

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

February 2, 2009

3:18 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Mark Neuman, Vice Chair  
Representative Mike Chenault  
Representative John Coghill  
Representative Bob Lynn  
Representative Robert L. "Bob" Buch  
Representative Lindsey Holmes

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 87

"An Act waiving payment of premiums for major medical insurance under the defined benefit retirement plan for public employees for disabled peace officers who have at least 20 years of credited service as peace officers."

- HEARD AND HELD

HOUSE BILL NO. 64

"An Act relating to gift certificates and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 87

SHORT TITLE: MED BENEFITS OF DISABLED PEACE OFFICERS

SPONSOR(S): REPRESENTATIVE(S) MILLETT

01/26/09	(H)	READ THE FIRST TIME - REFERRALS
01/26/09	(H)	L&C, STA, FIN
02/02/09	(H)	L&C AT 3:15 PM BARNES 124
02/02/09	(H)	Heard & Held
02/02/09	(H)	MINUTE(L&C)

BILL: HB 64

SHORT TITLE: GIFT CARDS

SPONSOR(S): REPRESENTATIVE(S) GATTO, GARDNER, GRUENBERG

01/20/09	(H)	PREFILE RELEASED 1/16/09
01/20/09	(H)	READ THE FIRST TIME - REFERRALS
01/20/09	(H)	L&C, FIN
02/02/09	(H)	L&C AT 3:15 PM BARNES 124
02/02/09	(H)	Heard & Held
02/02/09	(H)	MINUTE(L&C)
02/09/09	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE CHARISSE MILLETT

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of HB 87.

RYAN MAKINSTER, Staff

to Representative Charisse Millett

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Presented HB 87 on behalf of the prime sponsor, Representative Charisse Millett.

JEFF BRIGGS

Alaska Professional Fire Fighters Association (APFFA)

Anchorage, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of HB 87.

KEVIN BROOKS, Deputy Commissioner

Office of the Commissioner

Department of Administration (DOA)

Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of HB 87.

PAT SHIER, Director

Division of Retirement & Benefits

Department of Administration (DOA)

Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of HB 87.

REPRESENTATIVE CARL GATTO  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions as a joint prime sponsor during the discussion of HB 64.

REPRESENTATIVE BERTA GARDNER,  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions as a joint prime sponsor during the discussion of HB 64.

RACHEL LEWIS, Unclaimed Property Manager  
Treasury Division  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of HB 64.

MARY FAIRBANKS, Marketing Director  
Dimond Center  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 64.

#### **ACTION NARRATIVE**

[3:18:16 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Neuman, Coghill, Chenault, Buch, Holmes, and Olson were present at the call to order. Representative Lynn arrived as the meeting was in progress.

#### HB 87 - MED BENEFITS OF DISABLED PEACE OFFICERS

[3:18:55 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 87, "An Act waiving payment of premiums for major medical insurance under the defined benefit retirement plan for public employees for disabled peace officers who have at least 20 years of credited service as peace officers."

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REPRESENTATIVE MILLETT, Alaska State Legislature, introduced her staff, Ryan Makinster. She briefly explained HB 87. She offered that if peace officers who are between their 20<sup>th</sup> and 25<sup>th</sup> years of employment become disabled, they will not receive any major medical coverage until they reach the age of 60. She offered her belief that this gap was an unintended consequence of legislation that passed the legislature in 1986 that created Tier II and Tier III state employees. She said she anticipates that HB 87 will be held over to allow time to provide additional actuarial information.

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RYAN MAKINSTER, Staff to Representative Millett, Alaska State Legislature, explained on behalf of the prime sponsor, that HB 87 seeks to make a change for a gap in the Public Employees Retirement System (PERS) disabled coverage. He explained that public safety employees are eligible to retire after 20 years of service, instead of the 25 years of service required for other state employees. Thus, the period of time from 20 to 25 years causes a problem for the public safety employees. He related that under the current statute, a person is eligible for disabled coverage for full major medical benefits if they are disabled while he/she is a member. Retired public safety employees are not technically members of the plan during that five-year gap period, he stated. He commented that the bill drafter also restructured the proposed statute somewhat, but those changes were only technical in nature.

