

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

January 31, 2008

2:03 p.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Con Bunde

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

Update on the Alaska Comprehensive Health Insurance Association (ACHIA)

CS FOR HOUSE BILL NO. 226(FIN)

"An Act extending the termination of the state training and employment program; requiring a review of the program; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 153

"An Act relating to the use of credited military service by retired peace officers and fire fighters to meet certain requirements for major medical insurance coverage benefits."

HEARD AND HELD

SENATE BILL NO. 187

"An Act increasing the minimum wage; creating an annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 197

"An Act requiring credit card issuers to recognize certain dates as dates of payment."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 226

SHORT TITLE: REPEAL TERMINATION OF STEP PROGRAM

SPONSOR(s): REPRESENTATIVE(s) COGHILL

03/27/07 (H) READ THE FIRST TIME - REFERRALS
03/27/07 (H) L&C, FIN
04/18/07 (H) L&C AT 3:00 PM CAPITOL 17
04/18/07 (H) Moved CSHB 226(L&C) Out of Committee
04/18/07 (H) MINUTE(L&C)
04/20/07 (H) L&C RPT CS(L&C) NT 3DP 3NR
04/20/07 (H) DP: GARDNER, LEDOUX, BUCH
04/20/07 (H) NR: NEUMAN, RAMRAS, OLSON
05/03/07 (H) FIN AT 9:00 AM HOUSE FINANCE 519
05/03/07 (H) Heard & Held
05/03/07 (H) MINUTE(FIN)
05/04/07 (H) FIN AT 8:30 AM HOUSE FINANCE 519
05/04/07 (H) Moved CSHB 226(FIN) Out of Committee
05/04/07 (H) MINUTE(FIN)
05/05/07 (H) FIN RPT CS(FIN) NT 8DP 2NR 1AM
05/05/07 (H) DP: GARA, NELSON, FOSTER, STOLTZE,
JOULE, HAWKER, MEYER, CHENAULT
05/05/07 (H) NR: THOMAS, KELLY
05/05/07 (H) AM: CRAWFORD
05/08/07 (H) TRANSMITTED TO (S)
05/08/07 (H) VERSION: CSHB 226(FIN)
05/09/07 (S) READ THE FIRST TIME - REFERRALS
05/09/07 (S) L&C, FIN
01/31/08 (S) L&C AT 2:00 PM BELTZ 211

BILL: SB 153

SHORT TITLE: PEACE OFFICERS/FIRE FIGHTER RETIREMENT

SPONSOR(s): SENATOR(s) FRENCH

04/13/07 (S) READ THE FIRST TIME - REFERRALS
04/13/07 (S) L&C, STA, FIN
01/31/08 (S) L&C AT 2:00 PM BELTZ 211

BILL: SB 187

SHORT TITLE: ALASKA MINIMUM WAGE

SPONSOR(s): SENATOR(s) WIELECHOWSKI, THOMAS, ELTON

01/16/08 (S) PREFILE RELEASED 1/4/08
01/16/08 (S) READ THE FIRST TIME - REFERRALS
01/16/08 (S) L&C, FIN
01/31/08 (S) L&C AT 2:00 PM BELTZ 211

BILL: SB 197

SHORT TITLE: PAYMENT DATE FOR CREDIT CARD PAYMENTS

SPONSOR(s): SENATOR(s) WIELECHOWSKI

01/16/08 (S) PREFILE RELEASED 1/4/08
01/16/08 (S) READ THE FIRST TIME - REFERRALS
01/16/08 (S) L&C
01/31/08 (S) L&C AT 2:00 PM BELTZ 211

WITNESS REGISTER

LINDA HALL, Director
Division of Insurance
Department of Commerce, Community & Economic Development (DCCED)
Juneau, AK

POSITION STATEMENT: Commented on ACHIA update.

CECIL BYKERK, President
Bykerk Consulting, LLC
Juneau, AK

POSITION STATEMENT: Commented on ACHIA update.

REPRESENTATIVE COGHILL
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of HB 226.

CLICK BISHOP, Commissioner
Department of Labor and Workforce Development (DOLWD)
Juneau, AK

POSITION STATEMENT: Supported HB 226.

JOE CRUM, President
Northern Industrial Training Trust
Anchorage, AK

POSITION STATEMENT: Supported HB 226.

DENNIS TRAYLOR
Southcentral Alaska Building and Construction Trades
Anchorage, AK

POSITION STATEMENT: Supported HB 226.

