

MINUTES
SENATE FINANCE COMMITTEE
May 01, 2002
4:44 PM

TAPES

SFC-02 # 84, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 4:44 PM.

PRESENT

Senator Pete Kelly, Co-Chair
Co-Chair Dave Donley, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Loren Leman
Senator Donald Olson

Also Attending: ZACH WARWICK, Staff to Senator Therriault; NEIL SLOTNICK, Deputy Commissioner, Treasury Division, Department of Revenue; JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue; REBECCA NANCE GAMEZ, Deputy Commissioner, Department of Labor and Workforce Development; BILL CHURCH, Staff to Representative Scott Ogan; CHERIE PAUL, Program Manager, Alaska Children's Trust.

Attending via Teleconference: From Fairbanks: CAROL BRICE, Chair, Alaska Children's Trust Fund; MARILYN EGGLESTON, Resource Center for Parents & Children; COLEEN TURNER, Director, Resource Center for Parents & Children

SUMMARY INFORMATION

SB 311-STATE TRUST FUND MONIES

The Committee heard from the sponsor and the Department of Revenue, and took public testimony. The bill was held in Committee.

HB 128-APPROVAL FOR EMPLOYMENT OF MINORS

The Committee heard from the sponsor of the bill and the Department of Labor and Workforce Development. The bill was held in Committee.

#sb311

CS FOR SENATE BILL NO. 311(HES)

"An Act relating to the public school trust fund, the Alaska children's trust, and the Alaska heritage endowment fund; and providing for an effective date."

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

ZACH WARWICK, staff to Senator Gene Therriault, informed the Committee that this legislation would provide methods to "better manage" the Public School Trust Fund, the Alaska Heritage Endowment Fund, and the Alaska Children's Trust. He reminded the Committee that State statute originally established two fund components for each of the three funds: a principle account and a net income account along with the stipulation that any fund appropriations be made from the net income account. He continued that this appropriation mandate resulted in the funds being invested in endeavors with a guaranteed income rather than in those that appreciate in value. He stated that investments that appreciate in value are generally higher yielding and "could make the trust funds much more useful for what they were originally designed for."

Mr. Warwick stated that this legislation would allow the appropriations to be based on market value rather than on net income, would direct the Commissioner of the Department of Revenue "to invest the assets in a manner that would yield at least five percent real rate of return over time," and would require the Department to provide an annual fund value and appropriations report to the Legislature.

Mr. Warwick referred the Committee to grant language specified in Section 17, subsection (d) located on page 7, line 17 of the bill, that would limit the Alaska Children's Trust Fund grants to one per organization per year in addition to specifying that the grant be used to fund projects within a specific locale in the State.

NEIL SLOTNICK, Deputy Commissioner, Treasury Division, Department of Revenue stated that the Department supports this bill as it would make these funds consistent with other State administered endowments such as the Arctic Winter Games endowment and the Power

Cost Equalization (PCE) endowment "which are managed at a five percent of value payout." He stated "it's good policy" to have all the State's endowments managed in similar fashion, as it allows for the Department to manage "on a basis of total return not on different types of returns;" it allows for automatic inflation proofing; "and for a smooth, reliable payout with the five percent of market payout each year."

JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue, stated, "this bill really does allow the investment decision to be made in the best interest of these long-term funds," which would allow for more productive funds with "the expectation" of an increase of over half a percent return over the long term. He informed the Committee this increase could amount to several million dollars a year over time. He asserted that the explicit language for inflation proofing the funds is important.

Senator Austerman asked for clarification that any earnings produced from the endowment are deposited into the fund and are included in the total when determining the five percent of the fund's value.

Mr. Jenks replied, "yes, that is correct."

Senator Austerman stated; therefore, that of that total, five percent could be used for funding purposes. He asked the Department the current value of each of the three funds.

Mr. Slotnick listed the Public School Trust value at approximately \$275 million; the Alaska Children's Fund is approximately \$9 million; and the value of the Alaska Heritage Endowment fund "is relatively small" with a value "in the hundreds of thousands."

Senator Austerman asked if the Legislature appropriates general funds to the Public School Trust fund.

Mr. Slotnick replied State statute specifies that monies in the Public School Fund must be spent on educational purposes; however, he would need to verify whether the Fund receives appropriations from the general fund.

