and [- (A)] (6) [AND (A)(11)]; and[.]

(4) a review of the key aspects of the initial training course which includes appropriate work practices, potential health effects related to asbestos exposure, respiratory protection programs and medical surveillance programs, additional safety hazards and medical monitoring.

(c) [B] A certificate renewed under this section is valid until [FOR TWO YEARS FROM] the expiration date indicated on the issued certificate [OF THE RENEWAL COURSE]. The fee for a certificate renewal is the same as for an initial certificate under 8 AAC 61.730.

(d) [C] Renewal of a certificate under this section may be accomplished by attending a department approved renewal course in accordance with this section. [NEED NOT BE OBTAINED FROM THE INSTRUCTOR WHO ISSUED THE ORIGINAL CERTIFICATE].

(e) The qualified instructor of a training provider shall submit a class roster to the department listing those attendants that have successfully completed the renewal training specified under this section. The roster shall be submitted in accordance with 8 AAC 61.745. (Eff. 10/1/85, Register 96; am 11/7/93, Register 128; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.745 is repealed and readopted to read:

8 AAC 61.745. NOTIFICATION OF DEPARTMENT. (a) Training providers must notify the department at least 10 days prior to conducting an approved course. The notification will contain the following information

- (1) name of the training course;

- (2) name of training provider and approval number;
- (3) dates of the course;
- (4) location of the course, and;
- (5) name(s) of the course instructor(s).

(b) The training provider must notify the department at least 10 days after the completion of the initial training course of all persons who have successfully completed the requirements of 8 AAC 61.700 and 8 AAC 61.710 in accordance with 8 AAC 61.785(c).

(c) The training provider must notify the department at least 10 days after the completion of the renewal training course of all persons who have successfully completed the requirements of 8 AAC 61.740 in accordance with 8 AAC 61.785(c).

(d) The department must be notified of any changes to the training programs prior to conducting those courses in accordance with 8 AAC 61.640. (Eff. 10/1/85, Register 96; am / / , Register)
Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.750(a) is amended, paragraphs (4) - (8) are added and subsections (b) and (c) are amended to read:

8 AAC 61.750. SUSPENSION OR REVOCATION OF CERTIFICATE. (a)
The department will, in its discretion, suspend or revoke a certificate issued under 8 AAC 61.720 if a certificate holder

(1) provides false information to the employer or the department;

(2) shows evidence of a mental or physical impairment, which the department determines may interfere with the certificate holder's safe performance of asbestos abatement work; [OR]

(3) knowingly or recklessly disregards safe work practices while performing asbestos abatement work;

(4) permits the duplication or use of one's own certificate by another;

(5) performs work for which certification has not been received;

(6) Obtains certification from a training provider that does not have approval to offer training for the particular discipline from either the EPA or from AKOSH, provided AKOSH has a contractor certification plan at least as stringent as the EPA MAP;

(7) performs work requiring certification required under 8 AAC 61.600 at a job site without being in physical possession of a valid certificate; or

(8) Is civilly fined or criminally convicted under Section 16 of TSCA, 15 U.S.C. 2615 or 2647, for violations of 40 C.F.R. Part 763, or Section 113 of the Clean Air Act, 42 U.S.C. 7413, for violations of 40 C.F.R. Part 61, Subpart M.

(b) If the department suspends or revokes a certificate, the department will promptly notify the certificate holder in writing of the reason for the suspension or revocation, and that the suspension or revocation may be appealed to the commissioner within 30 days after receipt of notice of the suspension or revocation.

(c) A person whose certificate is suspended or revoked under this section shall surrender the certificate to the department. A person is ineligible to obtain a new certificate for a period of at least 90 days, but not exceeding one year, after the date of suspension or revocation, as determined by the department. A certificate obtained by a person during a period of ineligibility is not valid.

(d) In determining the period of ineligibility under (c) of this section, the department will consider the circumstances upon which the suspension or revocation is based. (Eff. 10/1/85, Register 96; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.760(a) is amended, paragraphs (5) - (7) are added and subsection (f) is added to read:

8 AAC 61.760. WITHDRAWAL OF TRAINING PROGRAM APPROVAL. (a)
The department will, in its discretion, withdraw its approval under

8 AAC 61.660(a) of a training program if the training program applicant

(1) falsifies certification records, instructor qualifications or other certification information [PROVIDES FALSE INFORMATION TO THE DEPARTMENT];

(2) fails to provide training as specified in the training program's approved plan;

(3) fails to adequately test the trainee's skill as required by 8 AAC 61.710; [OR]

(4) violates any other provision of 8 AAC 61.600 - 8 AAC 61.790.

