

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

February 14, 2008

1:30 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 183

"An Act repealing the defined contribution retirement plans for teachers and for public employees; making conforming amendments; and providing for an effective date."

MOVED SB 183 OUT OF COMMITTEE

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."

MOVED SB 187 OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 230

"An Act establishing the film office in the Department of Commerce, Community, and Economic Development; and creating a transferable tax credit applicable to certain film production expenditures incurred in the state."

MOVED CSSSSB 230(L&C) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 233(L&C)

"An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 183

SHORT TITLE: REPEAL DEFINED CONTRIB RETIREMENT PLANS

SPONSOR(s): SENATOR(s) ELTON

05/16/07 (S) READ THE FIRST TIME - REFERRALS  
05/16/07 (S) L&C, STA, JUD, FIN  
01/29/08 (S) L&C AT 1:30 PM BELTZ 211  
01/29/08 (S) Heard & Held  
01/29/08 (S) MINUTE(L&C)  
02/14/08 (S) L&C AT 1:30 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  
01/31/08 (S) Heard & Held  
01/31/08 (S) MINUTE(L&C)  
02/12/08 (S) L&C AT 1:30 PM BELTZ 211  
02/12/08 (S) <Bill Hearing Rescheduled to 02/14/08>  
02/14/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 230

SHORT TITLE: FILM OFFICE/ FILM PRODUCTION TAX CREDIT

SPONSOR(s): SENATOR(s) ELLIS

01/16/08 (S) READ THE FIRST TIME - REFERRALS  
01/16/08 (S) L&C, FIN  
01/25/08 (S) SPONSOR SUBSTITUTE INTRODUCED-REFERRALS  
01/25/08 (S) L&C, FIN  
02/05/08 (S) L&C AT 1:30 PM BELTZ 211  
02/05/08 (S) Heard & Held  
02/05/08 (S) MINUTE(L&C)  
02/12/08 (S) L&C AT 1:30 PM BELTZ 211  
02/12/08 (S) Heard & Held  
02/12/08 (S) MINUTE(L&C)  
02/14/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: HB 233

SHORT TITLE: UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS

SPONSOR(s): RULES

04/11/07 (H) READ THE FIRST TIME - REFERRALS  
04/11/07 (H) L&C  
04/25/07 (H) L&C AT 3:00 PM CAPITOL 17  
04/25/07 (H) Moved CSHB 233(L&C) Out of Committee

04/25/07 (H) MINUTE(L&C)  
04/27/07 (H) L&C RPT CS(L&C) 4DP 1NR  
04/27/07 (H) DP: GARDNER, LEDOUX, BUCH, OLSON  
04/27/07 (H) NR: NEUMAN  
05/02/07 (H) TRANSMITTED TO (S)  
05/02/07 (H) VERSION: CSHB 233(L&C)  
05/03/07 (S) READ THE FIRST TIME - REFERRALS  
05/03/07 (S) L&C, FIN  
02/14/08 (S) L&C AT 1:30 PM BELTZ 211

**WITNESS REGISTER**

SENATOR BILL WIELECHOWSKI  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Sponsor of SB 187.

MAX HENSLEY  
Staff to Senator Ellis  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Explained the CS for SSSB 230 for the sponsor.

DAMA CHASLE, Production Executive  
The Incentives Office  
Los Angeles, CA

**POSITION STATEMENT:** Supported SB 230.

WILLIAM CAVAN, independent video and film producer  
Orlando, FL

**POSITION STATEMENT:** Supported SB 230.

MICHAEL COLLIER, independent film producer  
Anchorage, AK

**POSITION STATEMENT:** Supported SB 230.

KATE TESAR  
Alaska Film Group  
Juneau, AK

**POSITION STATEMENT:** Supported SB 230.

DEREK MILLER  
Staff to Representative Kelly  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Commented on HB 233 for the sponsor.

DARREN SCOTT, CEO  
Kodiak Electric Association  
Kodiak, AK  
**POSITION STATEMENT:** Supported HB 233.

RON VACERA, Director  
Member Service  
Chugach Electric Association  
Anchorage, AK  
**POSITION STATEMENT:** Supported HB 233.

ROBERT WILKINSON, CEO  
Copper Valley Electric Association  
Valdez, AK  
**POSITION STATEMENT:** Supported HB 233.

MARILYN LELAND, Executive Director  
Alaska Power Association  
Anchorage, AK  
**POSITION STATEMENT:** Supported HB 233.