CAROL BRICE, Chair, Children's Trust Fund, testified via teleconference from Fairbanks to voice concern that the grant language in Section 17, subsection (d) of this legislation restricting grant monies to fund projects "within a municipality or a regional education attendance area or an unincorporated community..." is contrary to what "has been the practice." She stated the receiving one grant in a twelve month period is not a problem;

however, prohibiting grant monies to fund programs such as the Norton Sound Health Corporation Parenting Program that operates programs in 36 villages, is of concern.

MARILYN EGGLESTON, Grant Writer, Resource Center for Parents & Children (RCPC), testified via teleconference from Fairbanks to voice that the new language would negatively affect a RCPC program to produce three parenting videos for distribution to numerous small rural communities throughout Alaska.

Ms. Brice interjected that most of the grants support private, non-profit entities, and she asked why the Legislature would want to eliminate projects that have a statewide benefit. She stated that resource networking provided by entities such as the RCPC enable "small resources" to have a large reach. She urged the Committee to omit the restrictive language requiring "a project to be located in one community or municipality."

Senator Austerman clarified that Ms. Brice contends the language is restrictive because it mandates that a program must operate in one municipality.

Ms. Brice reiterated that the language is restrictive as it limits funds "to a single project within a municipality." She stressed that many programs applying for these grants "have a large reach" and this language puts those programs at "a disadvantage."

Senator Wilken asked Ms. Brice what issue might have prompted this language to be included in this bill.

Ms. Brice responded she did not know why the language was introduced to the bill.

COLEEN TURNER, Director, RCPC, testified via teleconference from Fairbanks to voice concern about the language limiting projects to a specific area. She urged the Committee to write an amendment to this legislation, as the current wording is "problematic."

Mr. Warwick stated that the language in question was introduced at the request of Senator Green due to some Alaska Children's Trust grant awards "she was in objection to."

CHERIE PAUL, Program Manager, Alaska Children's Trust, informed the Committee that Senator Green's concern was prompted by grants the Alaska Children's Trust had awarded to the Alaska Public Radio network to fund child abuse and neglect parenting messages aired on statewide public radio. She stated that the Alaska Children's Trust worked with a variety of agencies to write the messages and paid

the public radio network to produce and air the messages over a three-year period.

Senator Wilken asked how much money these grants amounted to.

Ms. Paul stated that the first year's funding amounted to \$49,000 that was strictly for airtime, "and the other two years was just under \$30,000."

Co-Chair Donley asked the percentage of "total expenditures" of the Alaska Children's Trust fund.

Ms. Paul responded that total grant awards have ranged between \$330,000 and \$365,000 per year during the past five years.

Co-Chair Donley calculated that the public radio network grants amounted to approximately 10 percent of the annual allocated grant total.

Senator Wilken asked the witness to suggest alternate language that could address Senator Green's concerns while allowing for the flexibility suggested by Ms. Brice.

Ms. Paul preferred that the Board of Directors for the Children's Trust Fund suggest language alternatives. She expressed that the "sole purpose" of the Children's Trust is to deliver child abuse and neglect prevention messages, and the Board feels that is what they "should do, that is what the statutes mandate us to do, and I think that over the years, we have done the best job possible in allocating our dollars."

Senator Wilken recommended that further discussions should occur to address Senator Green's concerns and "yet not hamstring the Trust from doing things statewide."

The bill was HELD in Committee.

#HB128

CS FOR HOUSE BILL NO. 128(L&C)(efd add)

"An Act relating to the required approval of the commissioner of labor and workforce development for the employment of certain minors; and providing for an effective date."

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

Committee.

BILL CHURCH, Staff to Representative Scott Ogan, informed the Committee that the Work Permit for Minors regulations established by the Department of Labor and Workforce Development incurs a hardship for some businesses in the State such as farmers needing to hire minors on short-notice to harvest crops. He stated that this legislation introduces changes to streamline the current work permit procedure by allowing the Department to pre-approve job duties.

Mr. Church explained that currently an employer must submit a signed parental consent form to the Department of Labor and Workforce Development before a minor could begin work; however, this bill would allow an employer to hire a minor who is at least 14 years of age for a pre-approved job and submit the signed parental consent work permit document to the Department within seven days after the minor begins employment. He stated this process "would satisfy the protection of minors" as well as the needs of the employers who need workers "right away."

Mr. Church stated that while Representative Ogan worked with the Department to "craft" this bill, it was learned that the fishing industry and fast food restaurants also support changes to the current hiring procedures for minors.

Senator Ward asked for further information about the parental consent form.

