

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

April 9, 2014

3:28 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Craig Johnson

COMMITTEE CALENDAR

CONFIRMATION HEARINGS

- HEARD

Board of Certified Real Estate Appraisers

Brit Szymoniak - Anchorage

- CONFIRMATION ADVANCED

Board of Professional Counselors

Stephanie Johnson - Nome

Lynn Tashea - Anchorage

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 206

"An Act relating to motor vehicle service contracts; and exempting motor vehicle service contracts from regulation as insurance."

- MOVED CSHB 206(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 116

"An Act relating to the use of credited military service by retired peace officers and firefighters to meet certain requirements for major medical insurance coverage; and providing for an effective date."

- MOVED CSHB 116(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 384

"An Act increasing the minimum wage; and providing for an effective date."

- MOVED HB 384 OUT OF COMMITTEE

HOUSE BILL NO. 203

"An Act relating to payment or reimbursement of health care insurance claims."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 206

SHORT TITLE: MOTOR VEHICLE SERVICE CONTRACTS

SPONSOR(s): REPRESENTATIVE(s) LEDOUX

04/12/13	(H)	READ THE FIRST TIME - REFERRALS
04/12/13	(H)	L&C
04/09/14	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 116

SHORT TITLE: PERS CREDIT FOR MILITARY SERVICE

SPONSOR(s): REPRESENTATIVE(s) MILLETT

02/13/13	(H)	READ THE FIRST TIME - REFERRALS
02/13/13	(H)	L&C, FIN
03/20/13	(H)	L&C AT 3:45 PM BARNES 124
03/20/13	(H)	Heard & Held
03/20/13	(H)	MINUTE(L&C)
04/09/14	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 384

SHORT TITLE: ALASKA MINIMUM WAGE

SPONSOR(s): RULES

04/04/14	(H)	READ THE FIRST TIME - REFERRALS
04/04/14	(H)	L&C
04/09/14	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KONRAD JACKSON, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the House Labor and Commerce Standing Committee, Kurt Olson, Chair, during the confirmation hearings for the Board of Certified Real Estate Appraisers and the Board of Professional Counselors.

REPRESENTATIVE GABRIELLE LEDOUX
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as prime sponsor of HB 206.

THOMAS BROWN, Staff
Representative Gabrielle LeDoux
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the prime sponsor of HB 206.

STEPHEN MCDANIEL, Assistant Executive Director;
Assistant General Counsel
Service Contract Industry Council (SCIC)
Tallahassee, Florida

POSITION STATEMENT: Testified in support of HB 206.

LORI WING-HIER, Director
Division of Insurance, Anchorage Office
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 206.

VASILIOS GIALOPSOS, Staff
Representative Charisse Millett
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the sponsor during the discussion of HB 116.

KATHY LEA, Chief Pension Officer, Central Office
Division of Retirement and Benefits
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 116.

TOM WRIGHT, Staff
Representative Mike Chenault
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

GARY MILLER
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

NANCY COURTNEY
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 384.

BARBARA HUFF TUCKNESS, Director
Governmental and Legislative Affairs
Teamsters Local 959
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 384.

JAKE METCALFE, Executive Director
Public Safety Employees Association (PSEA)
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 384.

CHRIS ASHENBRENNER
Juneau, Alaska

POSITION STATEMENT: Testified in opposition HB 384.

ED FLANAGAN, Chair
Alaskans for a Fair Minimum Wage
Juneau, Alaska

POSITION STATEMENT: Testified in opposition of HB 384.

DOUG TANSY, President
Fairbanks Central Labor Council
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition of HB 384.

KEVIN POMEROY, Member
Laborers Local 942
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

DALE FOX, President and Chief Executive Officer

Cabaret, Hotel, Restaurant & Retailer's Association (CHARR)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 384.

JED WHITTAKER

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

ZEBULON WOODMAN, Member

Laborers Local 942,

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition of HB 384.

BRYAN IMUS, Member

Laborers Local 942

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition of HB 384.

WALTER ROBINSON, Member

International Brotherhood of Electrical Workers Local 1547

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition of HB 384.

KARM SINGH, Power Line Representative

International Brotherhood of Electrical Workers Local 1547

Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

CHRYSTAL SCHOENROCK, Business Owner

Nikiski, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

DANIEL LYNCH

Soldotna, Alaska

POSITION STATEMENT: Testified during the discussion of HB 384.

VINCE BELTRAMI, President

Alaska AFL-CIO (AFL-CIO)

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 384.

JULIA SEYMOUR, Reverend

Lutheran Church of Hope

Eagle River, Alaska

POSITION STATEMENT: Testified in opposition to HB 384.

PAT FALON

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of HB 384.

ACTION NARRATIVE

[3:28:28 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:28 p.m. Representatives Josephson, Reinbold, Chenault, Millett, Saddler, Herron, and Olson were present at the call to order.

CONFIRMATION HEARINGS

Board of Certified Real Estate Appraisers
Board of Professional Counselors

[3:29:26 PM](#)

CHAIR OLSON announced that the first order of business would be confirmation hearings for the Board of Certified Real Estate Appraisers and the Board of Professional Counselors.

REPRESENTATIVE REINBOLD moved to advance the confirmations for appointees for the Board of Certified Real Estate Appraiser and the Board of Professional Counselors referred to the House Labor and Commerce Standing Committee for consideration to the joint session of the House and Senate for consideration.

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, stated that members have a copy of the memorandum before them to the Chief Clerk dated April 9, 2014 for the Governor's appointees to the Board of Certified Real Estate Appraisers and the Board of Professional Counselors referred to the House Labor and Commerce Standing Committee.

[3:30:21 PM](#)

CHAIR OLSON reported that members have had the information on the appointees and have not requested the appointees be available for questions on their qualifications.

MR. JACKSON read the names of the Governor's appointees to the Board of Certified Real Estate Appraisers and the Board of Professional Counselors referred to the House Labor and Commerce Standing Committee. He also reminded members that signing the reports regarding appointments to boards and commissions in no

way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

[3:31:09 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on the confirmation hearings.

REPRESENTATIVE REINBOLD removed her objection [The committee treated it as though Representative Reinbold had objected for the purpose of discussion]. There being no further objection, the confirmations were advanced.

[3:31:52 PM](#)

The committee took an at-ease from 3:31 p.m. to 3:33 p.m.

HB 206-MOTOR VEHICLE SERVICE CONTRACTS

[3:33:39 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 206, "An Act relating to motor vehicle service contracts; and exempting motor vehicle service contracts from regulation as insurance."

[3:33:53 PM](#)

REPRESENTATIVE GABRIELLE LEDOUX, Alaska State Legislature, stated that HB 206 will bring Alaska's regulation of motor vehicle service contracts in line with how the industry is regulated in most of the states. She said that similar laws have been passed in 38 states and have been endorsed by a variety of entities, including the Automobile Protection Corporation, Ford Motor Company, Ally Financial, CNA National Warranty Company, Toyota Financial Services, the Service Contract Industry Council, and the National Trade Association. This bill would protect consumers and ensure the long-term viability of the motor vehicle service contract industry. This bill is necessary, not only for motor vehicle service contract providers and automobile providers, but it is also good for Alaskan consumers. She urged members to support HB 206.

[3:35:12 PM](#)

REPRESENTATIVE REINBOLD moved to adopt the proposed committee substitute (CS) for HB 206, labeled 28-LS0501\C, Wallace, 2/6/14 as the working document.

CHAIR OLSON objected for the purpose of discussion.

