

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

February 6, 2013

3:20 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Lora Reinbold, Vice Chair  
Representative Bob Herron  
Representative Charisse Millett  
Representative Dan Saddler  
Representative Andy Josephson

**MEMBERS ABSENT**

Representative Mike Chenault

**COMMITTEE CALENDAR**

HOUSE BILL NO. 62

"An Act relating to the term of office of directors of telephone or electric cooperatives."

- HEARD & HELD

OVERVIEW: DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

- HEARD [Rescheduled from January 30, 2013]

**PREVIOUS COMMITTEE ACTION**

BILL: HB 62

SHORT TITLE: ELECTRIC/TELEPHONE COOPS: BOARD TERMS

SPONSOR(s): REPRESENTATIVE(s) LYNN BY REQUEST

01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	L&C
01/16/13	(H)	L&C RPT RECD W/CS AWAIT TRANSMITTAL NXT
02/06/13	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

FORREST WOLFE, Staff  
Representative Bob Lynn  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Representative Bob Lynn, prime sponsor of HB 62.

PHIL STEYER, Director  
Government Relations and Corporate Communications  
Chugach Electric Association, Inc. (CEA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 62.

DIANNE BLUMER, Commissioner  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Testified as appointed commissioner, although not yet confirmed, during the overview of the Department of Labor & Workforce Development (DLWD).

BRYNN KEITH, Acting Deputy Commissioner  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the overview for the Department of Labor & Workforce Development (DLWD).

GREY MITCHELL, Director  
Division of Labor Standards & Safety  
Central Office  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the overview of the Department of Labor & Workforce Development (DLWD).

MICHAEL MONAGLE, Director  
Division of Workers' Compensation (DWC)  
Central Office  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the overview of the Department of Labor & Workforce Development (DLWD).

PAUL DICK, Director  
Employment Security Division  
Department of Labor & Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the overview of the Department of Labor & Workforce Development (DLWD).

**ACTION NARRATIVE**

[3:20:31 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Josephson, Herron, Millett, Reinbold, and Olson were present at the call to order. Representative Saddler arrived as the meeting was in progress.

**HB 62-ELECTRIC/TELEPHONE COOPS: BOARD TERMS**

[3:20:54 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 62, "An Act relating to the term of office of directors of telephone or electric cooperatives."

[3:21:11 PM](#)

FORREST WOLFE, Staff, Representative Bob Lynn, Alaska State Legislature, on behalf of Representative Bob Lynn, stated that HB 62 would extend the length of term for board of directors of certain electric and telephone cooperatives. The current length of time for terms is up to three years and the bill would change it to a four-year term, he said.

[3:21:54 PM](#)

PHIL STEYER, Director, Government Relations and Corporate Communications, Chugach Electric Association, Inc. (CEA), stated that CEA sought this change to provide additional stability and also to allow board members to use their expertise and technical ability to assist the technical organizations. He said the CEA's board has also reached out to other cooperatives to ensure support for this change. He related the bill is permissive in nature and makes a provision to allow for changes in the length of the board term, but in order for an organization, such as CEA, to make any change the organization would also need to change its bylaws. Thus the process is a two-step process that would require convincing the CEA's membership of the necessity for a bylaw change. This bill would seek step one, the statutory change, he said.

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CHAIR OLSON related the companion bill to HB 62 will be before the committee on Monday.

REPRESENTATIVE HERRON asked if there is any known opposition on HB 62.

MR. STEYER answered no.

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REPRESENTATIVE SADDLER asked whether any specific boards of utility or telephone cooperatives are waiting to make changes.

MR. STEYER said the only board specifically interested in pursuing the changes is the CEA. The bill was discussed at the last Alaska Power Association (APA) meeting, which is the statewide trade association for electric cooperative meeting staggered terms would allow for some flexibility for elections. Additionally, a fair amount of discussion was held at the last CEA manager's meeting about the bill since staggered terms would allow some flexibility in how elections are held. He characterized the discussion as philosophical in nature rather than intent.

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CHAIR OLSON reiterated that the companion bill would be heard on Monday.

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The committee took an at-ease from 3:25 p.m. to 3:27 p.m.

**Overview, Department of Labor & Workforce Development**

[3:27:12 PM](#)

CHAIR OLSON announced that the final order of business would be an Overview, Department of Labor & Workforce Development.

[3:27:15 PM](#)

DIANNE BLUMER, Commissioner, Department of Labor & Workforce Development (DLWD), introduced some of her staff present at the hearing, including Greg Cashen, Assistant Commissioner; Paloma Harbour, Acting Director, Administrative Services; Cheryl Walsh, Director, of Vocational Rehabilitation; Jeff Selvey, Executive director, Alaska Workforce Investment Board; [Corine Geldhof, Director, Division of Business Partnership]; and Fred Esposito,

Director, Division of Alaska's Vocational Institute of Technology (AVTEC) (via teleconference).

[3:28:42 PM](#)

COMMISSIONER BLUMER outlined the DLWD's mission and core services to provide safe and legal working conditions and to advance the opportunities of employment [slide 2]. She said the department is comprised of primarily three components: the workforce development component, the protect workers component, and the income replacement component.

[3:29:09 PM](#)

COMMISSIONER BLUMER referred to the DLWD's organization chart [slide 3]. She explained the department's organization chart is split out by core services, which she identified: oversight, including the commissioner's office and administrative services; the workforce development, including business partnership; employment security including workforce development. Additionally, she said the workforce development operates the labor exchange, including employment and training services, such as Career Ready, Youth First, Foster Youth, Mature Alaskans, and Rapid Response services. She reported this group also administers the individual training accounts and all basic education.

[3:30:53 PM](#)

COMMISSIONER BLUMER related the Alaska Workforce Investment Board (AWIB) provides policy oversight of state and federally funded job training, the vocational education program, the career and technical education grant, the oil and gas training plan, the Alaska cast and crew advancement program, and the energy section partnership. She stated the AWIB is made up of business and industry leaders, union officials, and public officials. She highlighted the Alaska Vocational Technical Center (AVTEC) operates the adult vocational training center in Seward, and an allied health campus in Anchorage offering long-term training and fifteen fields and a wide variety of short-term training, as well. She reported the Division of Vocational Rehabilitation has two components. She characterized the workforce development element as providing assistance to people with disabilities to obtain and maintain employment. In 2012, 637 individuals exited the program successfully and were employed for 90 days or longer, which is up from the 2011 figure of 569, she reported.

