

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

April 10, 2018

1:34 p.m.

**MEMBERS PRESENT**

Senator Mia Costello, Chair  
Senator Kevin Meyer, Vice Chair  
Senator Berta Gardner

**MEMBERS ABSENT**

Senator Gary Stevens  
Senator Peter Micciche

**COMMITTEE CALENDAR**

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 301(FIN)

"An Act relating to the renewal of a license involving alcoholic beverages; relating to the renewal and transfer of ownership of a beverage dispensary license or restaurant or eating place license; and relating to issuance of an outdoor recreation lodge license in a local option area."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 142(FIN)

"An Act relating to unemployment insurance benefits; increasing the maximum weekly unemployment insurance benefit rate; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 301

SHORT TITLE: ALCOHOL LICENSES:BEV DISP/RESTAUR./LODGE

SPONSOR(S): REPRESENTATIVE(S) WOOL

01/24/18	(H)	READ THE FIRST TIME - REFERRALS
01/24/18	(H)	L&C, FIN
01/31/18	(H)	L&C AT 3:15 PM BARNES 124
01/31/18	(H)	Heard & Held
01/31/18	(H)	MINUTE(L&C)

02/14/18 (H) L&C AT 3:15 PM BARNES 124  
 02/14/18 (H) Moved CSHB 301(L&C) Out of Committee  
 02/14/18 (H) MINUTE(L&C)  
 02/16/18 (H) L&C RPT CS(L&C) NT 7DP  
 02/16/18 (H) DP: STUTES, SULLIVAN-LEONARD, WOOL,  
 JOSEPHSON, BIRCH, KNOPP, KITO  
 02/20/18 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 02/20/18 (H) Heard & Held  
 02/20/18 (H) MINUTE(FIN)  
 03/01/18 (H) FIN AT 9:00 AM ADAMS ROOM 519  
 03/01/18 (H) Moved CSHB 301(FIN) Out of Committee  
 03/01/18 (H) MINUTE(FIN)  
 03/02/18 (H) FIN RPT CS(FIN) NT 6DP 1NR 3AM  
 03/02/18 (H) DP: GARA, THOMPSON, ORTIZ, GRENN,  
 SEATON, FOSTER  
 03/02/18 (H) NR: PRUITT  
 03/02/18 (H) AM: WILSON, KAWASAKI, TILTON  
 03/12/18 (H) TRANSMITTED TO (S)  
 03/12/18 (H) VERSION: CSHB 301(FIN)  
 03/14/18 (S) READ THE FIRST TIME - REFERRALS  
 03/14/18 (S) L&C  
 04/10/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 142

SHORT TITLE: UNEMPLOYMENT INSURANCE BENEFITS

SPONSOR(S): REPRESENTATIVE(S) TUCK

02/24/17 (H) READ THE FIRST TIME - REFERRALS  
 02/24/17 (H) L&C, FIN  
 03/29/17 (H) L&C AT 3:15 PM BARNES 124  
 03/29/17 (H) Heard & Held  
 03/29/17 (H) MINUTE(L&C)  
 04/12/17 (H) L&C AT 3:15 PM BARNES 124  
 04/12/17 (H) Moved CSHB 142(L&C) Out of Committee  
 04/12/17 (H) MINUTE(L&C)  
 04/13/17 (H) L&C RPT CS(L&C) 3DP 4NR  
 04/13/17 (H) DP: STUTES, JOSEPHSON, KITO  
 04/13/17 (H) NR: SULLIVAN-LEONARD, WOOL, BIRCH,  
 KNOPP  
 05/09/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 05/09/17 (H) Heard & Held  
 05/09/17 (H) MINUTE(FIN)  
 02/02/18 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 02/02/18 (H) Heard & Held  
 02/02/18 (H) MINUTE(FIN)  
 02/08/18 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 02/08/18 (H) Moved CSHB 142(FIN) Out of Committee

