

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**April 30, 2002**  
**9:46 AM**

**TAPES**

SFC-02 # 81, Side A  
SFC 02 # 81, Side B

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 9:46 AM.

**PRESENT**

Senator Pete Kelly, Co-Chair  
Senator Jerry Ward, Vice Chair  
Senator Gary Wilken  
Senator Alan Austerman  
Senator Donald Olson  
Senator Lyda Green  
Senator Loren Leman

**Also Attending:** REPRESENTATIVE PETE KOTT; JANE WINEINGER, Staff to Senator Green; JERRY BURNETT, Staff to Senator Green; ROBERT REGES, Attorney representing the Alaska Forest Association; DON ETHERIDGE, AFL-CIO; STEFANIE MADSON, Vice President, Pacific Seafood Processors Association; BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, General Teamsters Local 959; KRIS NOROSZ, Government Affairs, Icicle Seafoods;

**Attending via Teleconference:** From Delta Junction: PETER FELLMAN, Staff to Representative John Harris; From Fairbanks: JOHN BROWN, President, Central Labor Council; DON LOWREY; ED FLANAGAN, Commissioner, Department of Labor and Workforce Development; From Anchorage: RICH MASTRIANO, Director, Division of Labor Standards and Safety, Department of Labor and Workforce Development; Off-net: ROBERT WELLS, Director, Division of Agriculture, Department of Natural Resources

**SUMMARY INFORMATION**

SB 353-AGRICULT. PROG.COORDINATOR/ANIMAL FEED

The Committee heard from the sponsor and the Department of Natural

Resources. A committee substitute and an amendment were adopted. The bill was held in Committee.

SB 355-LET ME HELP ACCOUNT

The Committee heard from the sponsor and reported the bill from Committee.

HB 504-WAGES FOR WORKERS IN FISHERIES

The Committee heard from the sponsor, the Department of Labor and Workforce Development and representatives from the seafood industry and labor unions. The bill was held in Committee.

#SB353

CS FOR SENATE BILL NO. 353(RES)

"An Act relating to the labeling of animal and poultry feeds and to the agriculture program coordinator; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

JANE WINEINGER, Staff to Senator Green, testified this bill relates to agricultural programs and creates an Agricultural Coordinator position within the Division of Agriculture to oversee organic crop inspections, feed labeling and noxious weeds.

Ms. Wineinger noted Alaska is the only state without a feed labeling process and that currently some feed imports into the State contain weed seeds. She asserted Alaska has a problem with noxious weeds, although not as serious as in other Western states that must spend millions of dollars on eradication. She instructed how noxious weeds impact the agriculture lands, railroad right-of-ways, and hunting lands.

PETER FELLMAN, Staff to Representative John Harris, testified via teleconference from Delta, that the industry requested assistance in this matter. He told that as the agriculture industry has grown in the State, the issue of noxious weeds has increased; however, little funding has been provided to the Division of Agriculture.

Mr. Fellman informed that the federal government changed the standards regarding the definition of organic and this legislation would update State statutes to match the federal provisions. He stated the Agricultural Coordinator would monitor the farmers to

ensure they meet the organic standards.

Mr. Fellman reiterated Alaska is the only state that does not monitor the labeling of feed. He stressed that with the outbreaks of mad cow disease, feed labeling has become important. He expressed intent to verify that feed producers in Alaska are using the ingredients they claim, as well as ensuring that rendered animal parts, which could include contaminants, are not used.

Mr. Fellman listed the third purpose of the Agricultural Coordinator to control noxious and invasive weeds. He noted that in the previous year, funding was secured to attempt to control noxious and advancing weeds. He specified Canadian Sow Thistle, a hearty three to six foot tall rhizome plant that is difficult to eradicate and kills grass. He noted the plant has migrated north and is present in the Fairbanks area. He expressed concern that this weed would endanger native plant species.

Mr. Fellman warned that addressing the problem immediately is the only way to control these weeds without expending millions of dollars. He indicated efforts have begun, but that a statewide coordination is necessary. He also spoke of the importance of documenting the presence of invasive weeds to obtain federal funding to address the matter.