COMMISSIONER BLUMER stated the lighter blue sections on the slide represent the worker components, consisting of the Labor Standards and Safety Division (LSSD) and Alaska Labor Relations Agency (ALRA). She related that the LSSD provides enforcement training and monitoring of laws governing occupational safety and health, wage and hour, child labor, and safety of certain mechanical devices and hazardous substances. She also related that the ALRA agency administers the Public Employment Relations Act and the labor provisions of the Alaska Railroad Corporation (ARRC) pertaining to collective bargaining. This agency also oversees the employment act, including public bargaining for public employers: the state, municipalities, boroughs, universities, school districts, and their employees, she said. She highlighted the green colored areas on the slide pertain to income replacement for those unable to work and this function includes the Employment Security division, which assesses and collects unemployment insurance, and disburses unemployment benefits. She pointed out the Workers' Compensation Division administers the Alaska Workers' Compensation Act, the Fishermen's Fund, and the Second Injury Fund. She described the workers' compensation function as aiding Alaskans with employment related injuries and illnesses. Finally, the disability determination is one other component of the DVR, which she said she will not discuss today.

[3:33:45 PM](#)

COMMISSIONER BLUMER then turned the committee's attention to the DLWD's statewide services [slide 4]. She pointed out the map illustrates the 21 job centers - or one stops - three of which are located in Anchorage. She also pointed out the blue dots represent the nine vocational rehabilitation centers and the AVTEC, while the green dots represent the other programs, including oversight and protect workers' functions.

COMMISSIONER BLUMER, returning to the presentation, highlighted the state and private partnerships necessary to accomplish the large volume of services the DOLWD performs [slide 5]. She stated the department has partnerships with several state agencies, boards and commissions, and with the private sector to aid it in its mission. She offered to provide additional information if the committee would like more detailed information.

[3:35:16 PM](#)

BRYNN KEITH, Acting Deputy Commissioner, Department of Labor & Workforce Development (DLWD), offered to provide information on resources required to deliver the services Commissioner Blumer mentioned.

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MS. KEITH reported the FY 2014 budget request is for \$194,404.9 million, of which \$98,778.8 million is derived from federal funding, \$69,059.4 in general fund funding, and \$26,566.7 in other funding, primarily as receipts from other agencies - some of which are federal in origin [slide 6]. She referred to the pie chart and reiterated the commissioner's comment that the workforce development function is the department's largest focus area, noting 66 percent of the department's budget - over \$127 million - is for workforce development functions. She highlighted that \$53,248.1 million is designated for income replacement programs, such as unemployment insurance, workers' compensation, and disability determination functions. The Protect Workers program at \$13,681.3 million represents about seven percent of the DLWD's budget, she said.

[3:36:46 PM](#)

MS. KEITH reiterated the commissioner's focus on workforce development [slide 7]. She highlighted that numerous ways exist to address the department's workforce development, but the one most readily comes to mind is the employment services the department offers through its job service offices. She listed the types of services job service provides, including counseling, adult basic education, and the labor exchange which connects workers and potential employees. The department also administers adult basic education for Alaskans. Regrettably, the department often hears that many Alaskans are not prepared with the soft skills or foundational skills necessary to meeting employers' needs; however, the adult basic education helps bridge that gap.

MS. KEITH said the department must work effectively with employers to accomplish its mission, so developing and maintaining business partnerships provides an important key to these services. She reiterated the commissioner's comments about the Alaska Workforce Investment Board (AWIB) by emphasizing the AWIB as a policy board provides oversight for vocational and job training in Alaska. Much of what the DLWD does helps provide career and technical educational training to Alaskans, which it accomplishes via the Alaska Vocational

Technical Center (AVTEC) in Seward, through grant funding for regional training centers, and through private entities for training. Additionally, the department's DVR also helps move individuals back to employment. In response to Representative Saddler, she said she was unsure of the per student adult education cost, although she thought it was a small amount. She suggested that Director Paul Dick should be able to address this during his presentation today.

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MS. KEITH turned to Alaska's dynamic economy as a backdrop for the department's mission [slide 8]. She informed members that approximately 80,000 people move in and out of the state of Alaska. Although the average employment is 330,000, Alaska hires over 200,000 new workers, which she characterized as part of the churning in the labor market. She highlighted that Alaska's job count is about 45,000 higher in July than in January due to the seasonal economy in Alaska. In fact, Alaska has the most seasonal economy in the U.S., she reported. That means the skill sets needed changes daily and also makes the department's job complex. In response to Representative Reinbold, she agreed that Alaska has approximately 330,000 jobs, which would be different from workers - an important distinction - but the 200,000 figure represents the number of individuals moving through the labor market. She explained the number of jobs is a static point in time and represents the count of the number of jobs that exist at a certain point. In further response, she agreed the highest number of workers occurs in the summer due to fishing, construction, and tourism activities.

[3:41:44 PM](#)

REPRESENTATIVE REINBOLD asked how many jobs in Alaska are military jobs.

MS. KEITH answered the department's figures do not cover the uniformed military, but the department does track civilian military and military spouses. She offered to provide these figures to the committee.

[3:42:26 PM](#)

MS. KEITH turned to Alaska's skills mismatch, which helps describe what happens in Alaska's work force [slide 9]. During 2011, Alaska's labor surplus was 7.6 percent annual unemployment or 28,000 unemployed Alaskans. She explained this figure was

derived from the unemployment figures and is due, in part, to Alaska's seasonal economy. Additionally, the department also assesses the labor shortage, which is based on the number of nonresidents employed in Alaska. In fact, in 2011 over 20 percent of Alaska's workers, or 83,488 individuals, were nonresidents. She acknowledged that some nonresidents work as seasonal workers; however, some also work year round in Alaska.

[3:43:46 PM](#)

REPRESENTATIVE REINBOLD asked for an explanation of the 20 percent labor shortage figures. She asked whether Alaska is not training individuals to take the jobs or if the Lower 48 workers are more highly trained.

MS. KEITH responded that much of the nonresident hire is related to seafood processing, as well as tourism-related jobs, but nonresidents also hold some year round high-wage jobs. She said the department has determined the nonresident high wage job hire is partially due to the skill set disadvantages. She concluded this illustrates a need for training and the state needs to assess if it should provide more training.

