

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

March 28, 2006

1:31 p.m.

**MEMBERS PRESENT**

Senator Con Bunde, Chair  
Senator Ralph Seekins, Vice Chair  
Senator Johnny Ellis  
Senator Bettye Davis

**MEMBERS ABSENT**

Senator Ben Stevens

**COMMITTEE CALENDAR**

CONFIRMATION HEARINGS:

Board of Barbers and Hairdressers

Cody Downs - Anchorage  
Charlotte Lushin - Fairbanks  
Alice B Massie - Wasilla

CONFIRMATIONS ADVANCED

Real Estate Appraisers

William A. Larick - Anchorage

CONFIRMATION ADVANCED

Alaska Workers' Compensation Board

Robert S. Morigeau - Anchorage  
Debra G. Norum - Fairbanks  
Jeffrey P. Pruss - Fairbanks North Star Borough  
H. Bardie Scarbrough - Anchorage  
Damian J. Thomas - Fairbanks North Star Borough  
Robert C. Weel - Anchorage

CONFIRMATIONS ADVANCED

Alaska Labor Relations Agency

Dennis S. Niedermeyer - King Salmon

CONFIRMATION ADVANCED

Board of Marine Pilots

Les A. Cronk - Ketchikan

CONFIRMATION ADVANCED

Personnel Board

Alfred L. Tamagni, Sr. - Anchorage

CONFIRMATION ADVANCED

SENATE BILL NO. 307

"An Act relating to a fee provided for in the rental agreement for late payment of rent under the Uniform Residential Landlord and Tenant Act."

HEARD AND HELD

SENATE BILL NO. 300

"An Act relating to the handling of negative equity in motor vehicle transactions."

MOVED CSSB 300(L&C) FROM COMMITTEE

SENATE BILL NO. 309

"An Act establishing a construction trades training grant program for award by the Department of Labor and Workforce Development, providing for special employee unemployment contributions to fund the program and an offsetting credit against the employees' general unemployment contribution, and providing for an expiration date for the program, contributions, and credit; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 241

"An Act relating to modifying the qualifications required for workers' compensation self-insurance and permitting employers in the same trade or industry to form an employer association for self-insured workers' compensation coverage; and providing for an effective date."

SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 307

SHORT TITLE: LANDLORD REMEDIES; LATE FEE

SPONSOR(s): LABOR & COMMERCE

02/23/06	(S)	READ THE FIRST TIME - REFERRALS
02/23/06	(S)	L&C, JUD
03/09/06	(S)	L&C AT 1:30 PM BELTZ 211
03/09/06	(S)	Heard & Held
03/09/06	(S)	MINUTE(L&C)
03/16/06	(S)	L&C AT 1:30 PM BELTZ 211
03/16/06	(S)	Scheduled But Not Heard
03/28/06	(S)	L&C AT 1:30 PM BELTZ 211

BILL: SB 300

SHORT TITLE: MOTOR VEHICLE NEGATIVE EQUITY

SPONSOR(s): SENATOR(s) SEEKINS

02/14/06 (S) READ THE FIRST TIME - REFERRALS  
02/14/06 (S) TRA, L&C  
02/23/06 (H) TRA AT 1:30 PM CAPITOL 17  
02/23/06 (H) -- Meeting Canceled --  
03/09/06 (S) TRA AT 1:30 PM BUTROVICH 205  
03/09/06 (S) Moved SB 300 Out of Committee  
03/09/06 (S) MINUTE(TRA)  
03/10/06 (S) TRA RPT 2DP 1NR  
03/10/06 (S) DP: HUGGINS, KOOKESH  
03/10/06 (S) NR: FRENCH  
03/16/06 (S) L&C AT 1:30 PM BELTZ 211  
03/16/06 (S) Heard & Held  
03/16/06 (S) MINUTE(L&C)  
03/28/06 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 309

SHORT TITLE: CONSTR. TRAINING GRANT;UNEMPLOYMENT COMP.

SPONSOR(s): STATE AFFAIRS

03/15/06 (S) READ THE FIRST TIME - REFERRALS  
03/15/06 (S) L&C, FIN  
03/28/06 (S) L&C AT 1:30 PM BELTZ 211

**WITNESS REGISTER**

ED SNIFFEN, Assistant Attorney General

Division of Consumer Protection

Department of Law

PO Box 110300

Juneau, AK 99811-0300

**POSITION STATEMENT:** Commented on SB 307 and supported SB 300.

BOB MAIER, Executive Director

Alaska Manufactured Housing Association

PO Box 100254

Anchorage AK 99510-0254

**POSITION STATEMENT:** Commented on SB 307.

GORIUNE DUDUKGIAN, Staff Attorney

Alaska Legal Services

Anchorage AK

**POSITION STATEMENT:** Commented on SB 307.

SENATOR GENE THERRIAULT  
State Capitol  
Juneau AK

**POSITION STATEMENT:** Sponsor of SB 309.

COMMISSIONER GREG O'CLARAY  
Department of Labor & Workforce  
Development  
PO Box 21149  
Juneau, AK 99802-1149

