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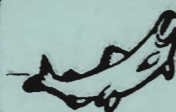
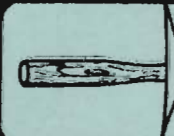
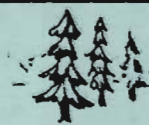
Alaska Unemployment Insurance

Governor Egan's 1971 Amendments
To Strengthen and Improve Alaska's
Unemployment Compensation Program



1971 ACTUARIAL STUDY
Publication Number SIX

STATE OF ALASKA
DEPARTMENT OF LABOR
Employment Security Division
Research and Analysis Section



ALASKA
UNEMPLOYMENT INSURANCE
GOVERNOR EGAN'S 1971 AMENDMENT TO STRENGTHEN AND
IMPROVE ALASKA'S UNEMPLOYMENT COMPENSATION PROGRAM

STATE OF ALASKA
WILLIAM A. EGAN, GOVERNOR

DEPARTMENT OF LABOR
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HOUSE BILL 159

HOUSE BILL 433

UNEMPLOYMENT COMPENSATION PROGRAM

UNEMPLOYMENT COMPENSATION PROGRAM

History

**** STATE AND FEDERAL GOVERNMENT RELATIONSHIP**

*** CREATED BY FEDERAL LAW AUGUST 14, 1935**

*** ENACTED BY ALASKA LAW APRIL 2, 1937**

**** MINIMUM STANDARDS SET BY FEDERAL GOVERNMENT**

**** MOST DECISIONS LEFT TO ADMINISTERING STATE
TO ACHIEVE LOCAL NEEDS**

UNEMPLOYMENT COMPENSATION PROGRAM

Program's Primary Function

- ** ALLEVIATE ECONOMIC HARDSHIPS RESULTING
FROM LOSS OF WAGES THROUGH NO FAULT
OF UNEMPLOYED WORKER**

- ** PROVIDE WAGE LOSS REPLACEMENT**
 - * AS EARNED RIGHT**
 - * IN DIGNIFIED AND ORDERLY MANNER**
 - * TO MAINTAIN STANDARD OF LIVING**
 - * WITHOUT DESTROYING INCENTIVE TO WORK**

UNEMPLOYMENT COMPENSATION PROGRAM

Program Support and Economic Objective

- ** CONSIDERED MANDATORY FRINGE BENEFIT
PRIMARYLY SUPPORTED BY EMPLOYER AND
SUPPLEMENTED BY EMPLOYEE IN ALASKA**

- ** TO STABILIZE ECONOMY BY SUSTAINING
PERSONAL INCOME OF UNEMPLOYED WORKER
THEREBY COMBATING DECLINES IN PURCHASING
POWER IN "GOOD" TIMES AND "BAD"**

UNEMPLOYMENT COMPENSATION PROGRAM

President Nixon Expressed

- ** FEDERAL GOVERNMENT TRADITIONALLY ESTABLISHES
MINIMUM IMPROVEMENTS TO UPGRADE PROGRAM
- ** CALLED UPON STATES TO FOLLOW LEADS OF
PROGRESSIVE STATES
- ** IMPROVE PROGRAM TO STATE'S ECONOMIC NEEDS

To Avert Need For Federal *AcTion*

- ** STATES MUST DEVOTE IMMEDIATE ATTENTION TO FOLLOWING
MAJOR AREAS
 - * PROVIDE COVERAGE TO GOVERNMENT WORKERS
 - * PROVIDE ADEQUATE BENEFITS
 - * PROVIDE ECONOMIC RESPONSIVENESS

UNEMPLOYMENT COMPENSATION PROGRAM

Federal Amendments

**** EMPLOYMENT SECURITY AMENDMENTS OF 1970**

*** MOST SIGNIFICANT ACT TO AMEND UNEMPLOYMENT
COMPENSATION PROGRAM SINCE ENACTMENT IN 1935
AS PART OF SOCIAL SECURITY ACT**

Alaska State Amendments

**** GOVERNOR EGAN'S HOUSE BILL S 159 AND 433**

*** MOST SIGNIFICANT PROPOSED AMENDMENTS TO
EMPLOYMENT SECURITY ACT SINCE ENACTED IN 1937**

**RECOMMENDATIONS TO STRENGTHEN
AND IMPROVE ALASKA'S PROGRAM**

RECOMMENDATIONS TO STRENGTHEN AND IMPROVE ALASKA'S PROGRAM

Alaska's Legislative Policy

**** TO CARRY OUT PRECEDING OBJECTIVES
GOVERNOR EGAN HAS RECOMMENDED THE
ALASKA LEGISLATURE TO ENACT IMMEDIATE
LEGISLATION TO PROVIDE MINIMUM IMPROVEMENTS
TO ALASKA'S UNEMPLOYMENT COMPENSATION
PROGRAM**

RECOMMENDATIONS TO STRENGTHEN AND IMPROVE ALASKA'S PROGRAM

Minimum Improvements To Introduce More Equity Into System

- ** EXTEND UNEMPLOYMENT COMPENSATION PROTECTION
TO MOST STATE GOVERNMENT EMPLOYEES
- ** PROVIDE ADEQUATE BENEFITS RESPONSIVE TO ECONOMY
- ** ASSURE EQUITABLE TAXATION THROUGH ECONOMICALLY
RESPONSIVE TAX SYSTEM WHICH
 - * MAINTAINS FUND ADEQUACY
 - * ELIMINATES REGRESSIVE TAXATION
 - * REDUCES COMPETITIVE ADVANTAGE OF NEW EMPLOYERS
 - * PROVIDES REIMBURSABLE FINANCING

**EXTEND PROTECTION TO
GOVERNMENT EMPLOYEES**

EXTEND PROTECTION TO GOVERNMENT EMPLOYEES

House Bill 159

- ** BRINGS TO 30% OF THE WORKERS NOT COVERED
THE PROTECTION UNEMPLOYMENT INSURANCE
PROVIDES**

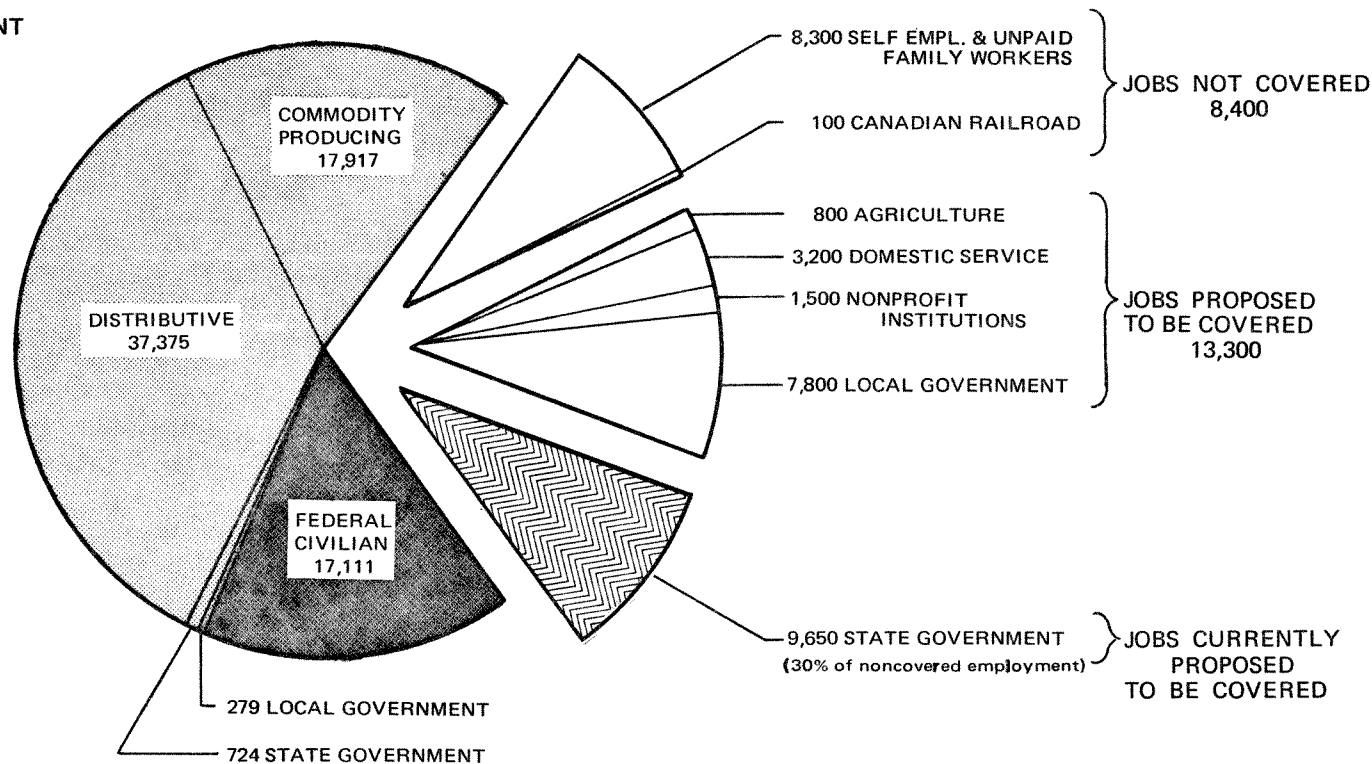
- ** PROVIDES STATE GOVERNMENT EMPLOYEES PROTECTION
AT THE LEAST COST TO THE STATE THROUGH REIMBURSABLE
FINANCING**

