

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SL&C 12647

HB 228

Senate Labor & Commerce

May 8, 2007

Division of Insurance

I. BILL PURPOSE

A. PROBLEM

1. 2005 Workers' Compensation Reform Bill
 - a. Limited medical service fee schedule to that adopted by the Work Comp Board on December 1, 2004
 - b. Freeze repealed effective August 1, 2007
2. Effect – On August 1, 2007 there will be no limitation on medical fees which will likely result in medical costs escalating

B. SOLUTION

1. Some legislation to re-establish maximum allowable reimbursements
2. Bill – Provides for a cap adjusted for inflation for provider fees

II. COST

A. SYSTEM (ATTACHMENT 1 & 2)

1. Medical
2. Indemnity

B. PREMIUM

1. Loss Cost
 - a. Historical System Cost
 - b. Trending
2. Expense – Individual Carrier Component

III. RATE HISTORY

A. NATIONAL RANKING

1. 2004 Oregon Study (ATTACHMENT 3)
2. 2006 Oregon Study (ATTACHMENT 4)

B. ALASKA RATES (ATTACHMENT 5)

IV. IMPACT (ATTACHMENT 6)

A. WITHOUT CAP

1. NCCI estimate
2. No certainty or stability or ability to predict
3. Costs continue to grow

B. WITH CAP

1. NCCI estimate
2. **EMPHASIS – DOES NOT** mean no rate increase or decrease – just one component of rate making

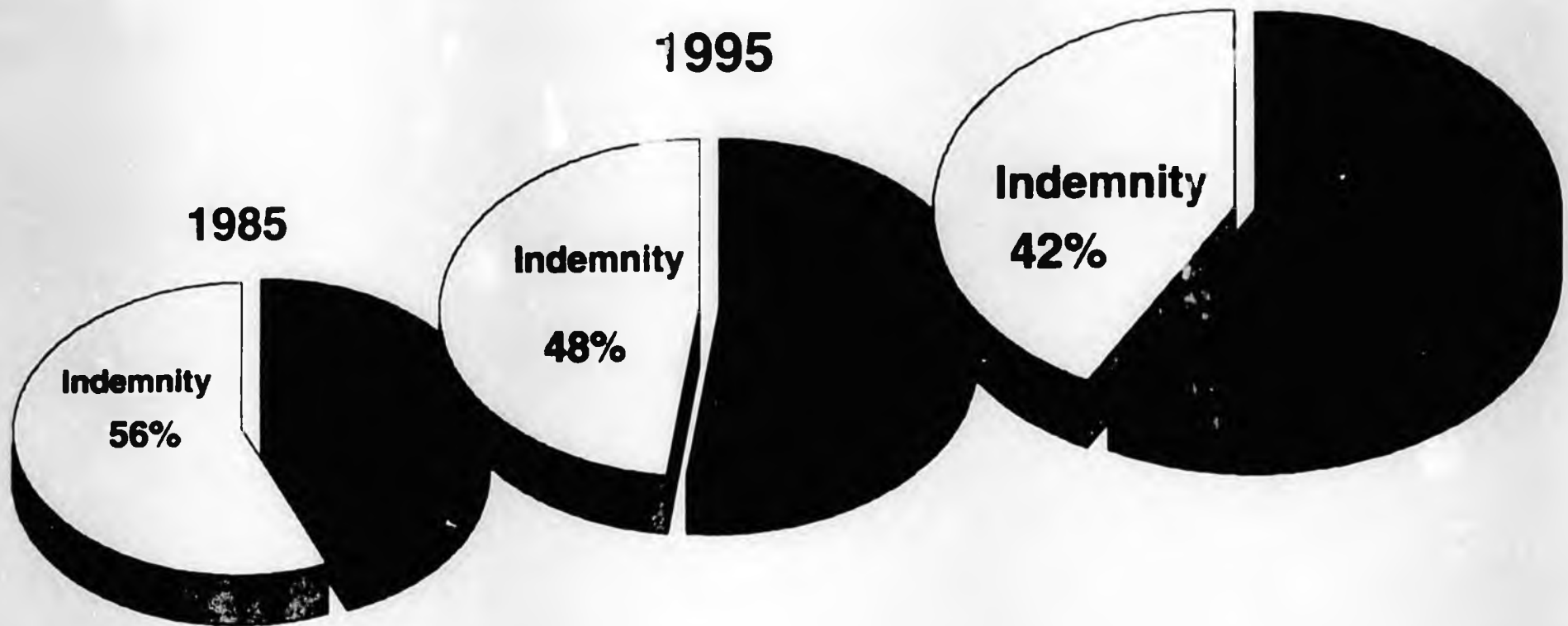
Workers Compensation Losses

All Claims—NCCI States

#1
States
All

2005p

2005p



2005p: Preliminary based on data valued as of 12/31/05
1985, 1995: Based on data through 12/31/04, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies



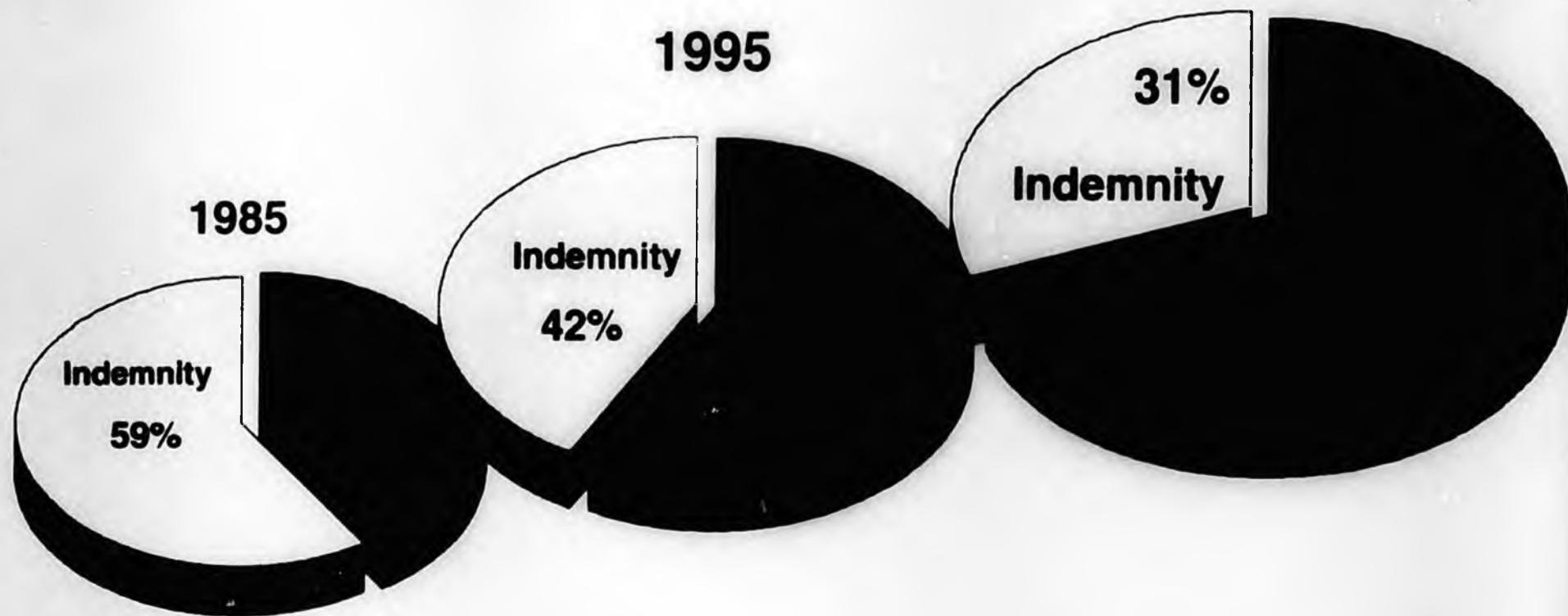
Workers Compensation Losses in Alaska

All Claims—Alaska

#2
ALASKA

2005p

+28%



2005p: Preliminary based on data valued as of 12/31/05

1985, 1995: Based on data through 12/31/04, developed to ultimate

Based on the states where NCCI provides ratemaking services

Excludes the effects of deductible policies



Oregon

Table 2. Workers' compensation premium rate ranking

2004 Ranking	2003 Ranking	State	Index Rate	Effective Date
1	1	California	6.08	January 1, 2004
2	16	Alaska	4.38	January 1, 2004
3	2	Florida	4.20	October 1, 2003
4	3	Hawaii	3.73	January 1, 2004
5	14	Ohio	3.59	July 1, 2003
6	16	Kentucky	3.48	September 1, 2003
7	4	Delaware	3.44	December 1, 2003
8	10	Montana	3.41	July 1, 2003
9	7	Louisiana	3.37	January 1, 2004
10	17	District of Columbia	3.28	November 1, 2003
11	13	Connecticut	3.23	January 1, 2004
12	18	New Hampshire	3.19	January 1, 2004
13	8	Maine	3.08	January 1, 2004
14	5	Texas	3.08	January 1, 2003
15	19	Oklahoma	3.07	2/1/02 State Fund, 1/1/04 private
16	6	Rhode Island	3.01	November 1, 1998
17	25	Vermont	2.99	April 1, 2003
18	9	New York	2.97	December 1, 2003
19	12	Alabama	2.88	March 1, 2004
20	23	Pennsylvania	2.82	April 1, 2003
21	22	Minnesota	2.74	January 1, 2004
22	28	Missouri	2.67	January 1, 2004
23	20	Illinois	2.65	January 1, 2004
24	24	West Virginia	2.64	July 1, 2003
25	29	Tennessee	2.62	March 1, 2003
26	11	Nevada	2.58	January 1, 2004
27	36	New Mexico	2.56	January 1, 2004
28	38	Wyoming	2.43	January 1, 2004
29	31	New Jersey	2.38	January 1, 2004
30	30	Michigan	2.34	January 1, 2004
31	21	Colorado	2.33	January 1, 2004
32	34	North Carolina	2.32	August 28, 2003
33	32	Wisconsin	2.27	October 1, 2003
34	27	Idaho	2.25	January 1, 2004
35	45	Washington	2.20	January 1, 2004
36	33	Mississippi	2.19	March 1, 2003
37	28	Georgia	2.14	November 1, 2001
38	39	Nebraska	2.10	February 1, 2003
39	42	South Carolina	2.08	January 1, 2004
40	40	Maryland	2.08	January 1, 2004
41	48	South Dakota	2.05	July 1, 2003
42	38	OREGON	2.05	January 1, 2004
43	43	Iowa	1.91	January 1, 2004
44	41	Kansas	1.81	January 1, 2004
45	37	Massachusetts	1.70	September 1, 2003
46	44	Utah	1.63	December 1, 2003
47	49	Virginia	1.57	April 1, 2003
48	47	Arkansas	1.57	July 1, 2001
49	46	Arizona	1.49	October 1, 2003
50	50	Indiana	1.24	January 1, 2004
51	51	North Dakota	1.08	July 1, 2003

Based on updated information, the 2002 ranking has been revised since it was originally published.