TOM BRICE
Alaska District Counsel of Laborers
Anchorage, AK

POSITION STATEMENT: Supported HB 226.

JOHN MACKINNON, Executive Director
Associated General Contractors

Juneau, AK

POSITION STATEMENT: Supported HB 226.

KEN PELTIER, Administrator

Alaska Operating Engineers and Employers Training Trust

Anchorage, AK

POSITION STATEMENT: Supported HB 226.

JONATHAN SMITH

Alaska Regional Council of Carpenters

Juneau, AK

POSITION STATEMENT: Supported HB 226.

SENATOR FRENCH

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 153.

COLONEL AUDIE HOLLOWAY, Director

Alaska State Troopers

Department of Public Safety (DPS)

Anchorage, AK

POSITION STATEMENT: Supported SB 153 with a more definite fiscal note.

VINCE BELTRAMI, President

AFL-CIO

Anchorage, AK

POSITION STATEMENT: Supported SB 187.

SENATOR JOE THOMAS

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Co-sponsor of SB 187.

PAT LUBY, Advocacy Director

AARP

Anchorage, AK

POSITION STATEMENT: Supported SB 187.

PAUL WOLFSON

Tuck School of Business

Dartmouth College

Dartmouth, NH

POSITION STATEMENT: Supported SB 187.

SENATOR WIELECHOWSKI

Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 197.

STEVE CLEARY, Executive Director
Alaska Public Interest Research Group (AKPIRG)
Anchorage, AK

POSITION STATEMENT: Enthusiastically supported SB 197.

DAVID LAWER, Senior Vice President and General Counsel
First National Bank of Alaska
Anchorage, AK

POSITION STATEMENT: Opposed SB 197.

BILL SCANELL, representing himself
No Address provided

POSITION STATEMENT: Supported SB 197.

JOHN FARLEIGH, representing himself
Anchorage, AK

POSITION STATEMENT: Supported SB 197.

ACTION NARRATIVE

CHAIR JOHNNY ELLIS called the Senate Labor and Commerce Standing Committee meeting to order at [2:03:05 PM](#). Present at the call to order were Senators Davis, Bunde, Stevens and Ellis.

[2:05:09 PM](#)

ACHIA Update

CHAIR ELLIS announced that the first order of business was the update presentation on the Alaska Comprehensive Health Insurance Association (ACHIA) by the division director.

LINDA HALL, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED) introduced Mr. Bykerk, Executive Director, ACHIA (better known as the high risk pool). She said this group provides critical functions and with this year's interest in health insurance they are here from out of state to try meet as many legislators as possible and to talk about the program. She also introduced Shawn Pollock and Brian Angel, members of the ACHIA board.

CECIL BYKERK, President, Bykerk Consulting, LLC said the purpose of the Alaska Comprehensive Health Insurance Association (ACHIA) was to create a mechanism for people who are unable to buy medical insurance because they have major health problems to

have coverage. They know losses will come forward with these people and he said the pool was never intended to be self-sustaining.

He went to a pie chart of where money has come from to support the claim payments of over \$60 million. It indicated a third of ACHIA's funding comes from the policy holders themselves - so they are paying a part of their way without being a burden on the community through unpaid hospital and doctors bills. Another piece on the chart indicated a federal program that has been available for a few years; it wasn't funded last year, but Alaska will get about \$1 million from the program this coming federal fiscal year. The majority of the shortfall is made up through assessments on the health insurance writers of the state - prorated based on approximately 1 percent of gross premium volume. Over \$40 million has been assessed from them. While that money comes from the companies, it trickles down one way or the other from the policy holders. Some companies directly charge for it and others bury it in their premium and expenses.

He explained that legislation was passed last year so that beginning in 2008 companies writing in Alaska can offset \$.50 on every dollar they paid in assessment last year. A little over \$6 million was assessed last year and so the companies will in effect be reimbursed by the state for \$3.1 million. So the state is supporting the program in that way starting this year.

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MR. BYKERK said ACHIA is not a welfare program and it is not meant to compete with the average health insurance companies that are funding the program. ACHIA is limited by statute to a 50 percent mark up from the average premium in the market place; most recently they have been at about 35 - 40 percent mark up so that people can afford to come in. He said some states have low-income subsidy programs, but Alaska doesn't and that could be considered. But he said he was here to provide information and the biggest piece of information is the knowledge that they exist. Therefore, they are aggressively working on a new marketing campaign so that more people will be aware of the program's existence. He also mentioned that since 1997, they are the federally required HIPAA mechanism for the State of Alaska.

