

SENATE FINANCE COMMITTEE

March 27, 2009

9:08 a.m.

9:08:15 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Joe Thomas

MEMBERS ABSENT

Senator Donny Olson

ALSO PRESENT

David Teal, Director, Legislative Finance Division; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Senator Wielechowski, Bill; Michelle Sydeman, Staff, Bill Wielechowski; Brian Rae, Economist, Department of Labor and Workforce Development (DOL); Grey Mitchell, Director, Department of Labor and Workforce Development (DOL); Joe Plesha, Chief Legal Officer, Trident Seafoods; Neil Mackinnon, Owner and Operator. Alaska Laundry, Juneau; Weston Eiler, Staff, Senator Bert Stedman.

PRESENT VIA TELECONFERENCE

John Faulkner, Owner, Lands End Resort, Homer; Chrystal Schoenrock, Nikiski, Self; Pat Luby, Advocacy Director, Alaska Association of Retired Persons (AARP), Anchorage; Chris Wilson, Subway of Alaska, Anchorage; Pete Boehlen, UFCW Local 1496, Eagle River; Jay Sutherland, Wendy's Alaska, Anchorage; Robert McCormick, Glacier Brewhouse, Chugiak; Jack Amom, Partner, Marx Brothers Café, Anchorage; Dave Lambert, Owner, Emerald Isle, Fairbanks; Steve Joswiak, United Food Commercial Workers (UFCW) 1496,

Fairbanks; Bill Bubbel, Owner, The Pump House Restaurant, Fairbanks; Zebulon Woodman, Laborers 942, Fairbanks; Glenn Brady, Silver Gulch, Fairbanks; Fred Rosenberg, Red Robin, Anchorage; Vince Beltrami, Alaska Federation of Labor and Congress of Industrial Organizations (AFLCIO); Tony Ross, CFO, Ocean Seafoods.

SUMMARY

SB 1 "An Act increasing the minimum hourly wage, and creating an annual adjustment to the minimum hourly wage based on the rate of inflation; and providing for an effective date."

SB 1 was HEARD and HELD in Committee for further consideration.

SB 24 "An Act naming the bridge over Hammer Slough on Nordic Drive in Petersburg the Louis Miller Bridge."

SB 24 was REPORTED OUT of Committee with a "do pass" recommendation and a previously published fiscal impact note: FN1 (DOT).

SB 25 "An Act naming the South Mitkof Island ferry terminal the Richard 'Dewey' Duvall Ferry Terminal."

SB 25 was REPORTED OUT of Committee with a "do pass" recommendation and a previously published fiscal impact note: FN1 (DOT).

CSHB 81(FIN) am(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making reappropriations; and providing for an effective date."

SCS CSHB 81 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

CSHB 83(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated

comprehensive mental health program; and providing for an effective date.

SCS CSHB 83 (FIN) was REPORTED out of Committee with a "do pass" recommendation.

#hb81

#hb83

CS FOR HOUSE BILL NO. 81(FIN) am(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making reappropriations; and providing for an effective date.

CS FOR HOUSE BILL NO. 83(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

Co-Chair Stedman MOVED to ADOPT Amendment 1. Co-Chair Hoffman OBJECTED.

OPERATING BUDGET AMENDMENT

OFFERED IN: The Senate Finance Committee

TO: SCS CSHB 81(FIN)

OFFERED BY: Senator Hoffman

Part A - Fund Source Change

DEPARTMENT: Commerce, Community and Economic Development

APPROPRIATION: Qualified Trade Association Contracts

ALLOCATION: Qualified Trade Association Contracts

FUND CHANGE: \$381.2 Vehicle Rental Tax (1200)
(\$381.2) General Fund (1004)

Part B - Fund Source Change

DEPARTMENT: Corrections
APPROPRIATION: Inmate Health Care

PART 1

ALLOCATION: Behavioral Health Care

FUND CHANGE: \$1,130.1 General Fund (1004)
(\$1,130.1) PFD Criminal Fund
(1171)

PART 2

ALLOCATION: Physical Health Care

FUNDING CHANGE: (\$1,388.6) General Fund (1004)
\$1,388.6 PFD Criminal Fund (1171)

Part C - Fund Source Change

DEPARTMENT: Fish and Game
APPROPRIATION: Commercial Fisheries
ALLOCATION: Westward Region Fisheries
Management

FUND CHANGE: \$793.7 Federal Receipts (1002)
(\$793.7) Capital Improvement
Project Receipts (1061)

Part D - Fund Source Change

DEPARTMENT: Fish and Game
APPROPRIATION: Wildlife Conservation
ALLOCATION: Wildlife Conservation Special
Projects

