

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

March 16, 2016

3:21 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Shelley Hughes, Vice Chair
Representative Jim Colver
Representative Gabrielle LeDoux
Representative Cathy Tilton
Representative Andy Josephson

MEMBERS ABSENT

Representative Sam Kito
Representative Mike Chenault (alternate)

OTHER LEGISLATORS PRESENT

Representative Tammy Wilson

COMMITTEE CALENDAR

HOUSE BILL NO. 188

"An Act relating to financial accounts for persons with disabilities; relating to financial institutions; relating to property exemptions; relating to securities; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 337

"An Act relating to taxes on marijuana."

- HEARD & HELD

HOUSE BILL NO. 313

"An Act relating to the public construction contracts, including the application of prevailing wage rates."

- HEARD & HELD

HOUSE BILL NO. 263

"An Act relating to reporting of workplace injuries to the division of labor standards and safety."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 188

SHORT TITLE: PERSON W/DISABILITY SAVINGS ACCOUNTS

SPONSOR(s): REPRESENTATIVE(s) SADDLER

04/11/15	(H)	READ THE FIRST TIME - REFERRALS
04/11/15	(H)	L&C, FIN
03/09/16	(H)	L&C AT 3:15 PM BARNES 124
03/09/16	(H)	Heard & Held
03/09/16	(H)	MINUTE(L&C)
03/16/16	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 337

SHORT TITLE: MARIJUANA TAXES;EXCESS POSSESSION;BONDS

SPONSOR(s): REPRESENTATIVE(s) LEDOUX

02/24/16	(H)	READ THE FIRST TIME - REFERRALS
02/24/16	(H)	L&C, FIN
03/09/16	(H)	L&C AT 3:15 PM BARNES 124
03/09/16	(H)	Heard & Held
03/09/16	(H)	MINUTE(L&C)
03/11/16	(H)	L&C AT 3:15 PM BARNES 124
03/11/16	(H)	-- MEETING CANCELED --
03/16/16	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 313

SHORT TITLE: PUBLIC CONSTRUCTION CONTRACTS WAGE RATES

SPONSOR(s): LABOR & COMMERCE

02/17/16	(H)	READ THE FIRST TIME - REFERRALS
02/17/16	(H)	L&C
03/14/16	(H)	L&C AT 3:15 PM BARNES 124
03/14/16	(H)	Scheduled but Not Heard
03/16/16	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KIM SKIPPER, Staff
Representative Dan Saddler
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Saddler, sponsor, presented the sectional analysis and committee substitute (CS) for HB 188, Version E.

STUART SPIELMAN, Senior Policy Advisor and Counsel
Autism Speaks

Washington, District of Columbia

POSITION STATEMENT: Answered questions during the hearing of HB 188.

KALYSSA MAILE, Staff
Representative Gabrielle LeDoux
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative LeDoux, Chair of the House Judiciary Standing Committee, sponsor, presented the committee substitute (CS) for HB 337, Version H.

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

POSITION STATEMENT: On behalf of Representative Olson, Chair of the House Labor and Commerce Standing Committee, sponsor, introduced HB 313.

CHRIS DIMOND
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

MAX MIELKE, Business Manager
Plumbers and Pipefitters Local 262
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

MIKE STURROCK, Spokesperson
Island Contractors
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

PAUL GROSSI, Spokesperson
Alaska State Pipe Trades; Spokesperson
Ironworkers
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

RODNEY HESSON, Spokesperson

International Brotherhood of Electrical Workers Local 1547;
President

Juneau Building Trades Council
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

KIRK PERISICH, Southeast Representative
Carpenters Local 1281; Spokesperson
Piledrivers and Millwrights
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

DAVE REAVES
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

WAYLON KNUDSEN
Palmer, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

KEVIN POMEROY, Spokesperson
Laborers Local 942
Road Service Area Commissioner
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

LARRY TALBERT, Business Manager
Local 367, Plumbers and Steamfitters
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

ROCKY KNUDSEN
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

BRANDON CALCATERRO
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition the HB 313.

SUZANNE MCCARTHY, Spokesperson
Alaska Laborers Training School
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

JULIUS MATHEW
Eagle River, Alaska

POSITION STATEMENT: Testified in opposition to HB 313.

