

GOVERNOR SIGNS UNEMPLOYMENT INSURANCE LEGISLATION

By Scott T. Hannigan

Unemployment insurance legislation has been passed by the Alaska Legislature and was signed into law by the Governor on March 13, 1980. Extensive revisions to the Employment Security Act encompass benefits, taxes, eligibility, duration, disqualifications, and fraud. Some minor administrative measures were also effected. This article will present an overview of the legislation and discuss the background, reasoning and expected impact of the major changes.

BENEFITS

The maximum weekly benefit amount (WBA) has been raised from the current \$90 to \$150. Allowances for dependents were established at \$24 per dependent with a maximum of \$72; up from the current \$10 per dependent, maximum of \$30. A new provision in the dependents section extends eligibility for the allowance to dependents newly born or adopted during claimants' benefit years. Proof of principal support may be required to be eligible for the dependents allowance.

New benefits will be paid to those claimants filing for an initial determination after September 30, 1980. Minimum qualifying wages are \$1,000 with at least \$100 outside the quarter of highest earnings. Benefits for claimants earning more than 90 percent of base period wages in a single quarter will be based on earnings equal to ten times the wages paid outside the high quarter.

Allowable earnings before reduction in the weekly benefit amount have been changed from \$10 or one-half the WBA (whichever is greater) to \$50 plus a reduction of additional earnings by \$.75 for each \$1 over \$50.

UI Benefits are subject to a dollar for dollar reduction for any retirement benefits received. This section brings the Alaska UI law into conformity with federal law. The issue of retirement benefits is still being discussed at the national level so this section will be repealed if the corresponding federal provisions is amended or repealed.

The WBA has not been increased since 1973. Rampant inflation with the resultant escalating

salaries and the high cost of living in Alaska have seriously eroded the wage replacement value of the WBA. The old maximum benefit of \$90 replaced approximately 23 percent of the state's average weekly wage, the lowest percentage wage replacement in the nation. The new benefit schedule will replace at least 50 percent of claimants' average weekly earnings for the 70 percent of claimants with annual earnings below \$15,500.

Changes in the minimum and maximum weekly benefit amounts are shown in the following table:

MINIMUM & MAXIMUM BENEFIT PAYMENTS

	Old Law	New Law
Minimum Weeks.....	14	16
Minimum WBA.....	\$ 18	\$ 34
Minimum Payment.....	\$ 252	\$ 544
Minimum Required		
Earnings.....	\$ 750	\$ 1,000
Maximum Weeks	28	26
Maximum WBA*.....	\$ 120	\$ 222
Maximum Payment*.....	\$ 3,360	\$ 5,772
Earnings Required.....	\$ 8,500	\$ 15,500
for Maximum WBA		

* Includes maximum allowance for dependents:
Old Law - \$10 per dependent for 3 dependents
New Law - \$24 per dependent for 3 dependents

DURATION

The legislation incorporates a duration schedule which links the duration of benefits to a claimant's previous attachment to the labor force. Duration will range from 16 to 26 weeks (24 to 39 weeks with Extended Benefits) depending on the claimant's work history. A ratio of annual earnings to high quarter earnings will be determined for each claimant on a scale of one to four. Those with a ratio less than 1.5 will have a potential duration of 16 weeks and those with a ratio of 3.5 or over will have potential duration of 26 weeks. Others will fall somewhere between the two.

Previous duration ranged from 14 to 28 weeks (21 to 39 with Extended Benefits) with an average of 20 weeks per claimant. Duration was based solely on a claimant's base period earnings. Modification of the duration schedule allows an earlier shift into the Extended Benefits program. This results in little or no loss of benefits to the average claimant and has the advantage of savings to Alaska's trust fund because one half of Extended Benefits are reimbursed by the federal government. This variable duration plan allows higher weekly payments at a lower cost to employers than would be otherwise possible.

TAXES

A new tax rate schedule will become effective January 1, 1981. The new schedule more equitably assigns rates to employers based on their experience with unemployment. Employers' payrolls will continue to be ranked in average decline quotient order. (The average decline quotient measures quarterly payroll variation). Taxable payroll will be divided into 20 rate classes instead of the current ten. Each rate class will be assigned a tax rate based on the average benefit cost rate of benefits over a three year period expressed as a percentage of total payroll over 3 years. Trust fund solvency is the ability of the fund to pay benefits. Fund solvency will be measured against total payroll and will be considered adequate at 3.2 percent of total payroll. A solvency tax will be added to the regular tax if the fund falls below the 3.2 percent level. The solvency tax will be applied uniformly to all employers at a rate of 0.1 percent to 1.1 percent depending on the condition of the fund. The combined regular and solvency tax may not exceed 6.5 percent or be less than 1 percent. The new schedule will be phased in over three years and no employer's rate will exceed 5.1 percent in 1981. The formula for calculating the tax rate is as follows:

$$\text{Tax Rate} = (.82 \times (\text{average benefit cost rate}) \times (\text{experience factor})) + \text{solvency tax.}$$