FUND CHANGE: \$930.0 Federal Receipts (1002)
(\$930.0) Capital Improvement
Project Receipts (1061)

Part E - Technical Correction (subcommittee intent)

DEPARTMENT: Health and Social Services
APPROPRIATION: Behavioral Health

ALLOCATION: Behavioral Health Grants

Convert an Increment to a One-time Increment

Part F - Technical Correction (subcommittee intent)

DEPARTMENT: Natural Resources

Part 1

APPROPRIATION: Resource Development

ALLOCATION: Oil and Gas Development

ADD: \$566,700

FUNDING SOURCE: General Fund (1004)

Part 2

APPROPRIATION: Resource Development

ALLOCATION: Gas Pipeline Implementation

ADD: \$100,000 General Fund (1004)

ADD: Four Permanent Full-Time
Positions (PFT)

Part 3

APPROPRIATION: Parks and Recreation Management

ALLOCATION: Parks Management

ADD: \$55,600 CIP Receipts (1061)

DELETE: \$55,600 General Fund (1004)

Part G - Technical Correction (subcommittee intent)

DEPARTMENT: Transportation and Public
Facilities

APPROPRIATION: Marine Highway System

ALLOCATION: Marine Vessel Operations

DELETE: Intent Wordage sec.1, page 41,
line 24

It is the intent of the legislature that money allocated for the Marine Transportation Advisory Board not be spent for any other purpose.

Part H - Statewide

DEPARTMENT: Statewide

ADD: \$2,713,700

FUNDING SOURCE: Multiple fund sources per change records submitted electronically to the Legislative Finance Division

ADD: to sec. 24(a) in SCS CSHB81(FIN) and sec. 10(a) in SCS CSHB83(FIN), Salary and Benefit Adjustments:

(--) Public Employees Local 71, for the Labor, Trades, and Crafts Unit

(--) Marine Engineers Beneficial Association

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained Amendment 1. He observed that the amendment makes technical changes to the operating budget. The Legislative Finance Division (LFD) monitors a number of fund codes to prevent overspending. Currently two codes remain under spent.

Mr. Teal explained Part A:

EXPLANATION: Traditionally, appropriation of vehicle rental tax receipts equals the amount of receipts collected in the prior closed fiscal year. This amendment has no impact on funding level or category (tax receipts are classified as GF); its purpose is simply to ensure that all tax receipts are accounted for. This allocation was selected because it contains the largest share of tax receipts.

Mr. Teal explained Part B:

EXPLANATION: Part 1 of this amendment replaces \$1,130.1 of PFD Criminal Funds with general funds in order to eliminate PFD Criminal funds from the

Behavioral Health Care allocation and concentrate the PFD Criminal fund source in the Physical Health Care allocation.

EXPLANATION: Part 2 of this amendment replaces \$1,388.6 of general funds with \$1,388.6 PFD Criminal Funds. Of this amount, \$258.5 is PFD Criminal Funds made available by removing the fund source from the capital budget. The remaining \$1,130.1 reflects a fund change in the Behavioral Health Care Allocation (Part 1) in order to concentrate the fund source in the Physical Health Care allocation.

[9:11:11 AM](#)

Mr. Teal described Part C and Part D:

EXPLANATION: Utilize federal receipts to support the Bering Sea crab research program.

EXPLANATION: Utilize federal receipts to support Pinniped Research (steller sea lions, harbor seals, ice seals) program.

Mr. Teal noted that the subcommittee intended part E as a one time increment. The amendment corrects the mistake.

EXPLANATION: \$210,000 of general fund/mental health funding was added by the Senate Finance Subcommittee to combat Alaska's statewide heroin epidemic. When the transaction was adopted by the Subcommittee, it was intended to be a one time increment, however, it was inadvertently adopted as an increment in the Subcommittee close out. This amendment will not change the amount, funding, or purpose, but will simply add \$210,000 as a one-time increment to remove the waitlist for these services.

EXPLANATION: The Governor's Office transferred \$391.7 to DNR during FY09, as a one-time item in the FY09 budget. The money was properly removed from the FY2010 budget request. DNR then requested an FY2010 transfer of the deleted funding, and that transaction (erroneously) appears in the bill. This amendment negates the transfer of the funds to the new Gas Pipeline Implementation component.

In addition, the subcommittee considered reducing the Governor's \$1,318.1 "workload increase" request by \$175.0. Although the subcommittee did not intend to implement the reduction, it appeared in the subcommittee report. Part 1 of this amendment restores funding and position count to the levels requested by the Governor.

EXPLANATION: The Governor requested a transfer of \$390.0 from the Governor's Office. The subcommittee considered reducing the Governor's request by \$100.0. Although the subcommittee did not intend to implement the reduction, it appeared in the subcommittee report. Part 2 of this amendment restores funding to the level intended by the subcommittee. The additional positions are associated with the transfer described in Part 1 of this amendment.