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SENATOR BUNDE suggested making a flier for legislators to use as a resource to give to constituents.

CSHB 226(FIN)-REPEAL TERMINATION OF STEP PROGRAM

[2:18:43 PM](#)

CHAIR ELLIS announced CSHB 226(FIN) to be up for consideration and that he has instructed a CS to be written that would extend the program to 2018 to comport with some of the gasline training plans the state hopes to have. He, personally, along with a lot of other people, wanted to see the State Training and Employment Program (STEP) program made permanent in statute.

REPRESENTATIVE COGHILL, sponsor of HB 226, explained that when he originally introduced this bill the STEP program was permanent. Mainly he sees that some people who need retraining or who are marginally employed need an avenue to get into the workforce. In the foreseeable future, Alaska is going to have workforce development struggles in every major professional career field. The STEP program has proven to him that it can fill that need.

He said the program is not without its problems and union issues revolve around philosophies of different administrations. While he favors non-union, he realized that unions do some good work. They have the best training in the world, for one, and this program has hit one of the sweet spots of Alaska where people really have the need.

[2:22:37 PM](#)

The House gave it a 2009 sunset date because it wanted to see how the STEP grants were handled. He agreed with that, but he didn't want to sunset it every year. It's right to be accountable, so he proposed putting it into the DOL and then looking for places to fund it. In his view then, the funding would be part of the annual question of what the legislature looks at.

He said that part of the funding comes from unemployment insurance, so the annual review would include the workforce development reports and unemployment insurance accounting. This was enough for him, but it wasn't for the majority members in the House. That is why the reporting mechanism is in the bill, and that is okay with him. He said there are other programs, but the STEP program is one good tool that promotes a healthy workforce.

[2:27:33 PM](#)

CLICK BISHOP, Commissioner, Department of Labor and Workforce Development (DOLWD), said the STEP program has demonstrated tremendous success in training Alaska's workers in Alaska

careers for over 19 years. Over 24,000 Alaskans have been served by the program, and each year it is evaluated. It continually demonstrates its overall success. Some of the performance highlights are that more than 94 percent (1,643) of the trainees had employment within 12 months after completing the program. STEP participants earned over \$71 million in Alaska wages in the year following training, a 35 percent increase over total pre-training earnings. STEP provides services that benefit the participants in the long term; about 90 percent of participants that completed STEP training in 2003 were still Alaskan residents in 2006.

[2:29:03 PM](#)

He said intent was developed last year that requires the department to work with all interested stakeholders in reviewing the program's priorities and procedures in both the controlling regulations and statute. A public forum was held in the interim in which all but 4 of the 22 entities testified in favor of STEP's continuance. One comment stands out from that period; that was, "STEP demands deliverables and accountability." He concurred with that.

He said that last year he pledged to Representative Coghill to advance STEP one piece at a time. The first goal was the reauthorization of STEP; and the second was to get the recommendations from the public forum on STEP. The third goal was to assemble a task force to work through the comments and recommendations he had received in the course of last year in order to develop any changes or procedures - in regulations or statute - to bring forward in the next legislative session. He had assigned Deputy Commissioner David Stone to that task. He closed saying that everyone needs to keep the dialogue on a professional tack as the program gets improved.

[2:31:05 PM](#)

SENATOR BUNDE said he would provide some questions in writing.

CHAIR ELLIS asked Commissioner Bishop if he was able to find improvements in the procurement process.

COMMISSIONER BISHOP answered that one of the areas he was able to work on last spring was to improve the STEP application process.

CHAIR ELLIS asked if he was personally involved.

COMMISSIONER BISHOP replied yes; "I'm on deck."

[2:33:23 PM](#)

JOE CRUM, President, Northern Industrial Training Trust, started by saying they had trained 875 Alaskans in 2007 and looked to double that this year. He said the concept of STEP is excellent. It is one of the only programs that has training for someone who is already working. The STEP electronic submittal application for grants is awesome as well as the fact that STEP pays for room and board and other support services for participants. Having STEP funds available for competitive grants ensures that trainees from around the state, not from just population centers, can attend the program. A person from Savoonga, for instance, does not have equal access to a Job Center where he can meet with a counselor in person and receive assistance versus a person from Anchorage. STEP grants circumvent the access problem by allowing the burden to be placed on the grantee and not the state system - and he appreciated that. He summarized that the STEP cuts across barriers; it is open to all ages, abilities, all races and all regions within the state.