**POSITION STATEMENT:** Supported SB 309.

MICHAEL SEXTON, Executive Director  
Mechanical Contractors of Fairbanks &  
Mechanical Contractors of Alaska  
Fairbanks AK

**POSITION STATEMENT:** Supported SB 309.

JIM LAITI, Business Manager  
Plumbers and Pipefitters - Local 375  
Fairbanks AK

**POSITION STATEMENT:** Supported SB 309.

MAX MIELKE, Business Manager  
Plumbers and Pipefitters - Local 262  
Juneau AK

**POSITION STATEMENT:** Supported SB 309.

BRET HELMS, Training Director  
Plumbers and Pipefitters - Local 375  
Fairbanks AK

**POSITION STATEMENT:** Supported SB 309.

MIKE ANDREWS, Director  
Alaska Works Partnership Inc.  
Juneau AK

**POSITION STATEMENT:** Supported SB 309.

JOHN BITNEY  
Alaska State Homebuilders Association  
Juneau AK

**POSITION STATEMENT:** Supported SB 309.

MIKE GALLAGHAR  
Business Manager and Secretary/Treasurer

Laborers Local 341  
Anchorage AK  
**POSITION STATEMENT:** Supported SB 309.

REBECCA LOGAN, President  
Associated Builders and Contractors of Alaska  
Anchorage AK  
**POSITION STATEMENT:** Opposed SB 309.

CLICK BISHOP, Apprenticeship Coordinator  
Alaska Operating Engineers Training Trust  
Fairbanks AK  
**POSITION STATEMENT:** Supported SB 309.

CHARLES JURGENS, Representative  
District 7  
Operating Engineers  
Fairbanks AK  
**POSITION STATEMENT:** Supported SB 309.

BOB MORIGEAU  
Operating Engineers Local 302  
Fairbanks AK  
**POSITION STATEMENT:** Supported SB 309.

VINCE BELTRAMI, Statewide Training Director  
Alaska Joint Electrical Apprenticeship and Training Trust  
Anchorage AK  
**POSITION STATEMENT:** Supported SB 309.

DAVE McCLURE, Executive Director  
Bristol Bay Housing Authority  
Dillingham AK  
**POSITION STATEMENT:** Supported SB 309.

#### **ACTION NARRATIVE**

**CHAIR CON BUNDE** called the Senate Labor and Commerce Standing Committee meeting to order at [1:31:47 PM](#). Present at the call to order were Senators Davis, Seekins and Chair Bunde. Chair Bunde announced that confirmation hearings would be the first order of business. He read the following list of confirmations:

Cody Downs - Anchorage  
Charlette Lushin - Fairbanks  
Alice B, Massie - Wasilla

William A. Larick - Anchorage

Robert S. Morigeau - Anchorage

Debra G. Norum - Fairbanks

Jeffrey P. Pruss - Fairbanks North Star Borough

H. Bardie Scarbrough - Anchorage

Damian J. Thomas - Fairbanks North Star Borough

Robert C. Weel - Anchorage

Dennis S. Niedermeyer - King Salmon

Les A. Cronk - Ketchikan

Alfred L. Tamagni, Sr. - Anchorage

[1:33:46 PM](#)

SENATOR ELLIS arrived.

[1:33:57 PM](#)

SENATOR SEEKINS moved to forward the list of names to the Senate to consider for confirmation. There were no objections and it was so ordered.

**SB 307-LANDLORD REMEDIES; LATE FEE**

CHAIR CON BUNDE announced SB 307 to be up for consideration. He recapped that going to a seven-day notice would allow people to be a month late on their rent. Going to a 10-day notice would allow them to be evicted if they were late more than twice in a year.

ED SNIFFEN, Division of Consumer Protection, Department of Law (DOL), explained under the current bill, if a tenant is late on his rent, the landlord can issue a seven-day Notice to Quit and if the tenant cures the problem, he is not evicted. But if the tenant repeats that offense within so many months, the landlord can give a shorter notice period before evicting the tenant.

CHAIR BUNDE said the goal of the bill was to consolidate the late fee notice and the notice for nonpayment of rent to seven days before an eviction process would start. His question was, though, why not go to 10 days because he has been led to believe that a tenant can violate a late fee twice in a six-month period before he is liable for the eviction process.

CHAIR BUNDE asked Mr. Sniffen to relate general concerns.

MR. SNIFFEN said the Department of Law did not take a position on this bill, but he explained that it would allow landlords to evict tenants for not paying late fees just as if they had failed to pay rent. Currently, a different notice is required for failure to pay late fees and other charges and the standard of review applied by the court in determining whether to evict someone for failing to pay those fees is different.

The court must decide whether or not the failure to pay those fees constitutes a material breach of the rental agreement. Whereas, if you have tentative fail to pay rent - rent is sort of separated out from all the other fees and charges and when a court is faced with a situation where a tenant has failed to pay rent and is deciding whether an eviction would be appropriate, the landlord simply needs to submit evidence that rent wasn't paid and there were no defenses and then eviction can follow. There are different standards of review, so to speak, that a court engages in when reviewing a failure to pay rent versus a failure to pay a late fee.