ALASKA

PRESENT AND PROPOSED UNEMPLOYMENT INSURANCE COVERAGE OF WAGE AND SALARY EMPLOYMENT

Calendar Year 1970

	NUMBER	PERCENT
TOTAL COVERED & NONCOVERED	104,756	100.0
TOTAL COVERED	73,406	70.1
<u>Commodity Producing</u>	17,917	17.1
Mining	2,994	2.8
Contract Const.	6,893	6.6
All Manufacturing	7,838	7.5
Ag., Forestry & Fish.	192	.2
<u>Distributive</u>	37,375	35.7
Trans., Comm. & Util.	8,973	8.6
Whsle. & Ret. Trade	15,357	14.6
Fin., Ins. & Real Est.	3,098	3.0
Services	9,947	9.5
<u>Government</u>	18,114	17.3
Federal	17,111	16.3
State	724	.7
Local	279	.3
<u>Noncovered (estimated)</u>	31,350	29.9
Self Employed & Unpaid Family Workers	8,300	7.9
Canadian Railroad	100	.1
Agriculture	800	.8
Domestic Service	3,200	3.1
Nonprofit Inst.	1,500	1.4
Local Government	7,800	7.4
State Government	9,650	9.2



The coverage extensions currently proposed provide a significant advance toward bringing into the program workers in need of wage loss protection.

EXTEND PROTECTION TO GOVERNMENT EMPLOYEES

Reimbursable Financing

- ** PRIVATE INDUSTRY MOTIVATED BY INCENTIVE TO MAKE PROFIT
- ** TAX EXEMPT GOVERNMENT & NON PROFIT ORGANIZATIONS ARE NOT
 - * GOVERNMENT & NON PROFIT ORGANIZATIONS SHOULD NOT SUBSIDIZE BENEFIT COSTS OF PROFIT MAKING ENTITIES
 - * NON PROFIT EMPLOYERS ARE ALLOWED TO PAY ONLY COSTS OF BENEFITS
 - * BASIC REASON GOVERNOR EGAN RECOMMENDED REIMBURSABLE FINANCING FOR STATE GOVERNMENT WORKERS

EXTEND PROTECTION TO GOVERNMENT EMPLOYEES

Reimbursable Privilege Is Not Presently
In Our Law

- ** ALL GOVERNMENT ENTITIES ELECTING COVERAGE
MUST BE TAXED AS PROFIT EMPLOYER
- ** THIS REQUIREMENT HAS STIFLED ACTION BY STATE
OR LOCAL GOVERNMENT ENTITIES TO ELECT COVERAGE
- ** BENEFIT COSTS TO COVER STATE WORKERS CONSIDERABLY
LESS THAN OTHER WORKERS
- * PRESENT EXPERIENCE SHOWS COST EQUAL TO .8% OF
TOTAL PAYROLL
- * AVERAGE COST FOR ALL WORKERS IS 1.8%

EXTEND PROTECTION TO GOVERNMENT EMPLOYEES

House Bill 159 Introduces More Equity Into Program

- ** STATE GOVERNMENT COVERAGE WOULD BE PROVIDED AT LEAST COST TO STATE
- ** STATE WOULD PARTICIPATE AS ANY OTHER NON PROFIT EMPLOYER ON A REIMBURSABLE BASIS
- ** GOVERNOR EGAN IS REVIEWING MEASURES TO EXTEND PROTECTION WITH SAME PRIVILEGE TO LOCAL GOVERNMENT

ADEQUATE BENEFITS

ADEQUATE BENEFITS

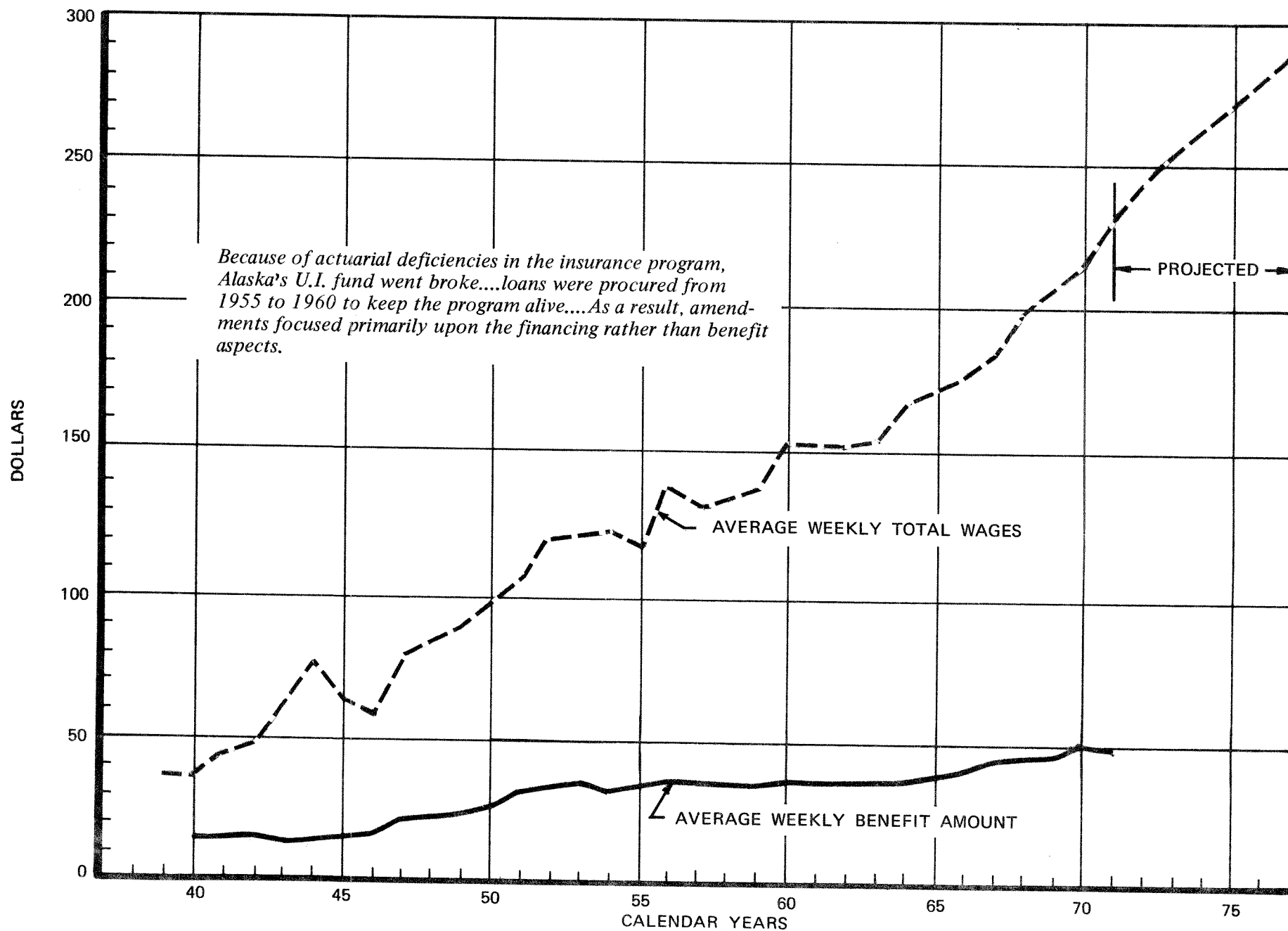
Historical Highlights

- ** RECESSIONS IN 50'S AND ACTUARIAL DEFICIENCIES
RESULTED IN
 - * UNEMPLOYMENT COMPENSATION FUND'S INADEQUACY
TO MEET BENEFIT PAYMENTS IN 1955 AFTER BOOM
ECONOMY OF THAT DECADE

- ** ACTUARIAL DEFICIENCIES
 - * EQUIVALENT TO 1/3 OF PRESENT FUND BALANCE WAS
PROCURED FOR LOANS DURING 1955-1960 TO KEEP
PROGRAM ALIVE

- ** ALASKANS LOST INTEREST OF \$1,000,000

- ** ALASKA BENEFIT STRUCTURE NEGLECTED SINCE PAYMENTS
FROM 1955-1971 WERE PRIMARILY TO IMPROVE FUND'S
FINANCIAL CONDITION