Mr. Teal explained that the closeout documents did not accurately reflect the subcommittee's action.

EXPLANATION: The subcommittee denied the Governor's request for a position associated with the Chilkoot bear viewing area, but did not deny an associated fund source change. Part 3 corrects the funding source for the position; it reduces GF instead of CIP receipts.

[9:12:52 AM](#)

EXPLANATION: Intent wordage was adopted in the House but not in the Senate Finance Sub Committee. However, the intent wordage was inadvertently included when preparing the close-out for the Senate Finance Sub Committee.

Mr. Teal observed the intent language in Part G was inadvertently included in the bill contrary to the subcommittee's intent. He noted that Part H is a statewide amendment.

EXPLANATION: The Labor, Trades, and Crafts bargaining unit has reached a tentative agreement with the state for fiscal years FY2010 - FY2012. In FY2010 wages will increase 1.5% and the state's contribution for health insurance will increase from \$870.00 to \$913 per employee per month.

The Marine Engineers Beneficial Association reached agreement earlier; funding appears in the CS, but the association was omitted from sec 24.

Mr. Teal observed agreements added to Section 24 of the bill.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 1 was ADOPTED.

[9:14:10 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 2. Co-Chair Hoffman OBJECTED.

OFFERED BY: Senator Hoffman

ADD: New subsections to section 21 (Fund Transfers) to read:

"(v) If the balance of the oil and gas tax credit fund (AS 43.55.028) is insufficient to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 that are presented for purchase, the amount by which the tax credit certificates presented for purchase exceeds the balance of the fund is appropriated from the general fund to the oil and gas tax credit fund (AS 43.55.028)." "(w) The sum of \$450,000,000 is appropriated from the oil and gas tax credit fund (AS 43.55.028) to the general fund." (*Effective date June 30, 2009*)

Mr. Teal explained Amendment 2.

EXPLANATION: The amount required to purchase tax credit certificates is difficult to predict. This amendment will ensure that the fund has a balance sufficient to purchase all certificates presented, while reducing the build-up of reserves.

EXPLANATION: The oil and gas tax credit fund has a balance of more than \$550 million. The value of certificates presented for purchase has averaged about \$50 million annually. This amendment reduces the balance of the fund to about \$100 million, which is expected to be sufficient to purchase all certificates

presented during FY09 and FY2010. If the value of certificates presented in FY2010 exceeds expectations, the addition of subsection v ensures that all certificates can be purchased.

Mr. Teal observed the second part of the amendment, which includes funds sufficient for additional claims during FY09 as well as those presented in FY10.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 2 was ADOPTED.

[9:16:22 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 3. Co-Chair Hoffman OBJECTED.

Co-Chair Stedman reviewed the amendment. He stated that SB 81 appropriates \$11 million more to general funds for the Alaska Marine Highway System (AMHS) than appropriated in the bill's house version. The Senate CS appropriates approximately \$10 million less from the AMHS fund allowing the elimination of the fund's \$5 million capitalization.

Co-Chair Stedman explained that the legislature created a reserve account for AMHS. The Marine Highway was required to approach the Legislative Budget and Audit (LBA) committee for use of funds during times of shortfalls. The amendment reminds AMHS of an available legislative appropriation. To access the money, AMHS must contact LBA.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 3 was ADOPTED.

[9:19:22 AM](#)

Senator Ellis MOVED to ADOPT Amendment 4. Co-Chair Hoffman OBJECTED.

DEPARTMENT: University of Alaska
APPROPRIATION: University of Alaska Anchorage
ALLOCATION: Anchorage Campus

ADD: \$1,025,000 General Funds 1004
(\$1,025,000) University Receipts 1048

Senator Ellis discussed the amendment, which included funding appropriations for the Integrated Science Building in Anchorage.

EXPLANATION: This budget already includes \$500,000 in General Funds, as does the version passed by the House of Representatives for maintenance and operation. Without the addition of general funds, the Anchorage campus will be forced to cannibalize existing programs to keep from mothballing this significant facility, which would double the available lab space for priority health and science workforce development programs.

Senator Ellis stressed the abundance of public testimony for the University's Integrated Science Building.

Co-Chair Hoffman observed that the total dollars allocated to the University of Alaska would remain the same, while the funding sources shift between general funds and program receipts. Some responsibility is transferred from the general fund to University receipts.

Senator Ellis noted that a thorough understanding of the University's budget process would be advantageous to the Senate Finance Committee. Co-Chair Hoffman echoed the comments of Senator Ellis and added that the appropriations to the University remain the same. The funds are the same whether they are identified as general fund dollars or University receipts. The legislature did not reduce the University's program receipt authority through the budgetary process.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 4 was ADOPTED.