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MR. MAKINSTER, in response to Chair Olson, explained that the fiscal note for fiscal year (FY) 2010, should list \$12.8 to reflect thousands instead of millions. Additionally, one-time programming costs will be incurred to add the necessary requirements of HB 87 to the Division of Retirement and Benefits' computer system.

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REPRESENTATIVE COGHILL asked whether it would cause a constitutional issue if the legislature increased the requirements for public safety employees retirement age from 20 to 25 years of service.

REPRESENTATIVE MILLETT offered her belief that the benefits could not be diminished. She explained HB 87 would increase the

unfunded liability by \$567,000, by lowering the years of service eligibility for occupational disability medical coverage from 25 to 20 years. She elaborated that payment amount would be amortized over 25 years. The fiscal note also reflects that more employees will be added into this category over time. Thus, for FY 11, the increase in annual employer contribution would be \$67 thousand.

REPRESENTATIVE COGHILL inquired as to whether the gap is for all medical insurance or if an employee who becomes a disabled person in the gap situation would have any health insurance at all.

MR. MAKINSTER answered that the disabled person would have major medical coverage, but would be responsible for the premiums, which otherwise are paid for by the plan.

MR. MAKINSTER, in response to Representative Coghill, answered that he was not sure of the premium amounts.

REPRESENTATIVE COGHILL said it seemed as though the effect of the changes will be to transfer some of the risk. He recalled several discussions years ago that the trade-off for a 20-year retirement, whose purpose was to retain a young and vibrant workforce, was that its members would not be eligible for benefits until year 25. He said he could not recall if the disability factor was part of the discussion. He inquired as to whether the state would pick up the risk of paying the premium or if it is passed on to the employee.

MR. MAKINSTER offered that he is researching the original intent of the early retirement plan for public safety employees to determine if provisions for disability were inadvertently omitted.

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REPRESENTATIVE NEUMAN asked for the reason that the gap in premium coverage for disability is just now surfacing as an issue if the statute changed in 1986.

MR. MAKINSTER answered that until recently, no employee has been affected. He offered that some employees have recently entered the 20 to 25 year window. He recalled that a public safety employee Fairbanks was recently affected.

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MR. MAKINSTER, in further response to Representative Neuman, explained that the perceived gap referred to the technical definition of "disabled member," since eligibility requires that the person must be part of the retirement system. However, the way the statute has been interpreted, in order to be a member a person must be part of the defined benefit membership plan. However, if an employee opted out of the plan at 20 years, he/she is not considered eligible. In further response to Representative Neuman, Mr. Makinster reiterated that the sponsor is seeking clarification on the original intent of the coverage for those employees who are eligible for retirement after 20 years of service.

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REPRESENTATIVE COGHILL referred to the fiscal note that mentions the total population affected by HB 87 equals 2,275 Tier II and Tier III peace officer and firefighter members. He inquired as to what the normal demographic for injuries is by age group and stratification.

MR. MAKINSTER offered that was not certain but offered that the DOA would be testifying and could answer questions about the actuarial amounts.

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CHAIR OLSON, in response to Representative Chenault, offered to have someone from the consultant group, Buck Consultants of Denver, Colorado, participate at the next hearing to explain the cost estimates for allowing paid medical benefits for peace officer and firefighter members with 20 years of service instead of 25 years of service.

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JEFF BRIGGS, Alaska Professional Fire Fighters Association (APFFA), explained that his association, the Professional Fire Fighters Association (APFFA) first learned about the medical coverage gap last winter. He related that the issue is referred to by the PFFA as the "PERS gap". He related that Anchorage members belong to a municipal retirement system so the only firefighter in his department that is currently affected by the PERS gap is someone who transferred in from another fire department. He surmised that most of their organization's members are in PERS, with 14 years employment tenure. Thus, his

department's employees are still 6 or 7 years away from the PERS gap. However, he offered his understanding that quite a few firefighter members in Fairbanks and a few members in Juneau are affected by the PERS gap. One of the concerns the APFFA has is that an employee who is injured with 10 years plus a day's service will receive more benefits than someone with 25 years employment. Thus, once an employee is injured at the 20-year service mark, he/she is penalized. He recalled that the Anchorage Fire Department suffered a large exodus of retirees, who were then rehired as contractors to train younger firefighters. In his experience, the injury rate for senior firefighters has not been an issue since the senior firefighters have substantial training and experience, and are less likely to be injured on the job, he opined.