And what this legislation would do is it would combine those into a streamlined procedure as the proponents have advocated that would allow the landlords to issue one notice that would include not only the late rent, but whatever late fees could be associated with that rent and then a court would decide if that combined fee wasn't paid, whether or not eviction would be appropriate. The court would not need to engage in the analysis to determine whether that constitutes a material breach of the rental agreement - because the late fees would be essentially rolled into the rental amount.

CHAIR BUNDE asked if nonpayment of late fees was a material breach of the contract.

MR. SNIFFEN replied yes.

[1:40:53 PM](#)

SENATOR SEEKINS commented that he liked streamlining the process, but he had a problem with nonpayment of late fees constituting a material breach.

SENATOR JOHNNY ELLIS asked if landlords wanted to include other fees were in one notice.

MR. SNIFFEN replied that AS 34.03.220(a)(2) doesn't actually use the term "late fee" when it discussed the 10-day notice that is required to evict somebody for failure to pay it. It says essentially anything else owed to the landlord that is not rent falls under the 10-day notice period and before an eviction can occur for non-payment of any of those other charges, the court needs to determine that constitutes a material breach of the rental agreement.

[1:44:13 PM](#)

SENATOR SEEKINS referenced page 2 of Mr. Sniffen's letter where it said the court is not required to consider whether the late fee is reasonable and he asked if any statute puts a cap on what a late fee can be.

MR. SNIFFEN replied that he didn't know of such a statute, but perhaps some common law or consumer protection principles could be applied to some completely outrageous and unreasonable late fees. Essentially the late fee needs to be reasonably related to the costs of having to pursue late rent.

SENATOR SEEKINS asked if that would be a different type of an action from an eviction and the court would be required to consider whether or not that late fee was reasonable.

MR. SNIFFEN replied that was correct. He said that current practice among the judiciary is uneven.

CHAIR BUNDE asked if a tenant were late in paying his \$1,000 rent that was due on the first of the month, did it accrue a late fee beginning at the first of the month and he then has seven days in which to pay his rent and three more days in which to pay the late fee - or did the late fee begin 10 days after the seven-day period.

[1:47:32 PM](#)

BOB MAIER, Executive Director, Alaska Manufactured Housing Association, replied that generally rent is due on the first of the month and then there is usually a 10-day grace period. After the end of that grace period, the late fee would be assessed. As it stands now, the landlord has to hang a seven-day notice for the rent and a separate 10-day notice for the late fee. This requires two separate court actions. He said that the question had come up about putting both on a 10-day notice, but rules are different for a seven-day notice than for a 10-day notice. A 10-day notice has a six-month re-occursion provision. In other

words, if the tenant does not pay a late fee two or three times, he could be evicted if one 10-day notice was used for both rent and late fees. On a seven-day notice, this re-occurrence provision does not fall into play. The tenant can re-offend each and every month. As long as the tenant cures within the seven days, he is fine. With SB 307, the question has come up that including the late fee on the eviction notice would allow a judge to evict for both rent and late fee, but he claimed that SB 307 simply allows the communication process to improve between the landlord and the tenant.

MR. MAIER said that many businesses already follow this process. Further, he said:

If the tenant came up after that period and said, 'Hey, I've got the \$500, but I don't have the \$50 late fee, no landlord is going to go through the whole process of having to turn their apartment, go to court - it's \$435 now for a FED that the court awards - it costs the landlord - take the time to get the tenant out - go in and have to clean the apartment up and then re-rent it. Now, that's where the rubber meets the road. The landlord will not go through the process just to collect the late fee. He'll wait for it.

The question has come up now the judge can legally evict for the late fee if you go to a seven-day notice - that it would be included as rent. Well, the same thing happens, I think, as Ed Sniffen referred to, the District Court is sort of the wild, wild, west of the judicial system. The judges have a wide array of decisions that they can make and they don't necessarily always stick to the letter of the law. I've been to two or three hundreds of these FEDs and I have never seen a judge ever evict for a late fee.

[1:51:58 PM](#)

CHAIR BUNDE asked if the landlord has to go to court to get a legal document to "hang a notice to quit."

MR. MAIER explained that after a 10-day grace period, landlords can hang a seven-day notice to quit. The clerk of the court has a standard form to use. Under current law, a landlord hangs a 10-day notice at the same time as the late fee. He is dealing with two different pieces of paper - with two different amounts of money with two different dates due - at the same time. He

said the Nakamoto decision was made in 2002 and he wants the law to go back to what it was before that decision.

GORIUNE DUDUKGIAN, Staff Attorney, Alaska Legal Services, said he worked on the Nakamoto decision and agreed with Mr. Sniffen that SB 307 makes nonpayment of late fees a material breach by definition. That means that no matter how big or small the late fee is, if a tenant has paid all the rents due, but not the late fee, the landlord can have him evicted after 48 hours. He disagree with Mr. Maier that the current law requires two separate court actions. That's simply not the case. There is nothing to keep landlords from combining the two notices into a single action and proceeding under both of them in an eviction case. He explained that SB 307 gives landlords the right to take a tenant to court and have them evicted if he hasn't paid his late fees.