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On the improvement side, he said, grant announcements have a deadline for submittal and a required training schedule, but there is no deadline for when the grants are awarded. This typically takes several months, which makes the original training schedule that must accompany the application invalid. This delay severely shortens the recruitment timeframe. STEP reimbursements take a considerable time to be paid back, so when a grantee is purchasing training equipment for the grant training they have to pay in advance and wait two or three months to be paid back. That causes undue financial hardship for his organization as well as many others, and there is no recourse for late payment from the State of Alaska.

MR. CRUM also suggested using a flat rate for tuition in the grant, because going back for a breakdown of costs for facility rental, telephone and fax use and insurance amounts is very cumbersome. The last suggestion he had was to consider using the new Denali Commission application process which is awesome.

CHAIR ELLIS commented those were the most specific comments he had heard in a long time and he said the Deputy Commissioner of the Department of Law (DOL), Guy Bell, was taking notes.

[2:38:00 PM](#)

DENNIS TRAYLOR, Southcentral Alaska Building and Construction Trades, supported HB 226 and said one of Alaska's major

challenges over the coming decade is workforce development. STEP grants benefit working Alaskans, because as a past instructor of a training program he has seen firsthand the assistance the STEP grant provided. Most of the trainees are men and women from rural areas who are already supporting a household with family members on a trainee's budget. Going to a training facility to complete their training while supporting an additional household creates a financial hardship, and these grants are a lifesaver for these men and women. Otherwise, he said, these slots would ultimately go to a trainee within a city where the training is being offered. This is not a union/non union issue, because any of the trainees, union or non union, can use the STEP grant.

When he was an instructor, the AVTEC program in Seward received a \$5 million grant and was able to purchase training equipment he wasn't able to. When Dan Logan, one of the AVTEC directors came to his facility looking for curriculum to put together a concentric conduit bending program, he invited him in and opened up the curriculum to him. While he was jealous of the grant, he knew they were all working towards the same goal or training the working men and women of Alaska to become skilled workers. He urged that the unions, the universities, AVTEC and the ABC all work together to meet the incredible challenge this state faces.

[2:41:24 PM](#)

TOM BRICE, Alaska District Counsel of Laborers, supported HB 226. His folks deal with private construction laborers of Alaska, Locals 341 and 942. Specifically, they appreciate the STEP program because it is competitive and that insures quality. It ensures deliverable and accountability for state funds spent.

[2:43:27 PM](#)

JOHN MACKINNON, Executive Director, Associated General Contractors, supported HB 226. The Association represents over 650 members statewide, and it is very heavily involved in workforce development, training and continuing education.

[2:44:14 PM](#)

KEN PELTIER, Administrator, Alaska Operating Engineers and Employers Training Trust, said the trust is a jointly administered labor-management trust fund between the Operating Engineers Local 302 and Associated General Contractors. They train heavy equipment operators, mechanics and service oilers in the construction field and have provided training services independent in Alaska since 1989. The Training Trust has successfully received STEP funding for the last 10 years.

He said that the Department of Labor and Workforce Development (DOLWD) has identified the construction field as a high priority occupational training area and Alaska is experiencing a critical shortage of resident workers with construction skills. Historically this industry relies on non-residents to fill jobs where they cannot find qualified Alaskans. Without the necessary training available, contractors are more likely to hire experienced individuals from outside the state. The department estimates construction job growth will exceed 15 percent over the next decade; more than 40 percent of the workforce is over the age of 45 and could retire within a decade. The job growth and replacing the aging workforce will require about 1000 new construction workers each year; if a gas pipeline is built, thousands more will be needed.

Opportunities for employment of rural Alaskans are limited primarily due to a lack of appropriate skills. The STEP program has expanded training opportunities to rural individuals and has increased the number of available trainee slots for rural participants to attend the apprenticeship program in Palmer.

He concluded by saying through STEP funding, the Training Trust believes it will be able to increase employability for more of its Alaskans by providing training resulting in credentials and certifications. This training will make them ready to meet the needs of labor shortages and expanding job opportunities and to fill positions otherwise filled by non residents. He stated that STEP training will meet the job needs of those in areas with a high rate of unemployment.

MR. PELTIER added that this is a unique and viable program that Alaskans can be proud of. No matter what the field of work, it is a program that encourages workers to improve their skills, allowing them to obtain better paying jobs and decrease their dependence on unemployment funds. He encouraged the legislature to take the STEP program from a pilot to a permanent state program.