[3:44:51 PM](#)

CHAIR OLSON asked whether Alaska is losing a portion of its skilled labor [to oil industry related jobs] in North Dakota since numerous Alaska-based companies are working in North Dakota.

MS. KEITH agreed some skilled craft have moved to the Lower 48 to take jobs. She said the department doesn't have a good way to track that information, although it would like to do so.

CHAIR OLSON said he was unsure of how that could be tracked, except anecdotally.

[3:45:30 PM](#)

MS. KEITH, returning to the presentation, turned to Alaska's dynamic labor market [slide 10]. She highlighted that a prepared workforce requires career awareness, effective, training opportunities, and employer-worker connections [slide 10].

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MS. KEITH next turned to the final slide on workforce development related to the training system at a glance [slide 11]. She explained that activities are listed in the lower-left on the slide. She characterized the DLWD's partners in its training system as being broad and very deep. She said, "In general, the outcome data show that although there is work to be done, we're doing a pretty decent job of actually getting employees connected with employers."

[3:46:49 PM](#)

MS. KEITH turned to Alaska's safety concerns and asked to shift to another core service provided by the DLWD, which is the Protect Workers function [slide 12]. The two charts listing fatalities demonstrates the reason the department is interested in worker safety. In fact, in 2011, Alaska had 38 fatalities, she reported. She directed attention to the first chart, which shows the percentage of total fatalities in Alaska by type of industry, while the second chart shows the type of injuries per 100 workers. She said Alaska is different from other states due to its economy. The industries that define Alaska's economy: fishing, mining, construction, air transportation, construction, are high-hazard industries and occupations are high-risk occupations. Still, Alaska has seen reductions in its fatalities and the department continues to chip away at the figures, she stated. While the figures are much larger than desired, fatalities often involve multiple people, such as for an airplane crash or when a fishing vessel capsizes. In conclusion, she said the bar is moving in the right direction, in part, due to the department's efforts to work with and educate employers and workers to ensure safe workplaces.

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REPRESENTATIVE REINBOLD expressed alarm over the high percentage - 7.7 percent - of workplace injuries and illnesses that occurs in manufacturing. She asked for clarification on the types of manufacturing occurs in Alaska.

MS. KEITH answered that manufacturing in Alaska is almost exclusively seafood related and typically would consist of cuts and abrasions. In further response, she remarked that seafood manufacturing is not an obvious type of manufacturing.

CHAIR OLSON remarked that the seafood industry leads fatalities especially in commercial fishing.

MS. KEITH agreed. She clarified that fish harvesting fatalities are tracked by the Department of Natural Resources (DNR) whereas fish processor fatalities falls under the DLWD.

[3:50:39 PM](#)

GREY MITCHELL, Director, Division of Labor Standards & Safety (DLSS), Central Office, Department of Labor & Workforce Development (DLWD), identified that the DLSS protects workers through four main components [slide 13]. He explained that the wage and hour component handles the wage and child labor law enforcement; the occupational and health component handles workplace safety consultation and enforcement, as does the Alaska Safety Advisory Council. Finally, the mechanical inspection function handles the mechanical device inspection, which includes boilers, elevators, electrical work, and plumbing. He pointed out the mechanical device inspection is unique since it includes both safety and worker safety aspects.

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MR. MITCHELL offered to highlight the performance in each of the categories. He referred to LSSD's funding breakdown by component [slide 14]. He pointed out the pie chart depicting the funding breakdown by component. He highlighted the occupational safety and health as the largest component, including the occupational safety and health component as the major component totaling 52.3 percent of the overall funding. Second would be the mechanical inspection component, followed by the wage and hour component, and lastly, a small percentage, 1.1 percent, provided by the Safety Advisory Council. He directed attention to the bottom of the slide, which lists the number of current positions. He reported that most positions are field inspectors or investigators who spend substantial time outside their offices performing tasks providing services to Alaskans.

[3:53:05 PM](#)

MR. MITCHELL turned to the Wage and Hour Administration (WHA) [slide 15]. He highlighted the division's performance for FY 2012. He related the WHA conducted 14,870 employer briefings. He described this activity as outreach to assist employers in understanding the intricacies of the wage and hour laws. He reported that the department has found most employers want to do the right thing. The WHA attributes the reduction in the numbers of wage claims filed over the last ten years to the employer briefings. Last year, 359 wage claims were resolved

compared to the nearly 600 claims ten years ago. He reported the department collected \$600,000 in unpaid wages on behalf of Alaska's workers who filed wage claims. The WHA approved 7,857 and denied 96 youth work permits for workers under the ages of 17. He highlighted that the denials typically happen when employers don't recognize the hazardous job activities. He emphasized that the work permit denials not only protect youth, but also help employers avoid violating the stricter federal law, which also includes a penalty. He reported the WHA conducted 584 construction sites related to Alaska resident hire and prevailing wage worksite inspection enforcements. Last year, the department collected \$157,000 in prevailing wages for Alaska's workers and issued approximately \$70,000 in resident hire penalties for Alaska hire violations. He estimated the WHA's field work covers approximately 20 percent of public construction projects funded with state dollars.

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REPRESENTATIVE REINBOLD asked for clarification on the types of violations related to the \$70,000 in for Alaska resident hire violations on public construction projects.

MR. MITCHELL explained that contractors can be penalized when they fail to meet a 90 percent Alaska employment preference on public construction projects. He explained these contractors can be penalized an amount equal to the amount of wages paid to the nonresident. The penalty amount does not equal the amount of the violation since in some instances settlement agreements further provide funding for training programs so Alaskans have future opportunities. Essentially, the \$70,000 represents the amount of wages paid to nonresidents with some proviso on public construction projects. In further response, he said the total number of violations ranged from 20-30 violations.

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REPRESENTATIVE REINBOLD asked whether private construction companies were fined since they did not meet the 90 percent Alaska hire requirement even though skilled workers weren't available.