[1:56:58 PM](#)

MR. DUDUKGIAN also said that in streamlining the process for landlords, they might create some unintended consequences for both landlords and the court system. Now it's easy for a landlord to comply with the law. If he ends up in court and the judge determines the late rent has not been paid, the judge's hands are tied and the person has to be evicted. If the notice starts to include late fees, then tenant advocates like himself will have only one defense - to challenge the reasonableness of the late fee. This would convert a five or ten minute hearing into a half hour hearing so the court could determine what is reasonable.

He firmly stood behind the Nakamoto decision. The principle behind it is that eviction is a very harsh remedy. It makes people homeless and families with children have to move. The Nakamoto decision said because eviction is so harsh, it should be limited to the most major breaches - like nonpayment of rent or bothering other tenants. It shouldn't be used for things like late fees or parking fees or fines. This law doesn't make it any easier to evict a tenant. He said that studies show that tenants lose in court about 90 percent of the time even if they have a lawyer. The whole reason behind the Landlord Tenant Act was to make more of a level playing field between landlords and tenants and the Legislature doesn't have to make it any easier for landlords to evict their tenants with a statistic like that.

[1:59:52 PM](#)

CHAIR BUNDE asked if this bill passes, all the potential tenant loses is three days.

MR. DUDUKGIAN replied that more than just three days is at stake. The seven-day notice is automatic and with a 10-day notice you have to prove that the breach was a material one that should lead to eviction. Now a tenant can argue whether a late fee is material.

[2:02:23 PM](#)

SENATOR SEEKINS said it seems that low income folks are really the most likely to be late on a rental payment and a landlord who has no limit on reasonableness of a late fee can count on exponentially increasing his rental income by charging an exorbitant late fee with the threat of eviction. He said he would like to hold on to the bill and examine its consequences further.

[2:04:20 PM](#)

CHAIR BUNDE announced that he would hold SB 307 until Thursday.

[2:05:11 PM](#)

**SB 300-MOTOR VEHICLE NEGATIVE EQUITY/CONTRACTS**

CHAIR BUNDE announced SB 300 to be up for consideration.

SENATOR RALPH SEEKINS, sponsor of SB 300, moved to adopt CSSB 300, version G.

CHAIR BUNDE objected for an explanation.

SENATOR SEEKINS explained that the National Automobile Dealer Association and the American Association of Automobile Manufacturers picked up language in one more section of AS 45.10.030(a) that needed to be changed for consistency and he noted the change was on page 2 of the bill.

CHAIR BUNDE removed his objection.

ED SNIFFEN, Assistant Attorney General, Department of Law, agreed with Senator Seekins that the change in the CS was needed to make the statute consistent and said the department had no objection to that.

[2:07:17 PM](#)

SENATOR SEEKINS moved to report CSSB 300(L&C), version G, from committee with individual recommendations. Senators Ellis, Davis, Seekins and Chair Bunde voted yea; and CSSB 300(L&C) moved out of committee.

2:08:31 PM at ease 2:11:58 PM

SB 309-CONSTR. TRAINING GRANT;UNEMPLOYMENT COMP.

CHAIR CON BUNDE announced SB 309 to be up for consideration.

SENATOR GENE THERRIAULT, sponsor of SB 309, said the Department of Labor requested a committee substitute that would correct some technical issues.

SENATOR RALPH SEEKINS moved to adopt CSSB 309, version I, as the working document. There were no objections and it was so ordered.

SENATOR GENE THERRIAULT explained that language on page 2, line 1, "The amount collected in this subsection is in addition to the amount collected under AS 23.15.835" was deleted because it was unnecessary. "Interest and penalties" was also deleted on the same page and a reference to paragraph (a) was added.

He made the following comments:

This legislation responds to an upcoming opportunity to train residents to fill thousands of high-paying jobs that would be created in the construction of the gas pipeline and other growing construction needs by providing a stable stream of revenue subject to legislative appropriation to the Alaska Works Partnership Inc. for both training and increasing capacity of training facilities....

In 2005 there were more than 20,000 individuals employed in the Alaska construction trades with annual incomes approaching \$60,000 each. Unfortunately, one in every five jobs or 20 percent of those being to individuals who, according to the Permanent Fund Dividend eligibility information, were recent arrivals to the State of Alaska or temporary residents of the state. Also, with 45 percent of our resident workforce being over 45 years of age, the industry must start to renew its workforce with thousands of appropriately trained workers. Without action on our part, these high-paying jobs will continue to attract workers from other states and other countries. The Alaska Works Partnership is a non-profit organization whose mission is to increase resident hire in the construction trades.