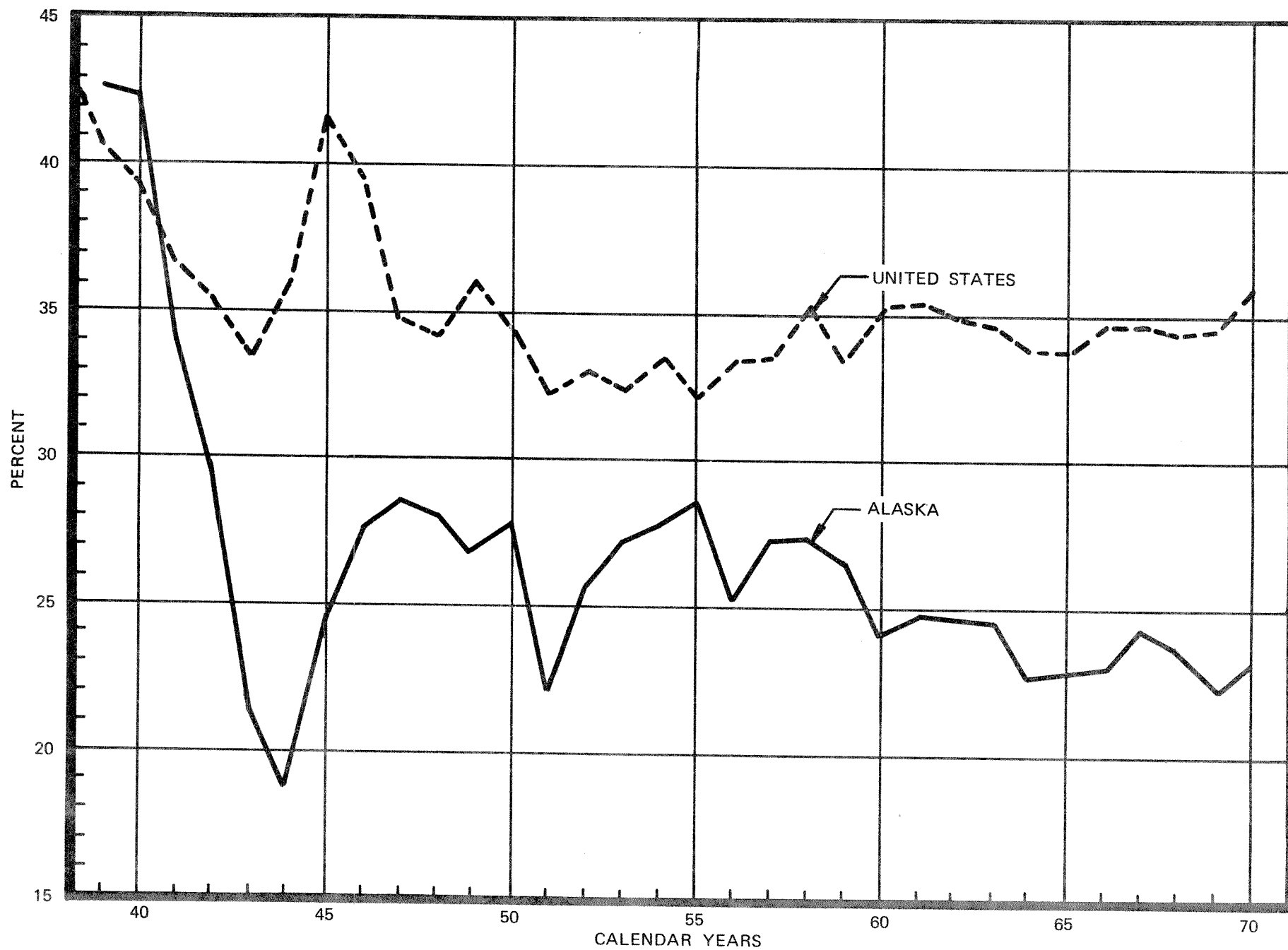
ALASKA AVERAGE WEEKLY WAGES AND AVERAGE WEEKLY BENEFITS

1939 - 1977

ADEQUATE BENEFITS

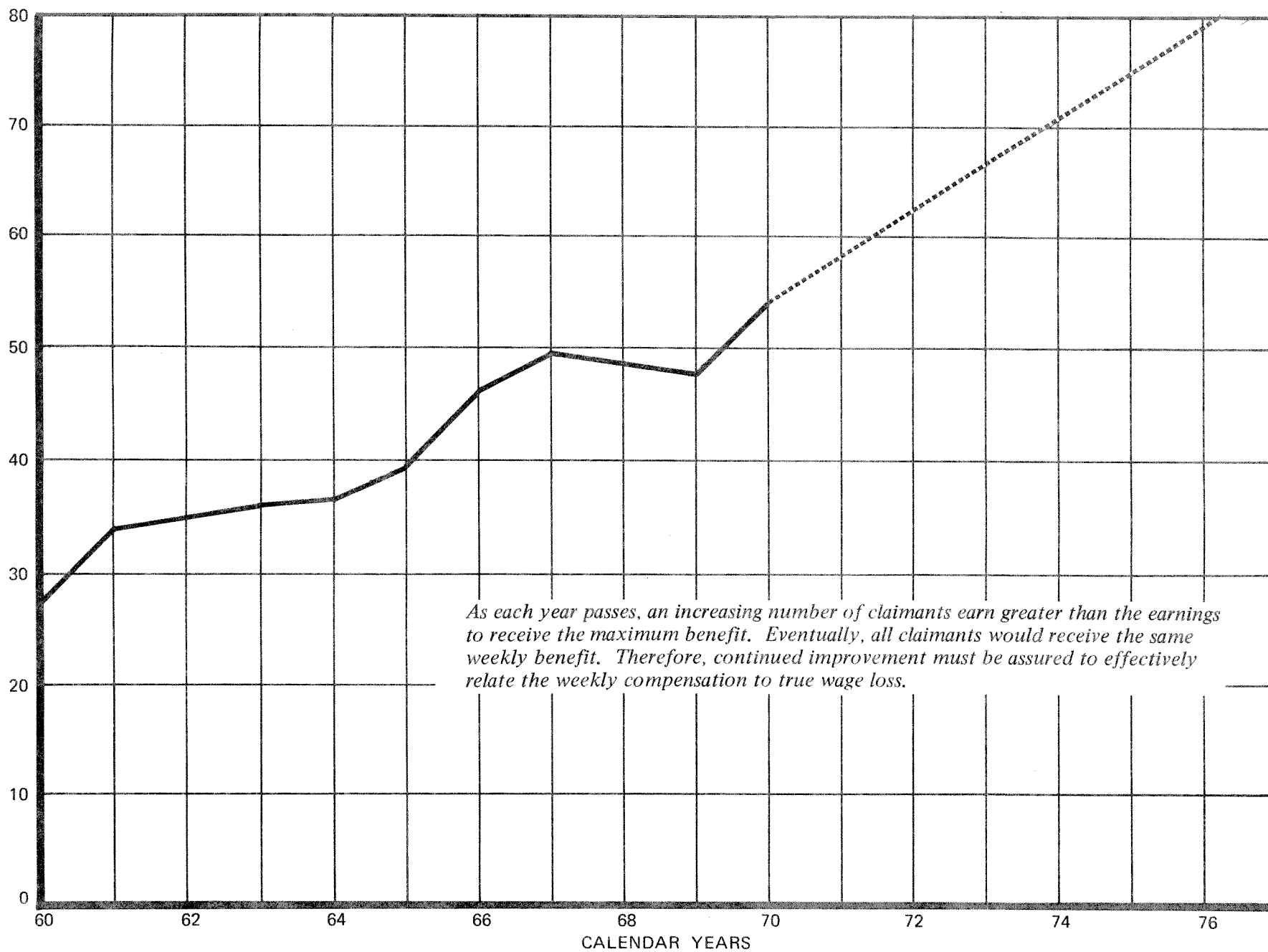
Inequities of Present Benefit Structure

- ** ORIGINAL EQUITY OF 40% WAGE LOSS REPLACEMENT IN EARLY YEARS HAS LONG SINCE BEEN DESTROYED**
- ** ALASKA 1969 WAGE LOSS REPLACEMENT REACHED LOWEST LEVEL IN HISTORY OF PROGRAM AT 22%**
- ** U. S. AVERAGE IS 36%**
- ** 1970 WAS FIRST TIME IN HISTORY ALASKA AVERAGE WEEKLY BENEFIT AT \$49.49 WAS LESS THAN U. S. AVERAGE OF \$50.31**
- ** 33 STATES HAVE MAXIMUMS HIGHER THAN ALASKA'S MAXIMUM OF \$60**
- ** EVERY STATE EXCEPT ALASKA PASSED LEGISLATION IN 1971 PROVIDING FOR INCREASED BENEFITS**
- ** 50% OF ALASKA'S CLAIMANTS DRAW THE MAXIMUM BENEFIT, MORE THAN EVER BEFORE**