Although some states may appear to have the same index rate, the ranking is based on calculations prior to rounding to two decimal places. The index rates reflect appropriate adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends.

Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work.

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440-2082 (12/04/COM)

#4
Oregon 2006

Table 2. Workers' compensation premium rate ranking

2006 Ranking	2004 Ranking	State	Index Rate	Percent of study median	Effective Date
1	2	Alaska	8.00	201%	January 1, 2006
2	1	California	4.13	166%	January 1, 2006
3	7	Delaware	3.91	158%	December 1, 2005
4	6	Kentucky	3.78	152%	October 1, 2005
5	8	Montana	3.69	149%	July 1, 2006
6	3	Florida	3.32	134%	January 1, 2006
7	17	Vermont	3.24	130%	April 1, 2006
8	13	Maine	3.21	129%	January 1, 2006
9	19	Alabama	3.17	128%	March 1, 2006
10	18	New York	3.15	127%	October 1, 2005
11	9	Louisiana	3.10	125%	September 1, 2005
12	5	Ohio	3.00	121%	July 1, 2005
13	15	Oklahoma	2.98	119%	2/1/06 State Fund, 7/1/06 Private
14	11	Connecticut	2.90	117%	January 1, 2006
15	4	Hawaii	2.89	116%	January 1, 2006
16	10	District of Columbia	2.88	115%	November 1, 2005
17	14	Texas	2.84	114%	January 1, 2006
18	20	Pennsylvania	2.80	113%	April 1, 2005
19	12	New Hampshire	2.75	111%	January 1, 2006
20	23	Illinois	2.69	108%	January 1, 2006
21	21	Minnesota	2.69	108%	January 1, 2006
22	16	Rhode Island	2.68	108%	January 1, 2006
23	29	New Jersey	2.62	102%	January 1, 2006
24	22	Missouri	2.50	101%	January 1, 2006
25	30	South Carolina	2.50	101%	July 1, 2006
26	25	Tennessee	2.48	100%	July 1, 2005
27	27	New Mexico	2.41	97%	January 1, 2006
28	28	Wyoming	2.40	96%	January 1, 2006
29	31	Colorado	2.40	96%	January 1, 2006
30	26	Nevada	2.36	95%	January 1, 2005
31	36	Mississippi	2.29	92%	March 1, 2006
32	34	Idaho	2.29	92%	January 1, 2006
33	38	Nebraska	2.25	91%	February 1, 2006
34	24	West Virginia	2.20	88%	January 1, 2006
35	33	Wisconsin	2.18	88%	October 1, 2006
36	35	Washington	2.17	88%	January 1, 2006
37	32	North Carolina	2.17	87%	April 1, 2006
38	46	Utah	2.06	83%	December 1, 2005
39	30	Michigan	2.05	82%	January 1, 2006
40	40	Maryland	2.03	82%	January 1, 2006
41	37	Georgia	2.02	82%	July 1, 2006
42	42	OREGON	1.97	79%	January 1, 2006
43	44	Kansas	1.84	74%	January 1, 2006
44	41	South Dakota	1.83	74%	July 1, 2005
45	43	Iowa	1.75	71%	January 1, 2006
46	49	Arizona	1.73	70%	October 1, 2005
47	45	Massachusetts	1.70	68%	September 1, 2006
48	48	Arkansas	1.59	64%	July 1, 2005
49	47	Virginia	1.52	61%	November 1, 2005
50	50	Indiana	1.24	50%	January 1, 2006
51	51	North Dakota	1.10	44%	July 1, 2005

Although some states may appear to have the same index rate, the ranking is based on calculations prior to rounding to two decimal places. The index rates reflect appropriate adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends.

Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work.

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440-2082 (10/06/COM)

Historical Workers Comp Rate Changes in Alaska

Rate
History

Date	Total Premium Level Change	Change Due to Experience	Effect of Law and other changes	Cumulative Change
8/1/1959	6.0%	0.864	1.241	1.080
12/1/1960	-1.3%	0.986	1.001	1.046
12/31/1961	6.2%	1.062	1.000	1.111
12/31/1962	-0.4%	0.993	1.003	1.106
12/31/1963	-5.4%	0.946	1.000	1.047
10/1/1964	15.1%	1.086	1.050	1.204
9/1/1965	-0.3%	0.997	1.000	1.201
10/1/1966	-11.6%	0.870	1.014	1.056
11/1/1967	-3.1%	0.969	1.000	1.027
1/1/1968	7.2%	1.046	1.022	1.101
11/1/1969	1.6%	1.061	0.958	1.119
10/1/1970	5.4%	0.988	1.067	1.179
4/1/1972	-5.2%	0.944	1.000	1.118
6/18/1972	15.6%	1.000	1.158	1.296
3/1/1973	-3.1%	0.969	1.000	1.284
6/1/1974	34.2%	1.207	1.112	1.664
6/1/1975	46.3%	1.109	1.320	2.464
11/1/1976	3.7%	0.918	1.130	2.556
2/1/1977	0.6%	1.000	1.060	2.709
9/1/1977	-18.6%	1.000	0.814	2.206
3/1/1978	-3.6%	1.040	0.927	2.127
6/1/1978	-0.6%	1.000	0.992	2.110
10/1/1978	13.1%	1.131	1.000	2.366
12/1/1979	1.6%	0.985	1.034	2.430
4/1/1980	-5.9%	1.000	0.941	2.267
1/1/1981	9.6%	1.100	0.996	2.510
1/1/1982	4.5%	1.034	1.011	2.624
1/1/1983	-4.6%	0.964	1.000	2.503
1/1/1984	-8.0%	0.893	1.030	2.303
7/1/1984	5.0%	1.000	1.050	2.418
1/1/1985	0.1%	1.001	1.000	2.420
5/1/1985	7.3%	1.000	1.073	2.567
3/1/1986	0.0%	1.000	1.000	2.567
1/1/1987	14.3%	1.143	1.000	2.966
1/1/1988	25.1%	1.251	1.000	3.713
7/1/1988	-5.7%	1.000	0.943	3.501
1/1/1989	0.0%	1.000	1.000	3.501
1/1/1990	-4.1%	0.959	1.000	3.356
1/1/1991	-6.2%	0.963	1.000	3.301
1/1/1992	-3.2%	0.968	1.000	3.195
1/1/1993	-8.5%	0.915	1.000	2.924
1/1/1994	2.4%	1.024	1.000	2.964
1/1/1995	2.6%	1.026	1.000	3.072
1/1/1996	-7.1%	0.929	1.000	2.853
1/1/1997	-10.3%	0.897	1.000	2.560
1/1/1998	-8.3%	0.917	1.000	2.347
1/1/1999	-8.5%	0.915	1.000	2.148
1/1/2000	0.0%	1.000	1.000	2.148
7/1/2000	7.9%	1.000	1.079	2.317
1/1/2001	0.0%	1.000	1.000	2.317
1/1/2002	10.2%	1.100	1.002	2.564
1/1/2003	3.5%	1.035	1.000	2.643
1/1/2004	21.2%	1.212	1.000	3.204
1/1/2005	12.0%	1.120	1.000	3.586
1/1/2006	7.0%	1.070	1.000	3.639
1/1/2007	-10.5%	0.895	1.000	3.436
Cumulative Change		1.565	2.452	

*In 1999 NCCI began filing loss costs for the voluntary market

**NCCI implemented a new methodology for determining the assigned risk expense load.

***Includes change in methodology for maritime classes.

ANALYSIS OF THE CHANGES TO THE ALASKA PHYSICIAN FEE SCHEDULE PROPOSED IN CSHB 228 (L&C), AS AMENDED, TO BE EFFECTIVE AUGUST 1, 2007

NCCI estimates that the changes to the physician fee schedule proposed in House Bill (HB) 228, as amended, will result in an overall workers compensation system cost increase in Alaska of between +0.8% and +1.3% (\$3.7 M to \$6.0 M).

If there is no change to the current law, the existing physician fee schedule will sunset on August 1, 2007, with no replacement. NCCI estimates that the impact of the fee schedule sunsetting, with no replacement schedule, would result in an overall workers compensation system cost increase in Alaska of between +4.5% and +5.8%.

Background

The current workers compensation medical fee schedule in Alaska became effective December 1, 2004. This fee schedule was based on the 90th percentile of usual, customary and reasonable fees for similar services as reported to Ingenix at the time the fee schedule was established. Senate Bill 130, enacted in 2005, froze the medical fee schedule at the December 2004 levels until August 1, 2007.

Alaska HB 228, as amended, proposed to be effective August 1, 2007, increases the maximum allowable reimbursements (MARs) from the December 1, 2004 physician fee schedule by the change in the medical care component of the U.S. Consumer Price Index for all urban consumers from 2004 to 2006. This proposed fee schedule would apply to services provided on or after August 1, 2007 but before March 31, 2009.