RAY CRAIG, Chair  
Chugach Consumers and Advocacy Group for Electric Utility  
Customers  
Anchorage, AK  
**POSITION STATEMENT:** Supported HB 233 with additional  
requirements for newspaper advertising.

#### **ACTION NARRATIVE**

**CHAIR JOHNNY ELLIS** called the Senate Labor and Commerce Standing Committee meeting to order at [1:30:11 PM](#). Present at the call to order were Senators Bunde, Davis, Hoffman and Ellis.

#### **SB 183-REPEAL DEFINED CONTRIB RETIREMENT PLANS**

[1:31:13 PM](#)

CHAIR ELLIS announced SB 183 to be up for consideration.

SENATOR ELTON, sponsor of SB 183, reminded the committee that this bill hires new employees into Tier III PERS and Tier II TRS. It gives them a chance to earn a guaranteed benefit pension and retiree health coverage at no cost to the system. He said they had talked in the past about how the defined benefit is expensive and when you aggregate Tiers I, II and III on the PERS side, it is more expensive, but you have to remember that prior

to the passage of the defined contribution all new employees were going into Tier III. Now data from the state's actuaries shows that the Tier III is slightly more expensive on the PERS side and slightly less expensive on the TRS side so it's kind of a wash for the state, but it does give new employees a better benefit.

He stated that most of the state's public employees don't have a safety net, the defined benefit, of social security under them. Also our retiree economy in this state is almost \$1.5 billion/year. One of the reasons it is so strong is because the defined benefit plan has a cost of living adjustment (COLA) that encourages people to stay here and spend the money here. The defined contribution plan does not have that COLA. He thought that lack would actually encourage some retirees to move south especially since one of the consequences of the defined contribution system is that some families could run through their health benefit account in as little as 18 months.

SENATOR ELTON ended by saying there are some things this bill doesn't do. In the review of the defined contribution plan some things made sense and those things won't change. Among them are the requirement for a second actuary to check the work of the first actuary, mandatory experience studies, elected officials are still out of the system, the ARM board having the important financial experience of disinterested members, the 2010 buy back deadline and no employer under this bill paying less than the normal cost.

CHAIR ELLIS reminded the committee that the bill has a long way to go. He personally thought the discussion about recruitment and retention of employees and teachers was worth having because the state learns more as it goes along and hears not just the anecdotal experiences, but the statistics as well.

[1:36:57 PM](#)

SENATOR DAVIS moved to pass SB 183, version M, from committee with individual recommendations and attached fiscal notes.

SENATOR BUNDE objected. He said he understood both sides of the issue, but he opined that in the pipeline era the state couldn't match salaries so it provided "pretty lucrative benefits" and we're having to pay for those now.

A roll call vote was taken. Senators Hoffman, Davis, and Ellis voted yea; Senator Bunde voted nay; so SB 183 passed from committee.

**SB 187-ALASKA MINIMUM WAGE**

[1:39:17 PM](#)

CHAIR ELLIS announced SB 187 to be up for consideration.

SENATOR BILL WIELECHOWSKI, sponsor of SB 187, recapped that it would raise the Alaska minimum wage from \$7.15 to \$8 per hour in 2009 and adjust it annually for inflation. It would also link it to any increases in the federal minimum wage by requiring that Alaska be \$1 more than the federal minimum wage.

He then answered questions that came up at the last hearing. One was regarding a supporting statement about where Alaska ranks among the 50 states in cost of living; overall Alaska ranks 47<sup>th</sup> - meaning we are the fourth highest.

Another question was asked about how many Alaskans this will affect. There are currently about 14,000 Alaskans in the minimum wage category. Most are in combinations of food service and retail trade, educational services and manufacturing areas.

SENATOR WIELECHOWSKI explained that the fulltime worker that earns minimum wage earns about \$14,000 per year, which is barely above poverty level for a single person and it's \$3,000 less for a family of two. Roughly 58 percent of minimum wage earners are adults with an average age of 38 years old.

[1:40:57 PM](#)

SENATOR STEVENS joined the committee.

[1:41:06 PM](#)

SENATOR WIELECHOWSKI said another question was asked about whether the impact on Alaskans jobs would be negative or positive. He said Dr. Wolfson testified in the last meeting that the current body of economic science in this field shows it would have no negative impacts on jobs or the economy. No one was able to identify any impacts, particularly when Alaska last raised its minimum wage in 2002.