ACTION NARRATIVE

[3:21:14 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:21 p.m. Representatives Olson, LeDoux, Tilton, Hughes, Colver, and Josephson were present at the call to order. Representative Wilson also was present.

HB 188-PERSON W/DISABILITY SAVINGS ACCOUNTS

[3:21:32 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 188, "An Act relating to financial accounts for persons with disabilities; relating to financial institutions; relating to property exemptions; relating to securities; and providing for an effective date."

[3:22:14 PM](#)

REPRESENTATIVE HUGHES moved to adopt the proposed committee substitute (CS) for HB 188, labeled 29-LS0787\E, Bannister, 3/9/16, as the working document. There being no objection, Version E was before the committee.

[3:22:37 PM](#)

KIM SKIPPER, Staff to Representative Saddler, Alaska State Legislature, informed the committee the main change to HB 188 from the original version to Version E was that the Department of Revenue would run the program instead of the Department of Commerce, Community & Economic Development. Further changes are: broader language has been added related to changes in federal authorizing law; allows DOR to contract with other states to join a consortium and share administrative tasks; allows DOR to have an equal vote in the request for proposal (RFP) process; allows DOR to contract with its own financial institution under certain conditions. She paraphrased from the following sectional analysis [original punctuation provided]:

Sec. 1: Cites this as the Alaska ABLE Act Savings Program Act

Sec. 2: Creates a new chapter 65. Alaska Savings Program for Eligible Individuals

Sec. 06.65.010: Program authorized. Authorizes Alaska ABLE savings program in the Department - which is the Alaska Department of Revenue. Allows it to implement and administer the program under the Federal ABLE Act.

Sec. 06.65.020: General department duties. Outlines the duties of the department in implementing and administering the program.

Sec. 06.65.030: Modification of program. Gives the Department authority to modify the program in accordance to any federal law changes

Sec. 06.65.040: Additional department powers. Allows department to set fees for program transactions and services and also develop marketing plan to promote the ABLE program

Sec. 06.65.050: Contracting authority; procurement exemption. Allows department to contract with a person to assist in implementing the program, provide services, join other states to obtain or provide services for implementation, join a cooperative effort with other states to provide services for the program that could include investment and record-keeping services. Allows state to join with other states to allow an Alaska resident to participate in a program in another state under federal authorizing law and for an outside state to participate in a program in this state. If contracting with another state, AS 36.30 (Procurement Code) will not apply.

Sec. 06.65.060: Investment oversight: Allows the department to oversee and approve selection of investment managers and advisors for the program, and to oversee all investment disclosures and regulatory filings related to program investments

Sec. 06.65.070: Financial contractor obligations: outlines duties/obligations of the selected financial contractor(s)

Sec. 06.65.080: Additional audits: Allows the department to order an audit of the contractor's financial operation and position in addition to annual audit if the department has reason to be concerned

Sec. 06.65.090: Contract termination; non-renewal. Gives department authority to not renew a financial contract. If so it would take custody of the program accounts and transfer them to another financial contractor that offers similar program accounts

Sec. 06.65.100: Eligible individuals. Describes who is eligible to participate in the program.

Sec. 06.65.110: Representative of eligible individuals. Describes who may act as a representative of the eligible individual who is a minor or lacks decision-making capacity

Sec. 06.65.120: Program account ownership. States that the owner of the program account is the designated beneficiary.

Sec. 06.65.130: Number of program accounts. Allows only one program account per designated beneficiary under federal authorizing law.

Sec. 06.65.140: Program account application: Outlines department procedures for program account applications and information to be collected in that process

Sec. 06.65.150: Program account establishment fee. Allows financial contractor to charge a nonrefundable to establish program account. That fee to be determined in the contract with the financial contractor.

Sec. 06.65.160: Program account contributions. Outlines how a person can make a contribution, the limit authorized by federal law, allows department to reject or withdraw a contribution that exceeds that annual limit or maximum limit established by authorizing law or if designated beneficiary is not eligible, and that financial contractor must report contributions to the IRS.

Sec. 06.65.170: Limited investment direction. Limits to two the number of times a program account investment can be changed.