Actuarial Analysis

The methodology used to estimate the cost impacts due to the changes proposed in HB 228, as amended, is as follows:

Charges for various medical procedures under the physician fee schedule were obtained from medical transaction data. These charges were adjusted to reflect changes from past price levels to the price levels projected to be in effect on August 1, 2007. Trend factors used for the projections were based on the U.S. and Western region professional components of the medical consumer price index (MCPI), along with the U.S. and Anchorage MCPI (all medical components) for the period 2004-2006, shown in the following table:

	U.S. MCPI (Prof. Component)		Western Region (Prof. Component)		U.S. MCPI (All Medical Components)		Anchorage MCPI (All Medical Components)	
	2003	Change	2003	Change	2003	Change	2003	Change
2003	261.16	2.9%	245.17	3.3%	297.08	4.0%	N/A	N/A
2004	271.48	4.0%	255.52	4.2%	310.13	4.4%	N/A	N/A
2005	281.70	3.8%	264.65	3.6%	323.20	4.2%	344.20	N/A
2006	289.33	2.7%	271.54	2.6%	336.20	4.0%	356.10	3.5%

Source: Economy.com; N/A = Not Available

#6
8.2

Based on the changes in the above indices, annual trend factors in the range of +2.5% to +4.5% were applied to medical transaction data for physician services performed in 2003-2004 to project the price levels that would be in effect on August 1, 2007. The lesser of the projected charge and the current maximum allowable fee was used to determine the current cost level for each procedure. Similarly, the lesser of the projected charge and the proposed maximum allowable fee was used to determine the proposed cost level for each procedure. The proposed maximum allowable fees were determined by increasing the current maximum allowable fees by the change in the U.S. MCPI from 2004 to 2006 of 8.4% ($= 336.20 / 310.13 - 1$).

The estimated impact on physician costs was determined to be an increase of between +1.8% and +2.9%. This was calculated as the ratio of the total projected costs of procedures under the proposed fee schedule to the total projected costs of procedures under the current fee schedule.

This impact was then multiplied by the estimated ratio of physician costs to medical costs in Alaska (66.4%) to yield an increase on medical costs of between +1.2% and +1.9%. The impact on medical costs was then multiplied by the projected ratio of medical costs to total benefit costs in Alaska (70.2%) to yield an overall increase of between +0.8% and +1.3%.

The results are summarized in the table below:

(1)	Impact on Physician Costs	+1.8% to +2.9%
(2)	Physician Costs as % of Medical Costs in Alaska	66.4%
(3)	Impact on Medical Costs = (1) x (2)	+1.2% to +1.9%
(4)	Medical Costs as % of Total System Costs in Alaska	70.2%
(5)	Impact on Overall Workers Compensation System Costs In Alaska, based on 8.4% increase to current 12/1/2004 physician fee schedule = (3) x (4)	+0.8% to +1.3%



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May 1, 2007

The Honorable Johnny Ellis
Alaska State Senate
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ellis:

The Alaska Municipal League Joint Insurance Association (AMLJIA) supports House Bill 228 and I encourage you to hear the bill in committee as soon as possible.

The AMLJIA is a not-for-profit self-insurance pool for approximately 152 cities, boroughs and school districts organized under AS 21.76. Member local government entities self-insure for the first \$500,000 of each workers' compensation loss and purchase reinsurance to statutory limits.

By its design, the pool is considered an efficient risk-financing mechanism because there is no pressure to generate shareholder profit. Rates are calculated to cover expected losses, loss development from prior years, any incurred but not reported losses, the cost of reinsurance and administrative overhead (claims handling, etc.).

As you are obviously aware, when the Alaska State Legislature passed the workers' compensation reform package in 2005, medical costs were frozen at 2004 rates until August of 2007. As August approaches and the session has reached its half-way point, I have become increasingly concerned about the thawing of the 2004 rate freeze. Although I'm not a legal scholar, it appears to me that this important issue can only be resolved by a legislative action this session.

Shortly after the passage of SB130, the Medical Services Review Committee was resurrected to advise the Alaska Workers' Compensation Board and the Department of Labor in matters involving the appropriateness, necessity, and cost of medical and related services under the Alaska Workers' Compensation Act. I was appointed to this committee along with eight others. Throughout 2005, the committee met to formulate recommendations specifically surrounding this issue. The report was provided to the legislative task force chaired by then Senator Seekins. I felt there were several good recommendations in the report. The report is available from the Division of Workers' Compensation and I encourage you to review it during the interim as we forge ahead to solve Alaska's Workers' Compensation problems.

While I lack sufficient knowledge to recommend what adjustment is appropriate, it does seem fair to me to provide for some inflationary protection for the providers.

Thank you for addressing this critical issue. Please let me know if I can be of further help.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin'.

Kevin Smith
Executive Director

PROTECT

A service of the ALASKA MUNICIPAL LEAGUE

Handwritten initials 'DD' in black ink, located in the bottom left corner of the page.

Alaska State Legislature

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Member

House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly

House District 7

MEMORANDUM

DATE: April 17, 2007
TO: Representative Mike Kelly
FROM: Derek Miller
RE: Changes to HB 228 in CS HB 228 (L&C) (25-LS0773\K)

The CS for HB 228 (25-LS0773\K) clarifies that the Consumer Price Index (CPI) used to adjust medical rates from August 1, 2007 to March 31, 2009 is the medical care component of the National CPI.

Changes:

Section 1: Page 2, line 3, deletes "for the Anchorage metropolitan area"

Sections 2 – 5: No changes.

HEB

233

SENATE COMMITTEE REPORT

DATE: 5/3/07

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/6/08

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 233(L&C)

HB 233 UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS

"An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives."

and recommends:

- be replaced with SCS or CS CHB 233 (L&C)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input checked="" type="checkbox"/> Same Title	
<input type="checkbox"/> New Title	
<hr/>	
HOUSE BILL:	
<input checked="" type="checkbox"/> Same Title	
<input type="checkbox"/> Technical Title Change	
<input type="checkbox"/> New Title w/ SCR # _____	

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED	2/12/08			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC'D	AMEND
<i>[Signature]</i>	Bundo	✓			
<i>[Signature]</i>	DAVIS	✓			
CHAIR: <i>[Signature]</i>	Fili's	✓			



**ALASKA STATE LEGISLATURE
HOUSE RULES COMMITTEE
REPRESENTATIVE JOHN COGHILL, CHAIRMAN**

State Capitol Juneau, AK 99801-1182 (907) 465-3719
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

Sponsor Statement

**HB 233 "An Act relating to giving notice of unclaimed net margin
distributions made by electric and telephone cooperatives"**

The purpose of HB 233 addresses the sometimes burdensome and ineffective noticing requirements of unclaimed property law regarding capital credits of electric and telephone cooperatives. Electric and telephone cooperatives from time to time receive excess revenue from members that exceed the expenses of operations. The cooperative keeps these excess revenues in a member-owned capital account called capital credits, on behalf of the member.

Cooperatives may refund a portion of accumulated capital credits, but in some cases the cooperative seeking to refund the capital credits no longer has a valid address for the member. As a result, many go unclaimed. Current Alaska unclaimed property law allow the credits to revert back to the cooperative as long as the cooperative, at least six months prior to the reversion 1) mailed a notice to last known address of the member; 2) publishes a notice of proposed reversion in the same manner required for publishing a service of summons by publication; and, 3) publishes a notice of the unclaimed capital credits four times, during four consecutive calendar weeks in a newspaper of local circulation.

While mailing to last known address of members sometimes result in finding members, newspaper publication does not result in a significant increase in the number of members who cash their capital credit checks, particularly for rural cooperatives. As a result, cost of compliance with this notice requirement is significant and the effectiveness is questionable. HB 233 allows cooperatives the option of using the internet, instead of newspaper publication, to notify its members of unclaimed capital credits. Alaska is the most "wired" state in the country and this bill allows for cooperatives to notify its members using a method most likely to reach them.



**ALASKA STATE LEGISLATURE
HOUSE RULES COMMITTEE
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Sectional

HB 233 "An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives"

Section 1. Specifies that electric and telephone cooperatives who have internet websites have the option to post unclaimed net margins on their internet website and post their website in a newspaper of local distribution.

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Member

House Finance Committee
Legislative Budget & Audit

Representative Mike Kelly

House District 7

MEMORANDUM

DATE: April 27, 2007
TO: Representative John Coghill
FROM: Derek Miller
Legislative Aide
RE: Changes to HB 233 in CSHB 233 (L&C) (25-LS0779\O)

The CS for HB 233 (25-LS0779\O) requires electric and telephone cooperatives with internet websites to post for at least 180 days on their website, a list of the persons for whom the cooperative has unclaimed capital credits.

Changes:

Section 1: On page 2, line 4, deletes "30" and inserts "180"

No other changes to the bill.

LETTERS SUPPORTING

April 20, 2007

Labor and Commerce Committee
Alaska House of Representatives
Juneau, Alaska

Re: AVEC's Testimony on HB 233, Unclaimed Cooperative Distributions

Honorable Committee Members:

My name is Meera Kohler. I am the President & CEO of Alaska Village Electric Cooperative (AVEC). We are a non-profit electric utility that serves 52 villages, primarily in northwest and western Alaska. The 21,000 residents of our communities represent almost half of Alaska's village population.

We are a borrower from the USDA Rural Utilities Service and are required by our mortgage covenants to generate a modest "profit" each year from our operations. These profits or "margins" are allocated back to our member-owners as "capital credits" each year. The allocation is essentially done on a pro-rata basis. In other words, if the member contributed 10% of our gross electric revenues, then they will have 10% of the margins allocated to them.

Several years later, the capital credits are returned to the members, either by a credit to their electric account or by check. In a number of cases, the member has left the community, sometimes without leaving a forwarding address. These are the members whose distributions go unclaimed. If we are unsuccessful in tracking down the member, their distribution eventually reverts back to AVEC and is placed in an account used exclusively for student scholarships.

At issue here is how efforts are made to locate the missing members. Present law requires publication of the members' names in a newspaper of general circulation in our judicial district. Since our cooperative serves members in 52 disparate villages, we wind up spending many thousands of dollars to publish in a number of different newspapers. We do have a website, and the names of unlocatable members are continuously published there.

Passage of this legislation will help all of the members of Alaska's non-profit electric and telephone cooperatives. Money that is not spent on newspaper advertising would increase margins and would remain in the pockets of the utility consumers of Alaska. It would also recognize that modern technology provides very inexpensively what previously necessitated expensive and time-consuming efforts.

Your support of HB 233 is respectfully urged.

Thank you,

**Meera Kohler
President & CEO**

**Written Testimony of Robert A. Wilkinson
Copper Valley Electric Association Inc.
before
House Labor & Commerce Committee
on
House Bill 233**

Unclaimed Net Margin Distributions by Electric and Telephone Cooperatives

Good afternoon, members of the House Labor & Commerce Committee. My name is Robert A. Wilkinson, and I am the Chief Executive Officer of Copper Valley Electric Association. CVEA is a member owned non-profit electric cooperative organized under Alaska Statute 10.25. CVEA provides central station electric service to 3,600 customers along 260 miles of the Glenn, Richardson, and Edgerton Highways. Included in our service area is the City of Valdez and a dozen communities spread across the Copper River Basin.