[9:23:22 AM](#)

Senator Thomas MOVED to ADOPT Amendment 5. Co-Chair Hoffman OBJECTED.

DEPARTMENT:	University of Alaska
APPROPRIATION:	Budget Reductions/Additions
ALLOCATION:	System Reductions/Additions
FUND CHANGE:	\$1,193,800 General Funds (1004)

(\$1,193,800) University Receipts (1048)

Senator Thomas explained Amendment 5, which is a fund change from general funds to University receipts.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 5 was ADOPTED.

[9:24:18 AM](#)

Senator Thomas MOVED to ADOPT Amendment 6. Co-Chair Hoffman OBJECTED.

Senator Thomas reviewed Amendment 6.

Explanation:

This amendment restores funding for the Department of Fish and Game's public shooting ranges to the level in the adjusted base in the governor's requested \$614.1 thousand. The shooting ranges are in Fairbanks, Anchorage, and Juneau. The shooting ranges receive no general funds and operate with money in the fish and game fund from shooting range user fees and sales of hunting licenses and tags. The Fish and Game fund is a dedicated fund and cannot be used for general government activities.

Senator Huggins expressed support for the amendment. He observed that MatSu residents do not have a shooting range although they contribute fees when purchasing hunting licenses.

Co-Chair Stedman echoed the remarks of Senator Huggins and observed that his district does not have a shooting range. He suggested that the issue of shooting range equity is a broader statewide issue.

Co-Chair Hoffman observed support for the issue during the public hearing process. He WITHDREW his OBJECTION.

There being NO OBJECTION, it was so ordered. Amendment 6 was ADOPTED.

[9:28:33 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 7. Co-Chair Hoffman OBJECTED.

OFFERED BY: Senator Hoffman

DEPARTMENT: Department of Education and Early Development
APPROPRIATION: Teaching and Learning Support
ALLOCATION: Early Learning Coordination

ADD: \$200,000 General Fund (1004)

Co-Chair Hoffman explained that Amendment 7 received the greatest support during the public hearing process.

EXPLANATION: This increment funds Best Beginnings early childhood education efforts by adding \$200,000 to support early literacy and the Imagination Library in providing matching grants to local communities to purchase children's books.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 7 was ADOPTED.

[9:30:18 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 8. Co-Chair Hoffman OBJECTED.

OFFERED BY: Senator Hoffman

DEPARTMENT: Health and Social Services
APPROPRIATION: Office of Children's Services
ALLOCATION: Office of Children's Management

ADD: \$30,000 General Fund (1004)

Co-Chair Hoffman observed the widespread support for foster care PSA funds.

EXPLANATION: Produce a television and radio Public Service Announcement (PSA), highlighting the need for Alaska foster homes in the state, and urging Alaskans to learn more about becoming a foster parent. The

PSAs would air on television and radio via the Alaska Broadcaster's Association's Non-commercial Sustaining Announcement Program (NCSA). Through this "Community Voice" program the PSAs would be placed on 21 television stations and 60 radio stations across the state for approximately a month and a half at two different times during the year. The PSA would also be placed on APRN for four weeks (two weeks at two times during the year) because of its reach into rural Alaska. The \$30,000 includes visual scripting, direction, talent coordination, on location shoot, pre/post production work and dub to stations. The ads would reach approximately 80,000 Alaskans, and the response rate is expected to be about 3%--that is 2,400 people who will seek out more information about becoming foster parents. The Department shall in its discretion, utilize these funds at radio and television outlets that produce the most effective outreach.

Co-Chair Hoffman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 8 was ADOPTED.

[9:31:16 AM](#)

Co-Chair Hoffman observed that Amendment 9 would be Held.

Co-Chair Stedman MOVED that Senate CS for CSHB 81 (FIN) as amended be reported out of Committee with individual recommendations and that authorization be given to the Legislative Finance Division and the Legislative Legal Services to make any necessary technical and/or conforming amendments.

Senator Huggins complemented the cooperation between the two bodies.

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, expressed gratitude for the committee's work and acknowledged minor issues requiring resolution.

A roll call vote was taken on the motion.

IN FAVOR: Huggins, Thomas, Ellis, Hoffman, Stedman
OPPOSED:

Senator Olson was absent from the vote.

The MOTION PASSED (5-0).

There being NO OBJECTION, it was so ordered.

Co-Chair Stedman MOVED that Senate CS for CSHB 83 (FIN) as amended be reported out of Committee with individual recommendations and that authorization be given to the Legislative Finance Division and the Legislative Legal Services to make any necessary technical and/or conforming amendments.

A roll call vote was taken on the motion.

