

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

May 19, 2003

8:03 a.m.

MEMBERS PRESENT

Senator Con Bunde, Chair
Senator Ralph Seekins, Vice Chair
Senator Gary Stevens
Senator Hollis French

MEMBERS ABSENT

Senator Bettye Davis

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 195(L&C) am
"An Act relating to coverage offered under an individual policy of health care insurance; relating to the state health insurance plan; and providing for an effective date."

MOVED SCS CSHB 195(L&C) OUT OF COMMITTEE

SENATE CONCURRENT RESOLUTION NO. 7
Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 71, relating to the Board of Certified Direct- Entry Midwives.

MOVED SCR 7 OUT OF COMMITTEE

HOUSE BILL NO. 199
"An Act removing the annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

MOVED HB 199 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 10(HES)
"An Act relating to pooling by employers and self-employed individuals for purposes of group health insurance; and providing for an effective date."

MOVED CSHB 10(HES) OUT OF COMMITTEE

HOUSE BILL NO. 270

"An Act relating to the licensure of pharmacists; and providing for an effective date."

MOVED HB 270 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 252(STA)

"An Act relating to the terms and duties of the members of the State Board of Registration for Architects, Engineers and Land Surveyors."

MOVED SCS CSHB 252(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 305

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

HEARD AND HELD

PREVIOUS ACTION

HB 195 - See Labor and Commerce minutes dated 5/15/03.

SCR 7 - No previous action to consider.

HB 199 - No previous action to consider.

HB 10 - See State Affairs minutes dated 5/17/03.

HB 270 - See HESS minutes dated 5/16/03.

HB 252 - No previous action to consider.

HB 305 - No previous action to consider.

WITNESS REGISTER

Ms. Heather Nobrega
Staff to Representative Rokeberg
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Commented on HB 195 and HB 199.

Ms. Katie Campbell, Life and Health Actuary
Division of Insurance
Department of Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Commented on HB 195 and HB 10.

Ms. Michelle Cassano, President
American Diabetes Association
801 W. Fireweed #103
Anchorage AK 99503

POSITION STATEMENT: Commented on HB 195.

Ms. Laura Sarcone
Alaska Nurse Practitioner's Association
1444 Hillcrest Dr.
Anchorage AK 99503

POSITION STATEMENT: Commented on HB 195.

Mr. Don Etheridge
AFL-CIO
710 W 9th St.
Juneau AK 99801

POSITION STATEMENT: Opposed HB 199.

Ms. Pam LaBolle, President
Alaska State Chamber of Commerce
217 2nd Street
Juneau AK 99801

POSITION STATEMENT: Supported HB 199.

Mr. Chip Wagoner
Alaska Catholic Conference
3294 Pioneer Ave.
Juneau AK 99801

POSITION STATEMENT: Opposed HB 199.

Mr. Jay Sutherland, President
Alaska Restaurant and Beverage Association
POSITION STATEMENT: Supported HB 199.

Ms. Robin Phillips
Staff to Representative Nancy Dahlstrom
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Commented on HB 270.

Ms. Margaret Sodden, President
Alaska Board of Pharmacy
PO Box 61328
Fairbanks AK 99706
POSITION STATEMENT: Supported HB 270.

Mr. Barry Christensen, Chairman
Alaska Pharmacists Association
POSITION STATEMENT: Supported HB 270.

Ms. Lauren Wickersham
Staff to Representative Lesil McGuire
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Commented on HB 252.

Mr. Robert E. Miller, Chairman
Alaska Board of Registration for Architects, Engineers and Land
Surveyors
7729 Anne Circle
Anchorage AK 99504
POSITION STATEMENT: Supported HB 252.

Mr. Sam Kito III
Alaska Professional Design Council
PO Box 21192
Juneau AK 99801
POSITION STATEMENT: Commented on HB 252.

Representative Tom Anderson
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HB 305.

Commissioner Greg O'Claray
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Supported HB 305.

Mr. Patrick Shier, Chief
Employment Security Tax
Division of Employment Security
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Commented on HB 305.