[3:35:33 PM](#)

THOMAS BROWN, Staff, Representative Gabrielle LeDoux, Alaska State Legislature, stated that HB 206 brings forth a fair and comprehensive regulatory framework for motor vehicle service contracts that protects consumers and ensures the long-term viability of the motor vehicle contract industry. He said that at the moment Alaska law is unclear at best as to how a motor vehicle service contract provider should do business in the state. He related that HB 206 sets a clear path for how a motor vehicle service contract provider is regulated in Alaska, consistent with the treatment of the industry in the majority of the states. The industry supports this bill since it will provide regulatory certainty and increased uniformity for motor vehicle service contract programs. This bill would also create a level playing field for providers to transact motor vehicle service contracts and provides consumer protections. Additionally, it would provide protection to consumers by requiring providers to allow consumers to review the contract after purchase and cancel the contract within a specified period of time and receive a full refund of the purchase price.

MR. BROWN stated that HB 206 provides clear directives as to how the industry is regulated and protects Alaska's consumers by creating a regulatory structure which will allow the Division of Insurance (DOI) to ensure that Alaskan consumers are treated uniformly with other state consumers when purchasing a motor vehicle service contract.

[3:37:38 PM](#)

MR BROWN reviewed the section-by-section analysis of the bill. Section 1 would amend current law to remove motor vehicle service contracts from the list of items excluded from the current law's definition of "service contract." Section 2 creates new subsections clarifying certain provisions of motor vehicle service contracts including which ones are governed by Alaska law and defining the provisions of the contracts. Section 3 makes a change to existing statutes that is necessary as a result of HB 206. Section 4 would clarify that these laws

do not apply to a person but apply to the motor vehicle service contract provider.

MR. BROWN related that Section 5 adds a new title to AS 21.61 which sets forth the following: It identifies specific services that would be offered through any motor vehicle service contract and identifies specific disclosures that must be included on a motor vehicle service contract, including cancellation rights, coverage provided, name and contact information, and "so forth."

[3:39:23 PM](#)

MR. BROWN continued his section-by-section analysis of HB 206. Section 5, AS 21.61, includes language on party identification and exemptions to the motor vehicle service contract. This section contains provisions related to providing receipts and copies of the motor vehicle service contract within a specified period of time. Proposed AS 21.61.050 requires biennial renewal of motor vehicle service contract provider license. Proposed AS 21.61.060 would require registration of an entity providing motor vehicle service contracts and AS 21.61.070 would provide the requirements for return and cancellation of a motor vehicle service contract, including refunds, and information that must be provided by the contractor to the consumer.

MR. BROWN stated that proposed AS 21.61.080 provides financial responsibility requirements for motor vehicle service contract providers to the consumer and liabilities that may accrue. Proposed AS 21.60.090 and AS 21.60.100 would set forth definitions and authorize the director of the Division of Insurance to conduct examinations or investigations of licensees and contract providers. Finally, Section 6 would clarify any language used in these new sections.

[3:41:11 PM](#)

CHAIR OLSON stated that his office has not received any calls or e-mails in opposition to HB 206. He asked whether the sponsor has received any calls.

MR. BROWN responded that they had not.

[3:41:26 PM](#)

REPRESENTATIVE SADDLER asked whether he could provide a little more information on service contracts and differentiate between

service contracts and maintenance agreements. He further asked whether this is something provided by the dealers.

[3:42:20 PM](#)

STEPHEN MCDANIEL, Assistant Executive Director and Assistant General Counsel, Service Contract Industry Council (SCIC), related that HB 206 is consistent with the regulatory treatment of the service contract industry across the country and will bring Alaska's law into line with how the service providers and industry is regulated. It puts forth important consumer protections by providing for cancellation rights and acquiring financial responsibility of those providers of service contracts that are being sold in Alaska, while it creates regulatory certainty for the industry with respect to how business is done in the state. The language in HB 206 is largely based on a model act adopted by the National Association of Insurance Commissioners in the early 1980s. This has been the foundation for similar legislation adopted across the country. The SCIC's 67 member companies support this, and it is a good step forward for the regulation of motor vehicle service contracts in Alaska.

[3:43:54 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the bill was seen as being mutually beneficial for salesmen and the purchaser.

MR. MCDANIEL indicated this bill provides a regulatory framework that the industry believes is beneficial to the salesmen. Typically, auto dealers sell these contracts to the consumers. It ensures individuals and entities that are making the promises in service contracts have the financial ability on contractual promises to consumers and customers of the automobile dealers. In the worst case scenario, if the providers "go under" the consumer would be left "holding the bag." A dealer will honor the contract since they don't want the consumer to go away upset. Also, the bill would ensure that appropriate financial backing for the providers is available as well as to clarify the way they are to be offered in the state. This is good for the sellers, consumers, and contract providers, he said.

[3:45:39 PM](#)

REPRESENTATIVE SADDLER asked for clarification on service contracts and a sense of how important this is to dealers.

MR. MCDANIEL answered that typically the contracts offer coverage for defects in materials and workmanship as well as some additional provisions for things such as road hazards, which would cover tire and wheels for punctures. The benefits vary from provider to provider, but typically will range from five to seven years. The terms are chosen by the consumers and by and large it is an extension of the manufacturer's warranty and includes emergency roadside assistance to assist consumers when the vehicle has a breakdown.

[3:47:12 PM](#)

REPRESENTATIVE SADDLER related his understanding that this is not a network of mechanical shops but is an actual service that arranges coverage and reimburses shops in Alaska for consumers who have purchased contracts.

MR. MCDANIEL answered that is correct. The providers actually pay for the repair so it isn't a reimbursement to consumers in most instances. There is usually no outlay from the consumer unless the contract has a deductible.

REPRESENTATIVE SADDLER asked for an estimate of the annual cost to consumers.

MR. MCDANIEL responded that it would depend on contract. He suggested that the standard cost for five years runs between \$1,200 to \$1,500.

[3:48:19 PM](#)

REPRESENTATIVE CHENAULT recalled the service contract package may provide oil changes and brake pads and can be crafted to include all sorts of things can go wrong once the regular warranty is up.

[3:49:15 PM](#)

LORI WING-HIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development, related that this bill has been worked on for several years and the division has finally reached a consensus that this bill will protect consumers. She thanked the sponsor's staff and Mr. McDaniel, who have been very patient with the division. She indicated that the division is comfortable with Version C of HB 206.

[3:50:03 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 206.

CHAIR OLSON withdrew his objection.

[3:50:47 PM](#)

REPRESENTATIVE REINBOLD moved to report the proposed committee substitute (CS) for HB 206, labeled 28-LS0501\C, Wallace, 2/6/14 out of committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHB 206(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 3:50 p.m. to 3:52 p.m.

HB 116-PERS CREDIT FOR MILITARY SERVICE

[3:52:59 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 116, "An Act relating to the use of credited military service by retired peace officers and firefighters to meet certain requirements for major medical insurance coverage; and providing for an effective date."

[3:53:55 PM](#)

VASILIOS GIALOPSOS, Staff to Representative Charisse Millett, stated that HB 116 would be an option under PERS Tier II and III for peace officers and firefighters who are veterans of the armed forces to opt to purchase time up to five years towards medical retirement benefits. He said this would create a separate indebtedness in comparison to the existing PERS buy-back provisions for PERS retirement. He stated that one change in Version U of HB 116 [not yet before the committee] can be found on page 2, [lines 28-30], of proposed Section 3, which adds subsection (b). This amendment was suggested by the Division of Retirement & Benefits in order for the intent of the bill to take effect. He deferred to the division to explain the effect.

[3:55:13 PM](#)

REPRESENTATIVE REINBOLD moved to adopt the proposed committee substitute (CS) for HB 116, labeled 28-LS0398\U, Wayne, 2/25/14 as the working document.

CHAIR OLSON objected for the purpose of discussion.

[3:55:30 PM](#)

MR. GIALOPSOS referred to page 2, lines 28-30, of proposed Section 3, which adds subsection (b). He deferred to the Division of Retirement & Benefits to explain the effect.

[3:55:44 PM](#)

KATHY LEA, Chief Pension Officer, Division of Retirement and Benefits, Department of Administration, stated the new subsection [in Version U] clarifies that the costs calculated for [AS 39.35.340] (j) are not in addition to any costs outlined in subsection (b). Thus, there are not two costs to claim military service for health eligibility, so only one cost will be charged.