Mr. Fellman admitted the fiscal note is significant, but cautioned that if the problems are not controlled the long-term costs would be considerably higher.

Senator Ward moved to adopt CS SB 353, 22-LS1663\J, as a working draft

Senator Olson objected.

Senator Olson asked the number of mill feed operations in the State.

Mr. Fellman listed three and noted Alaska Mill and Feed has voiced support of this legislation.

ROBERT WELLS, Director, Division of Agriculture, Department of Natural Resources, testified via teleconference from an off-net site in Palmer to note there might be an additional mill feed operator.

Senator Olson asked about input from other operators.

Mr. Wells answered that the only business that has offered an

opinion on this legislation has been Alaska Mill and Feed.

Mr. Wells did not anticipate any opposition from the manufacturers, noting they currently label products in accordance to the laws of the State of Washington. He assured the Division "is committed to working with the feed producers," and he was confident the Department could establish an effective working relationship with industry and not impose onerous regulations on the businesses. He emphasized the feed labeling issue has arisen due to concerns about rendering plants and the contents of food fed to animals. He shared that the Federal Drug Administration has indicated the State Division should have greater participation in the monitoring of feed manufacturers.

AT EASE 9:58 AM / 10:01 AM

Senator Olson stated his intent to hear directly from industry on this legislation, as it is their livelihood that is affected by the feed they produce.

Co-Chair Kelly asked if Senator Olson had specific objections with the provision in the proposed committee substitute.

Senator Olson had no specific objection to the committee substitute.

A roll call was taken on the motion.

IN FAVOR: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Senator Hoffman, Senator Leman, Senator Olson, Co-Chair Donley and Co-Chair Kelly

OPPOSED: none

The motion PASSED (9-0)

The committee substitute was ADOPTED as a working draft.

Senator Ward expressed he was unsure whether he clarified his motion to adopt the committee substitute as a working document and surmised this caused confusion.

Senator Hoffman understood that Senator Olson's concern is with passing this bill from Committee without input from the feed producers.

Co-Chair Kelly announced he would hold the bill in Committee to allow members an opportunity to solicit opinions from feed producers.

Senator Green referenced a University of Alaska report titled "Strategic Plan for Noxious and Invasive Plants Management in Alaska". She stressed did not want the weed situation to advance and become as serious as in other states.

Co-Chair Kelly asked if there is a similar bill pending in the House of Representatives.

Senator Green affirmed.

Senator Austerman asked if this legislation also addresses seed products imported to the State for planting and whether it would provide for certification of the absence of noxious weed seed in these products.

Senator Green affirmed.

Mr. Wells furthered that the Division "encourages" that imported seed be certified. He understood that feed labeling requirements in other states require disclosure of purity and germination rates. He noted that farmers are "pretty cautious" about the seeds planted to avoid weed infestation in their fields.

Senator Lemman commented he is "skittish" about adding new State positions, especially those established in statute. However, he understood the necessity of this position and the importance of it serving an advisory function rather than having the authority to close an industry. He hoped this position could be shared with the University of Alaska, Cooperative Extension Service, Plant Materials Center, to allow maximized resource and minimized cost. He expressed intent to pursue this option.

Amendment #1: This amendment provides that Section 7 of this committee substitute, which stipulates that this legislation does not apply to meat, fish or poultry, take effect July 1, 2002. This amendment also inserts a new Section 14 to provide that Section 8, AS 03.60.006. Agriculture program coordinator, of the committee substitute take effect January 1, 2003.

Senator Lemman moved for adoption.

There was no objection and the amendment was ADOPTED.

Co-Chair Kelly suggested Senator Olson communicate with Mr. Fellman regarding his concerns about the impacts of this legislation on industry. Co-Chair Kelly appreciated Senator Olson's considerations for their interests.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB355

SENATE BILL NO. 355

"An Act establishing an account in the general fund to receive general gifts, donations, and bequests to the State of Alaska."

This was the first hearing for this bill in the Senate Finance Committee.