ALASKA'S AVERAGE WAGE LOSS COMPENSATED COMPARED TO THE U. S. AVERAGE

Average Weekly Benefit Divided By Average Weekly Wage



ALASKA PERCENT OF CLAIMANTS WITH BASE PERIOD EARNINGS OF \$5500 OR MORE

ADEQUATE BENEFITS

Federal Minimum Standard

- ** COMPENSATION FOR LOST WAGES SHOULD EQUAL
STANDARD LIVING EXPENSES, ABOUT 50% OF AVERAGE
WEEKLY WAGES
- ** MAXIMUM SET AT 66 2/3% OF AVERAGE WEEKLY WAGE
WOULD PROVIDE ADEQUATE BENEFITS TO MAJORITY OF
UNEMPLOYED WORKERS
- ** PRESENT 22% ALASKA WAGE LOSS REPLACEMENT FALLS
FAR SHORT OF 50% NEEDED

ADEQUATE BENEFITS

House Bill 433 Introduces More Equity

- ** PROVIDES FOR GENERAL IMPROVEMENT BY INCREASING EVERY WEEKLY BENEFIT BY \$5 USING THE CURRENT LAW AMOUNT OF BASE YEAR EARNINGS FOR ELIGIBILITY**
- ** PROVIDES FOR ECONOMIC SENSITIVITY BY ANNUALLY SETTING WEEKLY MAXIMUM AT 40% OF AVERAGE WEEKLY WAGE THEREBY**
 - * BRINGING INCREASED BENEFITS TO ALL CLAIMANTS**
 - * ALLOWING HIGHER EARNINGS CLAIMANTS EACH YEAR TO RECEIVE HIGHER EARNED BENEFIT**
 - * RAISING AVERAGE WAGE LOSS REPLACEMENT FROM 22% TO 28% AND MAINTAINING THAT LEVEL, PLACING ALASKA CLOSER TO THE NATIONAL AVERAGE OF 36%**

ADEQUATE BENEFITS

Dual Purpose of House Bill 433 Benefit Provisions

- ** ASSURES THAT MINIMUM WAGE LOSS REPLACEMENT IS PROVIDED EACH YEAR EVEN IF WAGES AND PRICES RISE THEREBY OFFSETTING SEVERE CUT IN AN ALASKAN WORKER'S STANDARD OF LIVING WHILE BETWEEN JOBS
- ** LESSENS FUTURE EMPLOYER AND EMPLOYEE TAX BURDENS RESULTING FROM FEDERAL BENEFIT STANDARDS WHICH PROMISE TO BE CONSIDERABLY HIGHER THAN ALASKA'S PROPOSED MINIMUM IMPROVEMENTS

EQUITABLE RATE ASSIGNMENT

EQUITABLE RATE ASSIGNMENT

A Sound Unemployment Insurance Program

- ** ASSURES RESERVE IS ADEQUATE TO MEET POTENTIAL LIABILITIES
- ** IS DESIGNED TO LESSEN TAX BURDEN ON EMPLOYER AND EMPLOYEE DURING SEVERE ECONOMIC CONDITIONS
- ** PROVIDES SHARING OF TAX BURDEN IN AN EQUITABLE MANNER
- ** PROVIDES FOR TAX STRUCTURE WHICH IS RESPONSIVE TO ECONOMIC CONDITIONS AND BALANCES INCOME AND EXPENSE OVER TIME ON AN EQUITABLE BASIS
- ** THE H. B. 433 TAX PROVISIONS
 - * ASSURE SOLVENCY
 - * COLLECT IN "GOOD" TIMES TO PAY FOR "BAD"
 - * PREVENT SHIFT OF TAX BURDEN
 - * ARE ECONOMICALLY SENSITIVE
 - * SPREAD COSTS OVER PERIOD OF YEARS
 - * PREVENT AN EXCESSIVE TAX FROM HAVING TO BE ABSORBED IN ONE YEAR

EQUITABLE RATE ASSIGNMENT

Actuarial Planning Period

- ** 1972 - 1977 PERIOD CORRESPONDING TO ONE FULL ECONOMIC BUSINESS CYCLE WAS CHOSEN
- ** ECONOMIC ASSUMPTIONS WERE PREPARED FOR VARIOUS 1972 - 1977 GROWTH PATTERNS
- ** BENEFIT COST FACTORS FOR 1972 - 1977 GROWTH PATTERNS AND POTENTIAL LIABILITIES WERE CALCULATED
- ** AVERAGE YIELD WAS DETERMINED TO MEET
 - * PROPOSED MINIMUM BENEFIT IMPROVEMENTS
 - * MAINTAIN FUND ADEQUACY AT 1.25 RESERVE MULTIPLE

EQUITABLE RATE ASSIGNMENT

Actuarially Sound Fund Depends on
Measure of Potential Liabilities

**** POTENTIAL LIABILITIES GROW AS WAGES INCREASE**

- * ALASKA'S ECONOMY HAS EXPANDED AND BECOME MORE STABLE
- * MEANS EXCESSIVE BENEFIT COSTS OF FIFTIES WILL UNLIKELY BE EXPERIENCED DURING 1972 - 1977
- * PEAK OF MOST RECENT RECESSION WAS 1958 WHEN COSTS WERE AS HIGH AS 4.33% OF ALL WAGES
- * COMPARES TO 1970 COST OF 1.78%

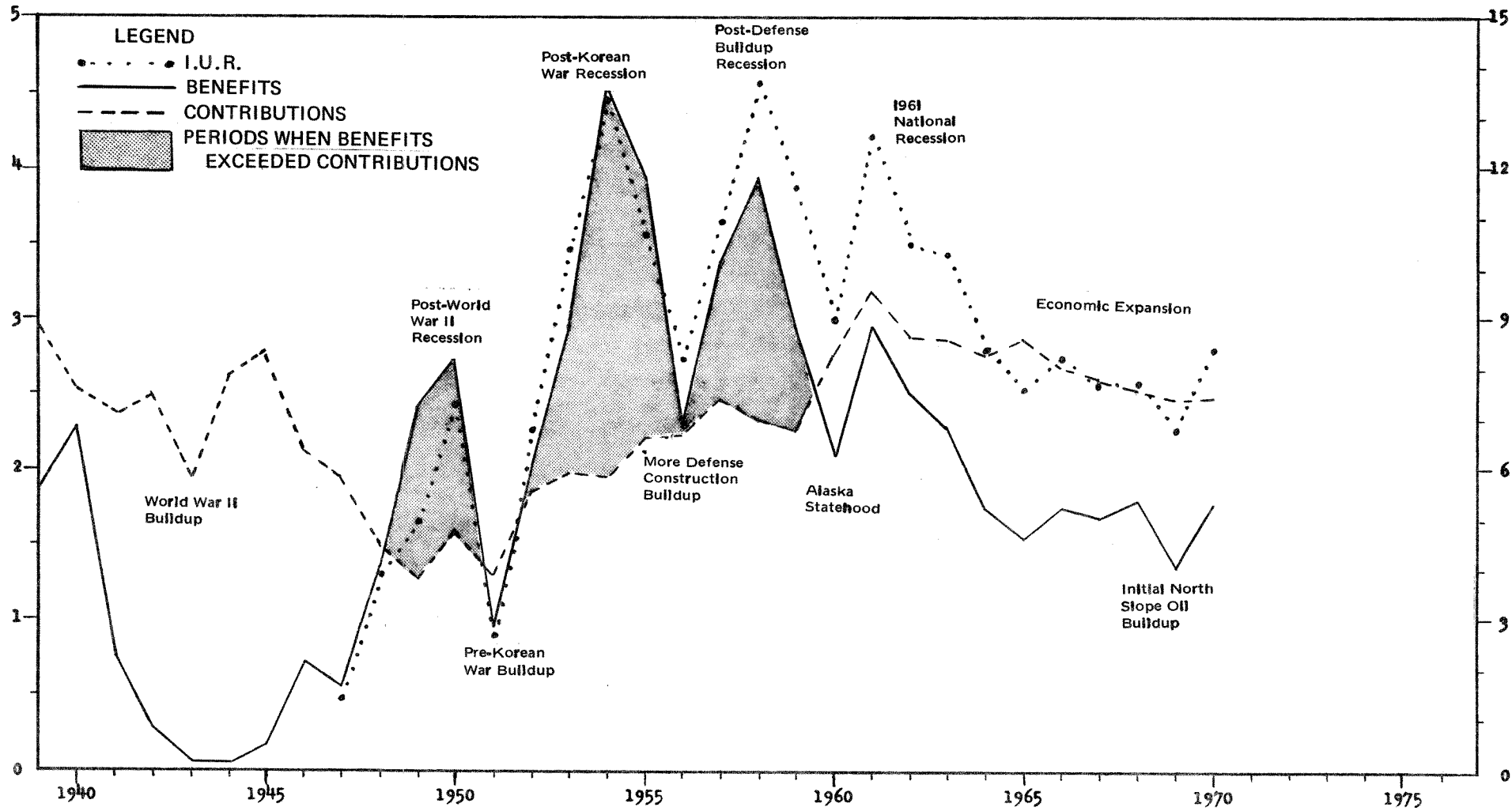
**** POTENTIAL LIABILITIES INCREASE AS ECONOMIC CONDITIONS WORSEN**

- * 1958 INSURED UNEMPLOYMENT RATE WAS 13.7%
- * 1970 INSURED UNEMPLOYMENT RATE WAS 8.4%
- * 1972 EXPECTED INSURED UNEMPLOYMENT RATE IS 9%
- * 1972 - 1977 INSURED UNEMPLOYMENT RATE IS ESTIMATED AT 8%