Article 7 of the Cooperative's Bylaws provides that all income received from the members in excess of operating costs and expenses are furnished as capital or net margins with the expectation that one day said net margins will be refunded to the member. Net margins are held in an account in the member's name until such time as the Cooperative authorizes a refund. Often, net margins may be retained by the cooperative for a generation or longer before refunds are authorized. Many Alaska cooperatives, including CVEA, have a scheduled period for refunding net margins on a 20 year cycle.

In addition to the length of time between when the margins are provided by the member and when they are refunded, there are other considerations which lead to a large number of unclaimed net margins. During the summer months, recreation, tourism, government and fishing industries employ seasonal workers. Other

industries also seem to contribute to the turnover of our membership. This continual turnover of community residents results in a very large number of former members who cannot be located when it comes time to mail a refund check. A recent analysis of our current membership revealed the following interesting statistics:

- Only 1 in 5 members has been on the CVEA system 20 years or longer.
- ½ of our current membership has been on the CVEA system 10 years or less.
- 90% of CVEA's current members have joined the Cooperative since 1980.

The end result of the foregoing discussion is that CVEA has a substantial number of invalid addresses for the intended distributions. Current law requires that in addition to mailing a notice of reversion to the last known address the Cooperative is required to publish a notice in a newspaper in accordance with Alaska Rule of Civil Procedure 4. Such a publication is very expensive and, at least in CVEA's experience, is questionably effective.

This past year following CVEA's 2004 net margin distribution, we posted names of persons with unclaimed distributions on our website (www.cvea.org). While we have no empirical data to support our claim, the consensus of our accounting personnel is that website advertising is more effective than newspaper advertising for a growing number of reasons. More people are using the internet every day, CVEA promotes the website as a place to find this information, the site can be up and available longer, it is always "on", and use of the internet for communicating with customers about important information is gaining widespread acceptance and for that reason more members are using it as their source of information about the Cooperative. Finally, research indicates a growing number of states are using the

power of the internet for providing public notice related to unclaimed property including the Alaska Department of Revenue.

There is one other shortcoming of the existing unclaimed property act with respect to noticing unclaimed margin distributions and that is the expense of newspaper publication. In the case of CVEA the cost to publish the names of persons with invalid addresses runs into the thousands of dollars each year we make a disbursement. While internet posting will certainly result in some administrative cost, it will be a fraction of the cost of publishing those same names in the local or Anchorage newspaper. Perhaps of greater concern is the opportunity cost of not spending those publication dollars on charitable, scientific, or educational programs. Alaska Statute 10.25.10 provides that cooperatives may make donations for the public welfare. In the case of CVEA, \$100,000 has been awarded in scholarships to graduating seniors, all funded with escheated capital from unclaimed distributions. House Bill 233 will help to minimize the cost of noticing and maximize the dollars available for assisting with post secondary education.

In closing, I thank the Committee for the opportunity to testify on this important legislation, I truly believe this legislation will be good for electric cooperative customers. I urge the Committee to move this bill for the many sound reasons discussed in my testimony.

Thank you.

**WITB PAPER ADDRESSING
Alaska Unclaimed Property Act
as it Pertains to Electric and Telephone Cooperatives
Organized Under AS 10.25**

February 22, 2007

Purpose of this paper

The purpose of this paper is to describe the sometimes burdensome and ineffective noticing requirements of Alaska's unclaimed property law in regards to capital credits of electric and telephone cooperatives. This paper also suggests ways to improve the law to benefit members of Alaska's cooperative utilities by allowing cooperatives to take advantage of changing technology to contact their members.

Electric and Telephone Cooperative Act

Electric and telephone cooperative utilities organized under AS 10.25 operate on a nonprofit basis. Revenues received which exceed the expenses of operations are furnished to the cooperative by the member with the understanding that the cooperative will retain those excess revenues in a capital account on behalf of the member. The member-owned capital account is called capital credits.

From time to time electric and telephone cooperatives may refund a portion of accumulated capital credits.

Member Refunds May Go Unclaimed

The length of time between when the cooperative receives the excess revenue and when the cooperative attempts to refund capital credits can be 20 years or longer. In some cases the cooperative seeking to refund capital credits no longer has a valid address for the member. As a result, those capital credits may go unclaimed.

Alaska's Unclaimed Property Statute as it Pertains to Capital Credits

Under Alaska's unclaimed property law, capital credits are presumed abandoned if they remain unclaimed by the member for more than one year after the date authorized for distribution. (AS 34.45.200(c)). The abandoned capital credits revert to the cooperative so long as the cooperative, at least six months prior to the reversion, (1) mails a notice of the proposed reversion to the last-known address of the member as shown on cooperative records, and (2) publishes a notice of the proposed reversion in the same manner required for publishing a service of summons by publication. The second requirement requires the cooperative to publish a notice of the unclaimed capital credits four times during four consecutive calendar weeks, once each week, in a newspaper of local circulation. (See Alaska R. Civ. P. 4(e)(2)). Providing notice by publication for a court

case is a last resort that is generally used only when it appears that no other alternative means of notice is available.

The Problem for Alaska Cooperatives

AS 10.25.010(13) provides that electric and telephone cooperatives may make donations for the public welfare or for charitable, scientific, or educational purposes. Many cooperatives use unclaimed capital credits as a source of revenue to fund charitable programs, specifically scholarship programs. While mailings to the last known address of members sometimes result in finding members, for some cooperatives (particularly those outside of urban areas), newspaper publication does not result in a significant increase in the number of members who cash their capital credit checks.

As a result, the effectiveness of the publication by notice requirement of AS 34.45.200(c) is questionable and the cost of compliance can be significant when compared to other methods of notice that take advantage of improved communications technology. The end result is that dollars that might be better spent on other means of providing notice or donated to charity, are instead spent on publishing newspaper advertisements.

What Do Other States Do?

There are over 900 electric cooperatives in the United States.

Research regarding notice requirements for unclaimed capital credits in other states indicates there are a variety of policies for addressing this issue. Many of the modern rules for providing notice take advantage of the power of the internet:

- Four states allow cooperatives to provide electronic notice to owners of unclaimed capital credits.
- Two of the aforementioned states require cooperatives to publish in newspapers the web address where the list of unclaimed credits can be found.
- Some states require a notice only in communications to members.
- One state does not require a notice.
- Eleven states are required to publish names in local newspapers from one to four times.

Other Precedent

Using the internet for noticing unclaimed property has some foundation elsewhere in Alaska's unclaimed property statutes. Under AS 34.45.310(b)(1), the Department of Revenue provides notice to owners of other kinds of unclaimed property using an internet website.

The Department also may notify apparent owners through newspaper publication or any other method it deems efficient. See AS 34.45.310(2). Because electronic notice is already required for unclaimed property held by the Department, there is good reason to believe electronic notice should be sufficient for unclaimed capital credits.

Conclusion

Alaska is the most "wired" state in the country when it comes to internet usage. It makes sense to allow cooperatives to pick the method of notice to their members that will be the most likely to reach them. Simple legislation will allow Alaska cooperatives to harness the power of the internet to inform their members and former members of their unclaimed capital credits. As can be seen above, this is consistent with steps taken by other state legislatures and with the State of Alaska's own approach to other forms of unclaimed property. Suggested language to modify AS 34.45.200 (e) is attached.

2/26/2007

CVFA

Suggested language to address problems with unclaimed property noticing requirements pertaining to capital credits of Alaska's electric and telephone cooperatives.

AS 34.45.200. Stock and Other Intangible Interests in Business Associations.

(a) Stock or other equity interest in a business association is presumed abandoned five years after the earliest of the date

- (1) of the most recent dividend, stock split, or other distribution unclaimed by the owner;
- (2) that a statement of account or other notification or communication concerning the stock or other equity interest was returned as undeliverable; or
- (3) that the holder of the stock or other equity interest discontinued mailings, notifications, or communications to the owner.

(b) Unmatured or unredeemed debt of a business association, other than a bearer bond or an original issue discount bond, is presumed abandoned five years after the date of the most recent interest payment unclaimed by the owner.

(c) Matured or redeemed debt, including bearer bonds and original issue discount bonds, is presumed abandoned five years after the date of maturity or redemption.

(d) At the time property is presumed abandoned under this section, any other property right accrued or accruing to the owner as a result of the property interest and not previously presumed abandoned is also presumed abandoned.

(e) A distribution of net margins by a cooperative incorporated under AS 10.25 is presumed abandoned if the distribution remains unclaimed by the owner for more than one year after the date authorized for the distribution. The distribution presumed abandoned under this subsection reverts to the cooperative if the cooperative has, at least six months before the proposed date that the distribution reverts to the cooperative,

- (1) mailed a notice of the proposed reversion to the last known address of the owner as shown on the cooperative records; and either
 - (2) published notice of the proposed reversion in the manner provided by law or court rule for service of a summons by publication; or
 - (3) posted the owner's name on a list of unclaimed capital credit owners on the cooperative's web site and published a newspaper ad notifying the public of the website where the list of unclaimed capital credit owners can be found.
-

25th
ALASKA STATE LEGISLATURE

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Lyman Hoffman
Senator Con Bunde



State Capitol, Room 9
465-3704

Senate Labor & Commerce Committee

HB 233 UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS Changes from version O to version T

Version O:

- Mandates that if an electric cooperative has a website, that the list of names of persons who have unclaimed distributions be published in the usual manner of unclaimed property ("manner provided by law or court rule for service of a summons by publication"), or
- Post on the website for at least 180 days a list of those persons, and
- Publish a notice in a general circulation newspaper in the cooperative's judicial district directing readers to go to the website for the list. The bill also defines a newspaper of general circulation by reference to statute (AS 09.35.140).

Version T:

- If the cooperative has a website, it must post the list of names for at least 180 days on the site, and
- Must post a notice on the home page that the list is on the site. That notice must contain a link to the list and the following prominently displayed notice line in all capital letters: "DO WE OWE YOU MONEY? UNCLAIMED (NAME OF COOPERATIVE) CAPITAL CREDITS," and
- Publish once a week for four consecutive weeks a similar notice in a general circulation newspaper in the cooperative's judicial district. If the newspaper has an internet edition, the notice is to be simultaneously published there.
- A newspaper of general circulation is defined as in version O.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 22, 2007

SUBJECT: Bill relating to the treatment of certain unclaimed distributions made by electric and telephone cooperatives (Work Order No. 25-LS0779\A)

TO: Representative Mike Kelly
Attn: Derek Miller

FROM:  Theresa Bannister
Legislative Counsel

This memo accompanies a draft of the bill described above.