The experience factor is based on the decline quotient and ranges from .4 to 1.6. Eighty-two percent of the average benefit cost rate is borne by employers with the other 18 percent to be assigned to employees. The employee rate will range from 0.5 percent to 1.0 percent, depending on the average benefit cost rate. In any given year, all employees will pay the same rate.

The taxable wage base will be raised from the current \$10,000 to a percentage of the state's average annual wage. The tax base will equal 60 percent of the average annual wage beginning January 1, 1981 (the tax base is projected to be approximately \$12,000 in 1981). The percentage will be increased to 75 percent January 1, 1983.

The \$10,000 base has been fixed by law for several years. Rapidly rising wages in conjunction with a fixed base caused a smaller and smaller proportion to be subject to tax (approximately 54 percent of total wages are currently subject to taxation). A tax base linked to the average annual wage will automatically rise or fall with wages.

Employers' costs will be more closely related to experience. While some employers will have an increase in costs, others will see a decline. Employees will pay 18 percent of total program costs (up from approximately 17 percent). See table below for expected tax impact.

EMPLOYER TAX IMPACT

Tax Base should increase to \$12,000 in 1981
 \$12,500 in 1982
 \$16,300 in 1983

Projections For:	Old Law		New Law	
	1981	1983	1981	1983
Minimum Rate.....	2.6%	2.3%	1.81%	1.32%
Maximum Rate.....	5.1%	4.8%	5.10%	4.00%
Average Rate.....	4.0%	3.7%	3.90%	3.16%
Tax Base	\$10,000	\$10,000	\$12,000	\$16,300
Minimum Payment*.....	\$260	\$230	\$217	\$215
Maximum Payment*.....	\$510	\$480	\$612	\$815
Average Payment*.....	\$400	\$370	\$468	\$515

* At full base of \$10,000 in old law;
 At full base of (60% and 75%) projected average
 annual wage

EMPLOYEE TAX IMPACT

	Old Law		New Law	
	1981	1983	1981	1983
Tax Base	\$10,000	\$10,000	\$12,000	\$16,300
Rate	0.8%	0.7%	0.8%	0.7%
Maximum Payment.....	\$80	\$80	\$96	\$114

DISQUALIFICATIONS AND FRAUD

A claimant who quits work, is fired for misconduct, or refuses suitable work will be subject to a benefit reduction equal to three times the WBA (less dependents allowance) in addition to the current six week period of ineligibility. Present law disqualifies a claimant 26 weeks for misrepresentation. The new law will allow a variable disqualification period from 6–52 weeks depending on the circumstances. Fines and/or prison terms for false statements to secure benefits by claimants and prohibited acts by employers have been increased.

The able and available for work section of the law has been redefined to limit a claimant's waiver from availability if ill or disabled to six consecutive weeks. Availability for work is waived if the claimant is traveling for medical reasons or serving as a juror. An individual who is attending 10 or more hours of academic instruction is disqualified. Nonprofessional school employees are disqualified between terms.

MISCELLANEOUS AND ADMINISTRATIVE

– A provision required by federal law provides for release of wage information by the department to AFDC (welfare) agencies to aid in establishing the eligible or amount of aid for individuals applying for AFDC.

– State and local governments that elect reimbursable coverage are responsible for the full cost of extended benefits. Currently, all reimbursable employers are liable for one-half of extended benefits, which is Alaska's share of the cost.

– Penalties for the unauthorized disclosure of information by an employee of the department are extended to include agents of the department.

– Employee refunds are now allowed only if one employer pays contributions in excess of the tax base.

– Several provisions allow for improved methods of collecting delinquent contributions. The interest rate charged on unpaid contributions is increased to 12 percent from 8 percent. The department may require monthly reports from consistently delinquent employers. The definition of employer is extended to include the officers of a corporation. Proof of

solvency or the posting of a bond will be required by employers filing an appeal of tax assessment.

– Changes in the appeals process include extending the number of days to file an appeal from 10 to 15 days. A waiver for filing a timely appeal may be granted for circumstances beyond the claimant's control.