The funding proposed in this bill will leverage industry investment in training facilities and equipment to build private sector training capacity and increase industry capability for sustaining training into the future. More than 90 percent of the workers that Alaska Works Partnership trains are not members of a union. The majority of the workers that Alaska Works Partnership places in jobs go to work for non-union employers.

The legislation is intended to divert one-tenth of 1 percent of the current employee contributions to a new holding account for appropriation each year by the Legislature. The estimated income of the account is projected to be roughly \$5 million per year. With increased payroll within the state, the Department of Labor has projected that it is highly unlikely that this small percentage diversion will cause an increase in the overall unemployment rates that are insurance rates. As we grow the base, the 1 percent should not trigger any change in the rates that are charged. This legislation is slated to sunset in six years and requires annual reporting on performance standards.

As we work through the committee process, I ask members to consider placing a priority on training of resident Alaskans to get the benefit from increasing heavy construction, highway construction, general construction and certainly construction that would take place on the oil line. In addition, I believe we want to certainly be taking a longer look not at just the construction jobs associated with taking that resource to market, but also the legacy jobs that would be left over in operating and maintaining facilities....

[2:18:22 PM](#)

SENATOR THERRIAULT related that part of the problem with training workers is that employers are needed who are willing to take on the new trainee and pair him with a journeyman - and the salary has to be paid. He said the committee might hear a suggestion that if there is some way to assist employers in actually bringing in the trainee and getting them up to speed, that might be a component of the overall training mechanism that is missing right now - especially if construction of the pipeline ramps up.

[2:19:35 PM](#)

CHAIR BUNDE heard concerns that SB 309 is aimed at filtering workers into union jobs.

SENATOR THERRIAULT responded that there is no requirement that trainees be in a union and it was not his intent to do so.

[2:21:35 PM](#)

CHAIR BUNDE asked why the tax is placed on the employee only, since both employers and employees would benefit.

SENATOR THERRIAULT replied that that concept is patterned after revenue generating mechanism that is used to fund existing STEP and University programs, as well as others. He just copied what was already in state law.

[2:23:03 PM](#)

COMMISSIONER GREG O'CLARAY, Department of Labor and Workforce Development (DOLWD), testified that 90 percent Alaska hire was one of the Governor's goals across the board in all industries in Alaska. However, the only statutory authority that exists to require that is in public construction. He is just below meeting that standard on a consistent basis, but he admitted that construction workers would always have to be imported if approaches like Senator Therriault's were not adopted.

He said that the existing STEP program cannot shoulder the entire burden of training Alaska's construction workforce to meet industry demands over the next six years and still be poised to capture a majority of the pipeline jobs if that project goes forward. Enormous number of people will be required to build the pipeline - 400 - 500 pipefitters and welders, 1,900 - 2,300 equipment operators, 2,000 - 2,500 truck drivers, 1,200 - 1,600 laborers including welders helpers, 400 - 500 supervisory positions and another 900 - 1,000 construction inspectors, camp employees and catering personnel, electricians and ironworkers - for a total of 6,900 - 8,600 workers.

The Department and the construction industry spent two years examining and developing a construction plan to deal with the workforce needs of Alaska's construction industry. A copy of that report was provided to the members. He reiterated that this particular bill would enable the state to meet that demand.

[2:26:41 PM](#)

COMMISSIONER O'CLARAY said that this year the Department is initiating a pilot project with the Anchorage school district to train 100 - 200 construction workers that will enter the residential construction field, primarily as homebuilders. This approach has a lot of support and requires about \$1 million initially. This funding stream would meet some of those needs in addition to upgrading capacity for training workers.

He said the reason he supports this bill and the use of Alaska Works Partnership as the main vehicle for training workers is because it already does the best job; it has the highest performance of every grantee on a consistent basis. Graduates from those training programs are placed between 88 and 90 percent in almost every field of endeavor.

[2:28:15 PM](#)

Only two states tax workers for a portion of unemployment insurance benefits, Alaska and New Jersey, and this is proper use of that money. It reduces unemployment and increases their earning power by moving them up the ladder.

[2:28:47 PM](#)

CHAIR BUNDE asked his thoughts on recruiting people for this training asking:

We have the demand from the employer side. Are you aware if there is a demand from the potential employee side? When we make these services available, are young people going to take advantage of them?

COMMISSIONER O'CLARAY replied that he has had conversations with a lot of young people, educators and parents. This year with some federal grant money, the Department initiated career guides into K12 schools who would help young people make career choices working with their hands. This is having "tremendous success." He said that when kids leave school the most important thing is to have a good work ethic.

[2:31:09 PM](#)

CHAIR BUNDE asked if he anticipated TAPS closed-shop attitudes, primarily in welding, for the building of the gas pipeline.

[2:31:37 PM](#)

COMMISSIONER O'CLARAY said he has seen the language in the current gas line contract and he believed it is better than what was in the TAPS agreement. Alaskans are poised to at least get a first shot at the jobs.

[2:32:02 PM](#)

SENATOR SEEKINS asked where all those people would come from.

COMMISSIONER O'CLARAY replied primarily out of Alaska's K12 systems - maybe those who are dropping out of high school and from rural Alaska. That is the largest concentration of new workers.