Net margins. Since AS 34.45.200(e) uses "net margins" rather than "capital credits," the draft continues this use in the material that you requested. If you want to use "capital credits" instead, that can be done, but the term should then be changed throughout AS 34.45.200(e).

If I may be of further assistance, please advise.

TLB:med
07-189.med

Enclosure

HEB

289

SENATE COMMITTEE REPORT

DATE: 3/14/08

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 289(FSH)

HB 289 EMPLOYMENT TAX EXEMPTION: SPILL RESPONSE

"An Act exempting employers from paying unemployment tax for temporary services provided by fishing vessel crewmembers and related to emergency oil spill training and response activities; and providing for an effective date."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Title	Amount	Fiscal Year	Funding Source

PREVIOUS FISCAL NOTE(S):

Department	Title	Amount	Fiscal Year	Funding Source
DOCLWD	2/19/08			✓

APPROPRIATION - no fiscal note

Name	Signature	Date	Vote	Comments
C. Kuntz	Burke		✓	
B. Davis	DAVIS		✓	
CHAIR: J. Ellis	ELLIS		✓	

Alaska State Legislature

Speaker John Harris
Room 208
Juneau, AK 99801
Phone: 907-465-4859



Rep. Paul Seaton
Room 102
Juneau, AK 99801
Phone: 907-465-2689

House District 12 ~ House District 35

HB 289 encourages participation in the state's oil spill response program by exempting fishing vessel owners and crew who participate from having to pay unemployment taxes while they are performing oil spill response duties.

Vessel owners and crew members undergo oil spill response training to be prepared to respond to state disasters as a service to the state on a voluntary basis. Training for the program and responding to small spills only takes a few days at a time, filing paperwork and paying unemployment taxes for such a short period of service is unreasonably burdensome. Because commercial fisherman are not covered by unemployment insurance when they engage in commercial fishing, most will not be in a position to have enough service time accrued to collect unemployment after having only worked a handful of qualified days in the oil spill response program.

In the unfortunate event of a large spill (such as the Exxon Valdez), if vessels spend seven or more continuous days responding to an oil spill vessel owners would be required to participate in the unemployment system and their crew would be covered.

In summary, HB 289 encourages fisherman to continue to participate in the state's oil spill response program by removing burdensome unemployment requirements. The state needs more vessels willing and able to respond to such disasters and must work to remove barriers to their participation.

Katie Shows

From: Louie Flora
Sent: Wednesday, January 23, 2008 4:10 PM
To: Katie Shows
Subject: FW: Harris bill on Fishing Vessel Program

From: Scavera, Paula D (DOL) [mailto:paula.scavera@alaska.gov]
Sent: Wednesday, January 23, 2008 1:54 PM
To: Louie Flora
Cc: Kramer, William T (DOL)
Subject: FW: Harris bill on Fishing Vessel Program

Here you are. Thank you. Paula

From: Johnston, Robert - ETA
Sent: Mon 11/26/2007 9:01 AM
To: 'Richard Berkowitz'
Cc: McGucken, John - ETA; Hildebrand, Gerard - ETA; ONeal, Pat - ETA
Subject: RE: Harris bill on Fishing Vessel Program

Mr. Berkowitz,

I have reviewed the draft legislation that you provided regarding the Alaska UI coverage issue for fishermen participating in oil spill exercises/drills/response. As drafted, it does not appear to create any issues with Federal unemployment compensation law and as such will not endanger the certification of Alaska's UC law under FUTA.

I cannot give you any opinion as to how the Internal Revenue Service will view these payments for purposes of collecting the Federal Unemployment Tax. However, I do refer you to Unemployment Insurance Program Letter (UIPL) 36-96 which explains in brief treatment of fishermen under FUTA. You can find that UIPL at:

http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=730#attachment

Please feel free to contact me if you have any further questions.

Bob

Robert Johnston, Supervisor
State Conformity and Compliance Team
U.S. DOL Office of Workforce Security
Division of Legislation
202-693-3005

Any advice provided in this e-mail represents an informal, staff-level opinion. If you would like a formal opinion, please write Cheryl Atkinson, Administrator, Office of Workforce Security, 200 Constitution Ave. NW, Room S-4231, Washington, DC 20210.

-----Original Message-----

1/31/2008

From: Richard Berkowitz [mailto:tinstitute@qwest.net]
Sent: Wednesday, November 21, 2007 8:06 PM
To: Johnston, Robert - ETA
Subject: FW: Harris bill on Fishing Vessel Program

Mr. Johnston,

Per our conversation regarding the Alaska UI coverage issue for fishermen participating in oil spill exercises/drills/response, I am forwarding the draft legislation to you and would welcome any comments you may share. I am particularly interested in the IRS-FUTA issue and whether the exclusion of fishermen by state statute would pass muster with them.

Once again, thanks for your advise and assistance.

Regards,

Rich

Rich Berkowitz
Director, Pacific Coast Operations
Transportation Institute
2200 Alaskan Way, Ste. 110
Seattle, WA 98121
(206) 443-1738 phone
(206) 443-0917 fax
www.trans-inst.org
tinstitute@qwest.net

Subject: Harris bill on Fishing Vessel Program

Attached is a bill drafted by Rep. John Harris on the unemployment issue for participants in the Fishing Vessel Program.

Doug Mertz, meantime, continues to investigate how state law relates to overlying federal law on this issue, and whether federal action as well as state action may be required.

Form 940 (2006)

Privacy Act and Paperwork Reduction Act Notices. We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Chapter 23, Federal Unemployment Tax Act, of Subtitle C, Employment Taxes, of the Internal Revenue Code imposes a tax on employers with respect to employees. This form is used to determine the amount of the tax that you owe. Section 6011 requires you to provide the requested information if you are liable for FUTA tax under section 3301. Section 6109 requires you to provide your employer identification number (EIN). If you fail to provide this information in a timely manner, you may be subject to penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books and records relating to a form or instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others

as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, territories, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal non-tax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 24 hr., 30 min.; Learning about the law or the form, 1 hr., 23 min.; Preparing and sending the form to the IRS, 2 hr., 17 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 940 simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SEW:CARMP:TSP, 1111 Constitution Avenue, NW, IR-6408, Washington, DC 20224. Do not send Form 940 to this address. Instead, see Where Do You File? on page 2 of the instructions for Form 940.

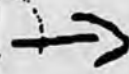
WZ's

APPS

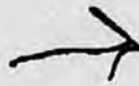
← STATE LIC
EIN (FED)

LICENSE

ESC



FUTA, 941
MEDICARE
CHILD SUPPORT



Calculated
\$56 per \$7000.00

ANNUAL FUTA
REPORT
CALC.

940 FUTA

Form 941 (Rev. 1-2007)

Privacy Act and Paperwork Reduction Act Notice.
 We ask for the information on this form to carry out the laws of the United States. We need it to figure and collect the right amount of tax. Subtitle C, Employment Tax, of the Internal Revenue Code imposes employment taxes on wages, including income tax withholding. This form is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax is applicable to you. Section 6109 requires you to provide your employer identification number (EIN). If you fail to provide this information in a timely manner, you may be subject to penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books and records relating to a form or instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of

Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 941 will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	12 hr., 30 min.
Learning about the law or the form	40 min.
Preparing the form	1 hr., 40 min.
Copying, assembling, and sending the form to the IRS	10 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 941 simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-8408, Washington, DC 20224. Do not send Form 941 to this address. Instead, see *Where Should You File?* on page 4 of the instructions for Form 941.

941

Rough total
APPROX. 7% annual

MATCHING
Retrials
FICA & MED

**DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
EMPLOYMENT SECURITY DIVISION**

Sarah Palin, GOVERNOR

**11912 KENAI SPUR HIGHWAY
SUITE 2
KENAI ALASKA 99611-9106
PHONE: (907) 283-4478
FAX: (907) 283-8152**

November 5, 2007

**LEE MARTIN
BAD BETTY
PO BOX 743
HOMER AK 99603**

Dear Boat Owner:

We have received information that indicates that you may be engaged in tendering operations or oil spill response drill exercises in Alaskan waters.

Under Alaska law, wages paid to your employees (crew) for tendering operations or oil spill response drills are reportable for unemployment insurance purposes. Alaska laws exempt fishing operations for Alaska-based employers fishing with a crew of fewer than ten members who are paid on a share basis (AS 23.20.526 a 17). However, Alaska law does not exempt wages or shares paid to your employees while working in tendering or oil spill drill operations.

If you are paying wages reportable to the Alaska Department of Labor and Workforce Development, please complete and return the enclosed Registration Form TREG and return it within 15 days to be in compliance with the Alaska Employment Security law.

If you are not paying any reportable wages, please date and sign this letter below and return it within 15 days. Please also include your phone number in case we have further questions.

Thank you for your time and cooperation. Please call me at (907) 283-4478 if you have any questions concerning this matter.

Sincerely,

**James Nantau
Field Auditor**

Encl: Employer Registration Form

**Alaska Department of Labor
and Workforce Development
Employment Security Division
Employment Security Tax**

Juneau - Registration
1111 W. 8th St., Room 203
PO Box 115509
Juneau, AK 99811 - 5509
(907) 465-2757
Fax (907) 465-2374

Anchorage Employment Security Tax Office
3301 Eagle St., Room 106
PO Box 241767
Anchorage, AK 99524 - 1767
(907) 269-4850
Fax (907) 269-4845

Fairbanks Employment Security Tax Office
675 Seventh Avenue, Station L
Fairbanks, AK 99701 - 4513
(907) 451-2876
Fax (907) 451-2883

Juneau Employment Security Tax Office
1111 W. 8th St., Room 203
PO Box 115509
Juneau, AK 99811 - 5509
(907) 465-2757
Fax (907) 465-2374

Kenai Employment Security Tax Office
11312 Kenai Spur Hwy, Suite 2
Kenai, AK 99611 - 9106
(907) 283-4478
Fax (907) 283-5152

Wasilla Employment Security Tax Office
877 Commercial Drive
Wasilla, AK 99654-6937
(907) 352-2535
Fax (907) 352-2581

Alaska Employer Registration Form

Who is required to file this form?