JERRY BURNETT, Staff to Senator Green, testified this bill establishes a new account in the general fund titled the Let Me Help Account to allow those who want to pay taxes, or otherwise increase State revenues, to contribute. He noted the funds donated to the State of Alaska would be treated as a charity and deductible from federal taxes.

Senator Ward asked if the bill contains a provision to allow an applicant for a permanent fund dividend to donate the dividend directly to the State treasury by an indication on the application.

Mr. Burnett replied that currently there is not, that the dividend check must be received then donated. He noted this has been discussed, as well as a provision that would transfer funds to the Let Me Help Account in the amount of the dividends of those qualifying residents who do not apply for a dividend.

Senator Leman liked the idea. He relayed a conversation at West High School whereby students expressed to him that they would forgo dividends for the benefit of the school and their education. He stated that he produced a basket to collect dividend checks and announced he would forward the funds to the Department of Revenue. He informed that at the end of this gathering, the basket contained no checks. He opined, however, that he is supportive of providing an opportunity for those who wish to contribute.

Senator Leman asked if these funds when appropriated by the legislature would be considered general funds or receipt supported services.

Mr. Burnett replied the funds would be transferred from the Let Me Help Account to the general fund. He pointed out that if the legislature appropriated the funds before this transfer occurred, they could be accounted as non-general funds.

Senator Green explained the reason she sponsored this legislation. She told of varying correspondence she receives requesting either significant taxation no taxation, and she realized there is no consensus on the issue. She asserted that if donators wish to designate the contribution for education, medical care, or other specific services, this option should be available.

Senator Olson asked if there is a limit of how much could be donated.

Senator Green thought the amount would be limitless.

Mr. Burnett clarified there are limits to the amount that qualifies for federal tax credit. He understood this amount to be 50 percent of gross annual income. However, he assured that any amount could actually be contributed.

Senator Olson clarified the donators could designate the funds.

Mr. Burnett corrected that the bill does not currently provide for this.

Senator Green offered a motion to "move Senate Bill 355 out of Committee with individual recommendations."

Without objection SB 355 with Department of Administration zero fiscal note, dated 4/10/02, MOVED from Committee.

#HB504

CS FOR HOUSE BILL NO. 504(FIN) am  
"An Act relating to the wages of people working in the fisheries business."

This was the first hearing for this bill in the Senate Finance Committee.

[This legislation authorizes certain seafood processors to deduct room and board expenses from employees' salaries under certain circumstances.]

REPRESENTATIVE PETE KOTT testified this legislation would "go a long way" help the "ailing" fishing industry in that it would allow fish processors operating in remote areas, to "penetrate the minimum wage". He explained this would require a union-negotiated contract between the employer and the employee in an amount not to

exceed \$15 per day, and the employee must work minimum of eight hours before the deduction could be made.

Representative Kott gave a history of this issue beginning with a statute written in 1959, which stipulates that on an occupational basis, the Department [which department is not specified,] could allow employers to pay salaries below the minimum wage. He stated this has been applied to cannery workers when, in accordance with federal regulations, alternative public housing is available.

Representative Kott pointed out that in many remote seafood processor locations, alternative housing is not available. Therefore, he stated this legislation would "in essence... redefine occupation" in that it clarifies whether an employee is in a "remote" or "non-remote" position.

Representative Kott opined this legislation "has brought fairness back to the table". He reminded that seafood processors operating in a non-remote area has the ability to deduct room and board expenses from employees' salaries.

Representative Kott noted that debate on this legislation in the House of Representatives established that a charge of \$15 per day for room and board in seafood processing camps is reasonable. He stated the employer could deduct a higher amount if it could demonstrate that a higher amount is "more reasonable." However, he predicted the employers would not undertake the effort required to make such a demonstration.

Senator Wilken asked if premiums are paid to employees working in remote locations.

Representative Kott did not think so, although he deferred to the seafood processor representatives. He understood salary is based on market factors. He surmised that most employees who select the remote locations do so to ensure "they are not engaged in any extra-curricular activities where they might spend their earnings," as their purpose is to work as many hours as possible to earn the highest amount possible.

Senator Wilken asked if other industries in Alaska practice this.