SENATOR SEEKINS asked if he anticipated recruitment from people who are already in the work force.

COMMISSIONER O'CLARAY replied, "Absolutely." The last study he saw said that young people nowadays change careers over 10 times.

SENATOR SEEKINS said there was a terrible strain on employers to fill the positions created when their workers go to work on the pipeline and he asked what was being thought of for those employers.

COMMISSIONER O'CLARAY replied that his overall strategy has been to do both. That is why creating this new funding stream focusing on construction would free up additional investments he is now using in the STEP program to train replacement workers to fill the vacuum of other types of classifications across the board. There would be a gradual build up over the next six years, which he thought would stem the flow of the vacuum that be created in resident workers as it was during building of the TAPS.

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SENATOR THERRIAULT asked how small employers could be helped to pick up paying the extra salary, because that seemed to be part of the bottleneck now.

COMMISSIONER O'CLARAY replied that, while successful programs exist, employers and contractors needed to make more room for apprentices. The construction trades have already moved toward doubling the number of apprentices that they interview and take in to their various programs to meet the ongoing demand. The construction industry seldom uses wage.

[2:36:56 PM](#)

SENATOR SEEKINS said he was surprised to find that 35 years old the average hiring age for a teacher in Fairbanks. He asked what age group would be attracted to this type of training program.

COMMISSIONER O'CLARAY said he would provide him with that information, but wanted to make a last point. The employers working with the STEP program and the Alaska Works Program are providing a tremendous match in dollars to their grants. For example, the Alaska Joint Electrical Apprenticeship and Training Trust received a STEP grant in 2005 of \$191,000; its match was \$490,300. The Laborers Training Trust received a grant of \$292,000; its match as \$538,000.

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MICHAEL SEXTON, Executive Director, Mechanical Contractors of Fairbanks and Mechanical Contractors of Alaska, supported SB 309. He said that training is the key to being successful in any industry. Good paying jobs and training go hand in hand and good pay is essential for keeping young people in Alaska.

[2:41:07 PM](#)

JIM LAITI, Business Manager, Plumbers and Pipefitters Local 375, Fairbanks, said he also sits on the Workforce Investment Board. He supported SB 309 saying that apprenticeships provide the direct linkage to on-the-job experience. He encouraged them to support the programs that work and are already in place.

[2:42:55 PM](#)

MAX MIELKE, Business Manager, Plumbers and Pipefitters - Local 262, Juneau, supported SB 309. He said it is a fact that union construction training programs are unsurpassed and some are considered the best in the world. His contractors are on the leading edge of new technology and innovative ways to get the job done right and on time.

MR. MIELKE related how Local 262 saved every penny it could until 2003 with the anticipation of some day having its own training center. Before that, apprentices were always sent north to either Anchorage or Fairbanks for training. In 2003, Local 262 purchased a 6,000 ft. office and training facility and now has a fully furnished state of the art training center. More could be done with more funding. He said that each member pays \$1.40 per hour for training. He said the Juneau shop could be a hub to serve Southeast Alaska.

[2:45:22 PM](#)

BRET HELMS, Training Director, Plumbers and Pipefitters, Local 375, Fairbanks, supported SB 309 and said that he strongly supported the training provided by jointly managed trade apprenticeships. They provide a majority of the training in the

construction trade industry. He said he expects to enroll 150 more apprentices in his program over the next six years to supply the increased demand from its contractors. The Department of Labor and Workforce Development projects a 17 percent increase by 2012 in the plumbing and pipefitting field. This increase would only supply the current industry and does not reflect the future gas line. Local 375's current training facility has two classrooms and a small shop area, but it will not be adequate for its future training demands.

MIKE ANDREWS, Director, Alaska Works Partnership Inc. (AWP), supported SB 309 and talked further about the extreme shortage of Alaskan workers. State figures show 20,000 construction workers averaged about \$59,000 in wages last year. Those same figures predict a shortage of at least 1,000 workers to fill new jobs. If that threshold goes up to 90 percent, Alaska needs another 2,000 workers. Replacing retiring workers will require another 7,000 to 8,000 workers - just to have a stable resident construction workforce before consideration of a pipeline.

MR. ANDREWS said that training and placement services are needed especially in rural Alaska and that's one of the main reasons Alaska Works Partnership, Inc. was formed in 1986. It was designed to connect all trade unions and their jointly administered apprenticeship training programs into one system that would reach out across Alaska regardless of union affiliation or membership. Its programs have been proving effective in moving resident Alaskans into construction jobs. In the past five years it has helped 1,000 residents become employed in construction - with a 68 percent retention rate.

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MR. ANDREWS said AWP had developed the Rural Apprenticeship Outreach Program, a women operating in the trades program, a building maintenance repair program, helmets to hardhats program and pipeline training in Fairbanks that trains hundreds of people every year.