Every employing unit, including any person, firm, corporation, or other type of organization that for some portion of a day within the calendar year has employed one or more persons, is required by law and regulation to file this report. If you are uncertain of your need to register, contact the Registration Unit or your nearest Field Tax Office.

TO CONTACT US:

- ◆ Toll-free telephone number to connect to your Field Auditor if you are located in Alaska (except Anchorage, Fairbanks, Juneau, Kenai, or Wasilla), out-of-state, and Canada:
1-888-448-2937
- ◆ Toll-free telephone number to connect to your Employer Account Representative in our Central Office in Juneau for all areas outside Juneau, out-of-state, and Canada:
1-888-448-3527
- ◆ Toll-free telephone number to connect to Relay Alaska TDD/TTY/TT Services:
1-800-770-8973
- ◆ E-mail at: esd_tax@labor.state.ak.us

Mail the completed Registration Form to:

Alaska Department of Labor
and Workforce Development
Employment Security Tax
PO Box 115509
Juneau, AK 99811 - 5509

We are an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

Form TR8G (6-2009)

INSTRUCTIONS FOR NEW EMPLOYERS

Check the box on the top left of Page 3 to indicate if this is a new or update registration. Complete the following if you are a new employer. See below for update instructions.

1. Mark the box that describes your business entity and complete the additional information requested.

If you have selected **NONPROFIT ORGANIZATION** and are exempt under IRC 501(A) and 501(C)(3), you may be able to choose whether you wish to be a regular taxable employer paying at an annual rate, or a reimbursable employer that pays back or reimburses the UI Trust Fund for the actual dollar amount of benefits drawn by firm or employees. As a reimbursable employer, a minimum \$10,000 bond or deposit is required. Please contact the Employer Account Specialist Unit in Juneau at 907-486-2757 or toll-free at 1-800-448-3537 for information on the deposit and bond requirements. You will be required to present your IRS exemption letter and bond prior to establishing an account.
2. List your Federal Employer Identification Number (FEIN). If you have employees, you must have an FEIN. Do not use your Social Security Number.
3. If you were previously assigned an account number by the Employment Security Division in the last three business days, list that number.
4. Mark the appropriate box if you wish to cover certain employees. If Yes, complete top of Page 4. See Page 6 for partial listing of excluded employees that may be covered. For a complete explanation of excluded employment see AS 23.30.325 and AS 23.30.334.
5. Indicate the month, day, and year your business first paid or anticipates to first pay wages in Alaska.
6. Indicate if you anticipate hiring contract labor to perform the nature of your business described in Item 13.

If you have questions, or are unsure of the tax liability of contract labor, consult the Field Tax Office nearest your location.

7. List the legal name of the business. If a corporation, list exactly as registered with the Department of Community and Economic Development.
8. List the "doing business as" (dba) name of the business if different than Item 7.
9. List the mailing address of the business.
10. List the phone number of the business.
11. List your physical work-site address in Alaska if different than Item 9. If you do not have a physical work-site in Alaska, please explain. If there is more than one work-site, list additional work-sites on Page 4.
12. List your FAX number.
13. This item contains information that is necessary for assignment of your tax rate.

Failure to complete this section may result in a higher tax rate being assigned to your account.

Describe in detail the specific product(s) sold or service(s) your business will provide in Alaska. Also indicate if sales are retail or wholesale. For example, general contractor building single-family homes; specialty contractor specializing in commercial or residential concrete; insurance agent/broker; or retail sale of clothing, etc.

14. Indicate the percentage of Alaska gross income that is provided by the activity described in Item 13. This is usually 100%; however, if you have more than one activity, you will need to divide the income into percentages for each activity. Do not list the dollar amount of gross income. List only the percentage of income.
15. Indicate the number of employees you anticipate hiring to perform the business activities.
16. If you changed or purchased an existing business, list the month, day, and year the acquisition took place.
17. List the month, day, and year you first paid wages for the business. This should be the same date as Item 5 above.
18. If the business was acquired from your last employer, mark the type of acquisition change that took place. If needed, explain on a separate piece of paper.
19. Mark how the previous business was acquired. If needed, explain on a separate piece of paper.
20. List the percentage of Alaska operating assets acquired from the previous business.
21. List ALL the prior owner(s) name(s), FEIN, and business (dba) name(s) of the acquired business.
22. List all account number(s) of the acquired business (es).
23. List the number of employees acquired from the predecessor employer.

OWNERSHIP INFORMATION:

- Sole Proprietor:** List your name, business address, and Social Security Number.
- Partnership:** List the requested information for each partner.
- Corporation:** List the requested information for each corporate officer.
- LLC:** List the requested information for each manager of the Limited Liability Company, or member if no managers were elected.
- Non-Profit:** List the requested information for directors, trustees, members, or other principals.
- Other:** List the requested information for owners or other principals.

Responsibility Codes

1. File contribution reports
2. Pay contributions due
3. Payroll items which creditor is paid first
4. Check taxing authority
5. Hire Fire authority
6. All of the above

CERTIFICATION and SIGNATURE:

This Registration form must be signed by the **SOLE PROPRIETOR**, ALL **PARTNERS** of a partnership, ALL **CORPORATE OFFICERS** of a **CORPORATION**, or the **MANAGER** (or if no manager, the members) of an **LLC**. If you have a Business Consultant Person, provide their Name, Phone Number and e-mail address.

All new taxable employers or prospective employers must complete Items 13 and 14 on Page 3. Failure to complete these items may mean that your account will be assigned a higher tax rate.

UPDATE REGISTRATION INSTRUCTIONS

To update registration information, be sure to check the update box at the top left of the form in the Department of Labor address block. Always complete Item 7 and Item 8, listing the name(s) on your account, along with those items that have changed, or those items that you have been instructed to complete.

Alaska Employer Registration Form

Form TR60 (Rev. 9-07)

Alaska Department of Labor and Workforce Development Employment Security Tax PO Box 115599, Juneau, AK 99811-5599	<input type="checkbox"/> New <input type="checkbox"/> Update	Taxpayers No. Type NAAS	Payment Period Due Date	Employer No. Type License No.	State No. Type License No.	Federal No. Type License No.	Federal No. Type License No.
	COMPLETE BOTH SIDES OF FORM THE ABOVE AREA IS FOR STATE USE ONLY						

Sole Proprietor Partnership Limited Don Form only Firm

Non-profit Organization Method of Payment Taxable Retiree Other

State Corporation State Corporation Number

Limited Liability Company (LLC) Number of Members (for members of non-partnership) Date Registered

Federal Identification Number Were you ever assigned an Account Number by this Agency? Do you wish to cover excluded employer?

Yes No If Yes, see number Yes No If Yes, see Page 4

7) What is the date your business first paid wages in Alaska, or the next payroll date you will pay wages? 8) Do you and/or any other laborer perform the services stated in Item 13?

Month _____ Day _____ Year _____ (Your account will be opened this date) Yes No

9) Legal Business Name 11) Doing Business As (DBA) Name:

9) Mailing Address City State Zip 10) Business Phone:

11) Physical Website Address in Alaska (list additional websites on Page 4) 12) Fax Number

13) Describe (IN DETAIL) the major product sold or service you provide in Alaska 14) % of Gross Alaska Income derived from Item 13: 15) Number of employees in Alaska:

* See rate table determined by completion of Items 13 & 14. See Page 2 for complete instructions.

Complete this section if you have changed your business or have acquired an Alaska business operation.

16) Date changed or acquired: 17) Date wages first paid under new ownership:

Month _____ Day _____ Year _____ Month _____ Day _____ Year _____

18) Type of Change: Change in Entity (Sole Proprietorship to partnership, Partnership to Corporation, etc.) Change in Partner Change in Corporate Stock Transfer Corporate Charter Change Corporate Officer Change Other (Specify)

19) Was business acquired through: Purchase Lease Foreclosure 20) What year range of the Alaska Operating Licenses were acquired?

Repossession Other (Describe in detail on a separate paper)

21) Prior Owner(s) Name(s), PERM, and Business (DBA) Name: 22) Prior Account Number: 23) Number of Employees Acquired:

Information and signature of a sole proprietor, each partner, all corporate officers, and all managers and/or members of an LLC

CERTIFICATION: With my signature, I certify that information provided on this form is correct and true

Printed Name & Social Security Number	Signature	Residence Address & Telephone Number	Title and Effective Date	% Owned	Code
Name: SSN:		Residence Address: City: _____ State: _____ Zip Code: _____ Residence Telephone: _____	Title: Effective Date: _____		
Name: SSN:		Residence Address: City: _____ State: _____ Zip Code: _____ Residence Telephone: _____	Title: Effective Date: _____		
Name: SSN:		Residence Address: City: _____ State: _____ Zip Code: _____ Residence Telephone: _____	Title: Effective Date: _____		
Name: SSN:		Residence Address: City: _____ State: _____ Zip Code: _____ Residence Telephone: _____	Title: Effective Date: _____		
Business Contact Person:	Phone Number:	E-mail:			

DBA Name: _____ Account No: _____

Voluntary Election of Coverage for Excluded Employment

Check the types of non-covered employment you wish to cover:

- Corporate Officers Domestic _____
 Fishing Other (Specify) _____

Indicate the date you request coverage of excluded employment to be effective: _____

Signature and Title _____

Business Phone _____

If you represent a corporation and wish to have corporate officers covered,
all officers must be covered as a group

This agreement, when approved, is binding for the remainder of the calendar year in which it is received and two additional years. Coverage continues in effect on a yearly basis until either you or the Agency terminates the agreement in writing before March 15 of the year for which the termination is requested. In the event your taxes become delinquent, the Agency reserves the right to cancel your Voluntary Coverage election effective the quarter the taxes become delinquent.

