



**Public Hearing Testimony of  
Glenn Marshall, Commissioner**

**Labor and Public Employees Committee  
March 3, 2011**

Good Afternoon Senator Prague, Representative Zalaski and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding **Senate Bill 988 AAC the Solvency of the Unemployment Compensation Trust Fund**. My name is Glenn Marshall and I am the Commissioner of the Department of Labor.

Senate Bill 988 changes the method of calculating the unemployment compensation fund balance tax rate that is set each year to maintain a sufficient balance in the unemployment compensation trust fund. This bill increases the amount of money that can be retained in the trust fund. It is a long term measure to promote solvency.

The current formula sets the rate to maintain an amount equal to eight-tenths of one per cent of total wages paid by contributory employers. Based on current wage levels, this method sets the maximum trust fund reserve balance at approximately \$600 million.

The proposed formula in the bill is referred to as the Average High Cost Multiple (AHCM). This method seeks to maintain a balance in the trust fund equal to the amount of unemployment compensation benefits paid by the state in one year at recessionary levels. The proposed formula would set the maximum trust fund reserve balance at approximately \$1.1 billion.

The AHCM is a long term solution; it will have no impact on employer taxes through 2018. The proposed formula will better meet benefit needs in future recessions and minimize the need for future borrowing. It will help stabilize long term unemployment insurance costs for employers. Further, this bill will satisfy one of the federal criteria needed to be eligible for short-term interest free borrowing.

Thank you for the opportunity to provide this testimony. Please feel free to contact me or my staff if you need additional information.