MR. ANDREWS explained that the reason the jointly administered programs are effective is because they have 21 trade apprenticeship programs, 1,600 apprentices that are registered with the federal government today or about 80 percent of the trade apprentices in the State of Alaska. They have doubled that in the last five years. A 2005 capacity survey indicated that workers and employers contributed over \$9 million to industry training through their trust funds. He said that some of their trainees end up in a union, but that is their choice.

He recapped that this year AWP has 125 building maintenance repair apprentices building affordable housing in rural Alaska and it trained over 100 persons for the Alaska Native Tribal Health Consortium on Force Account projects building clinics and village safe water projects in rural Alaska. It will help 120 high school youth through its construction academies and he anticipates helping 70 veterans and 70 rural apprentices to get employment this year.

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Regarding Senator Seekins' question about demographics, Mr. Andrews said that primarily the age group of 22 to 24 years is really interested in construction. However, younger people are becoming interested because of the opportunities that are coming up and the high wages. They also never knew about these opportunities, which are not mentioned in the high schools.

An apprentice is hired for about half of the going rate. As they advance they get paid more. However, there are job-training programs that will subsidize the worker's wages if they are in a registered apprenticeship program. AWP connects its trainees with 780 employers who contribute to the programs and who hire apprentices. They are not asking for any incentives even though they are available.

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JOHN BITNEY, Alaska State Homebuilders Association, supported SB 309. He said there is a need for these types of workers in the residential construction industry today. His organization found it could place 90 people on job sites during a very short time period. So, he didn't anticipate needing a wage subsidy.

[2:59:29 PM](#)

MIKE GALLAGHAR, Business Manager and Secretary/Treasurer, Laborers Local 341, said he is also a trustee for the Alaska Laborers Training and Apprenticeship Program. He supported SB 309. In 2005 Local 341 trained over 2,000 construction workers and new apprentices and upgraded journeyman skills. It spent \$1.25 million on training and this year it expects to increase funding by 25 percent. This is money coming directly from employer and employee contributions. Local 341 trains in Anchorage, Fairbanks, Valdez, Southeast Alaska, Kodiak and Kenai.

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REBECCA LOGAN, President, Associated Builders and Contractors of Alaska, supported the intent behind SB 309, but didn't like the way it disbursed training funds. The first reason she opposed the disbursement method is because it puts money into the hands of trainers, which at first glance appears to be a reasonable place to deposit training funds. But the real resolution to the problem of a huge skilled labor shortage in the construction industry is apprenticeship. Apprenticeship is a relationship between the apprentice, the employer and the trainer. She explained further:

In that relationship, it is the employer and only the employer who has the ability to increase the numbers of people being trained. If employers don't agree to hire apprentices, new workers will not be trained and yet every plan put forth to address this issue ignores the employers or worse. At the beginning of this year, Governor Murkowski signed an administrative order that attempted to require employers to hire apprentices on state jobs. On the recommendation of the State Attorney General, the language was toned down to suggest that they hire apprentices.

Why not give employers an incentive to hire apprentices? Employers lose money when they commit to hire an apprentice. They take on a new person with little or no skill and begin to train them. The production from the apprentice is low and in addition, a journeyman is used to instruct the apprentice, which can result in less production from an experienced worker as they take on the roll of trainer. As the apprentice progresses, this changes, but the initial investment is a loss for the employer. If we truly want to address the skilled labor shortage in Alaska by increasing the number of apprentices, we must encourage more employers to hire apprentices. This grant could be used as a financial incentive that would lead more employers to become involved in apprentice training.

I appreciate what Mike Andrews said about the incentive already existing in that when you hire an apprentice, they are paid a lower wage. That has not done it. Employers are still not willing to take on an apprentice. I would guess that the unions would agree with that as they are the ones who requested from the Governor, the administrative order to try to force

people to take apprentices on. The lower wage is not enough to incentivize employers to take on an apprentice.

MS. LOGAN said the second problem she saw with the proposed distribution method through the Department of Labor and Workforce Development to the Alaska Works Partnership is that a non-profit agency represents the building construction trade unions and their federally registered apprenticeship programs. But, Bureau of Labor statistics from 2005 indicate that only 30 percent of Alaska's construction workforce was represented by organized labor. She asked, "Are we really going to take money for Alaska's workers, most of whom do not belong to a union and give those funds to a non-profit that only supports union training programs?"

MS. LOGAN said that Mr. Andrews also mentioned that most of their training is of non-union workers and she agreed, because he doesn't run an apprenticeship program, but rather a pre-apprenticeship training program whose people are steered toward the unions. Last year her apprenticeship program received 800 applications and not one of them came from the pre-apprenticeship program that AWP ran. Further she said:

As recently as 10 days ago, the Alaska Works website listed communities in Alaska and the numbers of workers available in those communities. The same page indicated that only employers signatory to a union could access those workers. That page no longer appears on the website, but I'm quite sure that that philosophy has not disappeared.

Limiting training funds to such a group greatly limits the number of people who can be trained for jobs in the industry and again be trained for apprenticeship jobs in the industry. And it's not the best use of training funds.