• • • • •

Additional Worksites (See instructions on Page 2, Item 11)

Second Worksite

Name (Doing Business As) _____

_____	City	State	Zip	Business Phone
_____	City	State	Zip	FAX Number
Describe <i>(IN DETAILS)</i> the major product sold or service you provide in Alaska			* Gross Alaska income from this activity:	Number of employees in Alaska

Other Address Usage Information

Name of where Rate Notices should be mailed to: _____

_____	City	State	Zip	Phone Number
				Fax Number

Name of where Quarterly Report Forms should be mailed to _____

_____	City	State	Zip	Phone Number
				Fax Number

TYPES OF EXCLUDED EMPLOYMENT FOR WHICH COVERAGE MAY BE ELECTED

1. Service of corporate officers if the corporation is formed under AS 10.06
Note: All corporate officers must be covered as a group.
2. Service of fishing boat crewmembers if there are fewer than 10 and they are paid by shares.
3. Domestic service in a private home where the wages paid are less than \$1,000 per quarter in the current or the preceding year.
4. Service in selling or distributing newspapers on the street or from house to house.
5. Service by a minister, member of a religious order, or other service performed for a church or association of churches, including elementary and secondary schools, but not including other organizations operated for other than religious purposes.
6. Service performed by an individual in the employ of a son, daughter, or spouse.
Note: If the employer is a partnership, a family relationship must exist between the employer and all partners.
7. Service performed for a parent or legal guardian if the individual was under the age of 21 and a full-time student during eight of the last twelve months and intends to resume full-time student status within the next four months.
8. Service by a child under age 18 for a parent.
9. Service for a school, college, or university by an enrolled student who is regularly attending classes.
10. Elected or appointed public officials under AS 23.20.524 (d) (3) (A).
11. Service in the fields of insurance, real estate, or stock by a salesperson, solicitor, or broker paid by commission and not required to be covered by Federal Unemployment Tax Law.
12. Service in agricultural labor where the employer either paid less than \$20,000 in wages in current or preceding calendar year or employed fewer than 10 people in or less than 20 weeks.
13. Service by a full-time student under the age of 22 in a work-study program taken for credit at a public or nonprofit institution which certified that the service is an integral part of the program.
14. Services performed for a nonprofit or governmental agency by a person receiving work relief or work training where the program is financed in whole or in part by funds from any federal, state, or political subdivision.

**Self-employment is not covered, nor can coverage be elected.
Examples of self-employment include sole proprietors, partners, and members of an LLC**

STATE OF ALASKA / SARAH PALIN, GOVERNOR

**Department of Labor &
Workforce Development
Employment Security Division
Kenai Tax Office**

11312 Kenai Spur Hwy, Ste 2
Kenai, AK 99611
Phone: 1-907-283-4478
Fax: 1-907-283-5152

November 14, 2007

Robert Porter
Sunburst
P.O. Box 7081
Nikiski, AK 99635

Dear Mr. Porter:

Please find enclosed information on contract labor.

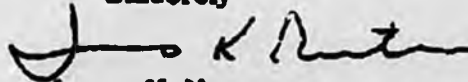
As I understand the procedure, the training is done by Alyeska Pipeline and you as the boat owner are paid by Alyeska and in turn you pay the crew members.

After reading the information on contract labor versus employee employment status, it should be quite clear you have employees, not contract labor. We would appreciate your cooperation in filing the registration form with Department of Labor. Be advised; by not sending in the registration form, could lead to tax audits, interest & penalty fees, and possible fine by Worker's Comp. insurance which could be quit severe.

If you still disagree, may I suggest you contact Bruce Garrison at 1-888-448-3527. Mr. Garrison is the Supervisor, Audit Operations.

I thank you for your time in responding to the letter of November 5, 2007.

Sincerely



James K. Nantau
Field Tax Auditor

Encl. Contract Labor Info

The following table is an example of the factors used to determine employment status comparing the employee versus the independent contractor.

FACTOR	EMPLOYEE	INDEPENDENT CONTRACTOR
CONTINUING RELATIONSHIP	An employee has an ongoing working relationship with you, even if work is performed at frequently recurring, although irregular, intervals.	An Independent contractor's relationship with you will have an identifiable end when the job is completed.
EXPENSES	An employee may be eligible for reimbursement of business related expenses.	An independent contractor is not reimbursed for expenses. Estimated expenses are included in the job bid.
FULL-TIME WORK	Full-time hours spent at one job indicate employee status.	An independent contractor spends less than a full-time workweek at each job.
HIRING ASSISTANTS	An employee does not employ assistants or additional staff.	An independent contractor provides all workers required to accomplish the job.
INSTRUCTIONS	An employee must comply with your instructions about when, where and how to work. Your right to issue such instructions is the controlling factor.	An independent contractor is responsible only for accomplishing the job; when, where and how it's accomplished is up to him or her.
INTEGRATION	An employee's services are important to the success or continuation of your business.	The services provided by an independent contractor are often peripheral to the success or continuation of the business.
INVESTMENT	An employee does not have a significant financial business investment in your business.	An independent contractor has a significant financial investment in his or her business.
OFFERS SERVICES TO THE GENERAL PUBLIC	An employee does not offer his or her services to the general public.	An independent contractor solicits work from the general public.
ORDER OR SEQUENCE SET	An employee may be required to perform his or her job in an order or sequence determined by you.	An independent contractor determines the order in which he or she will accomplish a job.
PAYMENTS	An employee is paid by the hour, week, month or year.	An independent contractor is paid by the job or on a straight commission.
PROFIT OR LOSS	An employee can't realize a loss or a profit. He or she receives a set wage.	An independent contractor may realize a profit or loss dependent upon the expenses incurred.

REPORTS	An employee may be required to make periodic written or verbal reports to you regarding the status of ongoing projects.	Because an independent contractor is responsible only for the completed products, he or she doesn't make reports.
RIGHT TO FIRE	You may fire an employee at any time.	An independent contractor may not be fired so long as he or she produces the required results.
RIGHT TO QUIT	An employee has the right to quit at any time without incurring liability.	An independent contractor is responsible for the satisfactory completion of the job contracted for. He or she incurs liability for failure to complete it.
SERVICES RENDERED PERSONALLY	An employee must perform his or her job personally.	An independent contractor may hire any labor needed.
SET HOURS OF WORK	An employee must work set hours as established by you.	An independent contractor may work the hours he or she chooses.
TOOLS AND MATERIALS	You provide an employee with necessary tools, materials and facilities.	An independent contractor provides the tools, materials, and facilities required.
TRAINING	You train an employee to perform the job to your standards.	An independent contractor is responsible for acquiring any training needed.
WORK DONE ON PREMISES	An employee works on your business premises or along a route designated by you.	An independent contractor provides or determines the area where he or she works.
WORKS FOR MORE THAN ONE PERSON OR FIRM	An employee usually works for one person or firm.	An independent contractor works for more than one person or firm at the same time.

RECEIVED
Department of Labor

MEMORANDUM

State of Alaska

FEB 24 1999

Department of Law

TO: Honorable Ed Flanagan
Commissioner
Department of Labor
Office of the Commissioner

February 17, 1999

FILE NO: 661-98-0255

TOL. NO: 269-5178

SUBJECT: Test Fishing

*Comm CC
Dwyer CL
cc: Allison
Stahl
J.P.
to Commissioner*

FROM: Toby N. Steinberger *TNS*
Assistant Attorney General
Governmental Affairs Section, Anchorage
Department of Law

Commissioner Cashen requested our opinion on whether fishermen performing "test fishing" are entitled to benefits from the Fishermen's Fund established under AS 23.35.010 if they are injured while conducting "test fishing." It is our opinion that fishermen who are injured while they are performing test fishing are not entitled to benefits from the Fishermen's Fund because they were not commercial fishing when they were injured.

Under AS 16.05.050, the Department of Fish and Game contracts with the owner or master of a vessel to conduct test fishing.¹ The terms of the contracts vary. In some cases, the contract provides that, in return for conducting the test fishing, the owner or master of the vessel may receive a portion of the value of the fish delivered to the state. In some cases, the owner or the master of the vessel may keep and sell the fish. Yet, in other cases, the Department of Fish and Game may contract to have the vessel owner conduct test fishing for a fee unrelated to the value of the fish. Crew members of the fishing vessel will likely have commercial fishing licenses or fishing permits.

Under AS 23.35.070, "a fisherman, upon becoming disabled, is entitled to receive benefits" However, only fishermen actually engaged in commercial fishing at the time of their injury are entitled to benefits from the Fishermen's Fund. Alaska Statute 23.35.150(3) defines "fisherman" to mean a fisherman engaged in commercial fishing. Alaska Statute 23.35.150(3) reads:

(3) "fisherman" means a person who is licensed by the state to engage in commercial fishing under AS 16.05.480 or who is the holder of a permit issued under AS 16.43 and who, at the time injury is sustained or illness is contracted, is actually

¹ See generally Kodiak Seafood Processors Ass'n. v. State, 900 P.2d 1191 (Alaska 1995).

Fish FEB 25 99
Funt

DOL-W: FEB 25 1999
JUNEAU

Honorable Ed Flanagan
Commissioner, Department of Labor
File No. 661-98-0255

February 17, 1999
Page 3

We trust this answers the questions raised in your request for advice. If you have any questions, please feel free to call us.

TNS:vb

Fish Fund FEB 25 99

60 - FEB 25 1999



Cordova District Fishermen United
PO Box 939 | 509 First Street | Cordova, AK 99574
phone. (907) 424 3447 | fax. (907) 424 3430
web. www.cdfu.org | email. cdfu@ak.net

Representative John Harris
State Capitol, Room 208
Juneau, AK 99801-1182

January 15, 2008

Re: HB 289" Tax Exemption: Spill Response

Dear Representative John Harris,

Cordova District Fishermen United (CDFU) wants to thank you for introducing this important piece of legislation.

We are in full support of House Bill 289.

CDFU is a membership organization that represents over 500 commercial fishers in Prince William Sound. The regional Ship Escort Response Vessel System fleet is comprised of approximately 200 of our individual members who, along with their designated response crew are trained as professional oil spill responders. These individuals are the first line of defense in the event of an oil spill in Alaska's waters.

As your bill recognizes, requiring vessel owners to process and pay Alaska Department of Labor taxes for crew earnings would place a disproportionate burden on vessel owners. On behalf of our members, we truly appreciate your efforts to find a workable solution to this issue.

Yours Sincerely,

Gerald McCune
President



Regional Citizens' Advisory Council / "Citizens promoting environmentally safe operation of the Alyeska terminal and associated tankers."