02/08/18	(H)	MINUTE (FIN)
02/09/18	(H)	FIN RPT CS (FIN) 5DP 4NR
02/09/18	(H)	DP: GARA, KAWASAKI, GUTTENBERG, SEATON, FOSTER
02/09/18	(H)	NR: WILSON, THOMPSON, GRENN, TILTON
02/19/18	(H)	RETURNED TO RLS COMMITTEE
03/14/18	(H)	TRANSMITTED TO (S)
03/14/18	(H)	VERSION: CSHB 142 (FIN)
03/16/18	(S)	READ THE FIRST TIME - REFERRALS
03/16/18	(S)	L&C, FIN
04/10/18	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

REPRESENTATIVE ADAM WOOL  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HB 301

LAURA STIDOLPH, Staff  
Representative Adam Wool  
Juneau, Alaska

**POSITION STATEMENT:** Presented a sectional analysis for HB 301

NANCY TRUMP, owner  
Latitude 62 Lodge/Motel  
Talkeetna, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

DEBBIE CAREY, owner  
Inlet View Lodge  
Ninilchik, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

LINDA SUPERMAN, President  
Hunger Hut Inc.  
Nikiski, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

PETE HANSON, President and CEO  
Alaska CHARR  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

ARDEN RANKINS owner  
Sunrise Inn  
Cooper Landing, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

LELA ROSIN, owner  
Duck Inn  
Soldotna, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

DALE FOX, President  
Alaska CHARR  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

LYN CARDEN, Deputy Administrator  
City of Wasilla  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in support of HB 301.

REPRESENTATIVE CHRIS TUCK  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HB 142.

KENDRA KLOSTER, Staff  
Representative Chris Tuck  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 142 on behalf of the sponsor.

LENNON WELLER, Economist and Actuary  
Unemployment Insurance System  
Research and Analysis Section  
Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Provided information and answered questions related to HB 142.

RYAN ANDREW  
International Brotherhood of Electrical Workers (IBEW)  
Local 1547  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

SERGIO ACUNA, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

DOUG TANSY, President

Fairbanks Central Labor Council  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

LAKE WILLIAMS, President  
Fairbanks Building Trades and district representative  
International Union of Operating Engineers (IUOE), Local 302  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

DON ETHERIDGE, Lobbyist  
Alaska AFL-CIO  
Juneau Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

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

**POSITION STATEMENT:** Testified in support of HB 142.

ANTHONY LADD, representing self  
Iron Worker's Local 751  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

RODNEY HESSON President  
Juneau Building and Trades Council  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 142.

#### **ACTION NARRATIVE**

[1:34:15 PM](#)

**CHAIR MIA COSTELLO** called the Senate Labor and Commerce Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Gardner, Meyer, and Chair Costello.

#### **HB 301-ALCOHOL LICENSES:BEV DISP/RESTAUR./LODGE**

[1:35:12 PM](#)

CHAIR COSTELLO announced the consideration of HB 301. [CSHB 301(FIN) was before the committee.]

[1:35:28 PM](#)

REPRESENTATIVE ADAM WOOL, Alaska State Legislature, Juneau, Alaska, sponsor of HB 301, introduced the legislation speaking to the following sponsor statement:

*"An Act relating to the renewal and transfer of ownership of a beverage dispensary license or restaurant or eating place license."*

House Bill 301 would grandfather hospitality businesses that have been operating for at least thirty years, some for close to one hundred, and allow them to continue operating with a tourism beverage dispensary license [BDL]. These businesses essentially function as roadhouses, a place to stay for the weary traveler (or miner as it were when their doors first opened) and have long held a place in Alaska's storied past.

When Title 4 was last rewritten in 1985, the law was interpreted to let them function under the tourism dispensary license despite not providing as many rooms as was required by the population parameters. Some of these establishments would have to build an additional forty rooms to comply with the interpretation of the current statute. HB 301 simply allows long-time Alaskan businesses to continue operating as they have been for decades.

REPRESENTATIVE WOOL explained that in 2016 Legislative Audit determined that 34 long-standing businesses that were operating with tourism beverage dispensary licenses were non-compliant and that a legislative fix was needed. HB 301 provides that fix and allows businesses that qualified when they received their license initially would continue to qualify. This is important in communities that have grown significantly because some businesses would be required to add 30-40 rooms to comply with the population requirements. HB 301 essentially grandfathers 34 businesses and allows them to stay open.