Ms. Barbara Huff-Tuckness, Director
Legislative and Governmental Affairs

Local 959
520 E 34th
Anchorage AK 99503

POSITION STATEMENT: Supported HB 305.

Mr. Ron Peck, President
Alaska Travel Industry Association

POSITION STATEMENT: Opposed HB 305.

ACTION NARRATIVE

TAPE 03-37, SIDE A

CSHB 195(L&C)am-STATE HEALTH INSURANCE PLAN

CHAIR CON BUNDE called the Senate Labor and Commerce Standing Committee meeting to order at 8:03 a.m. Present were Senators Stevens, Seekins French and Bunde. The Chair announced CSHB 195(L&C)am to be up for consideration.

SENATOR GARY STEVENS moved to adopt SCS CSHB 195(L&C). There were no objections and it was adopted.

CHAIR BUNDE explained that the committee substitute (CS) removed all the language about the optional programs that had many people concerned and leaves some language that allows federal funding.

MS. HEATHER NOBREGA, staff to Representative Rokeberg, said that was correct.

CHAIR BUNDE asked about the language on page 2, subsection (b), which discusses people who are not eligible for coverage. He asked for an explanation of the statement "including self insured plans, health care trusts and welfare trusts".

MS. KATIE CAMPBELL, Life and Health Actuary, explained that section is language from existing law. It was used because it is an eligibility requirement that was misplaced under "Exclusions" in the initial legislation. If someone is eligible for the federal programs under the federal law, that person has to be let into the plan.

MS. MICHELLE CASSANO, President, American Diabetes Association, said she is very concerned about what would happen with this coverage if someone opts out of chronic-disease coverage and is then diagnosed.

CHAIR BUNDE explained that all of the optional language in section 1 was deleted from the committee substitute that the committee just adopted.

MS. CASSANO responded that she would not comment further in that case, but would be a resource for the committee.

MS. LAURA SARCONI, Alaska Nurse Practitioners' Association, said deleting section 1 took care of her concerns also. She wanted to make sure that reimbursement for nurse midwifery coverage for obstetrical care was not made optional.

CHAIR BUNDE affirmed that language was gone.

SENATOR SEEKINS moved to pass SCS CSHB 195(L&C), version V, from committee with individual recommendations and attached fiscal note.

SENATORS STEVENS, FRENCH, SEEKINS and BUNDE voted yea and SCS CSHB 195(L&C) moved from committee.

SCR 7-SUSPEND UNIFORM RULES FOR HB 71

CHAIR CON BUNDE announced SCR 7 to be up for consideration to address a title change.

SENATOR RALPH SEEKINS moved to pass SCR 7 from committee with individual recommendations. There were no objections and it was so ordered.

HB 199-DELETE MINIMUM WAGE INFLATION-PROOFING

CHAIR CON BUNDE announced HB 199 to be up for consideration.

MS. HEATHER NOBREGA, staff to Representative Rokeberg, sponsor of HB 199, explained that this bill repeals the automatic inflation index that was implemented last year along with the minimum wage increase. When the minimum wage is increased, inter-level employers eliminate jobs and reduce working hours. With the last increase, benefits, such as health insurance and matching 401K plans, are being cut.

Evidence indicates that constant increases don't help the poor but eliminate their needed jobs. One restaurant in Anchorage closed already and another is not going to expand to Fairbanks because of the hikes in labor costs. A casual examination of the

increases indicates that they fail to target the families that they are intended to help.

The increases should not be automatic because the industry needs to have a seat at the table each year to discuss the economies of what is happening in every day business.

SENATOR HOLLIS FRENCH asked her to explain why she thought the automatic indexing fails to target the families it was intended to help.

MS. NOBREGA answered that the theory behind the minimum wage is that it will help families support themselves by providing an adequate wage that will help them do that. Studies show that when the minimum wage is automatically increased, you actually eliminate those entry-level jobs. So, the families they are trying to help aren't going to get help because those jobs won't be available for them.

