

MINUTES
SENATE FINANCE COMMITTEE
May 08, 2002
10:46 AM

TAPES

SFC-02 # 90, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 10:46 AM.

PRESENT

Senator Pete Kelly, Co-Chair
Senator Dave Donley, Co-Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Loren Leman
Senator Donny Olson

Also Attending: REPRESENTATIVE VIC KOHRING; REBECCA GAMEZ, Deputy Commissioner, Department of Labor and Workforce Development; RON HULL, Director, Division of Employment Security, Department of Labor and Workforce Development; PAM LABOLLE, President, Alaska State Chamber of Commerce;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

HB 56-MINIMUM WAGE

The Committee reported the bill from Committee.

SB 268-GUARANTEED REVENUE BONDS FOR VETERANS

The Committee withdrew a previous motion to adopt an amendment and the bill was reported from Committee.

HB 58-UNEMPLOYMENT COMPENSATION BENEFITS

The Committee heard from the Department of Labor and Workforce Development and the Alaska Chamber of Commerce. Two amendments and a committee substitute were considered and one amendment was adopted. The bill moved from Committee.

HB 443-TATTOOING AND BODY PIERCING

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

HB 521-MUNICIPAL IMPROVEMENT AREAS

This bill was scheduled but not heard.

#HB56

CS FOR HOUSE BILL NO. 56(FIN)

"An Act relating to minimum wages; and providing for an effective date."

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

Co-Chair Kelly announced no one was signed up to testify on this bill.

Senator Wilken "moved to report the House Bill 56 from Committee with individual recommendations and attached fiscal note."

There being no objections, CS HB 56(FIN) MOVED from Committee with zero fiscal note #1 from the Department of Administration, affecting all agencies; zero fiscal note #3 from the Department of Education and Early Development; and a new negative (\$201,900) fiscal note dated 3/01/02 from the Department of Health and Social Services.

Recessed to Call of the Chair 10:47 AM / 7:37 PM

#SB268

SENATE BILL NO. 268

"An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee. At the previous hearing a motion was made to adopt Amendment #1, although no action was taken.

Amendment #1: This amendment deletes "the first general" and inserts "a special election to be held on the date of the first primary" on page 2 line 24. This amendment also inserts language following "Act" on line 25. The amended language of Section 4 reads as follows.

Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to read:

BALLOT QUESTION. The question of the state guarantee of bonds referred to in this Act shall be submitted to the qualified voters of the state at a special election to be held on the date of the first primary election after the effective date of this Act. The special election shall be held in substantial compliance with the election laws of the state, including absentee voting and preparation, publication, and mailing of an election pamphlet under AS 15.58. The election pamphlet must comply with AS 15.58.020(7). The question placed before the qualified voters of the state at the special election shall read substantially as follows:

...

Senator Lemman moved to withdraw his motion to adopt Amendment #1.

There being no objection, the motion to adopt Amendment #1 was WITHDRAWN.

Senator Green "moved Senate Bill 268 out of Committee with individual recommendations and accompanying fiscal note."

Senator Lemman asked if the co-chair had spoken with Tam Cook of the Division of Legal and Research Services regarding issues raised at the previous hearing relating to Amendment #1.

Co-Chair Kelly responded that Ms. Cook provided a legal opinion, although it was not distributed because Senator Lemman removed his motion to adopt the amendment.

Senator Lemman indicated he would like to review the memorandum at a later date.

Without objection SB 268 MOVED from Committee with fiscal note #1 for \$1,500 from the Office of the Governor and zero fiscal note #2 from the Department of Revenue.

#HB58

CS FOR HOUSE BILL NO. 58(L&C)

"An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

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

AT EASE 7:40 PM / 7:42 PM

Amendment #1: This amendment deletes Sections 2,3,5 and 6; all language from page 5 line 23, through page 14 line 31 and page 15 lines 2 and 3. This amendment also changes the effective date of Section 1 to January 1, 2002.

Senator Green moved for adoption.

Senator Olson objected.

Senator Olson moved to amend the amendment to include the language of Amendment #2. This amendment changes the effective date of Section 1 to July 1, 2002, on page 15 line 1. He detailed the net effect of this motion is that Section 1 of the bill would take effect six months prior to that proposed in Amendment #1.