MR. MITCHELL agreed. He elaborated that Alaska has a waiver process employers can use in cases in which the employer can demonstrate the company could not find qualified Alaska workers. In instances in which contractors fail to go through the waiver process, the department would assess a penalty; however, the

department often works on settlement agreements in instances in which the contractor can provide solid proof that the work was specialized and the contractor could not find qualified Alaska workers. He concluded that the department works to reduce or eliminate penalties in instances in which a strong argument could be made for nonresident hire. In response to Representative Reinbold, he said the cases are not posted on the department's website. He identified the Alaska hire penalty statute: AS 36.10.150.

CHAIR OLSON asked whether it would be a deterrent to post the violations.

MR. MITCHELL agreed it could be for contractors regularly doing business in Alaska since these contractors would not want their companies listed.

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REPRESENTATIVE JOSEPHSON asked for clarification on local hire preferences. He understood the local hire preference would only apply on public projects and not to private projects.

MR. MITCHELL agreed that the statutes apply to public projects and exclusively to projects funded with state funding and not to projects funded with federal funding.

REPRESENTATIVE JOSEPHSON asked whether it would be unconstitutional under the privileges and immunities clause for the state require Wal-Mart to hire residents of Anchorage or Juneau before the corporation hires someone from Seattle.

MR. MITCHELL answered that the question is a legal question and best answered by the Department of Law (DOL). He agreed constitutional issues surround the resident hire requirements.

CHAIR OLSON remarked the legislature has considered this numerous times, but none have held up with respect to the aforementioned question.

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MR. MITCHELL turned to mechanical inspections [slide 16]. He reported this DLSS's section pertains to inspections on boilers, elevators escalators, trams, electrical, lifts, electrical, and plumbing work. He stated this section is tasked to identify and enforce code violations that represent hazards to life and

property. In FY 2012, the mechanical inspection section conducted 5,760 inspections, a 16 percent increase in the number of boiler inspections, but the backlog has increased by 25 percent. Although the number seems ominous, over the long term the number has steadily reduced since ten years ago more than 7,200 units were overdue for inspections. In part, the FY 2012 backlog was due in part, to 529 new boiler units, with mandatory inspections required in the same year as installation. He reported a total 30,870 units exist and one to three percent is the typical increase in a single year. In conclusion, he reported that this section conducted approximately 90 percent of the boiler inspections on a timely basis with a two-year inspection cycle.

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REPRESENTATIVE REINBOLD asked about elevator inspections. She asked whether any difference exists between a certification and an inspection.

MR. MITCHELL answered that there is requirement for certification after the inspection. That means any code violations identified during the inspection have been corrected. He pointed out the certificate posted in an elevator means it has been inspected and any code violations have been corrected. In response to another question, he said he was unsure of the document, but typically a small certificate of inspection or a notice is posted that a person can obtain a copy of the certificate of inspection from the manager. In further response, he answered that the certificate means the elevator has been inspected.

CHAIR OLSON recalled the governor used to sign the inspection forms.

MR. MITCHELL agreed. He reported elevator inspections were increased by five percent. In FY 2012, this section conducted 562 inspections, with 44 new units added for a total of 1,100 units subject to inspections. He reported about 99 percent of the elevator inspections are conducted timely. He further reported only 61 of 1,100 units are overdue for inspection, primarily due to travel issues. He compared this to 2008, in which 306 elevator inspections were overdue. He stated this section has maintained its electrical and plumbing code inspections, conducting approximately 1,700 inspections per year over the past two years. The mechanical inspection section also assists the Department of Commerce, Community & Economic

Development (DCCED) in conducting site inspections. The section assessed 80 contractors \$1,000 each for a total of \$80,000 in contractor licensing civil fines for those contractors found in violation of the law. He pointed out the division's goal is compliance and this section also issued 227 cease and desist orders issued last year.

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MR. MITCHELL turned to the Alaska occupational safety and health component [slide 18]. This component consists of two primary sections: consultation and training section and the enforcement section. He offered his belief that the consultation and enforcement section produces significant results. Currently the youth safety coordinator is in Kodiak making presentations to high school students. Over the past four years, the division provided training to 16,000 students in 57 schools in Alaska. Many people don't know about workplace safety and health and what they often learn is often unstated and sends the negative message that safety isn't important. He offered that this section works to change attitudes about occupational safety and health at an early age. He predicted this program will produce results over time. In conclusion, he reported that from 2008 to 2011 workers' compensation incidents dropped from 169 to 24.

MR. MITCHELL reported that the division has a partnership with Trident Seafoods. In the past five years, this section inspected 10 of 11 of Trident's processing plants, with six of those plants experienced accident reduction rates of percent 50 percent. He stated the division just renewed this partnership and its new goal is to develop a 10-hour training course for seafood workers, similar to the one used for construction workers. While the course is not mandatory, industry can make certain that workers are properly aware of hazards. This type of training could help numerous transient workers who don't speak English as their first language. He concluded that over the past five years, from 2007 to 2012, Alaska's seafood processing recordable injury rate was reduced from 11.7 to 5.4 percent. In response to a question by Chair Olson, he answered that the focus is on all aspects of seafood operation, not just on fish, forklifts or other devices.

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MR. MITCHELL said in 2012, the department conducted 706 work site inspections, which represents a seven percent increase from the prior year. He assessed that 60 of the department's effort

results in consultation while 40 percent is enforcement. In the past year, the division has experienced a five percent reduction in the loss time rate. He reported a 40 percent drop in the total rate of loss time rates. He compared the current rate of 1.73 incidents per 100 employees for all industries to a rate of 3.24 incidents per 100 workers ten years ago.

MR. MITCHELL next turned to the fatalities and loss time rate, which is at 38 [slide 18]. He said the overall fatality rate has been more constant, but Alaska's jurisdiction has a much lower number of fatalities than all jurisdictions for workplace fatalities. He said that is somewhat confusing; however any of fatalities that occur in the air are covered under federal aviation and mining fatalities are covered through mining safety.

[4:13:57 PM](#)

MR. MITCHELL then turned to the Alaska Safety Advisory Council (ASAC) [slide 19]. He describe this component as the smallest one, without any paid staff, comprised of 12 individuals appointed by the governor and one commissioner designee - who can break any tie votes. In 2012, the Governor's Safety and Health Conference provided three days of focused safety training to approximately 350 participants and 50 vendors. Each year, as part of the ASAC's outreach efforts, it sponsors students from the Anchorage King Career Center and this year approximately 60 sponsored students will participate at the Governor's Safety and Health Conference. He reported that this program is completely self-supporting, deriving its revenue from fees and sponsorships. He offered his belief that some of the top companies in Alaska are sponsoring the event.