MR. DON ETHERIDGE, AFL-CIO, opposed HB 199 and told members the AFL-CIO got signatures for the initiative process and was looking forward to putting this question on the ballot, but the legislature took action to prevent it from doing so. If it had been put on the ballot, it could have been adjusted after two years. He maintained:

Now, it hasn't even gone into effect and we're already looking at repealing it. We're under the hopes that it could at least happen once before it's repealed so that we would know whether or not it works. We don't know if it's going to work and they're already hollering that everybody is going out of business because of it. They're going out of business because of poor locations - one of them that I know of - the restaurant and I can understand where a \$1.50 increase on most of these businesses really hit hard. We asked for three years running to step the minimum wage up and there was no action taken on it. The only way we could make it happen is through the initiative process and we went out and gathered 50,000 signatures to get it on the ballot....

At the current rate that we're looking at right now for the cost of living index - it's going to be about a 14-cents per hour raise. If you get 14-cents per hour for a couple, three years, that doesn't hurt near as bad as \$1.50...

CHAIR BUNDE stated, for the record, that he counseled against legislative action to preempt the initiative.

SENATOR GARY STEVENS asked Mr. Etheridge to respond to the issue of the elimination of entry-level jobs.

MR. ETHERIDGE replied that those jobs have to be there and it's one of those threats that can be used all the time. He said he has seen restaurants come and go in Juneau without any raise in the minimum wage. It's just what the economy is doing at the time that affects those jobs and that's why they fluctuate so much.

SENATOR FRENCH said if they are taking into consideration one anecdotal story about a restaurant closing, they should really look at what the economy is doing and what the total job market is in the state.

MS. PAM LABOLLE, Alaska State Chamber of Commerce, supported HB 199. It's the Chamber's belief that the reason they have elected representatives is that those representatives can see what is happening in the economy and make decisions based on that big picture.

SENATOR STEVENS asked her to comment on the issue of eliminating entry-level jobs.

MS. LABOLLE replied that it would eliminate entry-level jobs because employers are going to look for people with more experience. If they are going to pay the higher wage, they are not willing to take on people who aren't trained.

SENATOR SEEKINS asked if any other states index their minimum wage.

MS. LABOLLE replied that she didn't have those statistics.

MR. CHIP WAGONER, Alaska Catholic Conference, said of all the bills before the legislature this one disturbs him the most because of the initiative that never made it to the ballot and because he doesn't believe all the facts and figures he has heard. He told members:

There are two different organizations out there that do a lot of work on minimum wage and one of them is basically paid for by the restaurant industry and the

other one is paid for by the labor unions. I have read their studies and I don't believe them. If you read anything from the Employment Policies Institute, not to be confused with the Employment Policy Institute, it's basically from the restaurant industry and they will never say anything good about the minimum wage. Also, if you look at the economic opportunity institute - again, not to be confused with the economic policy institute, this is primarily from labor and they will never say anything bad about the minimum wage.

So, what I did is that I went to those states that do have indexing and there [are] three to my knowledge - Oregon, Washington and Alaska.

I'll start with Washington State. I talked with Bob Wagner, Manager of the Research and Analysis Unit for the Unemployment Insurance Division of the Employment Security Department of the State of Washington and he said, "There does not appear to be a direct correlation between the indexed minimum wage and the number of jobs in the food service, drinking places industry."

I picked that industry because that's primarily the one - the fast food people and others - who are against this automatic indexing.

I also talked with Art Air, the State Employment Economist for the Oregon Employment Department. He said it's probably impossible to identify an increase in the unemployment rate and tie it to the minimum wage at least at the state level. He said at a local level, you may be able to identify specific employers, such as the Red Robin, who have reduced employment due to a variety of factors including minimum wage. Those companies are probably already on the ropes. So, I also looked at the figures from our own Department of Labor and in that particular industry, you would think if jobs were going to be lost, they wouldn't be lost because of indexing, which would have increased the wages by 14 cents. You would have thought they would have lost the jobs when the minimum wage in January shot up by \$1.50 because what happens is, without indexing you have the purchasing power of our unseen working poor continue to drop, drop, drop until

finally the legislature or by initiative it jumps up....