MR. BRIGGS related his understanding that the reason for the 20-year retirement was to entice peace officers and firefighter members to stay on the job longer to seek an early retirement. He offered his belief that his department has not been harmed by the PERS gap to date. However, as time passes more firefighters could be affected, he noted. He related that firefighters are in the business of taking risks, and understand that any given day could result in their injury or death. He related his own experience, noting that a few weeks ago he had to dive through a window into a burning house with limited visibility in order to perform a rescue. He opined that firefighters continually weigh risks versus benefits. He concluded by stating that firefighters should not have to worry about whether they have medical coverage in the event that they are injured while on the job attempting to rescue or save someone.

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KEVIN BROOKS, Deputy Commissioner, Office of the Commissioner, Department of Administration (DOA), explained that the DOA is aware of the unfunded status of Public Employees Retirement System (PERS) and Teacher Retirement System (TRS). He related that HB 87 would add over \$500,000 to the unfunded status. Therefore, the DOA is concerned since this bill would add to the unfunded status. He explained that the DOA is currently investigating the history of the PERS gap. He stated that based on prior testimony, the issue arose in 1986, with the passage of enabling legislation for Tier II implementation. He offered that a few years ago the DOA undertook an exhaustive review of all pension plans when Senate Bill 141 passed the legislature. The Department of Law is also assisting the DOA in researching the legislative history on this "gap" issue, he advised.

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MR. BROOKS, in response to Chair Olson, stated that the DOA has asked the actuaries some questions about the unfunded status. Additionally, the DOA is also considering impacts that other legislation may have that could make changes to the tiers or defined benefit plans. He said he hopes to receive an analysis in a few weeks from the actuaries. He offered to provide commentary and written comments at that time. He welcomed to present any additional questions by the committee to the actuaries. However, he highlighted that the DOA is charged fees for any services the actuaries provide. Thus, he said that the DOA carefully prepares concise questions for their consideration. In further response to Chair Olson, Mr. Brooks answered that the DOA is neutral on HB 87 at this time. However, once additional information is acquired, he said he thought that the DOA's position would probably broaden.

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MR. BROOKS, in response to Representative Neuman, answered that the bill as written is specifically defined. He said he did not perceive that HB 87, in and of itself would open dialogue on defined benefits and defined contributions.

REPRESENTATIVE COGHILL stated his interest in reviewing new figures on the fiscal note, since it will make a big difference whether the projected costs are \$567,000 or \$10 billion. He surmised that the committee will need to make a policy decision on the cost to keep work force employed. He inquired as to whether members still contribute to the retirement system if they are employed during the 20 - 25 year time period. Additionally, he inquired as to whether members make co-payments on their medical claims.

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PAT SHIER, Director, Division of Retirement & Benefits, Department of Administration (DOA), answered yes, if public safety employees remain employed, both the employer and employee make contributions into the employee's retirement system. In further response to Representative Coghill, Mr. Shier noted that employees can pay the amount of the premium. He clarified that the cost is not really a premium to health plan, but would be paid from the retirement health trust unless the employee was disabled. In that instance, the disabled employee would incur

the cost of the premiums, he related. He provided the current amount of the premium for an employee who was disabled between the 20 - 25 years of service as \$590 per month. The amount of the premium would vary, he noted. Thus, the coverage for the retiree and a child would be \$833; for a retiree and spouse would be \$1179; and for the retiree and family would be \$1423 per month. He offered that a disabled retiree might seek to get coverage elsewhere if they could, but would need to pay the premium costs if he/she wanted to stay in the current state health plan.

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REPRESENTATIVE COGHILL reiterated his belief that the committee will need to make a policy decision on the benefits and costs necessary to keep the public safety work force employed.