[4:15:24 PM](#)

REPRESENTATIVE HERRON asked whether it is strongly encouraged that people attend the conference.

MR. MITCHELL answered that the division provides significant outreach to employers, in particular, during enforcement informal conferences. He explained that efforts are made to direct an employer who is having trouble - as identified by onsite violations - to accept training voluntarily. He emphasized that the enforcement program has been effective in doing so, since employers facing penalties are often willing to agree to training or to participate in a more extensive evaluation consultation. He reiterated the division has found

these efforts to be very effective. He concluded his remarks by announcing this year's conference will be held on March 18-20 at the Egan Center in Anchorage. Although the timing might not be good for legislators, he welcomed members to attend and observe the exhibits or take in a keynote address.

[4:17:09 PM](#)

MICHAEL MONAGLE, Director, Division of Workers' Compensation (DWC), Central Office, Department of Labor & Workforce Development (DLWD), began his presentation by discussing the activities of the Division of Workers' Compensation (DWC). He stated that every employer with one or more employees must carry workers' compensation insurance or be approved by the state to self-insure their workers' compensation liability. In 2011, the division wrote \$234.5 million in workers' compensation insurance, he reported. The division received proof of insurance from 18,000 employers covering 230,000 employees. The division approved 29 self-insured employers covering 74,000 employees. Under the Workers' Compensation Act injured workers are entitled to receive benefits, medical treatment, indemnity benefits - which is a wage continuation to replace lost wages - reemployment benefits or in the case of a fatality - death benefits to the surviving spouse or children.

MR. MONAGLE reported that in 2011, the division received 21,200 reports of injury, of which 14,300 were no time loss claims, and 6,700 were time loss claims. He also reported that in 2011 insurance companies or self-insured employers paid out \$260.7 million in workers' compensation benefits, of which \$60.8 million for indemnity benefits, \$164 million for medical benefits: \$14 million for reemployment benefits, and an additional \$15 million for legal costs. The majority of injured workers receive their benefits seamlessly; however six percent result in disputes, which are handled by the adjudication section. In FY 2012, the adjudication section processed 1,200 claims for benefits for injured workers, held 2,400 pre-hearings, and 340 hearings [slide 20].

MR. MONAGLE said the workers' compensation division administers three funds that provide wage replacement: the Benefits Guaranty Fund, the Second Injury Fund, and the Fishermen's Fund [slide 21]. In response to Representative Saddler, Mr. Monagle confirmed that workers' compensation includes death benefits. In further response to Representative Saddler, Mr. Monagle responded that an employer can offset benefits to the injured worker and his or her dependents if the dependents are receiving

a pension, social security benefit, or social security disability benefit.

REPRESENTATIVE SADDLER asked whether the reduction is a one-to-one reduction.

MR. MONAGLE answered the reduction is based on a percentage of benefits the employee is entitled to receive, but it is basically a dollar-for-dollar reduction.

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REPRESENTATIVE HERRON asked whether a threshold that must be met. He acknowledged that if a worker loses a finger it would require a thorough investigation; however, he wondered if a minor slip or fall was covered in the aforementioned statistics.

MR. MONAGLE answered yes; the law has a presumption of injury. For example, if an injured worker tells the employer, "I hurt my back. I slipped and received a strain," the presumption would be that is in fact what happened. The employer can rebut that presumption through substantial evidence, which is typically done when the employer requires a doctor's visit. He explained that the employee would see a doctor and the doctor would opine the type of injury could not have happened as the employee described it. Perhaps other coworkers would advise the employer they observed the employee sustain the injury at the ball field the previous evening.

[4:23:00 PM](#)

REPRESENTATIVE HERRON asked for the percentage of investigation determinations for slips and falls. He speculated that serious injuries would comprise a much smaller percentage of injuries.

MR. MONAGLE answered that the division does not have statistical information on soft tissue strains. He advised that the division produces an annual report, which does break down injury by type, such as back, leg, or knee injuries, but the report does not indicate how many soft tissue strains employees sustained.

REPRESENTATIVE HERRON understood slips and falls represent the biggest loss control for all businesses.

MR. MONAGLE responded that the most common types of injuries are back strain, shoulder strains, finger cuts and abrasions to the

hand. He did not believe the division's report captures the nature of accidents.

[4:24:17 PM](#)

REPRESENTATIVE JOSEPHSON surmised an employer challenging a worker's injury would do so to keep the premiums low. He asked whether that would be the only incentive.

MR. MONAGLE answered that is correct. He elaborated that an employer's premium is factored by classification. For example, the office clerical rate costs about \$1 per hundred of payroll; however, depending on the type of construction, the premium rates could be as high as \$25-30 per hundred of payroll. He related the classification would also be adjusted by the employer's actual experience. For example, an employer of one size might have 10 injuries per year; however, if the company sustained 20 injuries per year, the company would be outside the norm. Then a modification rate would be assessed, which would inflate the premium, he said. Conversely if the average is 10 injuries and the company has 5 injuries, the modification rate would lower the rate. Thus, the modification rate could either raise or lower the employer's rate. He acknowledged that it would be in the employer's interest to reduce workplace injuries since it would lower the employer's premium. As Director Mitchell stated earlier workplace safety plays an important role, he said. He indicated the department has seen the injury frequency rate - during the pipeline timeframe - of 40,000 workplace injuries decrease to the 21,200 workplace injuries mentioned earlier. He pointed out that employment in Alaska has risen, but the overall number of injuries has been reduced.

[4:26:10 PM](#)

REPRESENTATIVE JOSEPHSON asked whether an employer who learns of an accident must file a report.

MR. MONAGLE answered that is correct. He explained that an employee has 30 days to report the injury; however, if the employee does not report the injury the presumption can shift to say the injury was not related. Still, employees have two years from the date of injury to make the claim. Once the workers' compensation claim is reported to the employer, the employer then has 10 days to report it to the state and to the insurance company, he said.

REPRESENTATIVE JOSEPHSON said if the employer doesn't report he assumed the employee can make a claim.