That's not good for business and it's not good for the working poor who see their purchasing power decrease. So, you would think that is where the jobs would have been lost. And jobs were lost in December of 2002 till January of 2003. When it took effect, we lost 1,000 in the food service restaurant industry. But, if you look at a year ago, when there was no minimum wage increase, the drop is just about the same. It dropped from 16,100 to 15,200. In other words, they ramp up for the holidays with their employees and then they ramp down after the holidays and now if you look at the figures, they've probably started to ramp up for the tourism season...

It's the total economy that affects the jobs in this industry....

MR. WAGONER said there is a flip side to allowing the industry a seat at the table; the unseen working poor would also like a seat at the table. He said the legislature could address indexing every year if it wanted to. He told members, "This bill really, really bothers me; it's just unfair."

MR. JAY SUTHERLAND, President, Alaska Restaurant and Beverage Association, said it's a little bit more than a 5% increase to pay for the 26% increase in the cost of labor. Employers would look at closing restaurants and laying off staff. Slowly, but surely, they have been looking at how to do more with less. Job loss last year was similar to this year. 9-11 brought tourism to a crashing halt in 2001 and the tourist seasons have been slim since then. Folks will be looking at investments in technology and different restaurant equipment to replace labor. He pointed out that people just entering the work force need to be trained to do even the simplest things and he thought it is unfair that industry has to take on that additional burden. He noted the other two states with a CPI are taking very huge hits in the restaurant industry. That could be due to the economy or to the CPI.

SENATOR SEEKINS commented that his experience as an employer is that most of his minimum wage employees are students just getting started and he has a hard time keeping anybody worth their salt if he tries to keep them at a minimum wage. He doesn't get a lot of people who are really trying to raise a

family on minimum wage. He stated, "If they are, there is another serious problem somewhere...."

SENATOR SEEKINS moved to pass HB 199 from committee with individual recommendations.

SENATOR FRENCH objected and said that he felt the legislature should let this law go into effect at least once to see what happens - out of good faith. Testimony has indicated that the CPI would produce about a 14-cent increase in the minimum wage and that's fairly miniscule. Some people think the legislature passed this law to preempt the initiative and keep a lot of lower income people from going to the polls to vote last year. He questioned, "I have to wonder today whether that initiative has been preempted had this inflation-proofing not been in the law."

He said this law takes into account a possible deflationary economy. This is a flexible tool that the legislature passed just one year ago.

SENATOR SEEKINS said he doesn't think it is right to kill this bill in committee and that he didn't see anything wrong with allowing it to go to the entire body for discussion.

CHAIR BUNDE said he shares the concern that the public did not get a chance to vote on this issue.

SENATORS SEEKINS, STEVENS and BUNDE voted yea; SENATOR FRENCH voted nay; and HB 199 passed from committee.

CSHB 10(HES)- GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

CHAIR BUNDE announced CSHB 10(HES) to be up for consideration.

MS. HELEN BEDDER, staff to Representative Cheryl Heinze, said this bill is very different from its original version. It had a large fiscal note and the Department of Administration was involved. Currently, the bill has no fiscal note and the department is no longer involved. A key feature of the bill is that it really works to help non-profit organizations obtain insurance. The [non-profits] have a commitment from the Mental Health Trust Authority to provide funding to help them obtain insurance through this type of policy and they are currently very actively working with Dennis McMillan in Anchorage to get funding.

CHAIR BUNDE said one comment in the health insurance purchasing cooperative reports says that in many instances state laws have prohibited insurers from offering co-op premiums at a lower rate than those charged to employers outside a co-op. He asked why states would have laws against trying to provide the lowest possible insurance depending on the market.

MS. BEDDER replied that she didn't know the answer to that.