[2:47:17 PM](#)

JONATHAN SMITH, Alaska Regional Council of Carpenters, supported HB 226. He said the STEP funds have helped the millwright, machine erectors, pile drivers and carpenters across the state.

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CHAIR ELLIS summed up that it's highly likely that the legislature would extend the STEP program. He didn't sense any controversy, but the accountability piece could still be

discussed. He had proposed a longer extension period than came to the committee and he wanted members to think about what period of time they are comfortable with.

SENATOR BUNDE said he had no quarrel with 2018 if he could hear the rationale.

SB 153-PEACE OFFICERS/FIRE FIGHTER RETIREMENT

[2:49:25 PM](#)

CHAIR ELLIS announced SB 153 to be up for consideration.

SENATOR FRENCH, sponsor of SB 153, read his sponsor statement:

Current law allows a police officer or firefighter who has also served in the armed forces to count five years of military service towards their Public Employees Retirement System retirement, provided that two conditions are met. First, the employee must not be eligible for a federal retirement benefit and second, the employee must "buy" those military service years by paying for them.

The shortcoming with the current system is that the military years purchased towards a state retirement do not count towards qualifying for retiree medical benefits. Moreover, many of those who are buying in presume that they are getting just that coverage. Thus the need for SB 153. This legislation corrects what many with former military service assume when purchasing military time: that the time purchased will be credited to their medical benefits as well as their retirement.

This bill simply allows for the same purchase of years to count towards retirement and medical benefits.

The bill does not allow any double dipping because the potential state retiree must not be eligible for federal military benefits in order to qualify for the purchase in the first place.

SB 153 recognizes the contribution made by police officers and fire fighters who have both served our country through the military and now pursue careers to protect and defend our state and communities.

[2:51:11 PM](#)

SENATOR FRENCH asked the committee to remember there is no double-dipping. If you have served 20 years in the military and you are eligible for a military pension, you cannot buy into this program. You have to be eligible for either one or the other.

He explained that as the program stands now you can buy those five years of retirement time, but you don't get medical benefits. So the idea is to just complete the step that was made when the program was first extended to the state's police officers and firefighters and to let it be applied evenly across the board.

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SENATOR BUNDE asked if this would apply to people who worked for a fairly short time for the state, because if they had worked for an extended period of 10 or 15 years, they would automatically qualify for the health benefit through vesting.

SENATOR FRENCH replied you first have to get to 20 years of service with the state. You can't buy your 25 years in essence by having served only 10 years. You have to have the 20 years in in order to buy the last 5 - and you can only buy 5.

SENATOR BUNDE asked how much it would cost the individual to buy the health benefit.

SENATOR FRENCH replied that it would cost the same as was indicated on the PERS chart.

SENATOR BUNDE clarified that his concern was on the fiscal impact to the health care system.

SENATOR FRENCH replied that SB 153 has two department fiscal notes; a zero fiscal note from the Department of Public Safety (DPS) and two from the Department of Administration (DOA) - first a small one and then a much bigger one arrived today. He said communication is going on with the administration about what the problem was with its assumptions.

CHAIR ELLIS said he wanted a well-reasoned fiscal note before the committee before the bill would be considered again.

SENATOR FRENCH said the most recent fiscal note he received walked into his office an hour ago.

[2:55:27 PM](#)

COLONEL AUDIE HOLLOWAY, Director, Alaska State Troopers, Department of Public Safety (DPS), supported the concept of SB 153 because it would help with recruiting and keeping older troopers. He had some concerns, however, and for one didn't want to make the PERS liability worse. He could testify much more confidently with a more definite fiscal note.

CHAIR ELLIS said that he would hold the bill until they could pin the numbers down.

SB 187-ALASKA MINIMUM WAGE

[2:57:50 PM](#)

CHAIR ELLIS announced SB 187 to be up for consideration.

[2:58:03 PM](#) at ease [2:58:44 PM](#)

SENATOR WIELECHOWSKI, sponsor of SB 187, said Alaska's cost of living is one of the highest in the nation. The cost of food, housing, utilities, transportation and health care are far greater here than in most states. Despite this, Alaska has the lowest minimum wage on the west coast. Oregon, Washington, California and Hawaii all have higher minimum wages, as do seven other states. In addition, in 2009 the federal minimum wage will increase to \$7.25, surpassing Alaska's rate of \$7.15.