[3:56:42 PM](#)

REPRESENTATIVE CHENAULT asked for clarification on the fiscal note explanation.

MS. LEA answered that HB 116 has a zero fiscal note. The cost to using up to five years to count towards health eligible is borne entirely by the member. It is an actuarial cost at time of his/her retirement. Since there isn't any impact on the system, the division submitted a zero fiscal note.

[3:57:26 PM](#)

CHAIR OLSON asked if it would be similar to the military buy in.

MS. LEA answered yes.

[3:57:36 PM](#)

REPRESENTATIVE CHENAULT referred to page 2, [Section 3], of HB 116. He asked what this language means and how it will affect a peace officer who is retiring, and to further explain how that would affect their retirement payments of benefits.

MS. LEA explained a provision in PERS states that any claim for service which will reduce a member's payment below what it would be absent claiming the service cannot use the service. This paragraph refers to that provision. The division would want to

be able to use the service whether or not it had an effect on the benefit.

[3:58:42 PM](#)

REPRESENTATIVE CHENAULT asked whether that was the reason for the language change in Version U.

MS. LEA, after first mulling it over, answered yes.

[3:59:34 PM](#)

REPRESENTATIVE MILLETT pointed out that the profession of police officer is a "young man's job," which is a reason for this bill. She anticipated this bill is a cost savings measure. It will allow police officers and firefighters to buy up to five years of military medical service as a "buy back." In turn, this allows municipalities to hire lower cost employees. She said that she did not wish to disrespect any older officers.

[4:01:16 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 116.

CHAIR OLSON removed his objection.

REPRESENTATIVE JOSEPHSON said he was glad to see the bill again in committee. He characterized the bill as a "win-win" that gives great discretion to the firefighters and police officers to choose whether to use the program.

[4:02:18 PM](#)

REPRESENTATIVE REINBOLD moved to report the proposed committee substitute (CS) for HB 116, labeled 28-LS0398\U, Wayne, 2/25/14 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 116(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took a brief at ease.

HB 384-ALASKA MINIMUM WAGE

[4:04:13 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 384, "An Act increasing the minimum wage; and providing for an effective date."

4:04:19 PM

TOM WRIGHT, Staff, Representative Mike Chenault, Alaska State Legislature, stated that HB 384 would raise the minimum wage to \$8.75 per hour until December 31, 2015 and not less than \$9.75 per hour on or after January 1, 2016 until December 31, 2017. This language mirrors a proposed minimum wage initiative. Thereafter, the minimum wage would be adjusted annually for inflation. The Department of Labor & Workforce Development commissioner will calculate the adjustment for inflation annually, on or before September 30th for the following calendar year. The language, as previously stated, is similar to that found in the ballot initiative to increase the minimum wage.

Mr. WRIGHT said, that According to Alaskans for a Fair Minimum Wage, [which he read from the sponsor statement - original punctuation provided]:

After having the highest minimum wage in the nation for the four decades following statehood, Alaska has fallen in recent years to 17th place among the states. A single parent working full-time, 2080 hours at the current minimum wage of \$7.75, earns \$16,120 annually, less than two-thirds of the poverty rate for a family of three in Alaska. Had the Alaska Legislature not repealed in 2003 the modest cost of living adjustment mechanism they had approved less than a year earlier in the bill raising the minimum wage to \$7.15, that wage today would be \$9.53 today.

MR. WRIGHT said that this legislation is an opportunity to ensure the minimum wage is inflation-proofed. While many Alaskans support increasing the minimum wage, the ballot initiative sponsors have voiced concern that if the legislature passes HB 384 it will repeat events that occurred in 2002 and 2003. He explained that in 2002, the legislature passed a bill similar to an approved voter initiative, thus removing the petition from the ballot. The following year the legislature passed a bill removing the annual inflation adjustment.

4:07:05 PM

MR. WRIGHT said he guessed he could speak on behalf of the sponsor, that it is not the sponsor's intent to make similar changes in the next legislative session or the following one; however, he noted that one legislature can't bind future legislatures. He noted that the legislative members for the next legislature are not yet known and will depend on the voters. He emphasized that it is not Speaker Chenault's intent to repeat the events that occurred in 2002-2003.

MR. WRIGHT stated that passing legislation to increase the minimum wage will guarantee Alaskans get a minimum wage increase, including inflation-proofing. A ballot proposition does not guarantee voters will pass the measure. He said that passing a bill this legislative session would further allow for a strong public process through legislative hearings and public testimony, which is a process that would be lacking if the minimum wage is increased through an initiative process.

[4:08:08 PM](#)

CHAIR OLSON said he has spoken to several union lobbyists in the building. He suggested that their members e-mail written testimony to the committee. He indicated the committee has received over 100 e-mails or letters against the bill. He noted some e-mails or letters have not yet been entered into the system, but he anticipated that would happen within a few days.

MR. WRIGHT referred to information in members' packets, including the language for a letter from the Department of Law [dated June 20, 2013]; the initiative petition bill language; a summarizing of the Alaska Wage and Hour Act; an NCLS minimum wage survey of states; and several recent newspaper articles.

[4:09:11 PM](#)

REPRESENTATIVE JOSEPHSON referred to the second paragraph of the sponsor statement. He said he was a legislative aide in 2002. He asked for further clarification on why the legislature "undid" what it had done the prior year.

MR. WRIGHT answered he cannot speak about actions that were taken by prior Speaker [Pete] Kott. He said he did not want to interpret what happened.

REPRESENTATIVE JOSEPHSON said the sponsor statement also states that over the next 11 days that the legislature can give the bill strong public process. He asked whether this would also

happen during the initiative process over the next four or seven months, depending on when the ballot initiative is heard.

MR. WRIGHT said he couldn't answer that either since he doesn't know about the sponsor's plans to conduct hearings or what that process would entail.

[4:10:41 PM](#)

REPRESENTATIVE JOSEPHSON asked why the bill identically matches the initiative and does not have another figure. He said that the bill uses a minimum wage of \$8.75 per hour next year and \$9.75 the year after that and a consumer price index (CPI). He asked whether it is intentional or coincidental that the bill language matches the initiative.

MR. WRIGHT suggested the legislative legal and research lawyers could better answer that question.

[4:11:32 PM](#)

REPRESENTATIVE JOSEPHSON acknowledged that the language in HB 384 is identical with the ballot initiative petition bill language for increasing Alaska's minimum wage. He asked the reason the language in HB 384 is identical to the initiative. For example, the bill requestor could have decided on \$8.76 per hour or \$9.12 per hour.

MR. WRIGHT answered that HB 384 followed the language in the initiative.

[4:11:55 PM](#)

REPRESENTATIVE JOSEPHSON noted that there is nothing in the members' bill packets from the food and beverage industry. He asked whether he knew their positions.

MR. WRIGHT responded that he did not know.

CHAIR OLSON related his understanding that the offer to comment was made to all unions. He certainly hasn't been purging any letters.

[4:12:26 PM](#)

REPRESENTATIVE JOSEPHSON said that he did not think the packet had been purged. He expressed an interest in the breaking point

for small and large businesses. He asked whether the bill should be \$10 or \$11 per hour instead of \$8.75.

MR. WRIGHT said it would be up to the legislature to decide.

[4:12:50 PM](#)

REPRESENTATIVE SADDLER remarked that this issue has been around and he has read national news on it. He asked whether people plan on a comfortable life based on a minimum wage.

MR. WRIGHT offered his belief that it would be tough to be comfortable on minimum wages even if they were based on the new proposed scale.