Representative Kott understood the other industries that are exempt from the Wage and Hour Act are listed in statutes, and that the seafood processor industry does not have a total exemption. He knew of no other industry located in remote areas that pays workers a salary below the minimum wage, with the exception of a housecleaner working at a remote lodge. He commented that loggers, guides, etc.,

are usually paid higher salaries.

Senator Wilken asked what entity would make the determination whether an employer could deduct more than \$15 for room and board per day.

Representative Kott answered the Department of Labor and Workforce Development through a formal application process.

Senator Olson shared that he had worked a "slime line" to earn money for college. He asked what provisions are made for an employee who might chose other arrangements, such as "live in a tent next to the facility." He remembered that some facilities did not have enough housing for all employees.

Representative Kott predicted that most processors would "want to take care of their employees." He spoke of the free market and the intent for the employee to remain with the same employer for the duration of the season. He stressed that processors compete against each other and that \$15 is the maximum amount that could be deducted and suggested that actual rates could be significantly lower. He agreed an employee could forgo the employer's food and lodging and sleep in a tent.

Senator Olson noted the competitive nature is primarily the market price. Therefore, he did not agree there is a competitive nature that would benefit the employees.

Representative Kott replied that an employer must hire enough employees in the event of a large "run". He stated that if the amount of seafood received in an area were inadequate, the employer would relocate the workers to another area experiencing a higher harvest. He described seafood processing employees as wanting to work and make as much money in as short a period of time as possible as well as having an opportunity to visit Alaska. Therefore, he surmised potential employees would consider the salary and room and board deductions offered by each employer, which he stated is the competition.

Senator Austerman furthered the competitiveness is due to short fishing seasons and the need to staff all seafood processing facilities during the same period of time. He predicted that if salmon prices rebounded, employers would not charge for room and board because of the competitive nature of obtaining and retaining employees.

Senator Wilken addressed the fiscal note and asked the savings this legislation would provide for seafood processors.

Representative Kott estimated "in the millions of dollars" given the proposal to increase the State's minimum wage. He again deferred to representatives of the seafood processing industry for more precise figures. He relayed that in conversations with seafood processors and through his research in the issue, he learned that a few of the processors would go out of business. He stressed the "biggest loser" in these cases are the communities where the facilities are located because of the loss of the tax base.

ROBERT REGES, Attorney, testified on behalf of the Alaska Forest Association, that this legislation does not distinguish between rural and urban work locations with the exception of positions paid below the minimum wage. He understood the necessity of this legislation, as the proposed room and board deductions would reduce an employee's wage below the statutory minimum amount. He noted the logging industry deducts room and board expenses from the salaries of its employees working in remote locations; however, he stressed these deductions do not impact minimum wage as the workers earn higher salaries.

Mr. Reges expressed concern about testimony presented in other legislative committees by the Department of Labor and Workforce Development, which "suggests that the urban/rural distinction exists even if the deduction does not penetrate the minimum wage." He pointed out that neither State statute nor federal law provide such a rural/urban distinction.

Mr. Reges asserted that this legislation is not inappropriate for those industries that pay workers a minimum wage, but stressed it should not create an urban/rural distinction. He asked the Committee to "set the record straight" on this issue. He clarified he does not request changes to the bill.

Mr. Reges cited a poll conducted by the Alaska Forest Association, and concluded that the practice of charging a nominal fee for room and board in the camps has been a historical practice and currently is "virtually universal". He furthered that during a review of this matter, he talked to "all the other industries in the State" and found that at one time, Southeast Stevedoring had taken room and board deductions in remote locations and that currently surveyors, fishery workers and loggers pay toward room and board expenses.

Senator Leman noted the witness was given the opportunity to "set the record strait" regarding the intent that this legislation not impact the forestry industry, which he just did. Senator Leman therefore surmised it not necessary for the Committee to specifically do so.

Senator Olson asked if the witness favors or opposes the bill.

Mr. Reges reiterated that although Alaska Forest Association is not directly impacted by this fisheries-related legislation, there is concern by the precedent it could establish.