IN FAVOR: Huggins, Thomas, Ellis, Hoffman, Stedman
OPPOSED:

Senator Olson was absent from the vote.

The MOTION PASSED (5-0).

There being NO OBJECTION, it was so ordered.

9:38:32 AM RECESSED
1:36:59 PM RECONVENED

#sb1
SENATE BILL NO. 1

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

SENATOR BILL WIELECHOWSKI discussed the legislation.

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 twelve other states. In addition, in July 2009, the federal minimum wage will increase to \$7.25, surpassing Alaska's rate of \$7.15.

CS for SB 1 (L&C) will increase Alaska's minimum wage from \$7.15/hour to one dollar above the federal minimum

wage. If Alaska's minimum wage, last raised in 2003, were to have kept pace with the rate of inflation, it would be roughly \$8.78/hour in 2010. This bill would raise our minimum wage in 2010 to \$8.25/hour.

An estimated 22,254 Alaskans (7.4% of the workforce) earn less than \$8.75/hour and would benefit from this legislation. Workers that earn the current Alaska minimum wage make roughly \$14,872/year, which is little more than the federal poverty level for Alaska (\$13,530). Twenty-five percent of those who earn just under \$8/hour are parents. Many are the sole wage earners in their household.

Economic studies show that higher wages lead to greater productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale. Studies have not documented negative employment impacts (e.g., job loss) due to increases in the minimum wage.

As welfare reform forces more poor families to rely on their earnings from low-paying jobs, a minimum wage increase will help alleviate poverty and improve the standard of living for many Alaskans families. Please join us in supporting this critical legislation.

Co-Chair Stedman asked for the current minimum wage in Washington and Oregon. MICHELLE SYDEMAN, STAFF, BILL WIELECHOWSKI answered that minimum wages are \$8.55 per hour in Washington and \$8.40 per hour in Oregon.

Co-Chair Stedman asked about potential studies with a focus on increasing minimum wage in a weakening economy. Ms. Sydeman answered that she was not aware of an economic study with a focus on minimum wage.

[1:45:00 PM](#)

Co-Chair Stedman asked about the impact of minimum wage on the serving industry. He supposed that a minimum wage increase might also have an effect on the fishing industry.

Ms. Sydeman cited information from the Department of Labor stating that the number of people employed for minimum wage in the fishing industry is relatively low.

Co-Chair Hoffman asked about minimum wage exemption for employers providing food and housing. Ms. Sydeman answered that she was not familiar with housing allowances of other states.

Senator Ellis reviewed the criticism that young workers might lose their jobs if the minimum wage is increased.

[1:47:26 PM](#)

Ms. Sydeman cited a study by Dr. Paul Wolfson addressing the effect that low wage has on employment for young people.

Senator Huggins relayed a conversation with a fisherman regarding the low demand for fish products. He expressed the concern that boosting employee's salaries would increase the cost of fish, making it a more difficult product to sell.

Senator Wielechowski responded that Alaska has high fuel, transportation, and cost of living. He noted that each state has a separate policy call regarding minimum wage.

Senator Huggins noted that unemployment levels are high and most industries are asking their workforce to decrease salaries. He opined that raising wages during times of high unemployment does not work.

[1:51:46 PM](#)

Mr. Wielechowski cited a study showing zero economic impact resulting from increasing the minimum wage. In the current economic condition, raising the minimum wage has not been studied. He stated that many other states set the value higher than Alaska. He opined that Alaska remains relatively unscathed by the recession and the legislation allows Alaska to keep wages on par with other states.

Senator Huggins noted the stock market crash of 1929, when employment was scarce.

[1:54:32 PM](#)

Mr. Wielechowski commented that even during good economic times, small businesses do not support minimum wage increases. Senator Huggins argued that the legislature must work within the current economic setting.

Mr. Wielechowski pointed out that SB 1, scheduled for July 1 2009, was held until January 1 2010. He informed that

many economists predict the recession is in a "bottoming out" phase and an uptick will occur by the second half of this year.

Senator Huggins voiced that he supported an adjustment to the minimum wage, particularly a deferred minimum wage, but the concept may require reinvestigation after the economy recovers.

Senator Thomas judged that there is never an ideal time for a raise in small businesses.

[1:57:11 PM](#)

Senator Ellis spoke about the petitions received in his district. He asked for information affecting the debate in other regions of the state. He mentioned sacrifices were needed to make the changes.

Mr. Wielechowski stated that he was not in charge of the petitions. He stated that there is a large silent majority wishing for an increased minimum wage. He stressed that the people currently surviving on minimum wage need relief. He suggested that 80 percent of those polled want this bill to pass.