MS. KATIE CAMPBELL, Division of Insurance, explained that state laws differ, but most states have small employer reforms where you have to guarantee issue to a small employer. Most states define a small employer as one with 2 to 50 employees. Most states with cooperatives have required the premiums within the pool to be somewhat nearer the outside to prevent selection problems where only the healthier or the sicker people remain in one area or the other. She pointed out, "You don't want to disadvantage one market for the other."

CHAIR BUNDE said they don't insure on personal risk but rather on the risk of the group.

MS. CAMPBELL replied that is true.

SENATOR FRENCH asked her to explain the following bullet statement:

Under HB 10, a health care insurer may decline to cover or may restrict the coverage offered to a self-employed individual under an association plan. This applies only to a self-employed individual who joins a group, but not for employees of either large or small employers.

MS. CAMPBELL replied that is a complicated issue. Initially they weren't able to include the self-employed in this kind of a plan because of the fear that individuals who are particularly unhealthy would attempt to join the pools and cause the rates to go up. In order to avoid that problem, this bill allows insurance companies to look at the individual self-employed people separately from employees of an employer. By allowing that, the insurer can prevent a particularly unhealthy person from increasing the rates for everybody else. With this bill, the insurer can actually decline coverage or put a restriction on the coverage for that individual self-employed person only. It doesn't affect anyone else.

CHAIR BUNDE asked if that is because there are fewer self-employed people than there are employees.

MS. CAMPBELL replied the issue is the self-employed are really not a group; they are individuals. When insurers come in to offer insurance to a market, they look at the market they are going to insure and get a volume discount.

SENATOR FRENCH said:

It sounds like a compromise and a way of balancing risk for the insurance company to be able to stop this one sick individual from joining the pool, but not being able to stop this group that wants to get in...

CHAIR BUNDE added, "Who might have a sick individual, but will have hundreds of other people whose premiums will make up for the sick one."

MS. CAMPBELL responded, "That's about right."

SENATOR SEEKINS moved to pass CSHB 10(HES) from committee with individual recommendations and zero fiscal note. SENATORS STEVENS, FRENCH, SEEKINS and BUNDE voted yea and CSHB 10(HES) passed from committee.

HB 270-PHARMACIST LICENSING

CHAIR CON BUNDE announced HB 270 to be up for consideration.

MS. ROBIN PHILLIPS, staff to Representative Nancy Dahlstrom, sponsor of HB 270, explained that currently the Board of Pharmacy cannot deny a license to an applicant who may have a questioned background, like a felony drug conviction or a drug abuse problem. That puts public safety and the pharmacy profession at risk. The right to deny a license was unintentionally left out of the statute when it was originally drafted. HB 270 gives the Board the authority to deny a license to a new applicant if the board finds the applicant has committed fraud, deceit, falsely advertised, been convicted of a felony or is guilty of other offenses listed in AS 08.80.261. All members of the Board of Pharmacy and the Alaska Pharmaceutical Association support this legislation.

MS. MARGARET SODDEN, President, Alaska Board of Pharmacy, said this bill really needs to pass because the board cannot currently deny a license to someone who does not have a good

background. She added that a person would have the right to appeal a denial.

MR. BARRY CHRISTENSEN, Chairman, Alaska Pharmacists Association, supported HB 270 for all the reasons previously stated.

SENATOR RALPH SEEKINS moved to pass HB 270 from committee with individual recommendations and the attached zero fiscal note. SENATORS STEVENS, FRENCH, SEEKINS, and BUNDE voted yea and HB 270 passed from committee.

CSHB 252(STA)- OCC LICENSING: TERMS OF BD & CONT. EDUC

CHAIR CON BUNDE announced CSHB 252(STA) to be up for consideration.

TAPE 03-37, SIDE B

MS. LAUREN WICKERSHAM, staff to Representative Lesil McGuire, said HB 252 was introduced at the request of the Architects, Engineers and Land Surveyors (AELS) Board. The bill essentially does two things. It modifies existing statutory language with regard to board members who may serve partial terms. Currently, if a board member serves any portion of a remaining term, that service counts for a full four-year term. The modification would allow a board member who is filling a partial term of less than two years to AELS serve up to two full terms or eight years. The amendment offered in Labor and Commerce would clarify that this change in term limits applies only to the AELS Board and not to other boards and commissions.