SB 187 will increase Alaska's minimum wage from \$7.15/hour to \$8/hour in 2009 and adjust it annually for inflation. If Alaska's minimum wage, last raised in 2003, were to have kept pace with the rate of inflation, it would be more than \$8/hour today. At least 10 states adjust their minimum wage annually for inflation, including Arizona, Colorado, Montana, Nevada, Ohio, Oregon, Washington and Wisconsin.

In 2009, federal minimum wage will increase to \$7.25/hour surpassing Alaska's, the first time since statehood that Alaska minimum wage will be below the federal minimum wage. Since 1962 until 2003, Alaska's minimum wage was required by statute to be at least \$.50 above the federal level in recognition of our higher cost of living.

[3:00:01 PM](#)

About 14,000 Alaskans (or almost 5 percent of the workforce) earn the minimum wage, most are in accommodation and retail services as well as food service, education services and manufacturing. A full time worker that makes the minimum wage earns less than \$14,000/year - barely above poverty level and

\$3,000 below poverty level for a family of two. Twenty-five percent of those who earn between \$7.15 and \$8/hour are parents. Many are the sole wage earners in their household. About 58 percent of minimum wage earners are adults, the average age being 38. So, statistics don't support the often-heard statement that minimum wage is for teenagers.

[3:02:14 PM](#)

SENATOR WIELECHOWSKI explained that Alaska law currently exempts employees under 18 years of age who are working 30 hours or less per week from the state's minimum wage. New economic studies show little to no impact on small businesses regarding minimum wage. Recently, over 650 economists including 5 Nobel Prize winners and 6 past presidents of the American Economic Association signed a statement stating that the federal and state minimum wage increases can significantly improve the lives of low income workers and their families without the adverse effects that critics have claimed.

He mentioned that Senator Joe Thomas is a co-sponsor.

[3:03:22 PM](#)

VINCE BELTRAMI, President, AFL-CIO, supported SB 187. He said it seeks to restore the annual inflation-proofing and bring the minimum wage up to \$8/hour or \$1 dollar over the federal minimum wage, whichever is greater. He added that other states, Oregon and Washington being the closest examples, have minimum wages over \$8/hour and have an inflation adjuster equal to the consumer price index (CPI). Washington voters approved that by a 2:1 margin, but before that in 1998 when Washington had the increase on the ballot, a lot of corporate lobbying groups warned of catastrophic consequences if an indexed minimum wage were passed. Greg Weeks, Director, Washington Employment Security Department, said that the Washington State economy right now is a job engine drawing people from the sidelines and into the job market. Job growth reports showed Washington outpacing the nation with a 3.5 percent gain over the previous year. Since Washington began regularly increasing the minimum wage in 1999 employment in sectors that traditionally pay at or near minimum wage have posted sustained job growth. For example, eating and drinking establishments, the ones that often times are worried about these types of increases, have added jobs every single year in the state even after the post 911 recession began. The state increased 10.1 percent in the restaurant and bar employment, and overall non farm employment increased by 7.9 percent.

He said another study in 1998 failed to find any systematic significant job loss associated with the 1996/97 federal increase of \$.90/hour, which amounted to more than 21 percent. A recent fiscal policy institute study of state minimum wages found no evidence of negative employment effects on small businesses as a result of increases in the minimum wage.

[3:07:07 PM](#)

In Anchorage, since 2003 when Alaska's minimum wage was increased to \$7.50/hour the cost of living has gone up more than 15 percent. So the lowest of the state's wage earners are loosing ground. Had the legislature left the inflation-proofing in in 2003, we would be at \$8.50/hour and at that rate a full time worker would have an annual income of about \$16,600, about \$1,000 below the federal poverty level. He said inflation adjustments would make labor costs predictable for employers, help to get more Alaskans closer to being off of the poverty rolls and would increase the amount of money circulating in our economy, which should stimulate our consumer markets. "It's very clear that increases to minimum wage won't hurt our economy, but in fact will help it," he concluded.

[3:07:35 PM](#)

SENATOR JOE THOMAS, co-sponsor of SB 187, added the current minimum wage creates a net income of \$13,068/year or \$1089/month and the basics of living every month puts an average family of three in the hole by about \$740/month. This obviously contributes to the situation where somebody else is somehow supporting those folks, and that needs to be taken into consideration in looking at the impact. Making people more self sufficient takes less money from the welfare agencies, he emphasized.