MR. MONAGLE agreed. He said the employee could make a claim and typically that is how claims happen. For example, an employee reports an injury to the employer and the employer fails to report it to the insurance or the state. In fact, in those instances the reason the injury isn't reported is likely because the employer probably doesn't have insurance. At that point, the employee would contact the state; the state will confirm no report of injury has been filed; and the state will advise the injured worker to file a claim for benefits. In summary, that represents how the injured worker initiates the dispute or the adjudication process.

[4:28:04 PM](#)

MR. MONAGLE next turned to workers' compensation [slide 22]. In 2005, the legislature created a fraud unit, which the division refers to as special investigation unit. He pointed out the unit's work involves more than just fraud investigations. Primarily, the unit responds to complaints the division receives on uninsured employers. In FY 12, the unit investigated 387 employers for failure to carry workers' compensation insurance, and of those, 120 employer were penalized for illegally operating without workers' compensation insurance. The aforementioned employers were subject to \$862,000 in penalties, he said.

CHAIR OLSON remarked some employers have advised that the penalties are onerous for employers who let their workers' compensation insurance lapse.

MR. MONAGLE reported the Alaska legislature enacted a potential penalty that, at the time, was the highest civil penalty in the nation. He offered his belief that Alaska's penalty is still the highest at \$1,000 per uninsured employee, per day. Since 2005, the department has adopted regulations to put in place consistency in how the penalties are applied. He reported the division has had civil penalties well in excess of \$1 million in some instances against egregious employers with multiple lapses in insurance involving unpaid uninsured workers' injuries. However, the difficulty lies in collecting the judgment, he said. In addition to the failure to insure workers, the special investigation unit investigates fraud. He detailed that in the event an insurance company or an employer believes the worker is obtaining benefits fraudulently, the division can investigate

the matter either by pursuing civil penalties through the Workers' Compensation Board (WCB) or the agency can pursue the case criminally through the Department of Law (DOL), Office of Special Prosecutions and Appeals (OSPA). Since the threshold for criminal penalty is quite high, as is the workload, the division tends to pursue these matters using the civil process, he said. Since, 2005 the division has received one actual charge by OSPA, he added.

[4:31:16 PM](#)

MR. MONAGLE related that the Workers' Compensation Appeals Commission is a component within the DWC [slide 23]. He provided the history, such that prior to 2005, a decision of the Workers' Compensation Board was appealed to the regional Superior Court, but the decisions were not binding on the board. In 2005, the Workers' Compensation Appeals Commission (WCAC) was created, which is the appellate body. Thus if a person were to appeal a decision of the Workers' Compensation Board the commission's decision is binding; however, an employer can appeal a decision by the WCAC to the Alaska Supreme Court.

[4:32:19 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the system works since his sources say the system doesn't work. He said his sources indicate the WCAC tends to side with the employer and the appeal becomes the conduit to the ASC.

MR. MONAGLE answered, anecdotally, it has worked. He offered his belief that the WCAC provides a more consistent body of law. One issue is that workers' compensation cases is such a narrow body of law so frequently the Alaska Superior Court simply did not have experience with that body of law. He characterized the Alaska Superior Court's decisions as being all over the board. Since the decisions were not binding, the WCB could choose to ignore the court's ruling. He opined that the WCAC, with only two chairs, thus far, has done a much better job in providing consistent decisions. He was unsure how many cases have gone to the ASC on appeal than with the Alaska Superior Court system's approach. He offered to research this and provide it to the committee.

[4:34:02 PM](#)

REPRESENTATIVE JOSEPHSON said although he does not have much knowledge about this part of the law, the Alaska Superior

Court's judges have general jurisdiction over almost everything in the statutes so daily the court is required to delve in an area not familiar to them. He questioned how unique the workers' compensation law would be, noting it is usually divided between civil and criminal cases. He acknowledged the judges, just as legislators, must be nimble.

MR. MONAGLE further explained that the WCAC also has representatives from labor and industry so it is not just the chair deciding the appeals. Thus, members on the panel also decide the case. He acknowledged that a number of times the panelists have overridden the chair. He recalled part of the requirements of the panel is that the members must be experienced in workers' compensation with at least three years serving on the WCB as a panelist prior to joining the WCAC. He characterized the WCAC as very specialized dealing strictly with workers' compensation matters, which gives the panel a certain amount of subject matter expertise.

CHAIR OLSON related the DCCED has a breakout of the WCAC and the process used. He characterized it as a good tool.

[4:36:23 PM](#)

REPRESENTATIVE SADDLER asked whether it is difficult to get people to serve on the WCAC.

MR. MONAGLE responded it is very difficult to locate quality people to serve on the WCB and the WCAC. He related the WCB members must commit to a minimum of 12 hours a month as a panelist, plus attend three board meetings typically spanning two to three days each.

[4:37:14 PM](#)

REPRESENTATIVE SADDLER asked for the amount of compensation for WCB members.

MR. MONAGLE answered the WCB members receive a stipend for per diem and travel while the WCAC members receive about \$400 per day including prep time, he said. He reported the WCAC has a statutory requirement to produce an annual report, which is posted online and includes statistics.

[4:37:58 PM](#)

MR. MONAGLE turned to discuss the three funds, beginning with the Benefits Guaranty Fund [slide 24]. Prior to 2005, injured workers had very little recourse if their uninsured employer chose not to pay benefits. The injured workers could go to court, but that process is a lengthy and expensive one. The injured workers could also file claims with the WCB, and the board could order the employers to pay; however, the employers could simply choose to ignore the orders. In 2005, the legislature reformed workers' compensation and the Benefits Guaranty Fund (BGF) was established. He reported the BGF is funded from civil penalties assessed against uninsured employers. To access the BGF, once a worker is injured and the uninsured employer fails to pay benefits, the employee would file a claim with the BGF and receive benefits. The fund is subrogated and works to recover from the employer any funds it has paid to the injured worker.

MR. MONAGLE reported that in FY 12, the BGF had 29 new claims filed, and paid \$329.1 thousand in benefits, with the fund balance currently at \$1.5 million. He acknowledged that a single substantial claim could easily wipe out \$1 million in the fund. The statute allows the fund to be depleted, and if that happened the division would track claims not paid, and pay benefits once it can; however that has not yet happened. The division hopes the fund will not be depleted, he said. Subsequently, the legislature funded a collections agent and thus far, the division has assessed \$15 million in civil penalties against employers and collected about \$3 million to date. In fact, the division has collected civil penalty dollars at twice the rate that it did last year. In all probability, the division expects collections will continue to grow, which would add to the \$1.5 million in the fund.