Sec. 06.65.180: Change of designated beneficiary. Allows a designated beneficiary or representative to change beneficiary of an account to another eligible individual in the family.

Sec. 06.65.190: Distribution for qualified expenses. States that withdrawals from the program accounts may only be used for qualified expenses for the designated beneficiary.

Sec. 06.65.200: Rollover distribution. Subject to federal law governing rollovers, a distribution from a program account can be made to the same designated beneficiary or another eligible individual in the family, and the timeframe for that to be done.

Sec. 06.65.210: Statements. Requires that statements re: program accounts be issued 4 times a year at times established by the department and that the program contractor provide related information at the department's request.

Sec. 06.65.220: Preparation and filing. In addition to other reports a financial contractor shall prepare and file statements required under state and federal law and other agencies.

Sec. 06.65.230: Separate accounting. Requires a financial contractor to provide separate accounting for each program account.

Sec. 06.65.240: Annual fee. Allows a financial contractor may charge an annual fee for maintenance of a program account.

Sec. 06.65.250: Use as security. Prohibits a program account from being used as security for a loan

Sec. 06.65.260: Exemption from creditor claims. States that a program account is exempt from a claim by a creditor

Sec. 06.65.270: No state obligation. Declares that the program does not create an obligation of the state, department, or any agency to guarantee the return of principal or pay interest on the principal in a program account

Sec. 06.65.280: Confidentiality. Specifies that program account information is confidential

Sec. 06.65.290: Exchange of information. Allows the Department to exchange information with the Department of Health and Social Services and other state agencies to determine whether an individual is eligible

Sec. 06.65.300: Treatment under means test programs. Specifies the program account amounts must be disregarded in determining eligibility for means-tested programs

Sec. 06.65.310: Deposit from permanent fund dividend. Allows deposits to program accounts from the permanent fund dividend

Sec. 06.65.320: Program expense fund. Establishes program expense fund and describes its purpose and operation

Sec. 06.65.330: Medicaid claims: Allows that the state may file a claim against the program account of a beneficiary who dies.

Sec. 06.65.340: Governing law. Establishes federal law as governing to the extent of any conflict with state law

Sec. 06.65.350: Regulations. Requires the department to adopt implementing regulations

Sec. 06.65.360: Annual report. Requires the department to evaluate the program each year and file an annual report on or before the start of each legislative session beginning in 2018

Sec. 06.65.390: Definitions.

Sec. 3:

AS 09.38.015(a): Creates an exemption for amounts in a program account

Sec. 4: AS 36.30.850(b): Adds ABLE program account oversight as a responsibility of the Commissioner of Revenue

Sec 5: AS 40.25.120(a) is amended to create an exception to public inspection for names, addresses, and other program account identifying information

Sec. 6 AS 45.55.990(32): Excludes program accounts from the definition of "security"

Sec. 7: AS 47.07.055: Allows the state to file a claim against the designated beneficiary's program account after the individual dies

Sec. 8: Transition

Requires the Department to file its first report on the program on or before the first day of the Second Regular Session of Thirtieth Alaska State Legislature (2018)

Sec. 9: Transition

Allows the Department to adopt regulations, but not before the effective date of the provisions authorizing the Alaska ABLE savings program

Sec. 10: Effective Date

Section 9 takes effect immediately

[3:32:46 PM](#)

REPRESENTATIVE JOSEPHSON returned attention to proposed Section 06.65.180 [text previously provided], and questioned why accounts should be transferred from the designated beneficiary to another member of the family.

MS. SKIPPER deferred to legal counsel for Autism Speaks.

[3:33:42 PM](#)

STUART SPIELMAN, Senior Policy Advisor and Counsel, Autism Speaks, stated that this provision is consistent with federal law that provides for rollovers between affected [qualified]

family members. It is not uncommon that individuals with disabilities have affected family members.

REPRESENTATIVE JOSEPHSON returned attention to proposed Section 06.65.260 [text previously provided], and asked whether a disabled person can enter into a contract that is lawful, and if so, whether the contract is attachable in the case of a dispute.

MR. SPIELMAN advised this is another provision in the federal law. An individual with a disability is presumed to be competent in most states; however, such as in bankruptcy law that protects one's housing, there are certain protections for assets.