REPRESENTATIVE SADDLER remarked that he didn't see anything in the bill to indicate this was designed to guarantee a comfortable life or a prosperous career. More to the point, he's seen discussion that a minimum wage is considered a transition wage that a person earns while learning a job. Additionally, it could supplement other wages earned in the household. He recalled hearing that one couldn't afford to buy a house and feed five kids on minimum wages. He said, "Of course you can't. That's not what a minimum wage is about." He continued by sharing he once earned a minimum wage and he learned skills and was able to get a better job. He characterized it as a transition through minimum wage. It wasn't where he stopped but was where he started in his career.

MR. WRIGHT responded that he recalled baling hay at \$.75 per hour.

CHAIR OLSON guessed that most of the people in the room may have started out at the minimum wage.

MR. WRIGHT said, "Or less."

[4:14:15 PM](#)

REPRESENTATIVE HERRON commented that the legislature can pass a law and overrule it the next year. Its life span can be short, he said. He asked for the minimum life span of an initiative.

MR. WRIGHT answered the minimum span is two years.

[4:14:42 PM](#)

REPRESENTATIVE MILLETT referred to a "cruise ship" initiative a few years ago that did not adhere to the single subject rule and had six subjects. She recalled that they were able to modify three of the subjects. Thus an initiative can be modified but what can and cannot be modified is limited. She imagined if this initiative passed that the legislature could adjust numbers, but it would need to fall within a certain range. She suggested it was similar to the requirement for reporting offshore sales of products. She said that she passed a law several years ago related to initiatives that required the lieutenant governor to provide "pro and con" discussions twice in each of the judicial districts. Additionally, it required a legislative committee to meet, and although the legislature couldn't change the initiative the committee could discuss the pros and cons of the initiative. She argued that initiatives end up being "bumper sticker slogans." With respect to the clean water initiative, she commented that everyone wants clean water. She said people want to get paid. She recalled that she earned \$3.91 with her first job and that led to her deciding to get education to obtain a better job. She said, "That's what minimum wage was to me. It was a place to start to move up and to continue to move up and progress."

[4:16:58 PM](#)

REPRESENTATIVE MILLETT disagreed that the minimum wage should be a "living wage," but it should be a starting point for teenagers who can work themselves up to better wages. She reiterated that people want a fair wage so that is what the bumper sticker for this initiative will say. She questioned whether the minimum wage would be for those 19 years old or if it would apply to someone who is 50 years old with a master's degree in psychology. She offered her belief that is why initiatives are dangerous unless they are appropriately vetted. She preferred to have a bill in which full discussions can occur, openly and on the record, with news agencies reporting the actions so the public can better understand the full ramifications. She argued that this is a much better way of passing laws. She related her understanding that the drafters of Alaska's Constitution provided for an initiative process; however, the state is at the point when one group doesn't get their way the first thing they do is pull out an initiative rather than to make the case for someone to carry a bill for them. While she is not against initiatives, she thought the best way for legislation in Alaska is through the committee process. Her district elected her so she represents those 17,000 people and makes decisions on their behalf. If she doesn't make the right decisions, the voters

will not reelect her, she said. She reiterated that initiatives create "bumper sticker ads" that can be misleading. Again, she would rather have a bill before the legislature that goes through the committee process with feedback from constituents statewide. She pointed out that many unions are in the committee room objecting to this legislation. She predicted that many people will object to the bill in the next 11 days, many of which will be small "mom and pop" businesses. She said that this bill may kill many of the small businesses and that scares her. She added that it is wise to take up the minimum wage bill this session instead of having a ballot fight that may not be as truthful as it should be when discussing policy.

[4:19:51 PM](#)

CHAIR OLSON commented that he carried the current minimum wage bill on the floor in 2008 or 2009, and it has not been touched. He recalled the increase was \$.75 above the federal rate, which was reasonable at the time.

MR. WRIGHT said he would add to Representative Millet's comments, that even if HB 384 doesn't pass it will still represent a vetting process. In response to Representative Josephson, he was not sure what hearings the initiative's sponsors have in mind, if they do have hearings in mind; however, most people will not attend so they will get their information from an advertising campaign - good or bad. He concluded that at least this bill provides a process.

[4:21:09 PM](#)

REPRESENTATIVE JOSEPHSON asked to respond to some of Representative Millett's comments.

CHAIR OLSON asked him to hold his response under the committee discussions on the bill.

[4:21:22 PM](#)

REPRESENTATIVE JOSEPHSON, relative to Representative Millett's comments, said the sponsor statement seems to indicate that the process in 2003 was unfair and resulted in a wage that was much lower than it would have been today. He asked whether he understood the frustration of the 50,000 signatories of the initiative and why these people would remember what happened 11 years ago and would rather "roll the dice" and take a chance with the voters.

MR. WRIGHT said that he could understand their frustration; however, he said he cannot speak on behalf of earlier legislative action. He said, "Quite frankly, I don't think all 50,000 signatories realized what happened in 2002-2003. I'd be surprised. But again, I can understand why the backers of the initiative are frustrated. I completely understand that. And does history repeat itself? I hope not in this case, but again, that's a question you all will have to answer, not me."

[4:22:41 PM](#)

REPRESENTATIVE JOSEPHSON surmised that the backers of the initiative would know they have a result that would be secure for two years if the legislature leaves it alone. He asked how the legislature could offer voters something that the initiative offers, which is two years of legitimate protection.

MR. WRIGHT said he didn't know.

[4:23:30 PM](#)

GARY MILLER said he is one of the 43,489 who signed the minimum wage initiative. He stated that the initiative required signatures of 10 percent of the qualified voters who voted in the preceding general election, including at least 30 of the House districts, of which at least 7 percent voted in the preceding general election. He related that the referendum took thousands of hours of work and thousands of dollars to complete. The Alaska Constitution allows the citizens of Alaska to enact legislation through the initiative process. He said there is nothing else as democratic as the initiative process. He asked why the legislature would deny the voters the opportunity to vote on this referendum. It didn't make any sense to him, he said. He thanked members for the opportunity to testify.

[4:25:02 PM](#)

NANCY COURTNEY asked to testify against HB 384. She said that last year she spent hours gathering signatures to get a citizen's initiative on the ballot to allow Alaskans to vote to raise the minimum wage in Alaska. Citizens collected the necessary signatures, and the initiative is currently scheduled to be on the primary ballot in August, although she understood the vote may be postponed until the November election. In 2001, a similar citizen's initiative collected over 50,000 signatures to place the matter on the November ballot; however, prior to

the vote, the legislature passed a minimum wage bill in 2002. In 2003, the legislature removed the Cost of Living Allowance (COLA) and instead of having a current minimum wage of \$9.53 per hour, the current minimum wage is \$7.75. She remarked that she has heard some legislators say the [composition of] the legislature is not the same as in 2003 and that nobody has any intention of removing the COLA from this bill, if it were to pass. However, there is "nothing in stone" that says anyone has control over what future legislatures will do. She feared a repeat of what happened in 2003 will happen in 2015. She said that 11 legislators who voted on the matter in 2003 are sitting legislators today. She reminded members that Alaskans have worked very hard to get the minimum wage initiative on the ballot. She said, "We have the right to vote on it and when it passes and becomes law to have the law in place for at least two years before the legislature can repeal it." She thanked members and urged members to vote against HB 384.

[4:27:43 PM](#)

BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, stated she was one of the hundreds who gathered signatures for the minimum wage initiative. She said it is very difficult to get initiatives through the process now. She said the Teamsters Local 959 opposes HB 384. It has nothing to do with the minimum wage. In fact, she agrees that no one on the committee or in either body of the legislature can guarantee that the bill won't be changed next year since legislators don't know if they will be re-elected. She said that if voters are allowed to vote on this initiative at least their wishes will be heard and the pressure will be taken off the legislators. She urged members to vote no.

[4:29:47 PM](#)

REPRESENTATIVE CHENAULT asked whether people who were gathering signatures were paid.

MS. HUFF TUCKNESS answered that she was not paid to gather signatures.