ALASKA ANNUAL BENEFITS AND CONTRIBUTIONS AS PERCENT OF TOTAL WAGES
AND INSURED UNEMPLOYMENT RATE (IUR)
1939-1970

PERCENT OF
TOTAL WAGES

IUR



EQUITABLE RATE ASSIGNMENT

House Bill 433 Relates Tax Contributions to Fund Adequacy

** MEASURES ADEQUACY BY "RESERVE MULTIPLE"

- * FUND CONSIDERED ADEQUATE TO MEET POTENTIAL LIABILITIES
IF EQUAL TO 1 1/4 MULTIPLE OF 1958 HIGH COSTS
- * 1971 RESERVE CONSIDERED ADEQUATE
- * HOUSE BILL 433 ASSURES FUND ADEQUACY IS MAINTAINED
DURING 1972 - 1977

** TAX RATE DETERMINED BY ADEQUACY OF FUND

- * IF RESERVE MULTIPLE IS HIGHER THAN 1.35, BENEFIT
IMPROVEMENTS OR TAX RELIEF CAN BE PROVIDED
WITHOUT JEOPARDY TO FUND
- * IF RESERVE MULTIPLE IS LESS THAN 1.15, SLIGHTLY
HIGHER TAXES ARE EFFECTIVE UNTIL FUND IS BUILT - UP

EQUITABLE RATE ASSIGNMENT

Countercyclical Financing During 1972-1977
Based on Predicted Economic Assumptions

- ** PIPELINE CONSTRUCTION WILL BRING RAPID EXPANSION FOLLOWED BY SUBSTANTIAL UNEMPLOYMENT, SIMILAR TO 1969 - 1970 TRANSITION FOLLOWING EXPLORATION PHASE WHEN INSURED UNEMPLOYMENT ROSE FROM 6.9% TO 8.4%
- ** MAINTAINING ADEQUATE FUND IN BEGINNING YEARS WILL ENABLE FUND TO WEATHER POTENTIAL RECESSIONAL CONDITIONS OF THE 70'S
- ** PREVENTS NEED FOR REMEDIAL LEGISLATION WHICH PLACES TAX BURDEN ON TAXPAYER WHEN HE CAN LEAST AFFORD TO PAY
- ** CONTINUED ECONOMIC GROWTH RESULTS IN RATE REDUCTIONS
- ** PREVENTS UNDER - FINANCING AND OVER - FINANCING
- ** RESULTS IN COSTS SPREAD OVER THE PERIOD BY COLLECTING IN "GOOD" YEARS TO PAY FOR "BAD" YEARS

EQUITABLE RATE ASSIGNMENT

If Law Effective January 1, 1972

**** CURRENT TAX RATES WOULD REMAIN THE SAME**

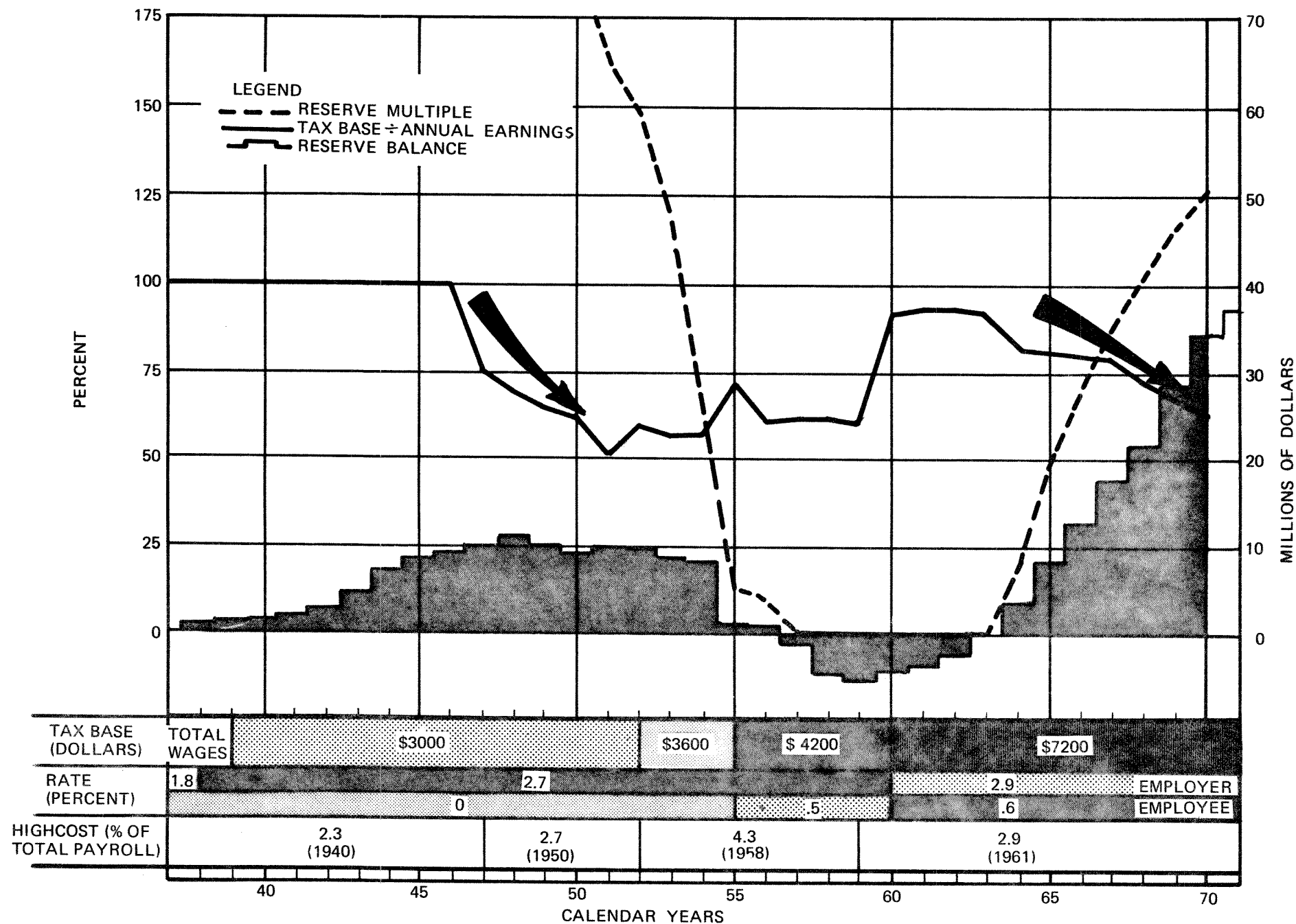
**** UNLESS ECONOMIC CONDITIONS IMPROVE, TAX DECREASES
OR ADDITIONAL BENEFIT IMPROVEMENT UNLIKELY UNTIL
1974 BECAUSE OF INCREASED COST OF P. L. 91-373**

EQUITABLE TAX BASE

EQUITABLE TAX BASE

Inequities of Regressive Taxation Under a "Fixed" Dollar or "Limited" Base

- ** EACH YEAR THE PROPORTION OF WAGES TAXED DECLINES
RESULTING IN REGRESSIVE TAXATION AND LOSS OF REVENUE
- ** DISCRIMINATES AGAINST LOW WAGE EMPLOYER & LOW WAGE
WORKER SINCE, AS WAGES INCREASE, TAX BURDEN IS SHIFTED
TO THESE TAXPAYERS
- ** COSTS WILL EVENTUALLY OUTRUN REVENUES
- ** RESULTS IN SUBSTANTIAL TAX BASE INCREASE HAVING TO BE
ABSORBED IN ONE YEAR