MR. BROOKS, in response to a prior question by Representative Chenault, clarified that \$567,000 estimate is an estimate of the change in the present value of the future benefits. Therefore, paying the cost over time could result in a greater cash stream.

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CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 87. He announced that HB 87 would be held over.

HB 64-GIFT CARDS

[3:48:26 PM](#)

CHAIR OLSON announced that the final order of business would be to take up HOUSE BILL NO. 64, "An Act relating to gift certificates and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice."

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REPRESENTATIVE CARL GATTO explained HB 64 by describing a scenario in which a grandfather purchases a gift card in the amount of \$100 for his granddaughter. However, he related the granddaughter did not use the card for one year. Thus, due to an activation fee, a monthly fee, and a delay of one year by the granddaughter in using the card, the value of the card is

reduced to \$35. He further related that his scenario describes the essence of the problem.

REPRESENTATIVE GATTO summarized that the purpose of HB 64 is to restrict vendors from charging activation and monthly charges on gift cards. Instead, the gift cards will retain their original value forever. Further, he stated the seller must notify the state's Department of Revenue (DOR), Treasury Division's Unclaimed Property program of any unclaimed property at the end of three years. Thus, in instances of gift cards, the vendor must inform the DOR that the recipient has not yet used the gift card and must remit the \$100 to the DOR. The DOR will then attempt to locate the gift card owner. He related that the store already had use of the purchaser's money for three years, but then the SOA should receive the money. In instances in which the gift card recipient later discovers the card and uses it, the store can subsequently contact unclaimed property to get reimbursed.

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REPRESENTATIVE LYNN stated his intention to cosponsor the bill.

REPRESENTATIVE COGHILL related that certificates are not mentioned.

REPRESENTATIVE GATTO explained that in instances in which a gift card is a promotional item that it can have an expiration date. He related that certificates are usually an offer of two nights at a hotel for a discount. He explained those items are considered a gift and are not included in the bill. He commented that he recently saw advertising that read, "No activation fees, no minimum amount, no kidding." He surmised that even the gift card companies are now aware that other gift card companies are finding ways to raise revenue rather than to supply a service for people who don't know what to buy for someone so they give their family and friends gift cards.

REPRESENTATIVE NEUMAN recalled other states' efforts the past five years to restrict fees for gift cards. He inquired as to whether the restrictions are similar to provisions in HB 64.

REPRESENTATIVE GATTO answered that national chain stores such as Costco Wholesale Corporation (Costco) and Wal-Mart Stores, Inc. are covered under federal law. He offered that he reviewed legislation other states have passed, incorporating provisions that will best address issues in Alaska.

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REPRESENTATIVE GATTO explained that some states have so many exceptions that most businesses can still charge activation, and monthly fees, and cards expire after a year. He related that his intention is not to create burdens for recordkeeping. Most cards have barcodes for tracking purposes, he stated.

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REPRESENTATIVE HOLMES asked for clarification on HB 64 with respect to the expiration date. She related her understanding under proposed AS 45.45.940(a)(1), that a gift card would retain its full-face value in perpetuity. Thus, expiration dates are not allowed on gift cards, she surmised. She related her further understanding that under proposed AS 34.45.240 (a), that if the gift card is not claimed within three years that it is presumed to be abandoned. She asked for an explanation of what happens after three years when a gift card is considered abandoned.

REPRESENTATIVE GATTO explained that if Representative Holmes discovers a \$100 gift card 5 years after its issuance, she could go to the store and ask to redeem it. He said he thought the store owner would probably honor the gift card. If so, the store owner would contact the state Department of Revenue (DOR), Treasury Division, Unclaimed Property office to match the recipient's name with the funds the store remitted three years earlier when the store determined the gift card was abandoned. He pointed out that current law requires stores to remit funds on gift cards that have not been redeemed within a 3-year period.

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REPRESENTATIVE HOLMES asked what happens if the store goes out of business.

REPRESENTATIVE GATTO related a scenario in which a company where he had purchased a lifetime service went out of business.

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REPRESENTATIVE BERTA GARDNER, Alaska State Legislature, explained that the provision in HB 64 that unclaimed property reverts to the state is existing law. She clarified that when a

merchant sells gift card and it is unused and considered abandoned, that the merchant is supposed to remit the value of the gift card to the DOR.