[4:40:41 PM](#)

MR. MONAGLE turned to the Second Injury Fund (SIF) [slide 24]. He explained the SIF is a fund that predates statehood. At one point, all states had an SIF, whose purpose is to pay an employer who hires someone with a disability or who retains a disabled person. In FY 12, the SIF had 12 new claims and paid out \$3.2 million in benefits to employers on behalf of 95 claimants. He reported the fund has a year-end fund balance of \$5.2 million.

[4:41:33 PM](#)

REPRESENTATIVE SADDLER asked for actual loss. He asked whether the SIF would protect the employer if the injured worker is injured again.

MR. MONAGLE responded that to be reimbursed from the fund the employer must establish the employer was aware of the employee's preexisting qualifying condition, such as heart disease, diabetes, or a ruptured disc. Typically, the employer would establish this through a post-hire questionnaire, he reported. He related the statute refers to the threshold for the combined effects of the preexisting condition injury and subsequent injury in which the recovery is prolonged. Again, this is typically determined by a medical evaluation, he said. Thus, when an employer hires a person with a ruptured disc and the employee subsequently injures his/her back - and the threshold is met - the employer can obtain reimbursement from the SIF for indemnity benefits only, but not for medical costs, or re-employment costs. However, the employer can request wage continuation costs being paid to the injured worker, he said.

[4:43:11 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the state adequately incentivizes employers to take on injured workers, which he assumed would be considered good public policy.

MR. MONAGLE responded that nearly half the states have sunsetted their SIFs due to the advent of the Americans with Disabilities Act (ADA). Incidentally, employers cannot refuse to hire someone or retain someone with a known disability. He said that all 50 states provide economic incentives these types of funds provide; however, the SIFs have been replaced by the federal ADA law, as amended. Thus, numerous states have been in the process of sunseting their SIFs so from this point forward no new claims can be made; instead states will pay off the existing claims, but will use the ADA for any new claims.

[4:44:13 PM](#)

REPRESENTATIVE REINBOLD highlighted her constituents' concerns, who indicate that workers' compensation [rates are] killing their businesses. She reiterated that business owners in her district have expressed concern about the high cost of workers' compensation insurance. Although she understood the workers' compensation costs have been reduced beginning in January - although she was unsure of the amount - many small businesses remain concerned that they need to meet the threshold to carry

workers' compensation insurance - she was unsure whether the threshold was two or three employees. Thus, these businesses have decided not to hire people and have limited their employees to perhaps one or two other family members. She understood Alaska is one of the worst places in the nation [for workers' compensation rates]. She expressed her interest in improving the business climate in Alaska.

MR. MONAGLE acknowledged Alaska has the unfortunate distinction of being number one in the U.S. for the highest workers' compensation premium rates. He reported that Oregon conducts a biennial survey that is considered the gold standard. Since 2006, Alaska has been rated either number one or number two, trading this ranking with Montana. As a matter of fact, he reported the threshold is actually one, explaining that an employer with one or more employees must carry workers' compensation insurance with a few exceptions, such as part-time babysitters, real estate agents, and taxi drivers. Further, Alaska does not exempt family members, although he acknowledged some states have carve-outs to exempt family members. He cautioned that small employers who do not carry workers' compensation insurance are rolling the dice that the employee will be injured and significant liability exists that the injured employee will litigate due to a substantial injury. He recalled instances of Benefit Guarantee Fund cases, in which employers without workers' compensation insurance sustained injured workers. While initially, an employer would be willing to do the right thing and cover the employee's medical expenses; once the bills reach \$10,000 - \$20,000 the employer cannot absorb the costs any longer.

MR. MONAGLE said the department has been holding ongoing discussions to find ways to improve the climate; however, the elephant in the room for high workers' compensation rates is medical costs. For example, he reported \$.59 of every dollar paid on claims nationwide is medical; however, in Alaska that cost is \$.76 per dollar. Additionally, the average nationwide cost for medical treatment on an indemnity claim is \$23,000, whereas the cost in Alaska is \$48,000. In conclusion, medical costs for health care in Alaska represent the biggest cost driver for workers' compensation premiums. While Alaska can tweak the workers' compensation insurance somewhat, he predicted it is unlikely premium rates will drop until medical treatment costs are reduced.

[4:48:51 PM](#)

REPRESENTATIVE JOSEPHSON acknowledged Mr. Monagle has really answered the question since it is really a health insurance driver. He understood that if employers with fewer than three employees were to opt out of workers' compensation insurance, it would result in employees having the option to sue their employers.

MR. MONAGLE agreed to the social bargain workers' compensation provides, which represents a tradeoff. Employees who got hurt in the 19th and 20th century sued their employers. A hundred years ago, employers agreed to pay injured workers through workers' compensation insurance and, in turn, workers gave up the right to sue their employers.

CHAIR OLSON reiterated that employees can't sue for liability claims but could receive indemnity and the medical costs.

MR. MONAGLE acknowledged that the system is a no fault system. In the event the employee is goofing off at the time the employee is injured, the employer still must pay, even though the employee could be terminated for violating a safety rule. Conversely, if the employer violates a safety code, which subsequently results in an employee injury, the employer must pay [and the employee can't sue].

[4:50:28 PM](#)

REPRESENTATIVE REINBOLD related a scenario in which an employer, of 100 employees, with a good safety record still must pay astronomical workers' compensation premiums. She asked whether any incentive or help is available for such businesses.

MR. MONAGLE answered that as previously mentioned insurance companies can reduce premium rates for employers who have a low injury rate through the modification (mod) system. He pointed out that employers who do not receive the modification (mod) rate or believe their rates are too high can seek recourse through Department of Commerce, Community & Economic Development DCCED's, Division of insurance (DOI). The agency has a regulatory body that will review the case, he said. Further, Mr. Mitchell has been holding discussions with the DOI on premium reductions. He explained that insurance companies have the ability to reduce premiums for employers who use workplace safety programs. Thus, Mr. Mitchell has been working with insurance companies in an effort to obtain discounts for policyholders who use the workplace safety programs.