Second, HB 252 offers the AELS Board statutory authority to adopt regulations concerning continuing education. An October 2000 audit by the Legislative Budget and Audit division recommended the AELS Board be given this authority in order to help implement and maintain high standards in the professions they oversee. They will work closely with all relevant professional societies before adopting or developing any programs.

MR. ROBERT E. MILLER, Chairman, Alaska Board of Registration for Architects, Engineers and Land Surveyors (AELS), supported HB 252. The AELS regulates multiple professions, which requires a high level of both professional expertise and board experience in terms of reviewing applications to insure that people who are admitted to their professions are qualified. The continuing education is also a provision the board has decided it would

like to have the discretion to be able to use, perhaps implementing them in stages for the different professions.

MR. SAM KITO, III, Alaska Professional Design Council, supported HB 252. He said the director of the Division of Occupational Licensing had a suggestion regarding continuing education. Recently, issues have come up with respect to reinstatement of people with licenses and he suggested that item 6 be changed to, "establishing continuing education requirements for persons regulated by this chapter" and removing the balance of the sentence. That would allow the AELS Board to have authority to adopt continuing education requirements for any of the situations that may be required.

CHAIR BUNDE offered that as an amendment.

SENATOR HOLLIS FRENCH wanted clarification on how the amendment would work.

MR. KITO explained that it would allow the AELS Board to adopt continuing education regulations for both renewal and reinstatement of expired certificates. So, if an engineer stopped practicing and then did not pay dues, but wanted to get reinstated, in order to do so the board could then require that engineer or architect to show proof of continuing education on a case-by-case basis.

There were no further objections to the amendment and it was adopted.

SENATOR SEEKINS moved to pass SCS CSHB 252(L&C) from committee with individual recommendations and attached fiscal notes. SENATORS STEVENS, SEEKINS, FRENCH, and BUNDE voted yea the motion carried.

CHAIR BUNDE announced that he was turning the gavel over to Vice Chair Seekins, as he had to go to another committee meeting.

8:55 to 8:58 a.m. - at ease

HB 305-UNEMPLOYMENT COMPENSATION BENEFITS

VICE CHAIR SEEKINS announced HB 305 to be up for consideration.

REPRESENTATIVE TOM ANDERSON, sponsor of HB 305, explained that the bill provides an 8.12% increase to the maximum weekly

unemployment benefit amount. This increase would be phased over a three-year period and minimizes the impact to employers, employees and the UI trust fund. He introduced the bill because Alaska ranks 47th in the nation with a maximum weekly benefit of \$248. With the changes in the bill, Alaska will rank approximately 28th in the nation. The fully increased maximum benefit amount would be available to claimants earning \$34,250 or more per year. The full impact of the increase in benefits will not be reflected in employer tax rates until 2010, which was a concern in the House. When the cumulative impact of the costs is included in a tax rate calculation by 2010, the average employer tax rate will increase by .17% and the average employee tax rate will only increase by .04%.

COMMISSIONER GREG O'CLARAY, Department of Labor, pointed out that the amount of money that goes into the state's economy per year (for 2002) was nearly \$127 million in unemployment insurance checks. In the North Star Borough, \$13,719,440 worth of unemployment checks were cashed in 2002. In the Anchorage Mat-Su area, \$55 million goes into the local economy. The increase they are looking at only affects about 3.28% of those that actually collect benefits within the state. He noted:

I think that's important for you to underscore because you'll hear those who oppose this bill and this increase...because employers cannot stand this increase. Believe me, this is a compromise piece of legislation...

He said this bill moves the effective date to January 1 of each year and that assists employers in adjusting costs in terms of their taxes. It will not have any effect in FY04 and the maximum it will cost per employee in 2005 is \$5 per year.