[4:30:19 PM](#)

REPRESENTATIVE CHENAULT said he would be curious what wage gatherers were paid. He pointed out something else that cannot be guaranteed is that the initiative will pass. He acknowledged that the polls predict it will pass; however, there is no

guarantee. In fact, he has seen voters vote against initiatives that seemed to be popular, such as the coastal zone management initiative. The difference between that initiative and the bill currently before the committee is that the legislature failed coastal zone management (CZM). It created such havoc that people obtained the required signatures to put the CZM issue on the ballot. Even though everyone thought it would pass it failed. If the legislature passes HB 384, it is a way for Alaskans to obtain a minimum wage increase. He emphasized that it is not intended to change any part of this bill.

REPRESENTATIVE CHENAULT answered that if this bill moves through it may help Alaskans and will take care of an issue. He said this is the only guarantee that the minimum wage will increase. He acknowledged that the question is whether the legislature will not change the law again; however, it is his intent to keep the bill for two years. There isn't any guarantee he will be elected or be in the same position. He said that it is a good process. Again, just because an initiative is on the ballot does not guarantee the voters will pass it.

[4:33:19 PM](#)

MS. HUFF TUCKNESS agreed with him that there isn't any guarantee; however, at least through the initiative process the voters will have gone to the polls and will have spoken. She stated that if the voters do pass the initiative it will guarantee it for two years. In the event voters didn't pass it, she suggested that it would be likely constituents would be before each of you asking for a \$10.10 minimum wage. She concurred that there really isn't any guarantee.

REPRESENTATIVE CHENAULT wondered about the willingness of the legislature to seek a minimum wage bill in the event the initiative process failed. He suggested it was likely that the legislature would say, "The voters voted and the voters made their statement."

[4:34:39 PM](#)

REPRESENTATIVE JOSEPHSON asked how long she has worked in the building [for the Teamsters 959].

MS. HUFF TUCKNESS answered that she has been coming to Juneau as the legislative liaison for Teamsters 959 since 1994.

REPRESENTATIVE JOSEPHSON asked whether this bill hearing is largely due to the initiative process.

MS. HUFF TUCKNESS answered that it seems to be the case.

[4:35:12 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the signatories of the initiative would rather be defeated at polls in August or November or to see the legislature roll it back in 2015.

CHAIR OLSON pointed out that is not in HB 384.

MS. HUFF TUCKNESS answered that she was not sure she could respond since it is a theoretical question. She also said she can't speak on behalf of the rest of the voters.

[4:35:58 PM](#)

REPRESENTATIVE MILLETT asked how many times ballot initiatives to move the capital have occurred and how many times the initiative passed or failed.

CHAIR OLSON did not know.

[4:36:25 PM](#)

JAKE METCALFE, Executive Director, Public Safety Employees Association (PSEA), said he doesn't support this bill since the minimum wage is enough. He said he grew up in Juneau and began working when he was 5 years old. After high school he worked at Juneau Cold Storage for \$11.25 in 1979. He went to Europe in the fall and college in the spring. He didn't have [financial] help from his parents. Last summer his son worked in Bristol Bay cleaning fish and earned \$8 per hour. He offered his belief that something isn't right when his wages 30 years ago were more than what his son earned in 2013. At the same time, the cost of living has increased at 2.5 percent per year. Costs for health care and college have gone up, but people are making less than he did in 1979. He remarked that it isn't good for anyone. He has heard transition jobs mentioned and his summer job was a transition job. However, he also worked with people of all ages who made a career working on fish. These people made a living wage in 1979, but people don't make a living wage today. He suggested that if the legislature passes HB 384, people will not be given a living wage. He suggested the minimum wage starting point should be \$15 per hour, which is what Seattle's SeaTac

airport has done. This bill doesn't provide a living wage. He further suggested the committee consider amending it so that people who work in these transition jobs earn a living wage - whether they are kids or 50 year-olds trying to support a family. In response to a question, he answered that his first job was shining shoes at the local barber shop.

[4:39:31 PM](#)

MR. METCALFE said Alaskans should have a living wage and shouldn't live in poverty just because they work in transition jobs. He suggested that people earning a minimum wage are living life in poverty. He concluded his testimony by saying, "That's not right in this country, especially in this state, which is the richest state in the union."

[4:40:00 PM](#)

CHRIS ASHENBRENNER stated that she was very involved in the CZM initiative, which came before the legislature as a bill with the same language as the initiative. It did not pass, but at the time the governor and many legislators said, "Let the people speak." With respect to the voters voting it down, she reported that \$3.5 million was raised to oppose the initiative; whereas \$600,000 [was raised in support of the initiative] which also included the signature drive. Sometimes the playing field is a little more level than others, she said. Young people aren't always the ones earning minimum wages. She worked with people coming out of poverty, domestic violence victims, and immigrants, and she said "there's a lot of people out there that are supporting families and they're working on minimum wage jobs." She asked members to keep this in mind. She pointed out that initiatives are vetted in public hearings in four different regions, held by the lieutenant governor. The minimum wage initiative will be publically vetted. She urged members not to pass the bill; "let the people speak."

[4:42:33 PM](#)

ED FLANAGAN, Chair, Alaskans for a Fair Minimum Wage, stated that he would normally address the merits of the bill and debate the issue. He said he won't due to the process, which is a bit of a sham. He suggested members vote no because the [supporters of the initiative] will take their chances with the electorate. Everyone knows what is going on in this situation. This legislature has shown no interest in fixing the minimum wage since the legislature "broke it" in 2003. He said the bill that

Chair Olson carried happened because Alaska's minimum wage, which had been the highest in country for 40 years and had been \$0.50 over federal minimum wage since 1959 (when the federal minimum wage was \$1.00), was about to be eclipsed by the federal minimum wage, because when the legislature repealed the cost-of-living allowance in 2003, it did not even put back on the \$0.50-over-federal amount. He recalled in 2002, at a time when Alaska was about to be surpassed, a bill came up at \$8.75 and the CPI [consumer price index], "which all of a sudden you're interested in correcting," but the only thing that passed was the \$0.50 over the federal minimum wage, which was "better than nothing" at \$7.75. He reported that the minimum wage has increased \$0.60 in 11 years. He predicted that had it not been eviscerated, the minimum wage would be \$9.53 per hour. He emphasized that "low wage" workers have lost ground in this state because of the legislature's "bad faith action" in 2003, in particular, those 17 who voted for the bill in 2002 and later to "gut it" in 2003.

[4:45:26 PM](#)

MR. FLANAGAN offered his belief that low-wage workers have lost ground except for 2010 when the \$.50 cent increase was restored. He offered his belief that the way to correct this is through the initiative process. There isn't anything that has been said to convince anyone that this is not ploy to take the initiative off the ballot. He questioned whether this bill is being introduced because folks don't want it on the ballot along with other ballot measures or to be an issue in campaign races. He suggested that people have overstated the impact that initiatives like this have in bringing people to the polls; however, he imagined it could have some impact during close elections. He characterized this bill as being improper "electioneering" motivation. He predicted that next year it would be gutted. He found it remarkable that the National Federation of Independent Business, seafood processors, and the restaurant industry are not coming out to testify against this bill. He observed this is the first minimum wage bill that they have not testified against. He offered his belief that "the fix is on. They know what's happening. This is what they want because then, at least, they don't have to wait two years before they can try to do a tip credit...."

MR. FLANAGAN recalled that the sponsor had previously introduced a bill in 2009. The effect was that waiters and waitresses can be paid subminimum wages because the tips are counted. Alaska has never allowed it, he said. He expressed confidence that the Alaska people will not support it. He explained that the

initiative would reaffirm the whole provision including the tip credit, which should protect those workers for two more years. He predicted if HB 384 passes, the only guarantee is \$1 increase, which takes effect January 1, 2015. The second dollar is at risk and the cost of living allowance is at risk. He reiterated that he prefers to take chances with the voters. He said that the 69 percent approval is prior to initiating a campaign. The initiative process complied with Representative Millett's legislation, apparently motivated by distaste or contempt for the initiative process, and requires nine hearings. The lieutenant governor needs to hold two hearings in each of the four judicial districts. Additionally, the joint Alaska Judiciary Committees recently held a hearing. There is plenty of opportunity for hospitality retailers to work to have a bill introduced. He predicted that next year this group could do a "tip exemption" rather than a "tip credit." He welcomed the [hospitality retailers] entry into the field to oppose the minimum wage during the campaign. He predicted that the outcome will be two to one in August or November. He stated that the Department of Labor and Workforce Development in its statement of cost identified, like a fiscal note that accompanies the initiative, identified a small recurring cost of \$83, which should merit a fiscal note.