Senator Green objected.

Co-Chair Donley asked for an explanation of the main amendment.

Senator Green shared that Amendment #1 "caps the growth ... and stops the next incremental growth ... at 272."

Co-Chair Kelly advised Senator Olson to withdraw his motion and re-offer it as a separate amendment after action is taken on Amendment #1.

Senator Olson WITHDREW his motion to amend Amendment #1 without objection.

Senator Green explained Amendment #1 deletes much of the language in the original bill and changes the effective date.

Co-Chair Kelly clarified this amendment would "essentially take the first years' increase and adopt that in the bill."

Senator Green affirmed and commented the matter could be revisited at a later time. She stated she was approached "by several groups" concerned about the incremental impacts of the bill.

Senator Wilken spoke to the extensive comments he received from parties in support and also in opposition to the bill. He referenced a handout titled, "Response to Chamber of Commerce Position Statement and Attachments", prepared by the Department of Labor and Workforce Development dated May 8, 2002 [copy on file.] He asked for an explanation of this handout so he could understand the impact. He understood that the Department predicts the incremental increases would not occur.

Senator Wilken shared that he reviewed the material to calculate how it would impact his business of 20 employees; which in two years would cost him \$220. He spoke to the "clamor" he has heard that asserts this "is really an onerous bill ... and hard on small business, especially in light of the minimum wage passing." He assured that he is sympathetic; however, he calculated that "frankly, it's minimal".

REBECCA GAMEZ, Deputy Commissioner, Department of Labor and Workforce Development referenced the first page of a handout titled "Alaska's Maximum Weekly Benefit Amount as a Percentage of Average Weekly Wage". [Copy on file]. The Department issued these graphs and the Alaska Chamber of Commerce added handwritten notations. The Chamber submitted the marked-up versions to the Committee.] Ms. Gamez indicated that the handwritten notations on this graph compares, "apples to oranges".

RON HULL, Director, Division of Employment Security, Department of Labor and Workforce Development furthered that the handwritten notations compare maximum dependant allowances to average weekly wages. He stressed the actual impact is significantly less, explaining that the average dependant allowance "across all claims" is \$20.26, rather than \$24, \$48, or \$72 as indicated by the notations.

Co-Chair Kelly requested clarification.

Mr. Hull qualified some of the information contained on the graph is "guesswork because it isn't our work." He understood the information on the graph to infer that the average weekly benefit amount for claimant with three dependants of \$320 would equal 50 percent of the average weekly wage. He furthered that the average weekly benefit amount is 46 percent of the average weekly wage for a claimant with two dependants and 43 percent for a claimant with one dependant.

Senator Wilken noted that the Alaska Chamber of Commerce is projecting that the average [maximum] weekly benefit amount for a claimant with three dependents would increase to \$392, which would increase the percentage to 62 percent of the average weekly wage.

Mr. Hull affirmed, but stressed that only three percent of the "claimant population" receive the maximum weekly benefit amounts with the maximum dependant allowance of three dependants.

Senator Wilken next asked the average weekly benefit allowance.

Mr. Hull answered, \$189 "and some change".

Senator Wilken asked the amount of the average weekly benefit allowance of a claimant with three dependants under the provisions of this legislation, noting the current amount is \$320.

Mr. Hull replied, "If you're using averages, you should use \$189 and change and \$20.26 for the average dependants allowance."

Senator Wilken calculated the amount to be \$209.

Mr. Hull affirmed.

Senator Wilken again asked the revised amount according to the provisions of this legislation.

Mr. Hull responded the average weekly benefit amount would be \$206, plus \$20.26 for each allowable dependant up to three dependants.

Senator Wilken calculated the maximum benefit amount including the maximum dependant allowance at \$392. He continued the average weekly benefit would increase from \$209 to \$226.

Mr. Hull affirmed.

Senator Wilken commented on the assertions that unemployment benefit amounts in Alaska are low; however, he pointed out Alaska is one of only 12 states that provide additional benefits to claimants with dependants.