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REPRESENTATIVE HOLMES referred to page 3, to proposed AS 45.45.940 (c)(1), to the exceptions for awards, loyalty, or promotional programs. She inquired as to what happens if some money exchanges hands. She related an example such that a person has almost enough award points and pays something in cash to obtain the reward.

REPRESENTATIVE GATTO answered that he had a feeling that type of transaction would be considered an award, such as a mileage plan.

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REPRESENTATIVE BUCH asked whether HB 64 would create an opportunity for the state to reclaim funds from merchants who did not remit unused gift card funds to the state.

REPRESENTATIVE GARDNER recalled she once performed bookkeeping services for a small store. She related that the store tracked gift cards and certificates sold and the value of any gift certificates redeemed. She stated it was not a problem for that business to identify at any time the total amount of gift cards that were used and unused. She said she thought it was a reasonable accounting practice for other stores to have that ability.

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REPRESENTATIVE NEUMAN expressed concern about the time and effort it might take for businesses to comply. He offered his belief that gift cards probably contain language that informs them of the provisions. He stated that someone has to pay the administrative costs for gift cards. He said he probably has some gift cards whose value has diminished and that the unstated "buyer beware" should apply.

REPRESENTATIVE GATTO answered that two things are considerations. First, he noted that the cost to retailers to sell gift cards is minimal, he surmised, since most are stores use computers to track inventory. Secondly, he pointed out the value to stores for unused gift cards. He explained that

retailers can use the money spent on gift cards that are not redeemed. He surmised that some stores may sell large quantities of gift cards and use that money to run their business instead of having to borrow the money. He related that the value of unused gift cards represents interest free money for merchants, which has a value.

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REPRESENTATIVE COGHILL said that "in perpetuity" still bothers him. He suggested that at some point gift cards should expire. Additionally, it seemed to him that one aspect is that unspent portion of gift cards is one way in which businesses profit. Thus, it could be argued that businesses already profit from the gift cards.

REPRESENTATIVE GATTO answered an earlier question, stating that current law requires businesses to remit the value of unused gift cards after three years. He advised that if a business does not comply and undergoes an audit, that the business is liable.

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REPRESENTATIVE COGHILL asked how other states handle expiration dates and why it is important to impose since the longer a person keeps a card, the fewer goods the person could buy.

REPRESENTATIVE GATTO offered that a three year expiration date is in the mid-range for expiration dates. However, a retailer could tell a consumer that he/she no longer has the card since the merchant remitted its value to the state or he/she can honor the card and get reimbursed. He offered that an alternative approach would be for retailers to reissue expired cards or to contact the state to reclaim the original card after three years. He surmised that after the three year lapse, that probably not very many people would make a claim.

[4:08:31 PM](#)

RACHEL LEWIS, Unclaimed Property Manager, Treasury Division, Department of Revenue (DOR) explained that during her 14 years as the unclaimed property manager, that gift cards and certificates have not had much attention. She offered her understanding that HB 64 would clarify current statutes that are somewhat unclear.

MS. LEWIS, in response to Representative Coghill, answered that paper certificates are included as unclaimed property. She explained that the fair trades practices attempts to define it as goods and services of value. She surmised that a card would not have to be plastic.

REPRESENTATIVE COGHILL recalled purchasing a 12-month supply of manicures and pedicures. However, the retailer allowed redemption after its expiration date. He asked for clarification for the process of unclaimed property.

MS. LEWIS responded that she receives more complaints about expired spa treatments since many of them can cost \$500 and often the client doesn't realize the certificate has expired until they want to use it. She related that the recipient will send a copy of the certificate, that she sends a letter to the business owner that after 3 years the certificate must be remitted as unclaimed property unless the owner decides to honor it. Ms. Lewis offered that most of the time, the business owner will decide to remove the expiration date and honor the spa treatment. She commented that businesses learn how the law is applied. Thus, she educates businesses most of the time instead of enforcing the law, she stated.