SIGNIFICANT ALASKA UNEMPLOYMENT COMPENSATION ACTUARIAL MEASURES

1937-1971

EQUITABLE TAX BASE

Alaska's Tax Structure is Regressive

- ** RAISING BASE FROM \$4200 TO \$7200
 - * RESULTED IN 90% OF PAYROLL BEING TAXED IN 1960
 - * 70% OF PAYROLL BEING TAXED IN 1970
 - * ONLY 60% ESTIMATED IN 1977

- ** REGRESSIVE NATURE OF FIXED BASE CAUSES THE LOW WAGE TAXPAYER TO PAY A RELATIVELY HIGHER RATE OF TAXES AS EACH YEAR PASSES

- ** THE EQUITY OF THE FIXED 1960 BASE BECAME GRADUALLY DESTROYED, AS EACH YEAR MORE WORKERS EARNED MORE THAN THE FIXED DOLLAR LIMIT

EQUITABLE TAX BASE

House Bill 433 Introduces More Equity Into Program

** PERCENTAGE OR FLEXIBLE BASE

- * PREVENTS COSTS FROM OUTRUNNING REVENUES
RESULTING FROM GROWTH OF TAXABLE WAGES
AT SLOWER RATE THAN TOTAL WAGES
- * REMOVES FIXED DOLLAR LIMITATION AND ASSURES
THAT THE 1970 PROPORTION OF WAGES TAXED REMAINS
THE SAME EACH YEAR THEREAFTER
- * PROVIDES FOR SETTING TAX BASE EACH YEAR AT 60%
OF THE AVERAGE ANNUAL EARNINGS OF ALL WORKERS
COVERED UNDER THE ACT
- * BROADENS EMPLOYMENT OPPORTUNITIES FOR LOW
WAGE WORKERS
- * REDUCES EMPLOYER'S INCENTIVE TO SAVE TAXES THROUGH
OVERTIME RATHER THAN ADD WORKERS

EQUITABLE TAX BASE

If Law Effective January 1, 1972

** 1972 TAX BASE WOULD BE ABOUT THE SAME AS
PRESENT LAW

** 1973 TAX BASE WOULD INCREASE SLIGHTLY IN
PROPORTION TO WAGE INCREASES

** TAXES COLLECTED DURING 1972-1977 WOULD BE
THE SAME AS COLLECTING EACH YEAR ON A
\$8400 BASE

EQUITABLE NEW EMPLOYER
RATE ASSIGNMENT

EQUITABLE NEW EMPLOYER RATE ASSIGNMENT

New Employers Under Current Act

- ** ARE ASSIGNED STANDARD RATE – AVERAGE RATE FOR ALL EMPLOYERS WITH WORK EXPERIENCE IN ALASKA
- ** SOME PAY LESS, SOME PAY MORE THAN THEIR INDUSTRY'S EXPERIENCE

Example

- ** A NEW CONSTRUCTION EMPLOYER IS CURRENTLY ASSIGNED A 2.9 RATE WHILE MAJORITY OF OTHER ESTABLISHED CONSTRUCTION FIRMS PAY 4.0 RATE
- ** PRESENT SYSTEM PLACES A COMPETITIVE DISADVANTAGE ON
 - * ALASKAN CONTRACTORS
 - * SMALL NEW EMPLOYERS WHO ARE ASSIGNED 2.9 RATE WHILE INDUSTRY'S AVERAGE RATE MAY BE 1.5 PERCENT

EQUITABLE NEW EMPLOYER RATE ASSIGNMENT

House Bill 433 Introduces More Equity Into Program

**** ASSIGNS AVERAGE INDUSTRY TAX RATE TO NEW EMPLOYERS**

**** IMPROVEMENT ASSURES NEW EMPLOYER WILL RECEIVE NO MORE OR LESS ADVANTAGE THAN OTHERS IN HIS INDUSTRY**

APPENDIXES

HOUSE BILL 159

BY THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

IN THE HOUSE

HOUSE BILL NO. 159

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending employment security coverage to
employees of the state; and providing for an
effective date."

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

* Section 1. AS 23.20.130(b) is amended by adding a new paragraph
to read:

(9) reimbursement of benefits paid pursuant to sec. 272
of this chapter.

* Sec. 2. AS 23.20 is amended by adding a new section to read:

Sec. 23.20.272. STATE PAYMENTS TO THE FUND. (a) Notwith-
standing secs. 165 - 270 of this chapter, the state, in lieu of
employer and employee contributions required by this chapter, shall
pay to the commissioner for the unemployment compensation fund an
amount equivalent to the amount of benefits paid to individuals
based upon wages paid by the state.

(b) If an individual during the base period was employed by
both the state and other employers subject to the provisions of this
chapter, the amount to be paid into the fund by the state, with
respect to that individual, shall be an amount equal to the
additional cost of benefit payments made from the fund which would
not have been incurred but for the inclusion of earnings from state
employment in the individual's determination of benefit rights.

(c) The amount of payments required under this section to be
paid into the fund shall be determined by the department once each

quarter and paid at the times and in the manner prescribed by the commissioner.

* Sec. 3. AS 23.20.520(12) is amended to read:

(12) "employing unit" means an individual or type of organization, the State of Alaska, a partnership, or association, trust, estate, joint trust company, insurance company or domestic or foreign corporation, or the receiver, referee in bankruptcy, trustee, or successor of one of these, or the legal representative of a deceased person, which has or subsequent to January 1, 1937, had one or more individuals performing service for it within the state; an individual performing services inside the state for an employing unit which maintains two or more separate establishments inside the state is considered as employed by a single employing unit for the purposes of this chapter;

* Sec. 4. AS 23.20.525(b) is amended by adding a new paragraph to read:

(5) service performed on and after October 1, 1970 by an individual for the state.

* Sec. 5. AS 23.20.525(c)(12) is amended to read:

(12) service performed in the employ of [THIS STATE OR a municipality or other political subdivision of this state, except as provided in sec. 325 of this chapter;

* Sec. 6. AS 23.20.525(c) is amended by adding a new paragraph to read:

(22) service performed for the State of Alaska by:

(A) persons elected to public office by popular vote or appointed to fill vacancies in elected offices;

(B) justices of the supreme court, judges of the superior court, judges and magistrates of other state courts established by law;

(C) the administrative director of the state court

SECTION 3
(12) Defines the State of Alaska as an "employing unit".

SECTION 4
(b) Defines state government employment as services covered by the Employment Security Act. The October 1, 1970 date allows benefits to be paid beginning January 1, 1972 on wages earned the twelve months beginning October 1, 1970

SECTION 5
(c) Amends this section, which defines services excluded from coverage, by deleting the services of state government.

SECTION 6
(c) Amends the same section to exclude from coverage the services of certain state government positions which do not deserve unemployment insurance protection. These individuals would generally be construed as having some control over their unemployment and therefore would not be considered involuntarily unemployed. Further state services are excluded under Section 375(c), 526(a) 18, and (d) 2 - 7 of Chapter 106, SLA 1971.

system;

(D) the chief administrative officer of each house of the legislature;

(E) the head of each principal department in the executive branch;

(F) patients and inmates employed in state institutions;

(G) persons employed in a professional capacity to make a temporary and special inquiry, study, or examination as authorized by the governor, the legislature, or a legislative committee; and

(H) members of boards, commissions or authorities.

* Sec. 7. Notwithstanding the provisions of AS 23.20.272(a) the state is not required to reimburse the unemployment compensation fund for the amount of benefits paid by the state after December 31, 1971 where such benefits were based on wages paid by the state before January 1, 1972 and on which contributions were paid.

* Sec. 8. AS 23.20.525(b)(5) is effective only as to benefit years established after December 31, 1971.

* Sec. 9. This Act takes effect January 1, 1972.

SECTION 7

a) Since the Employment Security and Marine Transportation Division would be required to pay contributions on wages earned before January 1, 1972, this section assures the state would not be liable for benefit costs based on wages earned before January 1, 1972. The state would only be able for the benefit costs of these two agencies which were determined from wages paid after December 31, 1971.

SECTION 8

b) Provides that with respect to service covered beginning October 1, 1970 benefits will only be paid to individuals who establish benefit years after January 1, 1972.

SECTION 9

sets effective date.

HOUSE BILL 433

Introduced: 4/16/71
Referred: Labor & Management

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 433

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to employment security; and providing
7 for an effective date."

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

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

Sec. 23.20.022. ACTUARIAL STUDIES. On December 1, 1973 the
commissioner shall submit to the governor an actuarial study of the
unemployment tax and benefit structures established under this chapter.
Thereafter, an actuarial study of the structures shall be submitted to
the governor on December 1 of every second year.