(5) misrepresents the extent of the training course's approval by the State or EPA;

(6) fails to submit required information or notification as specified in 8 AAC 61.640, 8 AAC 61.745 and 8 AAC 61.780; or

(7) fails to maintain requisite records required in 8 AAC 61.785.

...

(f) The training course provider must permit representative(s) of the department or EPA, to attend, evaluate, monitor any course, and review any records without charge. The department or EPA are not required to give advance notice of their inspections. (Eff. 10/1/85, Register 96; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61.770(a) is amended to read:

8 AAC 61.770. APPEALS. (a) A suspension or revocation under 8 AAC 61.750, a withdrawal under 8 AAC 61.760, or a citation and penalty under 8 AAC 61.765 is final unless the person affected files an appeal with the commissioner within 30 calendar days after receipt of the notice of suspension or revocation, notice of withdrawal, or citation and penalty. The appeal must be in writing and must include

(1) a specification of objections to the department's findings, and a concise summary of facts in support of each objection; and

(2) a description of the relief sought.

8 AAC 61.780(a) is amended, and subsections (c) and (d) are added to read:

8 AAC 61.780. DEPARTMENT NOTIFICATION AND MONITORING OF TRAINING PROGRAMS. (a) A person, association, union, corporation, or other entity, including a contractor, that provides asbestos abatement training under 8 AAC 61.600 - 8 AAC 61.790 must notify the department at least ten calendar days [72 HOURS] before a training course is scheduled to begin. The notification must set

out the date, time, and address where the training will be conducted.

(b) A representative of the department will, in the department's discretion, attend a training course as an observer to verify that the training course is conducted in accordance with the program approved under 8 AAC 61.660.

(c) The department shall maintain records that document the names of all persons who have been awarded certification, the disciplines for which certification was conferred, training and expiration dates, and the training location. The department shall maintain the records in a manner that allows verification by telephone of the required information.

(d) If a training provider cancels a training class, the training provider shall notify the department no later than two working days prior to the date of the scheduled class. (Eff. 10/1/85, Register 96; am / / , Register)

Authority: AS 18.31.020 AS 18.31.200

8 AAC 61 is amended by adding a new section to read:

8 AAC 61.785. COURSE PROVIDER RECORDKEEPING. (a) All approved providers of accredited asbestos training courses must comply with the following minimum recordkeeping requirements. The training provider

(1) must retain copies of all instructional materials used in the delivery of the classroom training such as student manuals, instructor notebooks and handouts.

(2) must retain copies of all instructors' resumes and the documents approving each instructor issued by either the department or EPA. Instructors must be approved by either the department or EPA before teaching courses for certification purposes. A training provider must notify the department in advance whenever it changes course instructors. Records must accurately identify the instructors that taught each particular course for each date that a course is offered.

(3) must keep a record of each person who attends an initial training course and achieves a passing score on the exam for the initial training course. These records must clearly indicate the date upon which the exam was administered, the training course and discipline for which the exam was given, the name of the person who proctored the exam, a copy of the exam, and the name and test score of each person taking the exam. The topic and dates of the training course must correspond to those listed on that person's certification certificate.

(4) shall validate whether students have successfully completed the initial or renewal course within the past 24 calendar

months prior to allowing admission of the student into a new renewal course.

(5) must retain records for 30 years.

(b) If a training provider ceases to conduct training, the training provider shall notify the department and give the department the opportunity to take possession of that provider's asbestos training records.

(c) The training provider must submit to the department within 10 calendar days following the completion of an approved course, all of the items listed below:

- (1) dates of the training course taught;
- (2) names of approved instructors providing the course;
- (3) name of course students and their addresses;
- (4) whether initial or renewal course;
- (5) dates and results of examinations taken;
- (6) the expiration date upon when the student completed the course and examination where applicable;
- (7) proof of completion of the initial course for renewal students;
- (8) the name, address, and telephone number of the training provider approved by the department; and