REPRESENTATIVE LEDOUX directed attention to proposed Section 06.65.260 [text previously provided], and pointed out that the account can hold up to \$400,000, which is a significant exemption, and presuming that individuals with disabilities can enter into contracts, she expressed her concern.

CHAIR OLSON opined that most accounts would be for lower amounts.

REPRESENTATIVE LEDOUX agreed, but the exemption includes those who do have \$400,000, and she suggested a cap at a lower level.

[3:40:33 PM](#)

The committee took an at ease from 3:40 p.m. to 3:43 p.m.

[3:43:12 PM](#)

MR. SPIELMAN, in response to Representative LeDoux, said he would respond in writing to the question as to whether states could reduce the cap.

REPRESENTATIVE HUGHES directed attention to proposed Section 06.65.160 [text previously provided], and asked whether excess funds must be returned to the designated beneficiary.

MS. SKIPPER said correct.

REPRESENTATIVE HUGHES directed attention to proposed Section 06.65.310 [text previously provided], and asked for the purpose of including a provision that allows for the deposit of a permanent fund dividend.

MS. SKIPPER stated the sponsor intended "to just like the college savings plan, to have a check-off box"; however, at this time beneficiaries would follow the procedure for a direct deposit.

[3:45:40 PM](#)

CHAIR OLSON, after ascertaining no one else wished to testify, closed public testimony,

[HB 188 was held over.]

[3:46:16 PM](#)

The committee took an at ease from 3:46 p.m. to 3:48 p.m.

HB 337-MARIJUANA TAXES;EXCESS POSSESSION;BONDS

[3:47:52 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 337, "An Act relating to taxes on marijuana."

[3:48:13 PM](#)

REPRESENTATIVE HUGHES moved to adopt the proposed committee substitute (CS) for HB 337, labeled 29-LS1490\H, Nauman, 3/10/16, as the working document.

CHAIR OLSON objected for discussion purposes.

[3:48:32 PM](#)

KALYSSA MAILE, Staff to Representative LeDoux, Alaska State Legislature, sponsor, informed the committee there are two substantive changes in the proposed CS for HB 337. The first change is on page 2, lines 14-20, which read:

Sec. 43.61.050. Administration and enforcement of tax.(a) Each marijuana cultivation facility is primarily liable for the payment of the excise taxes on marijuana sold and shall furnish a cash or surety bond of \$5,000, payable to the department and approved by the Department of Law. If a marijuana cultivation facility fails to pay the tax to the state, the marijuana cultivation facility forfeits the bond, and the Marijuana Control Board shall suspend the

marijuana cultivation facility's license until payment is made.

MS. MAILE said in response to public testimony, the \$5,000 bonding requirement was changed to a cash or surety bond. The second change is on page 3, line 7, which read:

Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

MS. MAILE said this section would ensure that the bill would be signed into law before licenses for marijuana establishments are issued.

REPRESENTATIVE JOSEPHSON has heard that there are 200 applications for commercial marijuana operations, and he asked when the applications would be accepted or rejected.

MS. MAILE deferred to the Department of Commerce, Community & Economic Development.

[3:50:17 PM](#)

CHAIR OLSON removed his objection, and without further objection, Version H was before the committee.

REPRESENTATIVE HUGHES opined that the tax for excess marijuana is really a penalty or a fine.

REPRESENTATIVE LEDOUX responded that the amount would be the same amount as though the business had registered.

REPRESENTATIVE HUGHES maintained that a penalty is more appropriate, as she is unfamiliar with a civil tax.

[3:52:07 PM](#)

CHAIR OLSON reopened public testimony. After ascertaining no one wished to testify, public testimony was closed.

REPRESENTATIVE JOSEPHSON returned attention to page 2, lines 6-13, which read:

Sec. 43.61.040. Tax for Excess Marijuana. A person who is not registered under AS 17.38 and who is found to be in possession of marijuana plants in excess of the amount of marijuana plants authorized for personal use in AS 17.38.020(2) is subject to the tax on the

marijuana plants possessed in excess of the amount authorized for use in AS 17.38.020. The tax due under this section is \$50 for each ounce or partial ounce of marijuana possessed. When determining the weight of marijuana for purposes of this section, the department shall use the aggregate weight calculated under AS 11.71.080.