CHAIR ELLIS noted that Grey Mitchell, Director, Division of Labor Standards and Safety, Department of Labor and Workforce Development (DOLWD), was available to answer questions.

[3:09:27 PM](#)

PAT LUBY, Advocacy Director, AARP, supported SB 187 and said a living wage should be their target, not just the minimum wage. Each year Alaska has an increase in older workers. Many of them want to work and draw salaries. A second significant group is retirees who find that inflation increases in health and utilities or the loss of a spouse force them back into the workplace. This trend will likely increase in the future and many of these retirees can only find jobs at the minimum wage. He said the new federal government's poverty level for a single

person in Alaska is \$13,000. None of these folks are getting rich, he said; they are only going to get by and he supported helping them.

3:10:52 PM

PAUL WOLFSON, Tuck School of Business, Dartmouth College, New Hampshire, said he received a PhD in Economics from Yale in 1989 and he had been employed in many good positions. Michelle Sydeman [staff to Senator Wielechowski] asked if he would testify on the minimum wage. He said he had published three papers on the minimum wage. While he hadn't had a chance to look at specific data for Alaska, he wanted to talk about the economic profession's view of the current minimum wage.

He said before 1990, almost all economists would have agreed that the minimum wage would reduce employment, but in the last 20 years a great deal of research has indicated that might not be correct. The most prominent research, by David Card and Allen Kruger (professors at Berkeley and Princeton), examined fast food restaurants on the Pennsylvania/New Jersey border and compared employment before and after the minimum wage increased in New Jersey. They found no evidence the employment in New Jersey responded badly to the minimum wage increases there. More recently similar work has been published by three economists at Berkeley; one looked at restaurants in San Francisco in 2004 when it imposed a minimum wage of \$8.50 and compared them to restaurants elsewhere in the Bay area. Even though their estimate was more precise, they weren't able to detect an effect that was different than zero.

In another study, the same three authors, instead of looking at restaurants in the same area, looked around the country and noticed a number of counties that were adjacent to each other, but in neighboring states. One of those states at one time raised the minimum wage while the other one did not. So they looked at what happened to employment in those neighboring counties, but they, too, were not able to find any effect of the minimum wage on employment. However, they were able to explain how other people found raising the minimum wage defective and their explanation was that they were able to control for trends in the regional economy that other people weren't able to because they didn't have the same data structure.

MR. WOLFSON concluded that it is fair to say that the economic profession no longer has a consensus view; economists can be found on both sides of the issue, which is quite surprising. Opponents of the two increases in the federal minimum wage that

occurred in 1996 and 1997 predicted massive job losses, but instead the employments rates of the least advantaged workers soared to unprecedented levels.

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SENATOR BUNDE said he would like to know where Alaska ranks for cost of living and how many people in Alaska are calculated to work at minimum wage and if they are one or two-earner families. He also wanted Mr. Wolfson to explain his suggestion that raising the minimum wage expanded jobs and if that encouraged people to stay at that level rather than to move on. Often minimum wage jobs are considered a starter job and you move on.

SB 187 was held for further work.

SB 197-PAYMENT DATE FOR CREDIT CARD PAYMENTS

[3:18:27 PM](#)

CHAIR ELLIS announced SB 197 to be up for consideration.

SENATOR WIELECHOWSKI, sponsor of SB 197, said this bill stems from an irate constituent who related that he had mailed his payments to his credit card company at least a week ahead of time, and for whatever reason, had not received them on time. So he thought why not do it the way the IRS, the State of Alaska, the Municipality of Anchorage do, which is "the bill is received the day it is mailed."

SENATOR WIELECHOWSKI explained that people who have their credit card payments received late often have their rates tripled. In some cases, the late payments are tied to higher mortgage and auto insurance rates. This can have devastating impacts on one's job application because employers often look at credit reports.

He said the fees can amount to hundreds of dollars because you are charged interest on the full amount; he was shown a credit card statement where someone was charged a 399 percent interest rate for being one day late along with a \$39 late fee. It was due on a holiday, which was a Monday, the day before was a Sunday; so there was no mail on Sunday. The credit card company got the payment on Tuesday. The particular problem people in Alaska have is that it takes longer for mail to get here and longer for it to get sent back. It's bad for people in Anchorage, but it's even worse for people in the Bush.