[2:00:09 PM](#)

Co-Chair Hoffman mentioned the chart "Estimated Alaska 2007 Employment by Industry and Below Certain Wages," (Copy on File). He asked for a similar chart identifying regions of the state. Ms. Sydeman answered that the Department of Labor could probably provide a similar chart organized by region.

Senator Huggins clarified that stimulus bill projects require Davis-Bacon wages. Senator Wielechowski agreed that federal money does usually require Davis-Bacon wages. Senator Huggins did not know what Davis-Bacon wages were. Senator Wielechowski informed that the Davis-Bacon wages are determined by the class of worker.

[2:02:13 PM](#)

Co-Chair Stedman asked about distribution of income by region and industry.

BRIAN RAE, ECONOMIST, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPEMENT (DOL), answered that state wages are estimated by industry and occupations, but there is not adequate regional data.

Co-Chair Stedman asked how many people in Alaska work for minimum wage. Mr. Rae answered that estimation is difficult. The sample is provided for certain wage levels conducted by surveys asking Alaskans about their earnings. The wage estimates for 2007 were provided on "Estimated Alaska 2007 Employment by Industry and Below Certain Wages,"(Copy on File). He stated that there were 8,790 people making less than \$7.75 per hour, equaling 2.9 percent of all state employees.

[2:06:07 PM](#)

Co-Chair Stedman asked for a definition of Davis-Bacon and its potential relationship with minimum wage. Mr. Rae answered that firms are analyzed via survey to determine wages paid to employees, but there is no differentiation about Davis-Bacon wages. Co-Chair Stedman asked for the definition of Davis-Bacon.

GREY MITCHELL, DIRECTOR, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DOL), stated that the Davis-Bacon law requires a prevailing wage rate be paid for particular classifications on public construction projects that are over \$2000 in value. The question about whether it would be necessary for stimulus projects depends upon the project.

[2:08:09 PM](#)

Co-Chair Stedman requested wage earnings for Prince of Wales Island. He asked if the administration had a position on SB 1. Mr. Mitchell answered that the administration's position was neutral.

Senator Thomas asked how often wage surveys are conducted. Mr. Rae answered that data is collected every six months and aggregated over the course of three years.

Senator Thomas asked if the survey could be performed to include various industries. He asked about a potential breakdown of the study by judicial district for regional diagnosis.

Mr. Rae answered that the United States Bureau of Labor and Statistics is involved in the study imposing confidentiality restraints limiting allowable information. Information identifiable to a single employer cannot be legally identified.

[2:11:26 PM](#)

Co-Chair Stedman asked the department to alert the 13,000 Alaska residents about the position of the administration. Mr. Rae stated that, as an economist, he is simply informing about economic estimates. He alleged that the department has not taken a position on the bill.

Co-Chair Stedman asked where the minimum wage earning citizens are working.

Mr. Rae answered that estimates for 2007 were provided on "Estimated Alaska 2007 Employment by Industry and Below Certain Wages," (Copy on File). Most seafood processing employment is in the manufacturing industry. The largest category is for accommodations and food service.

Senator Huggins asked for examples in the "manufacturing category."

[2:14:59 PM](#)

Mr. Rae responded that predominant manufacturers were seafood processing, logging operations, and small manufacturers creating handcrafted goods to sell for the tourist trade. Senator Huggins assumed wood products and logging operations are currently factored out. Mr. Rae concurred.

Senator Huggins asked about the fish processing industry, which tends to employ seasonally. Mr. Rae clarified that the seasonal industry addressed employment in periods of months.

Senator Huggins hoped that the legislature could broaden the manufacturing time for the fish processing industry.

[2:16:44 PM](#)

JOE PLESHA, CHIEF LEGAL OFFICER, TRIDENT SEAFOODS, explained that Trident Seafoods was a seafood processing,

marketing, and harvesting company with shore based facilities throughout Alaska. Most employees of Trident Seafoods are paid greater than minimum wage. Every six months, the wage is increased by \$.15. Alaska is recruited with many local residents hired. A large percentage of the workforce consists of local residents. Trident Seafood operates in remote locations across the state making the job of finding local labor sources. He cited a potential example about an increase in minimum wage and the impact on the fishing industry. In the case of Trident Seafood, a \$.50 increase in the minimum wage will increase labor costs by \$4 million and a dollar increase will increase labor costs by \$8 million.

[2:20:00 PM](#)

Mr. Plesha informed that the increase in labor costs would greatly influence the cost of fish.

Co-Chair Stedman asked for advice regarding the ideal timeframe for implementing a change in the minimum wage.

Mr. Plesha stated that Trident Seafoods is prepared for an increase in the minimum wage. They would prefer an increase after January 1, 2010, allowing the industry time to prepare.