SENATOR HOFFMAN asked if any other state has provisions for \$1 higher than the federal minimum wage.

SENATOR WIELECHOWSKI answered no, but other states have a higher minimum wage than Alaska. Alaska's minimum wage is lower than any other state on the West Coast. Several other states

currently tie theirs to an inflation rate. Ten states adjust their minimum wage annually for inflation.

[1:42:57 PM](#)

CHAIR ELLIS said the state doesn't have an automatic adjustment and went for a long time without raising the minimum wage. There was a lot of pent up frustration because of that and a citizen's initiative got the process going; the legislature stepped in and got the initiative off the ballot. He asked Senator Wielechowski to remind them of the state's history on this issue.

SENATOR WIELECHOWSKI recapped that in 2002 raising the minimum wage to \$7.15/hour and having an annual COLA adjustment tied to the inflation rate was on an initiative signed by 47,000 Alaskans. It was certified by the Lieutenant Governor and was about to appear on the ballot, but the legislature passed an identical law. Polls indicated that 80 percent of Alaskans supported it. His own unscientific survey of people in his district found over 80 percent supported this proposal.

He said the legislature had already passed a bill similar to this proposal, but with lower amounts, but before the cost of living adjustment kicked in for the next year, the legislature reopened the bill and took it out. This puts it back in. The \$8/hour is a little lower than if the COLA would have been left in; it might be closer to \$8.10 or \$8.15.

[1:45:25 PM](#)

SENATOR HOFFMAN said he didn't know if he supported everything in the bill, but he did support moving it on to the next committee. He moved to pass SB 187 from committee with individual recommendations and attached fiscal note(s).

[1:46:07 PM](#)

SENATOR BUNDE objected. He stated that he understood the intent, but thought the gains are illusionary because the people who pay the increased cost of the minimum wage are the people who are going to be earning the minimum wage. This would bring increased pressure on people who don't earn minimum wage to say well that went up, so my salary should go up too, causing an inflationary spiral. He also opined:

I think as most minimum wage jobs are service jobs, kind of temporary jobs, that people that are - they'll get a temporary bump in one pocket and they'll lose it out of the other. It's illusionary.

[1:47:37 PM](#)

A roll call vote was taken. Senators Davis, Hoffman, and Ellis voted yea; Senators Bunde and Stevens voted nay; so SB 187 moved to the next committee.

**SSSB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT**

[1:48:00 PM](#)

CHAIR ELLIS announced SSSB 230 to be up for consideration. He said there were concerns about internships and a few other issues at the last meeting.

MAX HENSLEY, staff to Senator Ellis, sponsor of SSSB 230, explained new CS SSSB 230 (L&C) 25-LS1275\O. He explained that in the last hearing they discussed the internship program with Senator Stevens and as a result on page 2, lines 15 and 16 allow the film office to certify Alaska film production internship training programs. To promote the employment of the program interns by eligible productions this version removes the link between the internship program and the university and removes the questions about private industry wishing to maintain internship programs for individual people wanting to apply to the film office. The film office has assured him it is well within its ability to do this kind of certification with regulation.

MR. HENSLEY said the other change was on page 4, lines 13 - 16, that has a tighter definition of what the duties of the independent CPA are regarding verification of the spending done in the state - in response to Senator Bunde's concerns about fraud. This language was suggested by the drafters as the most precise.

[1:51:31 PM](#)

SENATOR BUNDE asked if that language guaranteed if something fraudulent was found beforehand the film office wouldn't have to seek recourse.

MR. HENSLEY replied that was the intention.

CHAIR ELLIS added that there's always legal recourse for fraud, but you don't want the incentive to be in danger of being pulled.

MR. HENSLEY said that is a concern with this kind of transferable credits. The secondary market for them will be significantly weakened if there is the potential for a party not

involved in the production who purchases the credits to be liable for the activity of the producers.

CHAIR ELLIS clarified that this language is for the state's protection and to avoid the problem.

MR. HENSLEY said the final issue that was raised was the listing of qualified expenditures on page 4. The language on line 26 says the spending has to happen directly within the state. He said that some things like technical lighting aren't available in the state and will have to be transported here. Alaskan businesses will be involved in that and that would be part of the qualified expenses.

[1:54:13 PM](#)

SENATOR STEVENS said he wasn't sure this language meant what Mr. Hensley said it did. He asked if it talks only about post-production expenditures in the state or about everything above that directly incurred in this state.