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MS. LEWIS, in response to Representative Holmes, opined that the process of having gift cards turned over to the state is efficient. She related that the use of unclaimed property is fairly well known at the national level, but she surmised that the awareness level about them is low in-state. She related that she has provided seminars to certified public accountants (CPA) firms, to advise them that any un-cashed payroll checks or vendor payments that have not been redeemed must be reported as unclaimed property, as well as any gift cards or certificates that have not been redeemed.

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MS. LEWIS, in further response to Representative Holmes, answered that retailers can be charged penalties and interest. However, she highlighted that her emphasis is more on education instead of enforcement.

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REPRESENTATIVE HOLMES referred to a legislative research report in committee member's packets. She offered her belief that some states are moving away from this type of procedure.

MS. LEWIS responded that other states have changed their laws with respect to gift card during the past three years. She surmised that currently about 35 bills have been introduced in various states to remove fees and expiration dates on gift cards. She recalled discussions with her counterparts during conferences who advise that some lobbying groups have successfully lobbied for expiration dates, which adversely impacts consumers. However, two states, Washington and Illinois, promote programs that offer decals for retailers to use that inform consumers that their gift certificates never expire. She offered that those types of programs give consumers confidence to make purchases. She explained the process for unclaimed property such that the state receives unclaimed property every day, that it is logged either by name, check certificate, bond, or stock number or issuance. Thus, the system is elaborate. Ms. Lewis highlighted that this year the unclaimed program received \$16,000 worth of unused and unredeemed gift cards for approximately 400 individuals. She noted that of those, about half were identified by name with the individual value of their unclaimed property ranging from \$156 down to just a few dollars. She related that some gift cards are reported by large retailers that typically provide mail order services. She commented that their system has been in place for over 22 years to assist in returning funds to consumers. In further response to Representative Holmes, Ms. Lewis answered that the physical location of where the gift card was purchased determines which state law applies.

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REPRESENTATIVE NEUMAN recalled that he attended a fundraiser for an organization and purchased a certificate for taxidermist mount that expired in one year. He inquired as to how this bill would affect reporting for income taxes.

MS. LEWIS explained that items gift certificates that are donated to an organization do not fall under unclaimed property, since the recipient makes the donation to the charity and obtains the certificate as a gift for income tax purposes. In further response to Representative Neuman, Ms. Lewis reviewed the process for unclaimed property. She related that in instances in which a business, such as a taxidermist, sells a certificate that expires in a year, and the customer does not

redeem the certificate, that the taxidermist would remit to the state the value of the certificate after three years lapses. She explained that after three years, the certificate holder could contact her office and submit a claim and if the item is listed, a check would be remitted. If not, she stated that the business owner would be contacted, advised that the certificate needs to be remitted to the state.

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REPRESENTATIVE NEUMAN asked if it is legal to list an expiration date on gift card or gift certificate since the items are reportable under unclaimed property.

MS. LEWIS answered that placing an expiration date on a gift card or certificate is not illegal but it is misleading.

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MS. LEWIS explained that the federal AS 34.45 Uniform Unclaimed Property Act, under AS 34.45, prohibits businesses from charging service fees on dormant accounts, thereby gradually diminishing gift cards out of existence. She related that current law for gift certificates is vague, identifying that they are reportable as unclaimed property after three years.

MS. LEWIS, in response to Representative Neuman, offered that unclaimed property provisions would be considered more as fair trade and consumer protection laws.

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CHAIR OLSON inquired as to whether Ms. Lewis could provide statistics with respect to what percentage of total unclaimed property is from gift cards.

MS. LEWIS answered that of the currently, \$4 million to \$4.5 million in unclaimed property, that approximately \$17,000 has been reported as unclaimed property. She surmised the figures are low since a lot of businesses are not aware of the need to report.

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MS. LEWIS, in response to Chair Olson, answered that she could get a rough idea by dividing the \$17,000 by the 443 accounts associated with the unclaimed property. Thus, the average claim

would equal about \$35. However, some claims are for residual amounts, while others are for the full amount of \$500, she said. In further response to Chair Olson, Ms. Lewis responded that it is not costly to process claims or burdensome for retailers due to electronic reporting. She related that some businesses balk at reporting gift certificates when the identity of the person is not known.