DON ETHERIDGE, AFL-CIO of Alaska, testified in Juneau against the bill. He explained the organization's position that the industry should not attempt to meet its "bottom line on the workers, especially the workers that are just barely scrapping by now." He realized this legislation resulted from pending efforts to increase the minimum wage. However, he pointed out that because legislation to increase the minimum wage has not passed, this bill should not either.

Senator Wilken asked if this bill would go into affect regardless of whether separate legislation to increase the minimum wage passes the Legislature this session.

[An unidentified speaker answered yes.]

STEFANIE MADSON, Vice President, Pacific Seafood Processors Association, testified in Juneau and described the trade association and its 11 members. She noted the Association had 13 members the prior year but that a salmon processor operating in Larson Bay has ceased operations, and a "floater", which operated in Bristol Bay and the Aleutian Islands, has chosen to remain in Seattle for the season.

Ms. Madson relayed the Association has been contacted by State agencies and some legislators, asking what efforts could be undertaken to assist the seafood industry. She listed tax credits as one consideration, but noted a business must first be profitable in order to pay taxes. She informed that other options were considered, but dismissed due to the significant expense to the State. She asserted however, that this legislation would be "a tool in the tool box" for processors to react to market conditions and to the "changing nature of the seafood industry."

Ms. Madson compared this tool to requests made by commercial fishers to authorize the formation of associations to purchase commercial fishing permits from fishers. She qualified that neither tool would be utilized by all of the seafood processors or all of

the commercial fishers, but stressed the option would be available. She was unsure of the number of seafood processors that would utilize the room and board deduction authorization and to what extent it would be used. She reiterated Representative Kott's assertions regarding the competitive nature of employee recruitment for seafood processors.

Ms. Madson noted this bill has been amended to insert the \$15 maximum daily deduction and the provision that an employee must work a minimum of eight hours each day the deduction is made. She stated these changes resulted from concerns raised by the Department of Labor and Workforce Development about the possibility of employees earning a "zero paycheck working for the so-called company store".

Ms. Madson pointed out many industries have been exempted from wage and hour mandates, including: shrimp pickers, many agricultural positions, baby-sitters, workers on fishing vessels, and at-sea seafood processors. Therefore, she surmised this legislation is not a "red herring" and is rather a "correction to what we believe is an inequity in regulations."

Ms. Madson addressed concerns voiced about the distinction of wages paid to workers operating in remote and non-remote locations. She asserted, "The seafood industry cannot be described with the same adjectives." She listed the differences in how the various seafood processors operate: a salmon processor operating only in Southeast Alaska; a salmon processor with facilities located in many areas of the State, some remote and some non-remote; or a ground fish processor operating in the Aleutian Islands that does not process salmon. She furthered that each company handles transportation, laundry facilities, medical expenses, and other issues differently. She noted the "package" of an employer is designed to attract and retain employees, and that an employee accepts a package based on the needs of that employee.

Ms. Madson emphasized the seafood processors industry is labor intensive and employs many workers. She added it is one of the remaining industries with entry-level positions available for those with no education or work history to develop skills that are transferable to other industries.

Ms. Madson shared that the Association's goal is to contribute further to the State's economy by developing value-added products. She cautioned this would be difficult to accomplish if the industry is not provided the necessary tools that provide flexibility to adopt operations to the changing market needs.

Ms. Madson maintained that commercial fishers would not be adversely impacted by this legislation, although she could not guarantee they would be paid higher amounts. She asserted this matter is a processor issue, not a harvester issue.

Senator Wilken repeated his earlier question regarding the amount the seafood processors would save if this legislation were adopted.

Ms. Madson estimated the amount to be "in the millions" of dollars, noting the cost of a minimum wage increase would be tens of millions of dollars to one of the largest seafood processors, as indicated in written testimony provided to the House Labor and Commerce Committee [copy not provided]. She qualified the ramifications are unknown and exemplified the deduction of room and board expenses from federal taxes. She stated, "So we're not sure exactly what the benefit will be other than we know we need some tools to help us get through this difficult time." She offered to report to the Legislature in the future, how the industry has been able to "take advantage" of the provisions in the legislation.