MR. HENSLEY responded any of the three - pre-production, production and post-production expenditures - incurred in the state of Alaska would qualify.

CHAIR ELLIS and SENATOR BUNDE stated that it was their intent to include all three.

[1:56:41 PM](#)

DAMA CHASLE, production executive, wanted to address some points from last Tuesday's meeting and urged them to consider the increased cost of getting equipment to Alaska. She reiterated that currently Alaska doesn't have adequate infrastructure and trained crew available. She supported keeping the 30 percent base tax credit to offset these costs.

She underscored the many jobs that will come to the state as a result of having this industry, saying a studio film typically employs several hundred people in high paying, high tech jobs that last for months. They plow considerable monies into local economies, from the obvious hotels and rental cars to the less obvious lumber yards, dry cleaners, teachers for minors who are on the set, seamstresses, caterers, extras, animal wranglers, film digital lab processing, et cetera. "And it's always preferable to hire trained local crew, because of the savings in travel and living and the local knowledge of the customs and procedures."

[1:58:28 PM](#)

WILLIAM CAVAN, independent video and film producer, Orlando, FL, commended them on this bill. He said he was presently producing a low-budget film in Florida, and a few of the people he talks to recognize Alaska is the place to film this and to hire locals.

[1:59:20 PM](#)

MICHAEL COLLIER, independent Anchorage film producer in Anchorage, noticed that the crew base in Alaska is dwindling. He has had many friends who go from college and want to get into film, but they just decide they can't do it here and go somewhere else. So when he makes his small projects, it's hard to find crew, and he imagined it would be even more difficult for larger productions that would have to hire from other places outside the state. An incentive to build a crew base up here and to develop more talent would also bring up more projects that would develop into a range of films from big to small.

[2:01:11 PM](#)

CHAIR ELLIS thanked him for being a part of the response on this bill. He noted the "avalanche of support from the strangest corners of Alaska."

[2:01:34 PM](#)

KATE TESAR, Alaska Film Group, thanked the committee and noted that the Cohen Brothers have purchased rights to produce a recent best seller in Alaska so the timing of this bill could not be better. She said the bill has become even better with their help.

SENATOR STEVENS asked if this bill could actually have an impact on that film.

MS. TESAR responded that they hoped to get regulations written in this fiscal year.

[2:03:43 PM](#)

SENATOR DAVIS moved to adopt CSSSSB 230(L&C), version 0. There were no objections and it was so ordered.

SENATOR BUNDE commented that they are giving transferable tax credits to an entity that doesn't pay any taxes and he hoped they wouldn't become an unsustainable drain on the state treasury and have to be canceled like the previous one. He thought a more accurate title would be "the film subsidy bill."

CHAIR ELLIS noted that the State of Alaska chooses to operate in a certain way with its corporate taxation and its personal taxation, whether it be income tax or sales tax. It chooses to operate the state on oil revenues; whether that is wise or not remains to be seen. This is an opportunity for economic development and employment. The state makes its choices at the state level, but that may change in the future.

SENATOR BUNDE mentioned that he can't help but think it's somewhat ironic that they are about to move a bill forward that provides tax incentives because it will increase development, when a few short months ago they raised huge taxes on an industry and said it wouldn't affect its ability to invest at all.

CHAIR ELLIS said "The proof is in the pudding. We'll see how it all turns out. And I think we'll be here to take note."

[2:07:06 PM](#)

SENATOR STEVENS moved to report CSSSSB 230(L&C) [version 0] from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

**CSHB 233(L&C)-UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS**

[2:07:54 PM](#)

CHAIR ELLIS announced CSHB 233(L&C) to be up for consideration.

DEREK MILLER, staff to Representative Kelly, sponsor of HB 233, explained that it addresses the sometimes burdensome and ineffective noticing requirements of unclaimed property law regarding capital credits of electric and telephone cooperatives. From time to time these cooperatives receive excess revenues from its members that exceed the expenses of operations. They hold funds in member-owned capital accounts called capital credits (sometimes called "net margins") on behalf of the member. These coops may refund a portion of these accumulated credits, but in some cases the cooperative seeking to refund the capital credits can no longer find the member through their last known address. As a result, many credits go unclaimed.