Mr. Church responded that if a job has received pre-certification from the Department, the signed parental consent form could be received at the Department within seven days after the minor begins employment. He reiterated that part of the permitting process is to guarantee the safety of the minor, and the Department must review and approve the job description to ensure that the job is an acceptable one for a fourteen year old to perform.

Senator Ward voiced that the bill proposes to allow a minor to begin employment at, for instance a video store, if the position had been pre-approved, and the signed parental consent form could be submitted to the Department within seven days of the employment date.

Mr. Church concurred, reiterating that the job had to have been pre-approved.

Senator Ward asked what the employer's "liability" would be in a situation where a minor had begun to work, but the parents refused

to sign the necessary parental consent form.

Mr. Church responded that there is no liability for up to seven days on the part of the employer if the minor worked in a position that had been pre-approved. He stated that if, by the end of the initial seven days, the signed parental form had not been submitted, the employer would need to terminate the minor employee.

Senator Ward stated that without the parental authorization, the employer, according to State law, legally could not reimburse the minor for work performed in those initial seven days.

REBECCA NANCE GAMEZ, Deputy Commissioner, Department of Labor and Workforce Development, stated that the Department has not addressed this concern and would need to verify the ramifications that the non-receipt of the parental consent form would incur.

Senator Ward reiterated that an employer could not issue payment to a minor if the parental consent form were not submitted to the Department; therefore, the minor would not be paid for the time employed. He stated that in some cases, a minor might start work and quit after three days, and the parental consent form might never be submitted for the parent might never know the minor had been employed. He stated this situation would result in a liability to the employer.

Mr. Church surmised that it would "seem reasonable," that since the "approval to hire" has been granted by the Department "that essentially that minor is eligible to work and to be paid," as this would be considered a "legal hire." He reminded the Committee that currently there is no pre-approval process and the signed parental consent form is required up-front before a minor is allowed to begin work.

Senator Ward stated that the scenario he described is "very real" and should be addressed by the Department.

Senator Austerman summarized that the goal of this legislation is to shorten the length of time it takes to employ a minor.

Ms. Gamez responded that the hiring process would be quicker because the position would have received prior department approval and the parental consent period would be expanded to seven days after employment.

Senator Austerman qualified that current law mandates parents or legal guardians to submit the signed permission form to the Department before the minor begins to work.

Ms. Gamez concurred. She stated the proposed legislation would allow a minor to begin work before the signed parental consent form is submitted if the position has been pre-approved by the Department.

Senator Austerman asked for confirmation that a minor could begin work without a signed parental consent form in place if the position had been pre-approved by the Department.

Mr. Church confirmed that is correct. He stated that parental consent would remain a legal requirement in this legislation; however, the minor would be able to begin work at a pre-approved job before the form would be required to be submitted to the Department.

Ms. Gamez opined that this would involve the parent/child relationship, "and presumably, the parent of a minor child would know the activities and the work history of the child."

Senator Austerman voiced concern with changing the parental consent timeline because, he noted, an employer with a pre-approved job description, could hire a minor for up to seven days, without their parents knowing about it.

Senator Ward, while voicing support of allowing 14-year-olds to work, noted that current Department regulations make it a "hassle" for employers to hire them. He stated his support for the intent of the bill, however, voiced concern with the parental consent form language.

Senator Austerman echoed concern about the changes regarding the parental consent form.

Ms. Gamez announced that the Department would determine what effect the proposed language would have on compensation due a minor who worked a few days but for whom a parental consent form was never received. She stated that the intent of the bill is to allow a more streamlined hiring procedure for minors, not to supplant parental involvement.

Senator Austerman stated he could support the bill if the parental consent language remained as currently required.

Mr. Church reiterated that the intent of the bill is to allow minors to get into the workforce faster, especially in such industries as farming and fishing, and not to take away parental oversight. He stated that "ideally, a minor would take the parental

consent form home," and the next day have it submitted to the Department. He furthered that the seven-day language was provided as a "buffer" in the process due to some unforeseen delay in getting the form signed and submitted.

Mr. Church informed the Committee that currently "some employers do not go through the work permit process because it is too cumbersome," and perhaps streamlining the process would encourage more businesses to hire minors. He speculated that "more good" would come from this bill "than any difficulties that may arrive."

Senator Ward reiterated that this bill could allow a minor to be employed for an entire week before it is realized that the parents have not and would not give their written permission.

Co-Chair Kelly declared this bill would be HELD in Committee until the bill's drafter clarifies the intent of the language.

AT EASE 5:29 PM/ 5:32 PM

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 05:32 PM.