4:52:20 PM

MR. MONAGLE next turned to the Fishermen's Fund [slide 25]. He explained that the Fishermen's Fund program predates statehood. This unique program provides medical benefits to commercial fishermen who suffer occupational injuries or illnesses due to commercial fishing activities. To qualify, the person must be commercial fisherman permit holder or crewmember, he said. He pointed out commercial fishermen are exempt from benefits under the Workers' Compensation Act. The Fishermen's Fund can pay benefits up to \$10,000; however fishermen can request additional benefits by submitting a claim to the Fishermen's Advisory Council. The council has the authority to pay any amount for substantial injuries. For example, some claims have been in excess of \$200,000 for substantial injuries. In FY 12, the Fishermen's Fund had 670 claims and paid \$866,000 in benefits, with a year-end balance of \$11.6 million. In response to a comment, he agreed the fund is in good shape. While some people were concerned when the legislature increased the benefits from \$2,500 - established at statehood - to \$10,000 several years ago, the division has not seen any negative impact on the fund.

CHAIR OLSON understood additional coverage for seamen is available through an indemnity insurance policy.

MR. MONAGLE interjected that the Fishermen's Fund is not an exclusive remedy. He said crewmembers can still can file a claim under the [Merchant Marine Act of 1920 also known as the] Jones Act against the vessel owner. In fact, most vessel owners insurance against that by carrying a protection indemnity insurance policy, he said.

4:54:48 PM

PAUL DICK, Director, Employment Security Division (ESD), Department of Labor & Workforce Development (DLWD), stated that he would focus on unemployment insurance (UI) under income replacement [slide 26]. He asked to briefly touch on the adult basic education (ABE) program, which provides instruction to adult learners without a high school diploma or general educational development (GED). He reported the total budget for the ABE at \$3.2 million, of which \$2.1 million represents general fund monies with the remaining \$1 million funded from federal funds. He pointed out the general fund portion is primarily directed at the GED program. Last year, 1,500 GED's were issued. Additionally, the English as a second language

program is part of the ABE, which is designed to help people obtain basic skills necessary for employment.

MR. DICK turned to the pie chart to Employment and Training Services (ETS), or basically the 21 job centers located from Barrow to Ketchikan, although several other programs are administered through ETS. Last year, approximately 255,000 people were served at job centers, with 93,000 or 40 percent served in Anchorage at one of its three centers - including at the job center in Muldoon and the King Career Center. Additionally, the ESD maintains the ALECSYS system, which is an online labor exchange people use to connect to jobs. In addition to providing job information, the system offers labor market information and job center staff helps them navigate the system. He indicated 1.7 million kids accessed the system last year so the system is widely used. Additionally, all unemployment insurance beneficiaries are required to post their resume on the ALECSYS prior to receiving unemployment insurance benefits. In response to a question, Mr. Dick answered that the division issued 1,500 GED diplomas.

[4:58:16 PM](#)

CHAIR OLSON remarked that the ETS division has done a wonderful job. He reported that his district lost 350 jobs when Agrium, Inc. closed its plant on the Kenai Peninsula. He reported the division opened an office within a week or ten days to retrain and to relocate people to take new jobs.

MR. DICK acknowledged the division has a rapid response team, which is a program help laid off employees and employers. The program provides assistance to help employees find re-employment. Finally, the employment training services also provides training for people who need to get reskilled or improve their skills to get better jobs or obtain a sustainable wage.

[4:59:45 PM](#)

MR. DICK turned to the unemployment insurance (UI) program [slide 27]. He reported the UI component provides two major functions. First, the UI component collects taxes from employers, which is calculated annually, and is collected quarterly. Last year, the UI component collected \$173 million, he said. Alaska is one of three states in which the employee pays a portion of the tax at a 73/23 employer/employee ratio. He reported that the division designates part of the employee

taxes to training programs through the state training and employment program (STEP), which is funded from the general fund. Additionally, the division assists employees by using a portion of the employees' taxes for the Technical Vocational Education Program (TVEP). He said the division is very proud of timeliness of UI payment and benefits. The state ranks very high in the nation and this month, the appeals section was rated number one in the U.S. for timeliness in appeals.

CHAIR OLSON remarked this is a good number one.

MR. DICK reported that the UI division is in the top ten, but has consistently ranked in the top three in the U.S.

[5:01:50 PM](#)

REPRESENTATIVE REINBOLD congratulated Mr. Dick on the successes. She pointed to the figures on slide 27 and related that in FY 12, \$146,231.9 million was paid by the state. She asked how many people received unemployment insurance benefits in Alaska.

MR. DICK answered that 32,000 people currently collect unemployment insurance benefits, with approximately 26,000 receiving state benefits from the aforementioned tax collected, with the remaining portion of unemployment insurance benefits paid from federal funding, including from the extended unemployment compensation program in which Alaska participates. Thus, approximately 6,500 employees currently receive extended benefits. He recalled that last year the state paid 56,000 people. He characterized the UI benefits as being a constant churn of employees in and out of the programs.

[5:03:06 PM](#)

REPRESENTATIVE REINBOLD asked whether Alaska falls within the national norm.

MR. DICK answered that Alaska's rate of 6.8 percent ranks 18th for unemployment insurance rate. He reported North Dakota's rate is 3.2 percent, but other states also trail Alaska. He also reported the UI trust fund is solvent at \$269 million, which is not at the high-water mark of \$350 million. Since the great recession of 2009, the division has seen overall decrements in the fund balance until this year, which has seen a slight increase. This reflects the number of benefits being claimed and the improved economy. He related that 2010 to 2011 were high work load years for UI benefits. Although the figures

are still higher than in 2009, the division has found the claims are beginning to edge back down and go in the right direction. The UI has three claims centers in the state in Fairbanks, Anchorage, and Juneau receiving approximately 319,000 calls. The state has 20 different class rates for employers, with the average rate at 3.32 percent, he said. Since the employers and employees each pay the tax, he provided the ratio: with 2.64 percent as the employer rate and .68 as the employee rate. He summarized the benefits, noting the state pays interstate benefits for people who worked in Alaska but currently out of state, and the reimbursable employers, which are self-insured employers who are reimbursed for their costs. He concluded his presentation by stating the division has been focused on addressing fraud. In FY 12, the penalties were \$2.8 million and the division collected \$1.5 million, he said.

COMMISSIONER BLUMER thanked the committee and offered to provide requested information to the committee.

[5:06:30 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:06 p.m.