* Sec. 2. AS 23.20.165(e) is repealed and re-enacted to read:

(e) An employer shall maintain a record of the amount deducted from
the wages of each of his employees, and shall furnish a statement of the
deductions to each employee at the times and in the manner the commis-
sioner prescribes by regulation. No deduction may be made from those
wages paid to an employee during a calendar year which are in excess of
the wages subject to contributions pursuant to sec. 175 of this chapter.
If an employee in the employ of two or more employers earns wages in one
calendar year totaling more than the wages subject to contributions, or
if one employer through error makes a deduction from his wages in excess
of the wages subject to contributions during a calendar year, the amount
of deductions in excess of those required by this chapter shall be re-
funded to the employee by the commissioner upon application for them in
accordance with regulations prescribed by him. Application must be made
during the calendar year after the calendar year in which the deductions

9 SECTION 1
10 Requires a study of the
11 tax and benefit
12 structures to be
13 submitted to the
14 Governor on December
15 1, 1973 and every
16 two years thereafter.

17 SEC. 2
18 (e) Amends current
19 law to prevent any
20 deductions on wages
21 earned above the tax
22 base limit set in
23 Section 175 (60
24 percent of the average
25 annual wage); other-
26 wise, exactly the same
27 language.

1 are made.

2 * Sec. 3. AS 23.20.170 is repealed and re-enacted to read:

3 Sec. 23.20.170. RATE OF CONTRIBUTIONS. (a) Subject to secs. 175
4 and 280 - 310 of this chapter, beginning October 1, 1960 and continuing
5 through December 31, 1971, an employer shall pay contributions equal to
6 2.9 per cent and each of his employees shall pay contributions equal to
7 0.6 per cent of wages paid by him and received by each employee with
8 respect to employment.

9 (b) Subject to secs. 175 and 280 - 310 of this chapter, beginning
10 January 1, 1972, the standard rate of contributions by employers is 5.7
11 per cent of wages. Each employer who has not been subject to this
12 chapter for a sufficient period of time to have his rate computed under
13 sec. 290 of this chapter, shall pay contributions at a rate equal to the
14 average industry tax rate as determined by the commissioner, provided
15 that such rate shall not be less than 1.0 per cent. Assignment by the
16 commissioner of employers to industrial classification, for the purposes
17 of this subsection, shall be in accordance with established classification
18 practices found in the "Standard Industrial Classification Manual" issued
19 by the United States Department of Labor to the first digit provided in
20 the Standard Industrial Classification code.

21 * Sec. 4. AS 23.20.175(a) is amended to read:

22 (a) For the purposes of secs. 165 and 170 of this chapter, after
23 December 31, 1959 and through December 31, 1971, wages do not include
24 that part of remuneration which, after remuneration equal to \$7,200 has
25 been paid in a calendar year to an individual by an employer or his pre-
26 decessor with respect to employment, is paid to the individual by the
27 employer during the calendar year unless that part of the remuneration
28 is subject to a tax under a federal law imposing a tax against which
29 credit may be taken for contributions required to be paid into a state

SEC. 3
(a) Same as current
law except prevents
assignment of the
current law standard
rates after December
31, 1971.

(b) Sets "new"
standard rates beginn-
ing January 1, 1972.
Under the proposal,
his average industry
tax rate then in effect
would be assigned a
new employer
eliminating the unfair
assignment now in
effect. Here the
highest possible rate
for any new employer
would be 5.7 although
this high rate is
improbable under all
but the worst
economic conditions.

SEC. 4
175 (a) same as presen-
Act but adds termina-
tion date for fixed
(\$7200) tax base.

unemployment fund.

* Sec. 5. AS 23.20.175 is amended by adding a new subsection to read:

(c) For the purposes of secs. 165 and 170 of this chapter, beginning January 1, 1972, "wages" do not include remuneration paid with respect to employment to an individual by an employer during any calendar year which exceed 60 per cent of the average annual wage, rounded to the next highest hundred dollars, for the four calendar quarter period ending on June 30 of the preceding year. The average annual wage shall be computed as follows: on or before November 30 of each year the total remuneration paid by employers, as reported on contribution reports on or before such date, with respect to all employment during the four consecutive calendar quarters ending on June 30 of such year shall be divided by the average monthly number of individuals performing services in the employment during the same four calendar quarters as reported on the contribution reports.

* Sec. 6. AS 23.20.290(b) is repealed and re-enacted to read:

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

* Sec. 7. AS 23.20.290 is amended by adding new subsections to read:

(c) The rate of contributions payable by each eligible employer

EC. 5
1) Maintains constant
to each year and
reduces the necessary
aid to meet the
increased benefit
proposal. Would tax
out the same percent
of total wages that would
be taxed under the
7200 base in 1972.

EC. 6
1) Same language as
current law except
current law tax schedule
and related language is
included.

SEC. 7

beginning January 1, 1972 and for each succeeding calendar year thereafter shall be the rate opposite the rate class in that column of the table in this section which is appropriate for the calendar year as determined by the reserve multiple of the fund on September 30.

A	B	C D E F G H I J K L													
Employer's Cumulative Payroll		If The Reserve Multiple Of the Fund is:													
Rate	Limit (Percent of State Total														
Class	Payroll)	Equal to or													
		More Than		Less Than		Equal to or									
1	0	10	3.2	2.8	2.5	2.1	1.8	1.5	1.3	1.1	1.0	.8			
2	10	20	3.5	3.1	2.8	2.4	2.1	1.8	1.6	1.4	1.3	1.1			
3	20	30	3.8	3.4	3.1	2.7	2.4	2.1	1.9	1.7	1.6	1.4			
4	30	40	4.1	3.7	3.4	3.0	2.7	2.4	2.2	2.0	1.9	1.7			
5	40	50	4.6	4.2	3.9	3.5	3.2	2.9	2.7	2.5	2.4	2.2			
6	50	60	4.9	4.5	4.2	3.8	3.5	3.2	3.0	2.8	2.7	2.5			
7	60	70	5.2	4.8	4.5	4.1	3.8	3.5	3.3	3.1	3.0	2.8			
8	70	80	5.4	5.0	4.7	4.3	4.0	3.7	3.5	3.3	3.2	3.0			
9	80	90	5.5	5.1	4.8	4.4	4.1	3.8	3.6	3.4	3.3	3.1			
10	90	100	5.7	5.3	5.0	4.6	4.3	4.0	3.8	3.6	3.5	3.3			
EMPLOYEE RATE			.8	.8	.7	.7	.6	.6	.5	.5	.4	.3			

(d) Beginning January 1, 1972 the rate of contributions payable by each employee of a subject employer for each succeeding calendar year shall be the designated employee rate in that column of the table in (c) of this section which is appropriate for the year as determined by the reserve multiple on September 30 of the preceding calendar year.

* Sec. 8. AS 23.20.310 is amended by adding new paragraphs to read:

(c) Establishes the "reserve multiple" as concept which automatically establishes lower (or higher) rate based on the needs of the reserve. The present tax schedule listed in Column H. The reserve multiple as of September 30 is used for calculating adequacy of the fund

Alaska's September (1970) "reserve multiple" was 1.24. Under the proposal, the tax structure is designed to maintain a reserve equal to 1.2 times the previous high cost twelve-month period since 1957 or about 5.5 percent of total wages. This is almost identical with the present (1970) "reserve multiple". Because the employer has no control over his employer's payroll fluctuations, his rate should not vary with his employer's risk of unemployment. Under the proposal, the employee rate remains uniform and is not subject to the employer's rate fluctuations.

(d) Defines the employee rate.

EC. 8
These definitions
explain how the
reserve multiple is
calculated.

(6) "reserve multiple" means the ratio of the reserve rate to the highest benefit cost rate;

(7) "reserve rate" means the percentage which the total amount available for benefits in the unemployment fund on September 30, immediately following the computation date, bears to payroll as defined in this section of subject employers for the consecutive 12 calendar-month period ending on the computation date;

(8) "benefit cost rate" means the percentage which the total amount of benefits paid out of the unemployment insurance fund, for any consecutive 12 calendar-month period, bears to aggregate payroll of subject employers for the four most recently completed calendar quarters of the immediately preceding 12-month period;

(9) "highest benefit cost rate" means 4.33 per cent, the benefit cost rate for the 12 months ending on August 31, 1958.

* Sec. 9. AS 23.20.350 is repealed and re-enacted to read:

Sec. 23.20.350. AMOUNT OF BENEFITS. (a) To qualify for benefits an individual shall have earned wages in his base period totaling not less than \$750 of which \$100 must have been earned in other than that calendar quarter of his base period in which he earned the highest amount of wages, and at least eight times the weekly benefit amount shall have been earned in employment whether or not covered by this chapter, subsequent to the beginning of a preceding benefit year.

(b) Except as provided in (a) of this section an individual's weekly benefit amount shall be the amount shown in the table set out in this section in the applicable column opposite the amount of his total base period wages as shown in column A. Each individual who establishes a benefit year is entitled to an augmented weekly benefit amount as shown in columns C, D, E, F, and G of the table set out in this section. The number of dependents shall be determined as of the date he establishes

EC. 9
Same language as
present law.