Senator Wilken remarked he does not favor the amendment, as this legislation would not adversely impact small businesses. On the contrary, he noted that the benefit amounts have not been adjusted for "quite some time" and that the proposed increases are "manageable" and "affordable." He announced he supports the bill in its current form.

Senator Olson questioned how the Department explained the information detailed in the graph and suggested the Chamber of Commerce could explain it differently, as it is the entity that compiled the information.

Co-Chair Kelly and Senator Green established this discussion is relevant to the amendment.

PAM LABOLLE, President, Alaska State Chamber of Commerce, detailed the same graph, explaining that in preparing it, she utilized a chart issued by the Department showing the historic range between the maximum weekly benefit amount and the average weekly wage in Alaska. She pointed out the variation of this range has been between 30 and 40 percent and that currently, the maximum weekly benefit amount is below 30 percent of the average weekly wage. She emphasized that this bill as presented would "be a major policy shift for the State: from keeping this variation between those two levels; to taking it right up to the 50 percent level." She asserted this is not including the dependant allowance. She explained that with supplemental benefits for three dependants, the total benefit would equal 50 percent of the average weekly wage.

Ms. LaBolle then stated that the amendment calculates the base amount of the maximum weekly benefit for a claimant with zero dependants at \$272; with one dependant at \$296; with two dependants at \$320, which is 50 percent of the average weekly wage; and with three dependants, to an amount that is 54 percent of the average weekly wage.

Ms. LaBolle cited the Department of Labor and Workforce Development, stating that 43 percent of the claimants in Alaska receive supplemental benefits for dependants. She again referenced the graph pointing out that a claimant with any number of allowable dependants would receive over 50 percent of the average weekly wage.

[Note: The testimony regarding percentages is included in these minutes as presented, despite discrepancies.]

Co-Chair Kelly interjected for clarification of the number of claimants receiving additional benefits for allowable dependants.

Ms Gamez repeated the Department calculation that three-percent of all claimants receive the maximum weekly benefit and the maximum supplemental benefit for allowable dependants.

Ms. LaBolle continued with the second page of the handout provided

by the Chamber, titled "Maximum Weekly Benefit Amount By State." She noted that this chart indicates that Alaska currently ranks 47th among all states. She handwrote on this chart how Alaska ranks when including the supplemental benefits for dependants into the regular benefit payments; and how Alaska would rank "right in the middle of the states" if this legislation were enacted. She considered this comparison "apples to apples."

Senator Wilken noted the Chamber focuses on maximum weekly benefits while the Department focus is on average weekly benefits. He identified how Ms. LaBolle calculated the ranking of Alaska benefits, including the maximum amount of dependant supplemental benefits, and asked if the information for the other states reflects the maximum benefit amounts available for those states.

Ms. LaBolle responded that because only 12 states provide supplemental benefits for dependants, the chart in question reflects the maximum amount of weekly benefits available in other states without any supplemental benefits for dependants. She emphasized that she is focusing on the maximum benefit amount because it reflects the titles of the original handouts presented by the Department.

Senator Wilken asked what criteria determines the maximum weekly benefit and if factors other than dependants are considered.

Ms. Gamez explained the benefit amount is solely based on the amount of wages earned during four of the previous five quarters worked.

Ms. Gamez asserted the Department attempted to be straightforward in the information it provided to the Committee. She referenced a letter from the Department dated April 15, 2002 addressed to Co-Chair Kelly, which identifies the other states that provide supplemental benefits for dependants. This letter, she pointed out, informs that of the "entire claimant population" including the 43 percent of claimants who receive supplemental benefits for dependants, the amount paid for the supplemental benefits is less than \$20 per claimant. Therefore, she asserted that very few claimants receive supplemental benefits for maximum three dependents allowance.

Senator Austerman noted that 57 percent of claimants do not receive supplemental benefits for dependants.

A roll call was taken on the motion to adopt Amendment #1.

IN FAVOR: Senator Green, Senator Leman and Senator Olson

OPPOSED: Senator Austerman, Senator Hoffman, Senator Wilken, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Ward

The motion FAILED (3-5-1)

The amendment FAILED to be adopted.