[4:26:46 PM](#)

MS. LEWIS, in response to Representative Coghill, explained that most of the unclaimed property reported for gift cards was a minimum of at least \$25. She offered that the unclaimed property provisions provides an exception such that in instances in which the value of all the unclaimed property accounts is under \$100, and the sum of all the diminutive accounts are less than \$750, then a business can hold the property until the threshold is met. She offered that the purpose of the unclaimed property reporting is not to burden businesses to report residual amounts remaining on gift cards. Instead, the purpose is to ensure that a safeguard exists to ensure that property the businesses are holding, that doesn't belong to them, is returned to the recipient, and allow businesses to balance their books.

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REPRESENTATIVE COGHILL expressed concern for smaller companies. He surmised that the larger the company, the more likely it would track the gift cards. He recalled that Safeway has a rack of gift cards. He commented that the diminishing amounts on cards that might produce profit for the company would also have to be reported. He asked for clarification on the accumulated threshold.

MS. LEWIS agreed he is correct on the necessity of reporting the gift cards.

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MS. LEWIS, in response to Chair Olson, noted there is not a statute of limitations that applies. She related that some companies go out of business and the agency files bankruptcy claims on unsecured claims. She commented, "You would be surprised at how many dollars that can be."

MS. LEWIS, in response to Representative Holmes, agreed that gift certificates do not expire.

REPRESENTATIVE BUCH asked if the public is educated on unclaimed gift cards, whether the Department of Revenue will be inundated with claims.

MS. LEWIS answered that she hopes that elevating the gift card issue will affect consumers in positive ways and elevates their awareness that their money spent on gift cards is not lost.

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REPRESENTATIVE BUCH commented on the minimal fiscal note that it seemed small in the event that a lot of Alaskan consumers were to make claims.

REPRESENTATIVE CHENAULT applauded the concept of potentially passing a bill that helped consumers, advising them of their rights so they could interact with businesses directly, and not have to have the state intervene on their behalf.

REPRESENTATIVE GATTO, in response to Representative Neuman, answered that grocery stores offer discounts on gasoline for customers who buy their groceries. He opined that the grocery store is allowed to place an expiration on its own discounts as the discount is not considered a gift card or certificate.

CHAIR OLSON expressed concern that it might cost the DOR more money to process the claim for unclaimed property than the claim is worth.

MS. LEWIS answered that people often have more than one piece of unclaimed property.

[4:36:58 PM](#)

MARY FAIRBANKS, Marketing Director, Dimond Center, stated that she had some questions. She inquired as to whether examples could be given for the exceptions under proposed AS 45.45.940 (c)(3), and (4), that relate to banks and financial institutions.

MS. LEWIS answered that the DOR does not have any jurisdiction over financial institutions.

[4:39:27 PM](#)

REPRESENTATIVE HOLMES offered an explanation that it would seem that proposed AS 45.45.940 (c)(4), would apply to entities like the Dimond Center. She offered that if the Dimond Center issued a card that could be used in a multiple number of stores in the Dimond Center, that this provision would apply.

[4:40:05 PM](#)

CHAIR OLSON suggested Ms. Fairbanks should send a letter or e-mail to the prime sponsor for clarification on issues she may have on HB 64.

[4:40:20 PM](#)

MS. FAIRBANKS then testified that she agreed with the gentleman who previously stated, "Buyer beware." She opined that if the information is provided on the gift card listing the restrictions and expiration date, and the person is willing to buy the gift card, then why is it necessary to protect the consumer.

REPRESENTATIVE GATTO answered that often the statements are in tiny print and the card is at the cash register. He reiterated his scenario in which a grandfather might want to buy a gift for his granddaughter, but he isn't sure what she would like. Thus, his expectation is that he is purchasing a \$100 gift certificate, not a card that will diminish in value or will expire.

MS. FAIRBANKS related she thought the gift card disclaimers were similar to instances in which a store posts a sign stating it will only honor store credits on any returned merchandise. She opined that consumers must bear the responsibility in that instance.

[4:41:55 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, announced that he would hold HB 64 over.

[4:42:11 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:42 p.m.