[4:49:19 PM](#)

MR. FLANAGAN expressed astonishment that he would be in the situation in which he is urging a no vote on a minimum wage bill; however, it is a "bad faith" bill - and he's sorry if anyone takes offense at that, but he's calling it like he sees it. He described the rigorous initiative process, exceeding the 7 percent in 30 districts by obtaining 7 percent in 33 districts. He reported missing the necessary signature by slim margins in two additional districts. He further reported the tally at 36,500 valid registered voters, which is 6,500 more than necessary. He said that 4,900 signatures were collected in committee members' seven districts

MR. FLANAGAN highlighted that [the effort] is a combination of paid workers and volunteers. In fact, almost all initiatives that are successful include paid signature gatherers. He said that the paid signature gatherers pulled in 65 percent or 28,000 signatures and volunteers collected 15,500. He collected several thousand signatures since it was a good way to get a feel for how people felt about the minimum wage. He offered to share anecdotes. As the poll shows, the minimum wage issue is a majority across party lines with super majorities with

Democrats, undeclared, and non-partisan registered voters. In Ketchikan, folks knew who paid minimum wages and did not want to support those that didn't. Small business owners in Sitka said they couldn't in good conscious pay their workers less than \$10. In North Pole, he collected signatures at the transfer station in a very conservative district.

MR. FLANAGAN related his informal survey based on all sorts of comments made on other issues, but they signed the minimum wage petition, remarking it didn't go high enough. He predicted that the initiative will pass overwhelmingly. It is overdue, he said. These folks didn't sign the petition to have the legislature act. In fact, the legislature had 11 years to act and make it right, but the legislature did not. The initiative process is in Alaska's Constitution for the voters to make things right when the legislature doesn't do it. He characterized the coastal zone analogy as not holding water. He concluded by sharing that he is passionate about this because he was the commissioner of the Department of Labor & Workforce Development in 2002, so he was basically "the bill manager" for the administration. He had thought that the initiative process was to help move the bills and it did so. Lots of legislators helped do what former Representative Kott did when he indicated that the legislature take action the next year rather than to repeal the Cost of Living Allowance two years later. He said, "When I'm told, well it's better if you pass a bill; then you know you have it - well, I bought that bridge 12 years ago and I feel some responsibility that he was insufficiently skeptical that he had not pushed to let the initiative go to the ballot where the lives of thousands of Alaskan workers in the 11 years would have been materially better than they ended up as a result of the 2003"

[4:54:56 PM](#)

REPRESENTATIVE MILLETT clarified that Representative Bill Williams legislation in 1999 required gatherers to collect signatures in 30 of 40 districts. She characterized her bill as one of requiring transparency since hearings must be held around the state. Further, her bill required clear and concise conversation about the pros and cons of an initiative. She described initiative gatherers to carry a copy of the initiative so voters could read it. Finally, her bill required a legislative hearing to identify the fiscal impacts of an initiative, similar to the legislative process requirement for a fiscal note. She argued that her bill made the process more transparent but not more difficult. She characterized this

process as one that informed voters. She expressed concern about previous initiative processes in which the gatherers were less than truthful. She said she doesn't hate or loathe initiatives; rather, it is a great process that the Alaska Constitution allows. She said she is a fan of the initiative process and finds it to be a necessary process; however, she also wanted to ensure that the process was transparent. She related a scenario in which it took two years to pass a bill. During that time, 60 legislators were able to review her bill and improve her bill through the legislative process.

[4:58:06 PM](#)

CHAIR OLSON related that Mr. Flanagan was one of several people invited to testify on HB 384.

DOUG TANSY, President, Fairbanks Central Labor Council, voiced his support for the initiative process. He asked members not to pass this bill and to allow the people of Alaska to express their will through the initiative process. He offered his belief that good reasons exist to be skeptical due to what has previously happened. He urged members not to pass bill.

[5:00:03 PM](#)

KEVIN POMEROY, Member, Laborers Local 942, thanked members for the opportunity to testify. He said that he has worked several minimum wage jobs and recalled it was definitely a struggle. He has a lot of respect for the people who raise kids on minimum wages, which is difficult. This is something that needs review. There were times when he felt like he was "spinning his tires" but with the cost of living increasing that term doesn't even seem like a fair analogy. He said raising the minimum wage would be a positive for the community. He said, "They say you are only as strong as your weakest link." He recognized the struggle people have and "he's been there and done that." He offered his wholehearted support to raise the minimum wage.

[5:02:36 PM](#)

REPRESENTATIVE JOSEPHSON asked whether he supports the bill or the initiative process.

MR. POMEROY offered his support for the initiative process.

[5:03:14 PM](#)

DALE FOX, President & Chief Executive Officer, Cabaret, Hotel, Restaurant & Retailers Association (CHARR), offered CHARR's support for HB 384 as a reasonable and measured approach and not due to the "skullduggery" that some people imply but because CHARR has observed what happened at SeaTac. He said that reasonable and measured makes sense whereas a \$15 per hour or a "living wage" proposal does not. He commented that his 15-year-old granddaughter will appreciate if the legislature passes this bill because it will mean a raise for her. The CHARR members would have preferred this bill be introduced in January because they were hoping for relief for owners, as well; however, CHARR members did not want to slow down the process. He offered his belief that whether HB 384 or the initiative passes, it provides a reasonable and measured approach.

[5:04:32 PM](#)

JED WHITTAKER offered his belief that the minimum wage should be increased to \$20 minimum with an effective date of January 2014. He makes this suggestion based on research done by the Department of Labor & Workforce Development (DLWD) and the Department of Health and Social Services and using the poverty guidelines. In Alaska Economic Trends, published by the DLWD, an August 2013 article noted that Anchorage had the second highest median rent at \$1,154 per month. He reported that Kodiak had the most expensive with a median of \$1,365 per month, Fairbanks is \$1,239 per month; Juneau is \$1,250 per month; and the statewide median is \$1,119 per month. Additionally, the September 2009 issue related that economist Caroline Schultz said that AHFC considers housing affordable when it costs no more than 30 percent of a person's income. He suggested that for a median two-bedroom apartment to be affordable a renter must earn at least 90 percent of the average or \$42,300 per year, which translates into a wage of approximately \$20 per hour. Ms. Shultz further wrote that in order to afford an average two-bedroom apartment in Anchorage, a household would need to earn the equivalent of 2.7 minimum-wage jobs. He also reported that Alaska ranked 10th in being the most expensive rental market in 2009.

MR. WHITTAKER related that according to a DHSS survey in 2009, in order to afford a two-bedroom apartment, a worker would need to earn \$19.83 per hour in Anchorage, \$24.85 in Barrow, \$19.31 in Fairbanks, \$16.44 in Kenai, \$18.87 in the Matanuska-Susitna Borough, \$24.63 in Juneau, and \$21.62 per hour in Ketchikan. He further reported the federal poverty guideline at \$14,350 for a single person per year, and \$19,300 for a household of two. The

guideline used by many federal programs, including the Supplemental Nutrition Assistance Program (SNAP), the monthly gross income must be at or below 130 percent of the poverty line, which is \$25,400 for a family of three per year. He stated that HB 384 would raise the minimum wage to \$8.75 by December 2015; however, a minimum wage worker with a household of two, would still be below the federal poverty income guidelines and would qualify for food stamps.