COMMISSIONER O'CLARAY said:

We are mainly concerned about keeping our skilled workers in Alaska and we're starting to lose them because they cannot afford to maintain their residency in Alaska during the slow-down in work in the winter when they would draw their UI benefits and they are migrating to other portions of the United States where the cost of living is cheaper. That is a major problem for the construction industry because, if we are - and this governor has indicated he wants to build some roads - and I support that - we're going to be seeing some heavy construction. We need those craftsmen in-

state - because the other concern our department has is with respect to the amount of non-residents that come to Alaska that work in our high paying jobs in the construction industry. Those dollars all go south and so it's our goal in the department to increase the amount of resident workers and to not only build, but maintain our resident work force in Alaska. So, I would encourage the committee to move this bill.

SENATOR FRENCH asked how they will put off the increase of benefit costs and keep them from being reflected in employer tax rates until 2010.

MR. PATRICK SHIER, Chief, Employment Security Tax Division, explained that the whole rating system is a look-back system. When rates are set for 2004, they look back at half of 2003 and prior.

SENATOR FRENCH said this bill has a three-year phase in at 2003. He thought the whole increase would be phased in by 2006 and asked if it will use a four-year look-back period.

MR. SHIER added that there is also a mechanism in the rating system that depresses any called-for increase by using an average of the prior three years. He surmised, "So, the full effect, yes, is not expected to be fully represented in the rating process until 2010."

SENATOR FRENCH asked if this is the way most UI programs are administered in other states.

MR. SHIER replied that they are everywhere. He told members:

For example, in 1985-87, we were having some difficulty here in the state of Alaska and employer rates did not go up until we had actually turned the corner and begun to come out of there because of this statutory rating process that takes a three-year average.

VICE CHAIR SEEKINS asked where the money comes from that comes out in UI benefits. He questioned, "Doesn't it come out of the economy before it goes back into the economy?"

COMMISSIONER O'CLARAY replied yes and explained:

Obviously, 80% of the rate comes out of the employer's pocket and 20% of the UI tax comes out of the employee's.

VICE CHAIR SEEKINS responded:

As an employer, I tell you it all comes out of the employee's pocket. It comes out of his pocket, because if I wasn't paying it in, I'd be giving it to him more than likely. It would be negotiable for him. It's his money.

He added that he thought the construction industry had been that way historically in Alaska but is probably better now than it ever was in the past because of new technology. He pointed out he has seen buildings being built in tents in Anchorage in the wintertime. When he worked in construction, workers were laid off in the wintertime.

COMMISSIONER O'CLARAY responded that there have been good years in construction and this looks like another good year. With highway construction, there could be even better years. He said:

The main impact, though, is not necessarily on construction trades. The service industry is one that gets hit very heavily, especially in tourism, because of the seasonality of that type of work.

SENATOR STEVENS commented that Alaska would be ranked 28th in 2006, but that's assuming no other states change their unemployment rates.

MR. SHIER explained the differences in the charts before the committee and said there would be some movement in the rankings. It is not an absolute scale. He did not include dependents allowance in the calculations.

VICE CHAIR SEEKINS asked if they are talking about families with dependents allowance.

COMMISSIONER O'CLARAY responded that there is a dependent allowance of \$24 per week per dependent with a maximum of three paid to claimants.

MR. DON ETHERIDGE, AFL-CIO, supported HB 305.

VICE CHAIR SEEKINS said that years ago, an operator made more on an Alaska job than elsewhere because they knew they weren't going to have that employment in the wintertime. He asked if that is still the case.

MR. ETHERIDGE replied that is still the case, but "It's tightening up more all the time."

MS. PAM LABOLLE, President, Alaska State Chamber of Commerce, said this bill is a compromise of another bill that was introduced and discussed two years ago. The Chamber supported the first step then, of \$24 and halfway with the second step (a 12% increase from what the bill is proposing now). Almost a third of the UI payments were at the maximum amount in 2001 and nearly half included some dependent allowance. Eleven percent of claimants were paid the full dependent allowance.