Senator Wilken asked if this legislation would be implemented this summer.

Ms. Madson replied that because the hiring process is already underway to recruit workers for the Summer 2002 fishing season, the new provisions would not be implemented until the January 2003 season.

Co-Chair Kelly clarified this legislation is not linked to other legislation that increases the minimum wage because of potential legal issues. He reminded that a ballot initiative proposes to increase the minimum wage. He suggested this bill could be held in the Senate Rules Committee to allow the Senate Finance Committee to hear the minimum wage legislation.

Co-Chair Donley agreed with the witness that there are numerous exemptions to the minimum wage laws, many of which he concluded are "archaic" and some are "bad public policy". Therefore, he asserted it is unacceptable to argue in favor of this legislation based on the existence of other exemptions. He opined that this bill should "rise or fall on its own merit and not based on the fact that we have a mucked-up, messy existing law."

BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, General Teamsters Local 959, referred a letter dated 4/29/2002, from Gerald Hood, Secretary-Treasurer [copy on file]. She explained the Teamsters and AFL-CIO are on record opposing this legislation, although few seafood processor employees are members

of either labor organization, because the organizations have an interest in the conditions of all workers in the State. She stressed that from a political and corporate perspective, this legislation establishes a position regarding a multi-million dollar industry, with many owners residing out of the State. She understood salmon catch numbers are reduced, but pointed out other fisheries, such as Pollock harvests, have increased. She urged the Committee to consider the message sent to minimum wage workers, "that even though you're going to be working 16 hours a day on a slime line, if you're lucky to get that many hours..." She disputed statements that the majority of these workers are "college kids" from the Lower 48, citing information provided by the Department of Labor and Workforce Development indicating the average age of workers in this field is 30 years.

Ms. Tuckness noted that with a collective bargaining agreement process, there is the opportunity to renegotiate in a few years if an employer is experiencing financial difficulty. She added that the employer must provide proof as to the financial situation. She remarked that this legislation instead establishes this provision into law.

Ms. Tuckness requested the Committee consider other options to assist the seafood processing industry "if indeed there are problems." She disagreed that taking deductions from minimum wage workers is appropriate action.

JOHN BROWN, President, Central Labor Council, testified via teleconference from Fairbanks against this legislation. He asserted it is wrong of industry to ask those who are least able to help i.e., workers paid the minimum wage.

DON LOWREY, Business Representative, [organization name inaudible] testified via teleconference from Fairbanks in opposition to the bill. He remarked that workers in the fishing industry are hard working, many have families, and that it would be wrong for them to "lose money" by working in rural locations. He surmised the companies "should feel blessed" that people are willing to work in remote locations.

RICH MASTRIANO, Director, Division of Labor Standards and Safety, Department of Labor and Workforce Development, testified via teleconference from Anchorage that he is available to answer questions.

ED FLANAGAN, Commissioner, Department of Labor and Workforce Development testified via teleconference from Fairbanks to "strenuously" oppose the bill, as it is "bad public policy". He

disagreed with the sponsor's testimony regarding the intent of the first Alaska State Legislature in 1959 in establishing the Alaska Wage and Hour Act. While he agreed the statute provides that the Department "may develop regulations that would govern the deduction of room and board on an occupation basis," he pointed out no regulations were adopted during the eight gubernatorial administrations, three political parties and 12 commissioners to support such a deduction in remote locations. He noted the offer of room and board provisions is to the benefit of the operators, because if room and board were not available, there would be no workers. He also agreed that in 1985 regulations were enacted to establish a process for the deduction of room and board expenses; however, it "codified the practice of the Department" to exclude remote locations with no alternative housing available.

Mr. Flanagan qualified that the Department's position is that room and board expenses in remote locations should not be deducted from workers' salaries regardless of whether the worker earns a minimum wage. He informed that Mr. Reges and the Alaska Forest Association is involved in lawsuit, which would determine the legality of the Department's position.