[5:09:30 PM](#)

MR. WHITTAKER offered his belief that workers deserve a "living wage" and government should not be subsidizing the private sector because the private sector relies on the government to feed and house its workers. He said that McDonalds and Wal-Mart have been called the biggest welfare queens in America. It's a misnomer to say these jobs are transitional jobs. People need to work and if these are the only jobs available the workers will be forced to take them. The companies like Wal-Mart actually instruct employees how to get on welfare since their salaries are insufficient. He found it strange that HB 384 has no sponsors or cosponsors. He urged members to amend the bill to increase the minimum wage to \$20 per hour since that reflects the actual cost of living in Alaska. He said if Alaskans are to be "free people" in a "free society" and not wage slaves it is necessary to increase the minimum wage.

[5:11:54 PM](#)

ZEBULON WOODMAN, Member, Labors Local 942, stated that he is a 20-year member. He recalled a minimum wage bill in 2009, but it was to reduce the minimum wage for tip employees through tip credits. Employees are paid less than minimum wages and gratuities from customers make up the difference.

CHAIR OLSON reminded him that this bill is HB 384.

MR. WOODMAN suggested that HB 384 was introduced on April 4 to preempt the initiative. He expressed concern about the suspect motives and suggested that to help workers the legislature would go well past the minimum wage to a "living wage." The current minimum wage initiative, by reaffirming a long term ban on tips credit, will protect tip employees from efforts to reduce their pay. Unlike the 2002 initiative, which called for one large increase on the wage, the current measure phases it in over two years. In the event the legislature supplants the initiative, along with the COLA, they could eliminate or reduce the second

dollar increase and the COLA by January 2016. He concluded by asking members to please let Alaskans vote on ballot measure 3 and kill HB 384.

[5:14:30 PM](#)

BRYAN IMUS, Member, Laborers Local 942, said he is a husband, father, and organizer. He said he did not understand this "mean spirited race to the bottom." He said it seems easy to balance budgets on the backs of people and "kick the little guy while he's down." He said that no one expects a minimum wage worker to live in the "house on the hill," but it would be nice if the mother or father working 40 hours per week didn't need to be on public assistance to feed their kids. He said he deals with working people on a daily basis, and those earning \$15 per hour are still on public assistance, day care assistance, and rental assistance. He asserted that if the intention of HB 384 is not to do end run then why not leave the initiative on the ballot and let the voters decide. He questioned assurances that the same thing as in 2003 would not happen next year. He concluded by saying that he trusts the voters and working people of Alaska. He urged members to kill HB 384.

[5:16:51 PM](#)

WALTER ROBINSON, Member, International Brotherhood of Electrical Workers (IBEW) Local 1547, questioned why this bill was introduced so late in the session. He said he would hate to see HB 384 pass and be stripped to nothing. He stated that the lower wage workers can't afford to "take another hit" and go backwards. He related that he has spent many hours collecting signatures for the Alaska minimum wage initiative and has seen first-hand how important this initiative is to the people of Alaska. Over 36,000 signatures were gathered. He said he thinks the people have spoken. He asked members not to move this bill forward and to let the people vote on ballot measure 3 on August 19. He offered his belief that it is the right and just decision for the future of Alaska's workers.

[5:18:07 PM](#)

KARM SINGH, Power Line representative, International Brotherhood of Electrical Workers (IBEW) Local 1547, stated he participated by gathering signatures. He has contracts in Kotzebue, Nome, Barrow, Fairbanks, Healy, and Delta. He said he doesn't observe kids working at minimum wage; instead, people ages 30-40 years old are working minimum wage. These people work part time

because no one wants to pay for their insurance. Some are working 30 hours at one job and 30 hours at another job trying to make ends meet. He said he would like to see the "working poor" get a "bump up" and he encouraged committee members to let the people speak. He said, "I could live with a no from the people, but I don't trust politicians. I never have. I'm a non-partisan. Both political groups are corrupt as far as I'm concerned. So please let the people speak. Thank you."

[5:20:07 PM](#)

CHRYSTAL SCHOENROCK, Business Owner, said that she is a bar owner and acknowledged that perhaps there should be a small increase in the minimum wage. She pointed out that she has a small business in a very small community. She stated that she can't afford those increases. She has two employees who work six hours each because she can't afford to pay them. She told members that things are rough in Nikiski, yet she must pay for permits, licenses, insurance, and utilities. She informed members that business is slow, things are tough, and she can't afford an increase in minimum wage beyond \$.50 per hour. She said that if it increases she will have to close her doors. She reported that there are only three bars and liquor stores in Nikiski. She reiterated that she has done everything she can.

[5:22:34 PM](#)

DANIEL LYNCH said he is affiliated with working human beings. He encouraged members to let the initiative go to the polls. He pointed out the numerous people involved in the process to collect signatures. The legislature has had 12 years since the last "sabotage" to the working poor. He questioned the intent to address the issue the past 12 years. He recalled Representative Millet's testimony and responded. He said that he knows what an initiative is and is simple. It doesn't say anything about living wage, mortgage, education, or better jobs in the future. He reiterated that it a simple initiative. He characterized his view of the working poor as earning a minimum wage but only being able to afford a cardboard box to live in and food stamps. He suggested that these people are provided a reason to drink and commit crimes. He suggested that the legislature take no action and let the people vote.

[5:24:21 PM](#)

VINCE BELTRAMI, President, Alaska AFL-CIO (AFL-CIO), stated that the AFL-CIO represents 50,000 to 55,000 union members in Alaska,

but he advocates for all workers, union and nonunion alike. He said that passage of HB 384 would circumvent the public process at this time. He suggested that if HB 384 had been introduced at the beginning of the session, it may have had time to be vetted properly. He pointed out that the legislature has about two weeks left and many issues to contend with and insufficient time to adequately discuss this issue in a public process, particularly since this bill does not have other committee referrals. He expressed concern that the public process may be cut short in terms of HB 384. He suggested that the public process would be better served by letting the people vote on the minimum wage initiative. There will have been nearly four months of discussion to hear from both sides of the issue. He informed members he sent an e-mail to all members yesterday that highlighted the AFL-CIO's views.

MR. BELTRAMI informed members that he has never been in the position to advocate against something that the average Alaskan might view as "a positive for Alaska workers" but because of this issue's specific history it is a much larger issue, although it is not a simple one. He acknowledged that previous testifiers have covered the 2002-2003 actions. He related his understanding that several oil and gas representatives are lobbying for the bill since they did not want it to be on ballot with the SB 21 referendum. He said that he has spoken to the Alaska Oil and Gas Association (AOGA) and he is comfortable that AOGA is not advocating on the minimum wage issue. He further related his understanding that others in the oil industry have indicated their intent to advocate for HB 384. This action casts a pall over the issue. It seems like an unseemly way to try to influence the elections. Certainly, he did not wish to suggest that this is the sponsor's goal. He recalled and agreed with previous testimony by Mr. Fox, CHARR, who had stated he wished the process had been initiated in January.

[5:28:51 PM](#)

MR. BELTRAMI related his understanding that other folks in the hospitality industry have been advocating for passage for the bill with the intent to advocate for a "tip credit" in the next legislative session. He remarked that this is punitive only to the low wage workers who work hard for tips. He said it is a little dubious that people are relying on a poll as justification for good public policy. He commented that he received a nice e-mail from Representative Hawker in which he stated, "Good policy is good policy - no matter how it comes about." He couldn't agree more. Good public policy can't be

vetted in a week. He recalled the sponsor statement indicates that the legislature cannot bind future legislatures.

[5:30:16 PM](#)

MR. BELTRAMI asked to address a few points. Representative Saddler suggested the minimum wage as a starting point or transitional wage, but not a "living wage." Actually, national figures show that more than 25 percent of minimum wage workers are supporting at least one child. Additionally, Representative Millett suggested that this wage is often earned by teens, which is true. He said that when he was 16 years old the minimum wage was about \$2 per hour. He suggested that the trends have shifted and currently 14 percent of the workers earning under \$10 are teens, which means 86 percent are adults. He also reported that 64 percent were females so unfortunately it isn't as much of a transitional wage as it historically has been.