REPRESENTATIVE JOSEPHSON questioned the use of "not" registered instead of "registered or unregistered."

REPRESENTATIVE LEDOUX explained that when a person is not registered, "personal use doesn't come into play."

[HB 337 was held over.]

[3:54:27 PM](#)

The committee took an at ease from 3:54 p.m. to 3:56 p.m.

HB 313-PUBLIC CONSTRUCTION CONTRACTS WAGE RATES

[3:56:18 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 313, "An Act relating to the public construction contracts, including the application of prevailing wage rates."

[3:56:56 PM](#)

KONRAD JACKSON, Staff to Representative Olson, Alaska State Legislature, Chair of the House Labor and Commerce Standing Committee, sponsor, informed the committee HB 313 makes a minor change to the Little Davis-Bacon Act threshold that public works contracts must meet before they qualify for prevailing wages. The bill raises the threshold from \$25,000 to \$75,000. Mr. Jackson provided a brief history of the law, noting that during the Great Depression Congress enacted the federal Davis-Bacon Act of 1931 that decreed prevailing wages are to be paid to construction workers on federal public works contracts; thereafter, most states enacted a similar law, known as the Little Davis-Bacon Act, for the same purpose. Alaska's Little Davis-Bacon Act (LDBA), found in AS 36.05, was set at \$2,000 in 1935, and was raised to \$25,000 in 2011. The reason for a threshold is that some LDBA projects are too small to justify the administrative work needed to meet LDBA compliance. Currently, a project under \$25,000 can be completed without LDBA

requirements of a certified payroll, reporting to the Department of Labor & Workforce Development (DLWD), and filing with DLWD. In Alaska, a limited road system and difficulties with access add to the cost of construction, bringing many jobs over the \$25,000 limit. He said the federal limit is based on easy mobilization; in fact, some other states have no threshold, and of 19 states with thresholds higher than \$25,000, the average threshold is \$140,000.

[4:01:45 PM](#)

CHAIR OLSON urged for a brief discussion of a forthcoming amendment to the bill.

MR. JACKSON said a forthcoming amendment would reduce the proposed limit from \$75,000 to \$50,000. The proposed amendment also changes an account in the general fund, created under AS 44.31.025, from the building safety account to the building safety and wage protection account. Further, the amendment changes the percentage of the workers' compensation insurance premiums that are paid to the Division of Insurance, Department of Commerce, Community & Economic Development, but are deposited with DLWD, from 1.82 percent to 2.7 percent.

REPRESENTATIVE HUGHES asked for the inflation equivalent to the \$25,000 limit.

CHAIR OLSON offered that in 2011, the 1938 number - after adding a factor for inflation - was roughly equivalent to over \$100,000. The average of all of the participating states was \$150,000, with the highest at \$300,000 in 2010 or 2011. He said the sponsor's intent was to find a limit to "fit Alaska."

REPRESENTATIVE LEDOUX asked for the present equivalent of \$25,000 in 2011 dollars.

CHAIR OLSON was unsure.

REPRESENTATIVE JOSEPHSON referred to the burdens of filing, reporting, and the certification of payroll. He asked, "Is that the, the true target of the bill, or is it about paying workers less to save school districts and other entities more?"

[4:05:13 PM](#)

MR. JACKSON responded that the ultimate effect of raising the threshold "is more bang for the public construction dollar," by

eliminating the burdens. He gave an example from his personal experience that his wages at a construction company were \$18 per hour, which went up to over \$30 with benefits when working on a public construction project.

REPRESENTATIVE JOSEPHSON related that the state has dramatically reduced the capital budget; he surmised that the bill is partly an outfall of the budget crisis, and questioned whether the bill is "sort of a de facto tax on the worker."

MR. JACKSON said he did not consider the bill a tax.

REPRESENTATIVE LEDOUX asked whether the bill is supported by the Alaska Municipal League (AML).

MR. JACKSON responded that AML will not take a position on the bill; however, the sponsor has heard that municipalities are saving on construction projects since the previous increase to \$25,000, and has received letters of support from school districts, municipalities, and a hospital.