Senator Huggins noted a concern voiced to him by a fisherman about an increase in the price of fish without an increase in the minimum wage. He requested clarification.

Mr. Plesha stated that Trident Seafoods sells their product with cost involved for production. The money paid to the fishermen is available following costs. As production costs increase, the available revenue for fishermen decreases.

[2:23:41 PM](#)

Co-Chair Stedman asked for a brief explanation of the employment cycle. Mr. Plesha answered that the largest operation is in full production from January through April. He stated that Trident Seafoods employs approximately 900 people during peak production seasons.

NEIL MACKINNON, OWNER AND OPERATOR. ALASKA LAUNDRY, JUNEAU, REPRESENTATIVE FOR THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB) testified in opposition to SB 1. He

explained that he supervises five employees who are prisoners at Lemon Creek Correctional Center as a contractual labor arrangement with correctional industries. He does not employ others at minimum wage. An increase in the minimum wage could complicate his contract with the Lemon Creek Correctional Center.

[2:29:10 PM](#)

Senator Huggins asked about the rates for workman's compensation. Mr. Mackinnon answered that his rates are \$.07 per dollar, which factor into his costs along with social security payroll taxes and Medicare.

[2:30:34 PM](#)

JOHN FAULKNER, OWNER, LANDS END RESORT, HOMER (testified via teleconference), in opposition to SB 1. He stated that an increase in the cost of business with the current state of the economy is wrong. He opined that a minor adjustment to the minimum wage might be appropriate. Tips received by servers should be treated as wages and are not included in the data presented to the committee. He stated that half of the tips are included for workman's compensation. He supported postponing a small increase in the minimum wage until the beginning of next year. He was opposed to tying the state minimum wage to the federal minimum wage. He spoke in favor of a tip credit.

CHRYSTAL SCHOENROCK, NIKISKI, MEMBER NFIB (testified via teleconference) in opposition to SB 1. She commented that the country was in a recession making this a poor time for an increase in the minimum wage. She advocated for waiting until January 2010.

PAT LUBY, ADVOCACY DIRECTOR, ALASKA ASSOCIATION OF RETIRED PERSONS (AARP), ANCHORAGE (testified via teleconference) in support of SB 1. He spoke in support of older Alaskan citizens forced to return to work for minimum wage due to the downturn in the economy.

[2:36:59 PM](#)

CHRIS WILSON, SUBWAY OF ALASKA, ANCHORAGE (testified via teleconference) in opposition to SB 1. He spoke of the recession and the impact on small businesses. He stated that he did support a smaller increase in the minimum wage.

Co-Chair Stedman asked about the wage increase requested by Mr. Wilson. Mr. Wilson answered that he was in support of a \$.50 increase.

PETE BOEHLLEN , UFCW LOCAL 1496, EAGLE RIVER (testified via teleconference) in support of SB 1. He represented union members that earn little more than minimum wage who are struggling financially. He expressed the desire to help people earning minimum wage to earn a living wage.

JAY SUTHERLAND, WENDY'S ALASKA, ANCHORAGE (testified via teleconference) in opposition to SB 1. He opined that the market would guide wages adequately. He spoke in favor of a tip credit.

[2:41:49 PM](#)

ROBERT MCCORMICK, GLACIER BREWHOUSE, CHUGIAK (testified via teleconference) in opposition to SB 1. He supported a provision for a tip credit.

JACK AMOM, PARTNER, MARX BROTHERS CAFÉ, ANCHORAGE (testified via teleconference), spoke in opposition to SB 1. He spoke to the basic unfairness of the legislation toward the restaurant industry.

[2:48:02 PM](#)

DAVE LAMBERT, OWNER, EMERALD ISLE, FAIRBANKS (testified via teleconference) in opposition to SB 1. He stated that the legislation would close his business and negatively affect non-profit organizations. He stated that raising the minimum wage as suggested in SB 1 would increase his payroll by \$40 thousand a year or \$48 thousand with taxes and workman's compensation included. He suggested that he would have to lay twenty people off and he, as the business owner would earn less than minimum wage.

[2:51:11 PM](#)

STEVE JOSWIAK, UNITED FOOD COMMERCIAL WORKERS (UFCW) 1496, FAIRBANKS (testified via teleconference) in support of SB 1. He reminded that the same arguments against an increase in the minimum wage were present in 2002 when the issue was last addressed. He suggested that it is morally wrong to refrain from addressing the stagnant wages of minimum wage earners.

BILL BUBBEL, OWNER, THE PUMP HOUSE RESTAURANT, FAIRBANKS (testified via teleconference) in opposition to SB 1. He stated that his business earnings are down 15 percent. He noted that he pays seven percent for taxes on tips. He felt that this bill would have a significant negative impact on Alaskans. He advocated for a tip credit to offset the extra cost due to the wage increase.