AT EASE 8:06 PM / 8:11 PM

Co-Chair Kelly spoke to a proposed committee substitute, Version "J", as a compromise to Amendment #1. He explained this version contains the same provisions of the Senate Labor and Commerce committee substitute for the first year after the law is enacted; but establishes the maximum amount at \$290 for the second year, rather than \$320 as stipulated in the Senate Labor and Commerce committee substitute.

Senator Green moved for adoption of CS HB 58, 22-GH1016\J as a working draft.

Co-Chair Donley objected noting he supports the provisions in the Senate Labor and Commerce committee substitute.

A roll call was taken on the motion.

IN FAVOR: Senator Green, Senator Leman, Senator Olson and Co-Chair Kelly

OPPOSED: Senator Wilken, Senator Austerman, Senator Hoffman and Co-Chair Donley

ABSENT: Senator Ward

The motion FAILED (4-4-1)

The committee substitute FAILED to be adopted.

Amendment #2: This amendment changes the effective date of Section 1 to July 1, 2002, on page 15 line 1.

Senator Olson moved for adoption.

Co-Chair Kelly objected for discussion.

Senator Olson explained this amendment would make the effective date of the bill "in front of us instead of behind us," as the

original date of January 1, 2002 had passed.

Co-Chair Donley asked the reason for the existing effective date and whether the Department objected to the amendment.

Ms Gamez replied that HB 58 was introduced during the first session of the Twenty-Second Alaska State Legislature in the year 2001. She stated that a retroactive effective date would cause "a major administrative problem" and she stressed the Department does not oppose the amendment.

Senator Austerman suggested the effective dates of the three apropos sections should be amended.

Senator Green moved to amend the amendment to change the effective date of Section 1 to January 1, 2003, Section 2 to January 1, 2004, and Section 3 to January 1, 2005.

Senator Olson remarked he supports his amendment as initially submitted with Section 1 taking effect on July 1, 2002.

Senator Wilken asked why this amendment to the amendment is necessary.

Co-Chair Kelly replied that a year has passed since this legislation was introduced.

Co-Chair Donley objected to the adoption of the amendment to the amendment.

A roll call was taken on the motion.

IN FAVOR: Senator Green, Senator Hoffman, Senator Lemman and Co-Chair Kelly

OPPOSED: Senator Olson, Senator Wilken, Senator Austerman and Co-Chair Donley

ABSENT: Senator Ward

The motion FAILED (4-4-1)

The amendment FAILED to be amended.

Amendment #2 was ADOPTED without objection.

Senator Wilken commented this is a good bill with minimal impact on small businesses. He informed that in five years, the total

unemployment insurance costs to his company would increase \$1,060 as a result of this legislation.

Senator Austerman "moved HB 58-individual recommendations and [indiscernible] fiscal note."

There being no objections, SCS CS HB 58 (FIN) was REPORTED from Committee with a forthcoming zero fiscal note from the Department of Labor and Workforce Development dated 5/9/02.

AT EASE 8:24 PM / 8:24 PM

#HB443

CS FOR HOUSE BILL NO. 443(L&C)

"An Act retroactively extending the application and licensing deadlines and amending the effective date of certain provisions relating to regulation of persons who practice tattooing and permanent cosmetic coloring or body piercing; and providing for an effective date."

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

REPRESENTATIVE VIC KOHRING, Sponsor, reminded the Committee of other legislation previously passed into law that licensed the practice of tattooing to address health and safety concerns. He commented that he "was not real thrilled about that legislation." He stated that in adopting regulations to enforce the new statute, some business "fell through the cracks," and were not notified of an application deadline to receive a license. He qualified no party was at fault for this; neither the businesses nor the Division of Occupational Licensing, because it had no way to identify all the businesses performing tattooing and body piercing. However, as a result, he informed that approximately 13 businesses are operating without the required license and are subject to closure if an extension of the application deadline is not encoded into statute.

It was established no public testimony would be heard on this bill, as no interested parties were present to do so.

Co-Chair Donley "moved CS for House Bill 443, Labor and Commerce from Committee with its whopping \$3,000 fiscal note with individual recommendations."

There being no objection, CS HB 443 (L&C) was REPORTED from Committee with \$3,300 fiscal note #2 from the Department of

Environmental Conservation.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 08:27 PM