He had done extensive research on this issue and hadn't found any other state attempting to address this. He has gotten more

positive feedback on this bill than almost any other bill he has filed. He hoped it had been narrowly crafted enough so that it didn't have any preemption issues with federal law. He explained that states cannot regulate rates, fees or price related items, but this bill doesn't do that. A state cannot regulate if it's something that's overly burdensome, but this bill doesn't do that either. He reiterated that every state, the municipality of Anchorage, and the federal government, when they accept payment from you, it's the date you have it postmarked. Electronic payments are that way as well. That's all this bill says.

CHAIR ELLIS said he is an enthusiastic co-sponsor because he thought Alaskans were being scammed by some of the major credit card companies. He thought the system was set against consumers and Alaskans in particular. So if this can be documented, he hoped to make some progress.

SENATOR BUNDE said he shared his goal and concerns, but maybe considering the time value of money, they could be encouraging Alaskans to mail their payments on the due date, when it's post marked, but now it doesn't arrive at the company for a week and the company is now losing money. That doesn't seem fair either and would, of course, be added to the overhead which will come back on us all. He asked if the sponsors had given any thought to applying this only to payments mailed before the due date.

CHAIR ELLIS responded that was a good question and asked him to hold it for the next hearing.

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STEVE CLEARY, Executive Director, Alaska Public Interest Research Group (AKPIRG), enthusiastically supported SB 197. It's a great help to consumers who are paying their bills on time to receive credit for that. He agreed with what can happen to consumers if they send their payments on time, but are still considered late.

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DAVID LAWER, Senior Vice President and General Counsel, First National Bank of Alaska, said this legislation will not achieve Senator Wielechowski's objective. It would result in becoming the law of the state where payment is received and First National Bank of Alaska and Alaska USA would be the only banks in Alaska it would affect. He explained that First National could comply with it with respect to payments made from accounts with the bank to credit cards with the bank. Otherwise they are not able to identify the date and source of the computer

authorization for payment or the date of a telephone authorization for payment. In most cases, he explained, an electronic or a phone authorization is made to an intermediary. So when that intermediary ultimately sends payment to him on behalf of its customer, they simply send a name, an account number and an amount. The bank is unable to ascertain the date when the call was made.

As to the post mark payment, as matters are now when they receive payment in the mail, that is processed by their lock box system which mechanically opens the envelope and sorts the check and the payment stub from the envelope. The payment stub and check are then sent for processing. If the bank had to record the date of post marking that would have to be done by people, which would entail a cost they couldn't bear given their margins in connection with their issuing business.

MR. LAWER explained that the law of payment can be varied by contract and his bank only credits payments made across the counter if received by 2:00 p.m. Any payment received later is treated as being received the next day. If this bill was changed to prohibit alteration of the law by contract, First National would simply go out of the credit card issuing business. Then Alaska constituents would be left with no one to do business with except the credit card companies that are doing business and receiving payments outside of the state of Alaska and who would be unaffected by this law.

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BILL SCANELL, representing himself, supported SB 197. He said while he understands most of this stuff is federally regulated, something needs to be done in Alaska. When his wife, who is fanatical about paying her bills, was a day late, it took them both 5.5 months to pay off the credit card and their insurance rates went up. The phone calls alone took up literally half a day and that just isn't right. Getting a post mark is valid proof of service, he said. If credit card companies are charging working people 18, 20, 30 and 50 percent, they can afford to pay for opening envelopes.

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JOHN FARLEIGH, representing himself, supported SB 197. He testified how he cut up his Chase credit card and sent it back when his interest rate reached 24.9 percent because of a series of late payments. He explained that last November 27 he mailed payments to both Chase and American Express. Three days later on November 30 American Express posted his payment, but Chase

didn't post his payment until December 10. He called customer service and they agreed to take away the \$35 charge, but refused to repost it to a more reasonable date.

He expounded that not only is this legislation needed, it needs an amendment because of what happened to him after he complained - Chase retaliated on him. His next month's bill was received in his home on December 24 with a due date of January 5 and he declared, "If they are claiming it takes two weeks for the mail to get there, that makes it physically impossible to make that payment."

He related that he started wiring payments through Western Union, but now Chase doesn't accept wired payments, so they are taking away his ability to pay on time. This is a calculated strategy, he exclaimed, to allow them to raise his interest rates. So the amendment he suggested was to require credit card companies to give people a 30-day window to pay from the time they issue the bill.

CHAIR ELLIS thanked him for his testimony and said they would hold this bill for further work.

There being no further business to come before the committee, he adjourned the meeting at [3:35:05 PM](#).