MR. BELTRAMI testified in opposition to HB 384. The AFL-CIO wants the initiative to be heard by the people and give them an opportunity to "weigh in" not because the bill should have been introduced a long time ago, but the union has seen what has happened in the past, which unfortunately gives us pause.

CHAIR OLSON reported that his written testimony was received.

MR. BELTRAMI estimated that well over 100 letters have been submitted, but there hasn't been a lot of time.

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CHAIR OLSON remarked that a number of committee members also serve on the House Resources Standing Committee. He said that he has not had one oil industry representative approach him even though he has been spending 4-6 hours a day with many of them.

REPRESENTATIVE SADDLER asked to correct his view for the record. He recalled that he previously said, "A minimum wage can serve either as a transitional wage or learning wage, or as a supplemental wage that will boost other wages earned in a household." He recalled seeing a Pew Research Center report that said that 75 percent of those earning federal minimum wage or lower fall in the ages of 16-24; and 25 percent earning a minimum wage are ages 25 and older.

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JULIA SEYMOUR, Reverend, Lutheran Church of Hope, stated that she serves for the Lutheran Church of Hope in Anchorage, which is part of the Evangelical Lutheran Church in America (ELCA). She related that her church provides support to Lutheran Social Services of Alaska and outreach efforts for Catholic Social Services in Anchorage. She asked the committee to stop this bill in committee or to vote against HB 384. More than 100 families gather in her church's parking lot to receive fresh food from the food bank. In recent months, she has held discussions regarding Medicare, which has led her to understand some of the significant statistics that retirees and senior citizens face. She suggested that senior citizens require good care for elders, but workers are not willing to work for \$7.75 per hour. She advocated for an increase in the minimum wage. She suggested that her congregation wants to have the minimum wage initiative come before the voters. She suggested that an increase of \$1 per hour could positively impact an annual salary by \$2,500, which could provide for first and last month's rent. Although she could go on at length about scripture, she pointed out the number of times caring for the poor surfaces. She stated that human needs include food, shelter, and dignity. People who vote in the state take the time, effort and money to have the dignity to vote. She cautioned against circumventing the will of the voters. She asked members to recall Alaska's Constitution, in particular, Section 7.5, and in the name of public welfare, urged members to let the bill die.

REVERAND SEYMOUR asked members to consult their conscience when considering what providing for public welfare means. She suggested that pushing this bill forward and potentially repeating what happened in 2002-2003, or denying the common good of a minimum wage increase that can improve the health, wellbeing, and dignity of Alaskans and their families should be contemplated. She also suggested telling hard working men and women that they are not doing enough, pushes them into a pool in which they are struggling not to drown. She further suggested that people need to exercise their legal rights by having the opportunity to vote on an increased minimum wage. She said if members believe that providing for the public welfare means granting the needs and desires of the powerful, the moneyed, the loudest, and the established over the little, the least, and the lost in the system, that choice would clearly be signaled by moving this bill forward or by voting yes on HB 384. She said doing so would demonstrate that the committee is deliberately choosing to ignore the political desire of Alaskans who have petitioned for the current ballot initiative as well as choosing to ignore the fiscal needs of fellow citizens and the dignity of

those who desire to support themselves and their families with honest work.

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REVERAND SEYMOUR said that given the legislature history on the minimum wage issue people cannot help but to expect an historical repeat, which is that members will push it forward and "gut it" before it is fully implemented. She offered her belief that if members let the bill die or vote no that the legislature can strike a blow against the cynicism that infects the populous. Members can say that work, workers, and working matters in Alaska. She stated that continuing with HB 384 will contribute to a greater sense of distrust and indicate disdain for the Alaska's Constitution, public welfare, and public process for thousands of working Alaskans who cannot make ends meet but still want to believe that this is "the great land."

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REPRESENTATIVE REINBOLD asked if Ms. Seymour is from Eagle River.

REVERAND SEYMOUR said she lives in Eagle River but works in Anchorage. In further response to a question, she said she represents a church in Anchorage in the Turnagain community, but she lives in Eagle River near the nature center.

REPRESENTATIVE REINBOLD clarified that she is not representing a church in Eagle River.

REVERAND SEYMOUR answered that she represents Lutheran Church of Hope on Northern Lights Boulevard.

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PAT FALON asked members not to support the bill and to let the people of Alaska vote on the minimum wage initiative. He stated that the support is evident by all the signatures it took to get the initiative on the ballot. He asked members not to allow this issue to be "gutted" like the last initiative in 2002. As a minimum wage initiative signer, he asked member to let the people of Alaska decide and not the legislature.

[5:44:28 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 384.

REPRESENTATIVE JOSEPHSON stated that the public remembers 2002-2003. He noted several dissenting letters in members' packets as compared to the hundreds that asked the committee to hold this bill. If the legislature had not taken action in 2003, the minimum wage would be \$9.53 and Alaska wouldn't be the 17th state as to minimum wage. Previously, like Hawaii, Alaska is an expensive place to live. He offered his belief that the public feels the adage, "Once bitten, twice shy." The public was bitten and bitten badly in 2003 and earned the right to be cynical. He suggested that people would rather suffer defeat and hold their heads up high than have the rug pulled out. He suggested that Alaskans want the minimum wage increase in place for two years and understand the legislature could undo the second dollar per hour, impose a tip credit, and undo the CPI. He further thought that the 2003 decision cost hundreds of millions for low wage workers. He felt certain that this bill would not be before this committee if it wasn't for the initiative process. The evidence is to the contrary, he said.

REPRESENTATIVE JOSEPHSON noted that this is a turn of the century issue. A great Republican pushed for minimum wages. He suggested that the committee should hold the bill and listen to the overwhelming testimony that people want to go to the polls. He said he would just give them what they want.

CHAIR OLSON offered his belief that the legislature hasn't had anyone bring forth a minimum wage bill since 2004.

REPRESENTATIVE CHENAULT did not recall any minimum wage bill in recent years.

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CHAIR OLSON remarked that if HB 384 passes, it would guarantee the minimum wage. He suggested there isn't any guarantee that the minimum wage initiative will pass as evidenced by other initiatives that have failed. He has liked some initiative and not liked others, noting the 90 day session as an example. He said he would never make a move to "go back" [on an initiative] unless it came from the people.

REPRESENTATIVE HERRON reflected that substantial testimony has been given by people who would like to see the minimum wage initiative go forward. He recalled earlier testimony that

suggested "if there was genuine interest by the legislature" the minimum wage figures should be higher. He said he is mulling over this testimony.

REPRESENTATIVE CHENAULT acknowledged that if the bill passes the legislature the minimum wage would increase. Further, he can't speak for future legislatures, but only for himself. He indicated it is not his intention, and in fact, he would vote against any changes to the current bill. He acknowledged that he would like the minimum wage to be higher. He has a family member who has earned minimum wage for a long time. He did not view this as a union or nonunion issue, but it is fairness issue to people who work. He related that he has run a business and he tried to pay his employees well and still make a profit and keep good people around. He said that the higher wages paid, the better and more content employees are. Things just work better. He suggested that HB 384 is as close to a guarantee as can be put on paper. He trusts the people voting, but even after the coastal zone management initiative failed, some people wanted the legislature to take action to fix it.

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REPRESENTATIVE SADDLER moved to report HB 384 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE JOSEPHSON objected.

A roll call vote was taken. Representatives Chenault, Reinbold, Herron, Saddler, Millett and Olson voted in favor of reporting HB 384 out of committee. Representative Josephson voted against it. Therefore, HB 384 was reported out of the House Labor and Commerce Standing Committee by a vote of 6-1.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:54 p.m.