Mr. Flanagan stressed that certain seafood and agricultural positions are specifically exempted from minimum wage laws with the intent to protect seafood-processing workers. He noted the processors would benefit from the proposed room and board deductions by millions of dollars and pointed out this money would come from the lowest paid workers. He asserted that in the year 1999, 19,784 people were employed in Alaska as "cannery workers", and that 6,350 of these were Alaska residents with a median age of 32 years. Therefore, he asserted the sub-minimum wage would not only be inflicted on guest workers.

Mr. Flanagan spoke of efforts by the Department and the seafood processing industry to increase the number of Alaska residents employed in the industry. He appreciated this, but disapproved of this legislation that would "help the industry on the backs of some of the lowest paid workers in the State."

Mr. Flanagan expressed concern with the expressed intent of the House Labor and Commerce Committee that this legislation be enacted immediately to allow processors to implement the deductions in the current year. He noted the minimum wage increase would not yet be in effect, and the salary of workers currently earning \$5.65 per hour would be reduced to \$4.65 per hour or less.

Mr. Flanagan addressed the competition for employees, surmising that if the salmon prices increased, the processors would not

discontinue the room and board deductions. He pointed out that as prices increase, the fishers, processors and the communities earn more; however, the cannery workers are paid the same low wages.

KRIS NOROSZ, Government Affairs, Icicle Seafoods, testified in Juneau about the US-owned company founded in Petersburg in 1965. She supported the bill as it is an extension of "the current tool that we have" to deduct room and board expenses in non-remote locations. She pointed out the language is permissive rather than mandatory.

Ms. Norosz commented on Mr. Flanagan's statement that this bill is "riding on the backs of the lowest paid worker." She told of her employment history with the company and the reduced retirement benefits and bonus payments that are made at the upper management level first and to entry-level workers last. She spoke about the position of the chief executive officer that every employee is important in making the company successful and she noted he began working for the company in an entry level position.

Ms. Norosz stated the seafood processing industry is competitive and that it is expensive to replace workers mid-season, therefore it behooves processors to provide incentives to retain employees for the entire season.

Co-Chair Kelly asked the average amount workers have earned at end of a season.

Ms. Norosz responded the amount varies depending on the fishery, such as salmon or crab.

Co-Chair Kelly asked the example given to potential employees during recruitment.

Ms. Norosz estimated \$5,000.

Co-Chair Kelly asked the length of the season.

Ms. Norosz answered the season in Petersburg begins in June and concludes the end of August.

Ms. Madson clarified the Department of Labor and Workforce Development estimates of 13,000 seafood processor workers, indicates the amount to be approximately \$7,000.

Co-Chair Kelly pointed out this is for three months of work and asserted it is therefore unfair to claim that this legislation is "doing anything on the backs of the lowest paid workers."

Senator Leman referenced earlier testimony that the cost of the minimum wage increase would be millions of dollars and that the impact of this legislation would be millions of dollars. He asked if this legislation does not pass, whether adjustments would be made to the price paid to fishers to account for the minimum wage increase paid to cannery workers.

Ms. Norosz replied, "I guess what I've been trying to point out is that I don't think there's any more fat to cut." She noted that in locations where processors are authorized to make room and board deductions, the amounts deducted do not cover the cost. She pointed out that minimum wage earners in non-seafood processing jobs located in Anchorage and other non-remote locations must "still go home and feed themselves." She predicted it would be difficult for these workers to provide three to four hot meals of unlimited choices and amounts of food at a cost of \$15 per day.

Senator Leman was equally concerned about fishers seeking a fair price. He noted that of all reductions made by Icicle Seafoods, the witness failed to list the reduced prices paid to fishers.

Ms. Norosz responded that adjustments have been made to the prices paid to fishers and to services provided, including tenders.

Co-Chair Kelly asked if gloves and raingear are provided to seafood processing workers.

Ms. Norosz answered that Icicle Seafood provides this gear, although she was unsure about other companies.

Co-Chair Kelly listed the benefits to seafood processing workers paying \$15 for three meals and rent, and receiving gear, whereas workers in other fields must purchase room, board and gear themselves.

Co-Chair Kelly expressed intent to address separate legislation relating to the minimum wage.

Co-Chair Kelly ordered the bill HELD in Committee.

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**ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 11:16 AM