In Anchorage: 3709 Spenard Road / Suite 100 / Anchorage, Alaska 99503 / (907) 277-7222 / FAX (907) 277-4523
In Valdez: P.O. Box 3089 / 130 South Meals / Suite 202 / Valdez, Alaska 99686 / (907) 834-5000 / FAX (907) 835-5926

MEMBERS

February 13, 2008

Alaska State
Chamber of
Commerce

Alaska Wilderness
Recreation & Tourism
Association

Chugach Alaska
Corporation

City of Cordova

City of Homer

City of Kodiak

City of Seldovia

City of Seward

City of Valdez

City of Whittier

Community of
Chugach Bay

Community of
Tenikuk

Cordova District
Fishermen United

Kanal Peninsula
Borough

Kodiak Island
Borough

Kodiak Village Mayors
Association

Oil Spill Region
Environmental
Coalition

Prince William Sound
Aquaculture
Corporation

Click Bishop, Commissioner
Alaska Department of Labor
PO Box 111149
Juneau, AK 99811-1149

Re: Resubmission of Feb. 5 comments regarding House Bill 289, exempting fishing crews from employment security tax during oil spill response training

Dear Commissioner:

We are writing to let your know of our support for House Bill 289, which would establish an exemption from unemployment security taxes for fishermen participating in training for emergency oil spill responses. These individuals are exempt from the ESD for their normal fishing activities, and a substantial number of boat owners say they will withdraw from the spill response program if they have to take on a large tax paperwork burden for a few days per year of spill drills.

Fishing vessel responders are a vital part of preparedness for oil spills. The fishing vessels that responded during the Exxon Valdez crisis were critical to saving several areas from damage. We believe it would be a great loss if any of the more than three hundred vessels now signed up as responders were to withdraw from the program due to this new interpretation of law.

HB 289 is a simple fix for this problem. In the previous committee hearing, no one spoke against it, and your department testified that the amount of taxes involved is so small that a new exemption would not impact the program.

Thanks for your help. Please let us know if we can provide any other information.

John S. Devens, Ph.D.
Executive Director

Anil Mathur
President & Chief Executive Officer

Alaska Timber Company, LLC
15400 NW Grambler Parkway
Portside Building, Suite A-400
Beverton, OR 97006

503-207-0046
Fax: 503-207-0063
E-mail: Anil.Mathur@alcatimber.com

January 25, 2008

Representative Paul Seaton
Chair, House Fisheries Committee
Capital Building
Juneau AK 99801-1182

Re. House Bill 289

Dear Chairman Seaton

ATC supports passage of HB 289. The fishing vessels are an integral part of an oil spill response should a spill to sea occur. We consider the fishing vessels owners and fishermen our partners in response. This Bill eliminates some paper work burden on the fishermen and the fishing vessel owners, and also provides some financial relief to these entities as they prepare for and assist in incident response.

Our Contingency Plan in case of a spill relies on the cooperation and enrollment of the fishing fleet in our response to a spill. This Bill encourages their participation, so we support it.

We believe using fishing vessels in case of a spill is good for all affected entities, and results in a more robust response.

Very Truly Yours,

Anil Mathur.

Anil Mathur
President and CEO





CITY OF SELDOVIA

P.O. DRAWER B * SELDOVIA, ALASKA 99663

Phone: (907) 234-7643 Fax: (907) 234-7430

2/22/2008

Representative Paul Seaton
State Capitol, Room 102
Juneau, Alaska 99801-1182

Dear Representative Seaton;

This letter is to let you know that the City of Seldovia fully supports your House Bill 289.

As a coastal community the City of Seldovia is very much aware of the importance of the Alyeska Emergency Response Fishing Vessel Program. The service provided by the vessels and crews in the Alyeska Fishing Vessel Program is a vital and priceless service that cannot be jeopardized in any way, shape, nor manner. It is nothing short of ridiculous to consider any tax (unemployment insurance and its' requirements) that would diminish the emergency response fleet by even one (1) vessel and crew.

Our fisheries and shoreline habitat has yet to recover from the last oil spill disaster and may never fully recover. Should another incident similar to the Exxon Valdez disaster ever again occur this short sighted application of taxation will cost the State far more than the relatively few tax dollars raised during Oil Spill Drill Operations.

Keep up the good work.

Sincerely

Howard R. Davis
City Manager, City of Seldovia
citymanager@cityofseldovia.com
907-234-7643 (v) 907-234-7430 (f)

CC: Representative John L. Harris

This letter is in regards to the recent documents, about paying unemployment taxes for crew members, that were sent to the to the contract holders for the oil spill response industry fishing vessel program. I have included copies of those documents and this letter is a brief summary of the fishermen's response to this and the possible outcome from this.

Many fisherman have been in contact with their accountants or tax persons about this and they don't see any way around this other than the fisherman will have to file and pay this tax. The fisherman are asking why the State of Alaska can't just roll the oil response vessels into the same exemption as commercial fisherman (AS 23.20.526A17).

As you can see from forms 940 and 941 there is a lot of time and paper work involved as well as alot of cost because time means money in addition to the actual tax itself.

Also the fisherman will be required to file with the Federal Government under FUTA and will now have to file quarterly reports for their taxes which only adds more paper work.

Even though fishermen and their crew will be paying unemployment tax, there is no mechanism for them to ever be able to draw money out even if they are unemployed.

Many fisherman have indicated that if they have to do all this paper work and pay this tax, they will probably drop out of the oil spill vessel response programs.

The State of Alaska needs to step up and go to bat for the States on water volunteer fire department that shows up with their own fire trucks so to speak and not require them to have to pay this unemployment tax.

Thank you,
Dave Blossom.

Oil-spill fishing vessels hit with state unemployment tax

UNEMPLOYMENT: Some owners say they'll pull out of the response plans.

By WESLEY LOY
wloy@adn.com

Published: November 1, 2007
Last Modified: November 1, 2007 at 05:37 AM

A key component of plans to clean up a big oil spill in Prince William Sound -- using a fleet of fishing boats to help corral the oil -- might be in danger of unraveling due a new state labor demand, an oil industry watchdog group says.

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This summer some boat owners got letters from a state Labor Department auditor saying they need to pay unemployment insurance taxes for crewmen working in spill response or drills.

And more letters might be coming. A week ago, labor officials asked Alyaska Pipeline Service Co., the oil company consortium that runs the Valdez tanker port, for the full list of fishing boats with which Alyaska holds contracts for spill response.

Some fishermen have vowed to quit the industry-funded oil spill response program due to the paperwork and costs involved with unemployment insurance.

"Our concern is that it will damage or, in the worst case, wipe out the fishing vessel program," said Stan Jones, spokesman for the Valdez-based Prince William Sound Regional Citizens' Advisory Council.

The council and the fishing boat cleanup program both were created in the wake of the Exxon Valdez tanker disaster in 1989, which released nearly 11 million gallons of oil into the Sound.

If another spill happened, as many as 350 fishing boats from Cordova, Valdez, Whittier and other ports would help deploy boom to contain the oil for recovery with skimming equipment.

The fleet is now part of the oil industry's mandatory plans for how it will respond to a spill.

Boats participate in annual spill training exercises that typically last a day or two.

Alaska law exempts many commercial fishing boat owners from paying for unemployment insurance because crewmen typically are not paid wages. Rather, they earn a share of proceeds from the catch.

But the state letter to boat owners says payments to crewmen employed during spill response drills "are reportable for unemployment insurance purposes."

It means fishing vessel owners likely would have to pay between 3 percent and 4 percent of a deckhand's pay, and the deckhand would have to pay another half a percent, for state unemployment insurance.

COST AND HASSLE

Some boat owners balk at the cost and quarterly reporting requirements of getting involved with unemployment insurance for the few days a year they're engaged in spill response.

At least three even vowed to quit the fishing vessel spill response program.

"But I don't know really how serious they were about it," said Thane Miller, a Valdez commercial salmon fisherman.

The unemployment insurance issue is "really sort of an oversight on the part of the fishing vessel owners," Miller conceded. "I actually believe it was something we should have been doing all along."

But fishermen hate paperwork and would like to see their spill-response work exempted from the unemployment insurance requirement, he said. Or maybe allow boat owners to simply write the state a check after each spill drill.

ADVERTISEMENT

The oil industry pays boats based on size for their participation. Miller said his boat gets \$1,850 a day for spill response drills, plus a fuel allowance. Of this, \$250 a day goes to each of his two crewmen. Beyond this he's got boat insurance, wear and tear, and risk to worry about.

"The fishing vessel response fleet acts like a paid volunteer fire department," he said. "We are expected to drop our lives at a phone call and a moment's notice and get on a boat and go do what's necessary, whether

for training or otherwise. But it's not an income that anybody relies on."

Anything that raises the cost and hassle of taking part in the spill response program makes an already marginal job even less

attractive, Miller said.

Tom Nelson, director of the state Employment Security Division, said his office has an obligation to seek unemployment insurance taxes from all employers who owe them.

Complying isn't that burdensome, and the state is glad to help any fisherman or other employer get started, Nelson said.

TRICKY SOLUTIONS

Jones said the citizens' advisory council is studying possible solutions, such as amending state law to exempt the fishing boats from the tax when engaged in spill response. Another idea is making boat crews temporary employees of Alyeska during spill drills. Alyeska would then take care of the employment insurance.

Anil Mathur, president of Alaska Tanker Co., the oil shipper for major Alyeska owner BP, said he doesn't like the idea of temporary employment. That would blur who is responsible for managing fishing boat crews, he said.

Mathur questioned the value of the state pursuing the fishing boat owners for unemployment insurance. He said such collections likely would total less than \$50,000 a year.

"It's really not something that adds zeros to the Alaska treasury," he said.

He believes the issue could be resolved with a simple amendment to state law saying fishing boats are exempt from unemployment insurance requirements not only when they're fishing, but when engaged in oil spill response drills in Prince William Sound.

"I don't really see it as that big a deal," Mathur said.

Nelson said the amount of potential revenue isn't the point. It's a matter of fairness that all employers contribute to the state trust fund that pays unemployment benefits, he said.

Jones said the advisory council is concerned that seeking exemptions for state unemployment insurance is not as simple as it sounds, in part due to potential conflicts with federal law.

Douglas Mertz, a lawyer for the advisory council, said in a memo last month that "a legislative fix would be very difficult." While some state officials see potential for only a handful of boats leaving the spill response program, Mertz said that "we could see a wider owner rebellion."

Alyeska spokesman Mike Heatwole said Wednesday he knows of no fisherman who has actually quit the program.

Alyeska plans to stay out of the unemployment insurance issue because "it's a tax matter between the state of Alaska and the fishing vessel operators."

Find Wesley Loy's commercial fishing blog online at adn.com/highliner or call 257-4590.