[2:54:51 PM](#)

ZEBULON WOODMAN, LABORERS 942, FAIRBANKS (testified via teleconference) in support of SB 1. He expressed disappointment about the removal of the annual adjustment. He stated that minimum wage has not increased since 2002, while the cost of living has increased substantially. Wage increases will trickle down to other sectors of the economy.

[2:57:13 PM](#)

GLENN BRADY, SILVER GULCH, FAIRBANKS (testified via teleconference) in opposition to SB 1. He felt that the bill would not help the people who really need it. He encouraged a delay allowing the consideration of a beneficial tip credit.

[2:58:30 PM](#)

FRED ROSENBERG, RED ROBIN, ANCHORAGE (testified via teleconference) in opposition to SB 1. He stressed that minimum wage earning employees in his restaurant earn their money largely from tips as opposed to hourly wage. He felt that only the highest paid restaurant workers would benefit from the bill. He felt that adding a tip credit provision to the bill would be beneficial.

[3:01:39 PM](#)

VINCE BELTRAMI, PRESIDENT, ALASKA, AMERICAN FEDERATION OF LABOR and CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFLCIO) (testified via teleconference) in support of SB 1. He spoke about the punitive impact of tip credits.

[3:05:52 PM](#)

TONY ROSS, CFO, OCEAN SEAFOODS (testified via teleconference) in opposition to SB 1. He informed that the

price of fish is dropping rapidly. Many countries cannot afford seafood. An increase in minimum wage in the current economic environment could prove detrimental to business.

[3:08:55 PM](#)

Co-Chair Stedman closed public testimony.

Senator Ellis stated that he was in support of SB 1. He suggested that "living wage" was a more accurate term than minimum wage. He asked the cost of housing in the Anchorage rental market.

Senator Wielechowski stated that the most conservative estimates were used. He estimated that it was extremely difficult to live in Anchorage for less than \$14,738 per year. The current minimum wage earner yields \$13,141 a year, which is not adequate for basic life necessities.

Senator Ellis stated that there were many folks representing high-end restaurants. He hoped for some distinction between high and low end restaurants and the tips that servers earn.

[3:12:03 PM](#)

Senator Wielechowski stated that he respects restaurant employees and the hard work they do. He opined that when tip earners are compensated they should keep all of the money. He philosophically disagreed with tip credits.

Senator Thomas noted that without the tip credit argument, the refusal of a minimum wage increase due to economic timing resumes. He asked for a response to those employers who are not faced with the tip credit dilemma.

Senator Wielechowski stated that Trident Seafood operates in Washington State where the minimum wage is much higher than Alaska. More money is needed in the economy. Consumer spending must be increased allowing money to circulate in the economy.

SB 1 was HEARD and HELD in Committee for further consideration.

#sb24

SENATE BILL NO. 24

"An Act naming the bridge over Hammer Slough on Nordic Drive in Petersburg the Louis Miller Bridge."

WESTON EILER, STAFF, SENATOR BERT STEDMAN, discussed SB 24. He explained the act to name the bridge over Hammer Slough on Nordic Drive in Petersburg the Louis Miller Bridge, commemorating Mr. Louis Miller. Mr. Miller came to Petersburg shortly after the turn of the century and worked to construct some of the first homes along Hammer Slough. In the request of the city of Petersburg, this bill would rename the bridge in Mr. Miller's honor.

Co-Chair Hoffman MOVED to report SB 24 out of Committee with individual recommendations and the accompanying fiscal note There being NO OBJECTION, it was so ordered.

SB 24 was REPORTED OUT of Committee with a "do pass" recommendation and a previously published fiscal impact note: FN1 (DOT).

#sb25

SENATE BILL NO. 25

"An Act naming the South Mitkof Island ferry terminal the Richard 'Dewey' Duvall Ferry Terminal."

[3:18:36 PM](#)

Mr. Eiler spoke to the legislation. He stated that SB 25 would name the South Mikkof Island ferry terminal the Richard Dewey Duvall Ferry Terminal. Mr. Duvall was a long time resident of Petersburg and a proponent of marine transportation in Southeast Alaska. Mr. Duvall was instrumental in the formation and development of the inner island ferry authority, which used the South Mitkof ferry terminal. SB 25 would name the ferry terminal in Mr. Duvall's honor.

Co-Chair Hoffman MOVED to report SB 25 out of Committee with individual recommendations and the accompanying fiscal note There being NO OBJECTION, it was so ordered.

SB 25 was REPORTED OUT of Committee with a "do pass" recommendation and a previously published fiscal impact note: FN1 (DOT).

#

ADJOURNMENT

The meeting was adjourned at 3:19 PM.