MS. LABOLLE reminded the committee that there was also a minimum wage increase last year and an increase in business license fees that would impact employers as well. She said further that 16 states have a rule that if you're unemployed during the time of your seasonal work, that's when you can collect benefits, but if you are unemployed out of season for that seasonal work, you can't receive benefits. She stated, "Alaska is very lenient in that they pay unemployment insurance benefits when the kind of work you do isn't even available."

She encouraged the committee to get a full picture of what the full cost is both to the tax rated employers and to the reimbursable employers before they pass this legislation. She said it would immediately impact the state's budget and thought taking it half way would still have Alaska in the upper quarter of the maximum weekly benefit amount compared to other states.

VICE CHAIR SEEKINS asked Commissioner O'Claray about the fiscal impact of the change on the state treasury. One fiscal note indicated zero, which he thought meant the cost of administration of the program would not increase as a result of a change in the rate.

COMMISSIONER O'CLARAY said that was correct.

VICE CHAIR SEEKINS asked if there was an estimate of the impact a change would have on the treasury.

COMMISSIONER O'CLARAY replied that the bill that didn't pass last year or the year before had an increase on the first

increment of \$175,000 to the state for FY03. That was for half a year. He explained, "If you follow that number, your increase for 12 months in 2004 would be under \$300,000. He questioned the correctness of Ms. LaBolle's figures for the Alaska Railroad.

He said he was trying to avoid getting into an argument with advocates from the Chamber of Commerce, because in the 38 years he had been coming before this legislature, he had never once seen the Alaska State Chamber of Commerce agree to any increase in benefits to workers.

VICE CHAIR SEEKINS asked Ms. LaBolle if the information from the Alaska Railroad Corporation information was correct and said if it is, then a fiscal note should reflect that.

COMMISSIONER O'CLARAY responded that is correct, but he also knew of the game that is played with fiscal notes. He stuck by the numbers he had just quoted.

MS. BARBARA HUFF-TUCKNESS, Director, Legislative and Governmental Affairs for Teamsters Local 959, said during the last 20 years, unemployment insurance has actually increased four times. The last time was in 1997. She said:

I would like to reiterate on record that we are one of three states that actually has employees that do contribute along with employers to this particular benefit program. Additionally, I would also like to reiterate that it is a partial wage reimbursement. It does benefit those workers who are in the unfortunate situation of being unemployed temporarily - that they can have a partial wage benefit that's going towards covering those life necessities out there such as shelter, utilities, food and clothing, which, of course, does go back into the business community.

She said that sometimes workers don't plan to be unemployed and having a benefit designed to protect them during that time is something she wanted the legislature to support. For the record, she was a participatory member of the quasi-task force that had six meetings over the last two or three months prior to introduction of this legislation and there is strong support from AGC, VECO and others. She reiterated that this is a compromise bill and is not the one they wanted to see introduced, but they are supportive of it.

MR. RON PECK, President, Alaska Travel Industry Association, said the vast majority of the businesses he represents are small and have had a challenging last season. The prospects for next year are not much better. He noted, "All sectors of our business are in a state of decline." He said that labor costs comprise a significant portion of their business operations and they are facing an increasing minimum wage. These are very challenging times for Alaskan tourism. He thanked them for this opportunity to speak.

VICE CHAIR SEEKINS said the last time this legislation came through it had a fiscal note and this time it doesn't. He announced an at-ease to find out what the leadership's intent was.

9:40 to 9:56 a.m. - at ease

VICE-CHAIR SEEKINS said that a fiscal note was needed and that they would hold the bill in committee until the commissioner prepared it for them.

TAPE 03-38, SIDE A

SENATOR FRENCH asked if this bill has a Senate Finance Committee referral. He suggested in the interest of efficiency the committee send the bill there to wait for the fiscal note.

VICE CHAIR SEEKINS said leadership preferred that it stay in this committee. There being no further business to come before the committee, he adjourned the meeting at 10:00 a.m.