CHAIR OLSON added that the bill is not on AML's priority list at this time.

[4:09:38 PM](#)

REPRESENTATIVE COLVER asked for information on the fee that is charged to public construction projects for the administration of certified payrolls.

MR. JACKSON directed attention to the bill's fiscal note Identifier: HB313-DOLWD-WHA-02-18-16.

REPRESENTATIVE COLVER clarified that he was referring to a policy that is in place: when a company is awarded a public construction contract, it has to pay DLWD - on a certain fee structure - to administer a certified payroll.

MR. JACKSON pointed out the fiscal note showed a loss to DLWD of \$125,000, based on the current iteration of the bill which has a \$75,000 threshold.

REPRESENTATIVE HUGHES inquired as to why other states have much higher thresholds.

MR. JACKSON advised that Maryland has the highest threshold at \$500,000, and other states have none.

CHAIR OLSON acknowledged Representative Wilson's contribution to the forthcoming amendment.

REPRESENTATIVE LEDOUX asked for an estimate on how much the bill would save the state.

MR. JACKSON restated that the fiscal note reflects a loss to DLWD of \$125,000 [document not provided]; with the adoption of the forthcoming amendment "that number radically changes in the other direction." Also, the estimate would depend on the number of affected construction projects.

CHAIR OLSON added that road service areas are affected, particularly in the Fairbanks area.

[4:13:55 PM](#)

REPRESENTATIVE LEDOUX observed that the bill is supposed to help cities and boroughs, but the committee has not received letters of support from cities and boroughs.

CHAIR OLSON said letters of support are forthcoming.

REPRESENTATIVE HUGHES acknowledged the bill may be seen as a tax on workers; however, the threshold levies a tax on local entities, cities and boroughs, and school districts. She opined that states that do not have thresholds can get more done, therefore, for state projects, that would be a tax on the people of Alaska.

CHAIR OLSON recalled that four or five years ago, one or two union contractors testified in favor of "the bill," saying that they were losing money because of the work involved in a certified payroll.

MR. JACKSON pointed out 18 states do not have prevailing wage laws.

CHAIR OLSON opened public testimony on HB 313.

[4:17:34 PM](#)

CHRIS DIMOND stated he is a 15-year member of Carpenter's Local 1281 and was speaking on his own behalf in opposition to HB 313. The bill would only benefit unscrupulous contractors who would not pay highly-skilled workers a fair wage. Raising the limit

of the Little Davis-Bacon Act simply provides more income to contractors and removes skilled labor from projects. Without a prevailing wage law, contractors hire those who are unskilled, desperate, and willing to work for less. This is a disservice to the state: 1.) unskilled and untrained workers raise the cost of projects because of shoddy work, there is an increase in accidents and deaths because of the lack of training, and there are exaggerated maintenance costs as a result of the initial work performed by unskilled workers; 2.) highly-trained men and women are put out of work by removing honest contractors from biddable projects. Mr. Dimond said increasing the Little Davis-Bacon Act to \$50,000 will reduce 17 percent of the jobs he performs, which is a huge cut to his family and to contractors who bid on smaller projects. His training and certifications enable him to earn a fair and livable wage, and thus contribute to the state and the community through paying taxes and spending; cutting wages does not save money, and he asked that the committee not pass the proposed legislation.

[4:20:17 PM](#)

MAX MIELKE, Business Manager, Plumbers and Pipefitters Local 262, informed the committee his local represents 100 members throughout Southeast Alaska. He said HB 313 is not a worker-friendly bill even with a threshold of \$50,000. Mr. Mielke said he represents many small contractors and recalled that during times of recession, the small jobs "kept us going." Presently, approximately 30 percent of jobs are less than \$50,000, and the budget deficit looms. Over the last 12 years, 30 apprentices have gone through the training center and are working; the training center program costs \$300,000 per year and has students from all over Southeast, and graduates a highly-skilled workforce. He stressed that smaller jobs are important to the towns in Southeast, and acknowledged that he supports aspects of the bill.