EC. 10
Maintains the same
benefit formula as under
present law except this
action

EC. 11
Sets the maximum
basic weekly benefit each
year at 40 percent of
the statewide average
weekly wage, assuring
that as wages increase
the benefit will also increase;

EC. 12
Raises each present
weekly benefit amount
by \$5.

1 his benefit year, and shall be fixed for the duration of his benefit year.
2 Notwithstanding the foregoing provisions of this section, for benefit
3 years established after December 31, 1971 the maximum basic weekly benefit
4 amount payable to any insured worker during his benefit year shall be an
5 amount equal to 40 per cent of the statewide average weekly wage effective
6 on the first day of such benefit year. If the maximum basic weekly
7 benefit amount is not a multiple of \$1 it shall be rounded to the nearest
8 multiple of \$1, except that if the computed amount ends in 50 cents, it
9 shall be adjusted to the next higher multiple of \$1. The statewide
10 average weekly wage shall be computed annually as of January 1 by dividing
11 the aggregate amount of wages (irrespective of the limit as to the
12 amount of wages subject to contributions under sec. 175 of this chapter)
13 for services in covered employment reported by employers as paid during
14 the first four of the last six completed calendar quarters immediately
15 prior to such January 1, by a figure representing 52 times the 12 month
16 average of the number of employees in the pay period which includes the
17 12th day of each month during the same four calendar quarters, as reported
18 by the employers. The amount so computed, if not a multiple of
19 one cent shall be rounded to the next higher multiple of one cent. The
20 statewide average weekly wage shall be effective on the January 1 as of
21 which it was computed. In the event the maximum basic weekly benefit
22 amount as computed under this section is higher than the amounts appearing
23 in the last line in columns B, C, D, E, F, and G of the benefit table
24 in this section, the commissioner shall extend the table up to the point
25 where the figures in columns B, C, D, E, F, and G equal the effective
26 maximum computed under this section. The extension shall be made by
27 applying an appropriate modification of the table and shall be considered
28 part of the table. In extending the table, the figure in column H shall
29 be 28, the lower end of each base period interval in column A shall be

increased by \$100 above the next preceding interval, and each benefit amount in Columns B, C, D, E, F, and G shall be increased by \$1 above the next preceding interval. The extension shall be effective on the January 1 as of which the maximum is computed. The amount payable to any insured worker during his benefit year shall be based on the table effective on the first day of the benefit year.

Total		Basic		Augmented Weekly					Benefit	
Base		Weekly		Benefit Amount with the					Duration	
Period		Benefit		Following Dependents					Factor	
Wages		Amount One		Two	Three	Four	Five			
Columns (A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)			
\$ 0- 749.99	\$00	\$00	\$00	\$00	\$00	\$00	\$00	00		
750- 799.99	23	28	33	38	43	46	46	14		
800- 899.99	24	29	34	39	44	48	48	16		
900-1099.99	25	30	35	40	45	50	50	18		
1100-1299.99	26	31	36	41	46	51	51	20		
1300-1499.99	27	32	37	42	47	52	52	22		
1500-1699.99	28	33	38	43	48	53	53	24		
1700-1899.99	29	34	39	44	49	54	54	26		
1900-2099.99	30	35	40	45	50	55	55	28		
2100-2199.99	31	36	41	46	51	56	56	28		
2200-2299.99	32	37	42	47	52	57	57	28		
2300-2399.99	33	38	43	48	53	58	58	28		
2400-2499.99	34	39	44	49	54	59	59	28		
2500-2599.99	35	40-	45	50	55	60	60	28		
2600-2699.99	36	41	46	51	56	61	61	28		
2700-2799.99	37	42	47	52	57	62	62	28		
2800-2899.99	38	43	48	53	58	63	63	28		
2900-2999.99	39	44	49	54	59	64	64	28		

1	3000-3099.99	40	45	50	55	60	65	28
2	3100-3199.99	41	46	51	56	61	66	28
3	3200-3299.99	42	47	52	57	62	67	28
4	3300-3399.99	43	48	53	58	63	68	28
5	3400-3499.99	44	49	54	59	64	69	28
6	3500-3599.99	45	50	55	60	65	70	28
7	3600-3699.99	46	51	56	61	66	71	28
8	3700-3799.99	47	52	57	62	67	72	28
9	3800-3899.99	48	53	58	63	68	73	28
10	3900-3999.99	49	54	59	64	69	74	28
11	4000-4099.99	50	55	60	65	70	75	28
12	4100-4199.99	51	56	61	66	71	76	28
13	4200-4299.99	52	57	62	67	72	77	28
14	4300-4399.99	53	58	63	68	73	78	28
15	4400-4499.99	54	59	64	69	74	79	28
16	4500-4599.99	55	60	65	70	75	80	28
17	4600-4699.99	56	61	66	71	76	81	28
18	4700-4799.99	57	62	67	72	77	82	28
19	4800-4899.99	58	63	68	73	78	83	28
20	4900-4999.99	59	64	69	74	79	84	28
21	5000-5099.99	60	65	70	75	80	85	28
22	5100-5199.99	61	66	71	76	81	86	28
23	5200-5299.99	62	67	72	77	82	87	28
24	5300-5399.99	63	68	73	78	83	88	28
25	5400-5499.99	64	69	74	79	84	89	28
26	5500-5599.99	65	70	75	80	85	90	28
27	5600-5699.99	66	71	76	81	86	91	28
28	5700-5799.99	67	72	77	82	87	92	28
29	5800-5899.99	68	73	78	83	88	93	28

1	5900-5999.99	69	74	79	84	89	94	28
2	6000-6099.99	70	75	80	85	90	95	28
3	6100-6199.99	71	76	81	86	91	96	28
4	6200-6299.99	72	77	82	87	92	97	28
5	6300-6399.99	73	78	83	88	93	98	28
6	6400-6499.99	74	79	84	89	94	99	28
7	6500-6599.99	75	80	85	90	95	100	28
8	6600-6699.99	76	81	86	91	96	101	28
9	6700-6799.99	77	82	87	92	97	102	28
10	6800-6899.99	78	83	88	93	98	103	28
11	6900-6999.99	79	84	89	94	99	104	28
12	7000-7099.99	80	85	90	95	100	105	28
13	7100-7199.99	81	86	91	96	101	106	28
14	7200-7299.99	82	87	92	97	102	107	28
15	7300-7399.99	83	88	93	98	103	108	28
16	7400-7499.99	84	89	94	99	104	109	28
17	7500-7599.99	85	90	95	100	105	110	28
18	7600-7699.99	86	91	96	101	106	111	28
19	7700-7799.99	87	92	97	102	107	112	28
20	7800-7899.99	88	93	98	103	108	113	28
21	7900-7999.99	89	94	99	104	109	114	28
22	8000-8099.99	90	95	100	105	110	115	28
23	8100-8199.99	91	96	101	106	111	116	28
24	8200-8299.99	92	97	102	107	112	117	28
25	8300-8399.99	93	98	103	108	113	118	28
26	8400-8499.99	94	99	104	109	114	119	28
27	8500-8599.99	95	100	105	110	115	120	28
28	8600-8699.99	96	101	106	111	116	121	28
29	8700-8799.99	97	102	107	112	117	122	28

The maximum
basic weekly
benefit allowable
in 1972 would
be \$86. The
remainder of the
schedule would
be inoperative
until after 1972.

1	8800-8899.99	98	103	108	113	118	123	28
2	8900-8999.99	99	104	109	114	119	124	28
3	9000-9099.99	100	105	110	115	120	125	28
4	9100-9199.99	101	106	111	116	121	126	28
5	9200-9299.99	102	107	112	117	122	127	28
6	9300-9399.99	103	108	113	118	123	128	28
7	9400-9499.99	104	109	114	119	124	129	28
8	9500-9599.99	105	110	115	120	125	130	28
9	9600-9699.99	106	111	116	121	126	131	28
10	9700-9799.99	107	112	117	122	127	132	28
11	9800-9899.99	108	113	118	123	128	133	28
12	9900-9999.99	109	114	119	124	129	134	28
13	10000-and over	110	115	120	125	130	135	28

(c) The maximum potential benefit of an individual in a benefit year is the product of his weekly benefit amount, as shown in the applicable column B, C, D, E, F, or G, multiplied by the benefit duration factor in column H on the line on which, in column A, his total base period wages appear.

* Sec. 10. AS 23.20.350 as re-enacted by this Act applies to benefit years beginning after December 31, 1971.

* Sec. 11. This Act takes effect January 1, 1972.

(c) Defines the maximum potential amount of benefits. Similar to language of present law.

SEC. 10
The new benefit schedule would be effective on January 1972.