Current unclaimed property law allows the credits to be reverted back to the cooperative as long as it has mailed a notice to the last known address at least six months prior to the reversion and published a notice in a newspaper of general circulation. It has been found the newspaper notification has not significantly

increased the number of members who cash their capital credits; as a result the cost of compliance of that part of the law is significant, while the effectiveness is questionable at best. HB 233 allows cooperatives the option of using the Internet instead of newspaper publications to notify its members of these unclaimed capital credits. He noted that Alaska is one of the most wired states in the nation.

As an example, Mr. Miller noted Alaska Village Electric Cooperative (AVEC) serves 52 villages and spends many thousands of dollars to publish in several different newspapers, but they also have a website where the names of unlocated members are continuously published.

MR. MILLER said this legislation is supported by the Alaska Power Association as well as several other rural coops and individuals.

[2:11:07 PM](#)

SENATOR HOFFMAN asked how many newspapers AVEC advertises in.

MR. MILLER didn't know that answer.

SENATOR STEVENS said they are talking primarily about people who have moved; if they are still customers, it's relatively easy to locate them. He asked how many people they are talking about.

MR. MILLER said other folks could better answer that. The problem is that the cost of complying with the law is more than the actual amounts that are in the accounts.

[2:12:27 PM](#)

DARREN SCOTT, CEO, Kodiak Electric Association, supported HB 233. He said the association spends about \$4000 per year to advertise in the newspaper and it's very ineffective. Using the Internet to contact people works a lot better.

[2:13:49 PM](#)

RON VACERA, Director, Member Services, Chugach Electric Association, supported HB 233. He explained that a lot of Anchorage people move and Chugach Electric pays capital credits on a regular basis. It spends about \$55,000 annually for publishing names in the newspaper, and it typically takes up 16-20 pages in the paper. It ends up issuing 2500 - 3000 checks to about 15-20 percent of the names listed, which indicates some success, but a lot are left listed. He said that using the

Internet was much more economical and the list could remain on line for an extended period of time unlike the newspaper.

[2:16:16 PM](#)

ROBERT WILKINSON, CEO, Copper Valley Electric Association, supported HB 233. He agreed with all the previous testimony in support of this bill and said they had been advertising for invalid addresses on their website already for a number of years. People who work with it have told him it is more successful than newspaper advertising. He added that a majority of the Alaska coops use these credits for scholarships for youth of member owners. Copper Valley Electric over the past 15 years, had put over \$100,000 into scholarships.

[2:18:14 PM](#)

MARILYN LELAND, Executive Director, Alaska Power Association, supported HB 233. She said this process would be more effective for locating former customers who are owed capital credits. In addition it would save them and their customers many thousands of dollars in advertising expense. The current method of publishing names four times in local newspapers is cumbersome, expensive and not even terribly effective in most small Alaskan communities, where even if their names are published, they don't live there any more and aren't likely to see it.

She said that using the Internet for notice already has some precedence in Alaska's unclaimed property statutes and that the Department of Revenue already gives notice to owners of unclaimed property using an Internet website.

SENATOR BUNDE assumed that the expense of the publishing is passed on as an operating expense to the consumer.

MS. LELAND answered that was her understanding.

SENATOR STEVENS asked how she tries to contact someone who has left the community, whose physical address no longer exists, by using the Internet.

MS. LELAND answered rather than advertising a long list of names four times there would be a smaller advertisement in the paper that would direct people to the Internet where they could look at the names. She mentioned that finding one's name in the newspaper is a hit or miss proposition, but it would be on the coops' websites all the time.

[2:22:04 PM](#)

RAY CRAIG, Chair, Chugach Consumers and Advocacy Group for Electric Utility Customers, supported HB 233 for all the previously mentioned reasons. However he was concerned that it went too far by not putting any minimum requirements on what kind of an advertisement the utilities would do. A utility could possibly bury a fine print ad in the back of the legal notices of the paper out of the view of the public - in light of the fact that utilities can keep unclaimed capital credits.

He suggested a possible fix to require a minimum size display ad four times a year with an attention-getting headline like "Do we owe you money?" He reminded them that the newspaper advertising does allow thousands of people to recover their capital credits.

[2:25:57 PM](#)

CHAIR ELLIS asked Mr. Miller if he had heard this suggestion before.

MR. MILLER replied it was new to him, and he offered to work on it.

CHAIR ELLIS said he would be interested in seeing a CS with a minimum size ad and possibly a requirement that the utility collect the email address of the consumers. He held HB 233 in committee.

There being no further business to come before the committee, Chair Ellis adjourned the meeting at [2:29:05 PM](#).