[4:23:28 PM](#)

MIKE STURROCK said Island Contractors is a small business and 20 percent of its work is smaller projects that require certified payroll. He said certified payroll is already part of his job and is not hard to do on projects from \$500,000, down to \$1,000. The certified payroll fee is 1 percent paid to the Department of Labor & Workforce Development with a cap at \$5,000. Mr. Sturrock expressed his support for moving 1 percent more of the service fees to the department, but raising the threshold of the Little Davis-Bacon Act does not help workers or wages.

CHAIR OLSON advised that the fees are being transferred to enforcement. He stated that there were no complaints when the limit was increased to \$25,000, with the exception of an out-of-state contractor.

MR. STURROCK restated that his business does certified payroll on all projects, and he does not support the bill.

[4:27:23 PM](#)

PAUL GROSSI said was he was speaking on behalf of the Alaska State Pipe Trades and the Ironworkers. He said the organizations he represents oppose the bill because it would lower the wages of employees in general, which would hurt the local economy because lower wages mean less spending money. Also, the bill would eliminate the local hire provisions of the Little Davis-Bacon Act, thus more contractors would hire workers from out-of-town and from out-of-state, and local money would leave the state. He encouraged the legislature to not increase the problem of money leaving the state, because it is bad for the economy and for working people.

REPRESENTATIVE HUGHES questioned whether local hire includes communities, or just instate [Alaska].

MR. GROSSI answered that employers usually hire within the local community first.

REPRESENTATIVE HUGHES further inquired as to the federal requirement of instate hire.

MR. GROSSI explained that the Little Davis-Bacon Act is a state law.

[4:29:59 PM](#)

RODNEY HESSON said he was representing the International Brotherhood of Electrical Workers Local 1547, and is president of the Juneau Building Trades Council. He stated that the organizations he represents oppose HB 313.

[4:31:15 PM](#)

KIRK PERISICH, Southeast Representative, Carpenters Local 1281, said he also represents Piledrivers and Millwrights in the Southeast area. He expressed his opposition to HB 313, and said

the bill has some good aspects, but raising the threshold does not help workers and does not help contractors, except for those who are trying to break the rules. In fact, the bill eliminates certified payrolls and ways to track contractors who may abuse the system. Alaska has "some of the weakest subcontractor language," and raising the threshold may encourage an influx of more contractors who would not pay the prevailing rate. Mr. Perisich restated his position on the bill.

[4:33:50 PM](#)

DAVE REAVES stated his opposition to HB 313. He pointed out that the previous increase was just five years ago and this is a 100 percent increase. Mr. Reaves has been informed that construction costs do not decrease, but employee wages are lowered, some below the poverty line. He supported previous testimony in opposition to the bill.

CHAIR OLSON commented that he represents everybody in the state and was asked to revisit this matter. He noted that he has worked extensively with DLWD on various issues over a long period of time.

[4:36:45 PM](#)

WAYLON KNUDSEN stated he was strongly opposed to the bill. He recalled that the change in 2011 was originally to be \$75,000. Although the discussion has been directed toward small projects, \$75,000 is a threshold that captures 26 percent of all state projects - he was unsure of the percentage that fall under \$50,000 - and swings the door open to outside contractors. Mr. Knudsen urged the committee to vote against the bill.

[4:38:37 PM](#)

KEVIN POMEROY, Business Manager, Labor's Local 942, said he also serves as Road Service Area Commissioner for the Fairbanks North Star Borough. Mr. Pomeroy spoke against HB 313, which is an effort to cut construction costs by putting the burden on Alaskan craftsmen and craftswomen to earn less. He referred to numerous studies that lowering workers' wages would allow states and municipalities to build more schools [studies not provided]. He pointed out that labor accounts for about 18 percent to 23 percent of a project's cost, thus claims that not paying prevailing wages will cut the cost of the project by 20 percent to 30 percent are inaccurate. Further, another study showed that the impact of higher wages on cost is compensated by the

positive effects on productivity and quality [study not provided]. Mr. Pomeroy referred to a bid study that indicated the differences in mean square foot cost were small, none, or even cheaper [study not provided]. Prevailing wage laws require that construction workers on public projects be paid the wages found by DLWD to prevail for similar work in the locality, along with provisions to require Alaska-hire and the utilization of apprentices from a federally registered apprenticeship program; however, lowering the threshold would eliminate these provisions. He listed the various aspects of a contract bidding process, and questioned why workers' wages are always looked at first to cut costs. Mr. Pomeroy urged the committee to allow workers to continue to bring efficiencies, productivity, and quality.