It is also discriminatory legislation and not responsible legislation. I strongly suggest that you amend SB 309 to put training resources in the hands of those who can actually increase the number of people that are being trained through apprentice programs - the employers. I would also suggest that you amend SB 309 to insure that any funds taken for this grant are distributed equally between the union and nonunion workforce.

3:05:58 PM

CLICK BISHOP, Apprenticeship Coordinator, Alaska Operating Engineers Training Trust, supported SB 309. He related how he met with the Governor and industry people last year about manpower needs in the state. At that time, BP rolled out its needs for the pipeline to be 600 side boom operators. He said that's too big a bite for any one entity to take on by itself and he thought industry, labor and government should come up with a way to do it together.

He related how he went to Caterpillar's proving grounds in Tucson a week ago to preview and operate the next generation of pipe layers. Over 100 other contractor representatives were there from the Lower 48 and other countries around the globe. The main consensus of that group was that there is not enough skilled people and not enough equipment. At the end of the demonstration, a Caterpillar representative asked him if he could help with pipeline training. He concluded that:

It's the prudent thing to do for us to step forward here with SB 309 - all of us here at the table - to move forward to meet the needs in the upcoming years for the shortage of skilled workers.

MR. BISHOP related that he has an average of 500 people pick up applications every year - about 260 come back completed. "We've got the people here. We just need to train 'em."

CHARLES JURGENS, District 7 Representative, Operating Engineers, Fairbanks, said he was also a trustee of the Operating Engineers and Employers Training Trust. He supported SB 309.

BOB MORIGEAU, Operating Engineers Local 302, Fairbanks, also supported SB 309. He said, "This is something that is needed for all classes of the trades." He especially supported Commissioner O'Claray's commitment to 90 percent Alaska hire. He also thanked Governor Murkowski for signing Administrative Order 226 that required 15 percent of heavy equipment hours be performed by registered apprentices or trainees. He related that he has approximately 150 apprentices in his program in Alaska. Between Alaska and Washington the number is at 300. Thirty to forty trainees are presently being trained at its apprenticeship school in Palmer and the school has an abundant amount of applicants every year. Unfortunately, many of those have to be turned away because they don't have the positions to fill every year. Training is only half of the problem; putting them on the

job so that they are not sitting at home after being trained is the other half of it.

SENATOR THERRIAULT asked if he was turning away people for his apprenticeship program.

MR. MORIGEAU replied that Local 302 only trains the number of people it thinks it can put to work.

3:16:00 PM

VINCE BELTRAMI, Statewide Training Director, Alaska Joint Electrical Apprenticeship and Training Trust, said his program is a joint labor/management trust and is one of the largest and most successful training programs in the state and has existed since the mid-1950s. It enjoys a better than 90 percent completion record and is a 100 percent Alaska hire operation. The Trust has over 400 apprentices registered in various classifications of the electrical industry from electricians to power linemen, telecommunications workers and power plant operators. In addition, it trained over 800 in journey-level upgrade classes last year. More than 100 employers statewide contributed nearly \$2 million last year to its program.

MR. BELTRAMI explained that its apprentices receive 8,000 hours of on-the-job training and a minimum of 280 hours per year of instructor-lead curriculum. The teachers are journey level workers who regularly attend annual training at the University of Tennessee. Many have several years of management experience in the trade. The Trust has two state-of-the-art training facilities in Anchorage and Fairbanks. It invested \$2.3 million to construct a new training facility in Anchorage in 2000 and is doubling the Fairbanks facility - all without any public funding assistance.

He supported SB 309 because it would insure that the Trust is better able to serve the needs of the state by expanding its ability to train even more workers to be prepared to deal with the increased construction activity in the state as well as to further augment an aging construction workforce.

MR. BELTRAMI said if there were any amendments to this bill, he would like to see distribution of funds not be based on union or nonunion status, but on measured performance and the investment that has been made in the industry.

3:19:12 PM

DAVE McCLURE, Executive Director, Bristol Bay Housing Authority, said he is also Chairman of the Board for the Southwest Alaska Voc-Ed Center that is located on the King Salmon Air Force Base. He totally supported SB 309. His partnership with Alaska Works is strong and the training has provided opportunities to over 100 individuals to move out of the economically troubled fishery to new employment opportunities statewide. He mentioned that Bristol Bay is a nonunion employer.

[3:20:39 PM](#)

CHAIR BUNDE remembered the old student loan program where the money went to the education provider and then the students who were rather divorced from the process and it wasn't important if they showed up or not - the trainer just collected the money and had little concern about the future employability of the trainee. He asked Senator Therriault if he had given thought to creating something like a voucher program where the money went with the student. The there might be some incentive for him to stay in the program.

SENATOR THERRIAULT indicated that he would consider that idea.

CHAIR BUNDE said he would set this bill aside for a later hearing.

SENATOR THERRIAULT wanted a list of trades that needed professional training, because he hears from trainers that there is a limitation on where to put trainees.

There being no further business to come before the committee, Chair Bunde adjourned the meeting at [3:23:31 PM](#).