[4:43:50 PM](#)

LARRY TALBERT, Business Manager, Local 367, Plumbers and Steamfitters, expressed his strong opposition to HB 313. He said he respects legislators who deal with difficult issues. The Little Davis-Bacon Act guarantees fair competition by establishing a local wage standard that contractors must pay on public projects, which provides a level playing field, rather than rewarding those who slash workers' wages in order to win bids. The Act also protects the state from fly-by-night contractors who provide inferior work. Mr. Talbert supported previous testimony, and stressed that increasing the threshold would lower the wages of hardworking men and women who are hampered by legislation such as HB 313.

[4:46:14 PM](#)

ROCKY KNUDSEN stated that the bill would put money in the pocket of the employer that should be paid to employees in wages and benefits. Small state contracts often come from state grants without vigorous competitive bidding, and the money is there for workers' wages. Mr. Knudsen said he worked in construction until retiring in 1975, and advised that his retirement was paid for by his wage package; however, others did not make enough money to save for retirement. He opined the bill is about "keeping the workers hungry, so the employers can reap the profits."

[4:48:34 PM](#)

BRANDON CALCATERRO informed the committee he has lived in Alaska for 28 years and graduated from the University of Alaska

Anchorage. He lives with his wife and three daughters and his family enjoys a high quality of life. Mr. Calcaterro said he is opposed to HB 313 because when workers are paid the prevailing wage they are 8 percent more likely to have health insurance, which is important for a community's morale, and are 4 percent more likely to have a retirement plan, which allows for a more positive lifestyle. Financial stress is a leading factor in failed marriages, domestic violence, and is detrimental to young children. Construction workers in prevailing wage states earn 17 percent more, and thus have more options for their families. Mr. Calcaterro stated that everybody suffers when neighbors need public assistance, and urged the committee to support a high quality of life in Alaska.

[4:50:32 PM](#)

SUZANNE MCCARTHY, Spokesperson, Alaska Laborers Training School, stated her opposition to HB 313. Ms. McCarthy referred to previous testimony about the burdens of paperwork and agreed with the facts that these costs are not directly related to the cost of the workers' wages. She advised that prevailing wages do not affect wages for construction managers, supervisors, and others who are paid a much higher wage; in fact, the burden is on the young men and women who are working construction. The Alaska Laborers Training School provides students with skills to be competitive, and they are highly trained and qualified, thereby saving project costs. In addition, local hire strengthens the economy, helps minorities, helps close the income gap and - during a time of economic stresses - small projects statewide are important. Although construction work is transitory, workers are professionals and should be paid as such.

[4:53:54 PM](#)

JULIUS MATHEW advised the committee on the following effects of raising the threshold on prevailing wage in Alaska: on construction workers and their families: more construction workers and their families would depend upon public assistance, and would lack health care or retirement benefits; more construction workers would slip below poverty line; the morale of the workers and their families and how they feel about living in Alaska; on the economy: considering the \$3.8 billion state budget deficit, taking money out of the hands of residents is a bad business decision; on construction aspects: labor cost is a small part of the total cost of a project; reducing the wage does not increase bidding competition; higher wages attract

highly-skilled workers and higher production and safety. A 2015 study looked at the adverse economic impact of repealing prevailing wage law in West Virginia [study not provided]. Mr. Mathew said construction workers in states that have a prevailing wage law have a higher average income than those in states that have not, and he listed the different wages in other states, concluding that reducing the prevailing wage in the state is not in the best interest of Alaskan construction workers. He provided statistics from Wisconsin that indicated construction workers are expected to fall below the poverty line, rely on food stamps, lose health insurance, and lose employer-provided pensions. He cautioned that workers without pension plans end up depending upon the state at the time of their retirement. Mr. Mathew strongly opposed HB 313.

[4:57:43 PM](#)

CHAIR OLSON announced public testimony would remain open.

[HB 313 was held over.]

[4:58:03 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [4:58] p.m.