He noted that his staff could talk about the changes the bill has undergone since it was introduced.

CHAIR COSTELLO asked Ms. Stidolph to walk through those changes.

[1:38:02 PM](#)

LAURA STIDOLPH, Staff, Representative Adam Wool, Alaska State Legislature, Juneau, Alaska, explained that in Section 1 AS

4.11.330(a) was amended to change the annual operating hours of a licensed premises from 30 8-hour days to 240 hours. This was done to accommodate bars and seasonal businesses that don't operate on an 8-hour day.

In Section 4, AS 4.11.491(a) was amended to add an outdoor recreation lodge license to those that may be approved by voters in a municipality on a local option ballot. This was done to accommodate a couple of lodges in Bristol Bay that have been operating since 2011 and are in a local option area. The community voted to opt in those businesses for a liquor license, but a legislative audit determined that outdoor recreation lodge licenses did not qualify for an opt in vote. Adding this license type to those that a community may opt in provides the fix.

[1:39:59 PM](#)

SENATOR MEYER asked how this interacts with the Title 4 rewrite.

REPRESENTATIVE WOOL replied the 240-hour aggregate hour requirement is in the current Title 4 draft, he wasn't sure about the opt in list or the grandfathering, but the communities and businesses wanted a more immediate legislative fix because the Title 4 rewrite is still in committee.

SENATOR MEYER asked if the grandfather provision applies only to businesses started before 1985.

REPRESENTATIVE WOOL said most of the 34 businesses started pre-1985, but there are several exceptions.

CHAIR COSTELLO noted that someone from the Duck Inn was online.

SENATOR MEYER questioned whether businesses that started after 1985 would be adversely affected.

REPRESENTATIVE WOOL replied any business that started after 1985 would need to comply with the law at the time of licensure. For example, a business that received a tourism BDL in 1990 with a 20-room requirement would continue to only need 20 rooms regardless of the community population growth.

[1:43:05 PM](#)

CHAIR COSTELLO opened public testimony on HB 301.

[1:43:16 PM](#)

NANCY TRUMP, owner, Latitude 62 Lodge/Motel, Talkeetna, Alaska, said she and her partner have owned and operated the lodge and

motel since May 1986. They have 13 rooms, a bar, and a restaurant. The liquor license is critical to the business just as with two other businesses in Talkeetna. Without liquor licenses, all three would probably shut down and the community would lose 55 rooms. She asked the committee to support HB 301 and grandfather the business with a tourism dispensary license so she could continue to operate.

[1:45:24 PM](#)

DEBBIE CAREY, owner, Inlet View Lodge, Ninilchik, Alaska, said the loss of tourism beverage dispensary licenses would have a huge impact on communities, families, and the state. When she received her license initially she believed she met all the legal requirements and the license has continually been renewed for 27 years. She argued that the existing requirements for number of rooms based on population is unreasonable in some areas. Under the current requirement her business would need four times the number it had 27 years ago. This would be cost prohibitive. She pointed out that the licenses in question are all small "mom and pop" operations that are the cornerstones of communities. She urged the committee to support HB 301.

[1:49:06 PM](#)

LINDA SUPERMAN, President, Hunger Hut Bar/Liquor Store and Motel, Nikiski, Alaska, said she has owned the business for the last 25 years. The Alcoholic Beverage Control Board approved their 10 rooms in 1997 and it's not feasible to meet the current requirement to build another 30 rooms. She agreed with the previous testimony and asked the committee to look out for the best interest of these businesses.

[1:50:49 PM](#)

PETE HANSON, President and CEO, Alaska CHARR, Anchorage, Alaska, said Alaska CHARR is strongly supportive of HB 301 to grandfather these long-standing businesses that provide important services to their communities and the traveling public. Because of an unintended ambiguity in the law they face the prospect of losing their liquor licenses and thus their businesses. Maintaining the original intent of the law is the right thing to do.

[1:51:49 PM](#)

ARDEN RANKINS, owner, Sunrise Inn, Cooper Landing, Alaska, said she faces the same situation as the other testifiers. Cooper Landing has a population of 275-300 and under the current law she would need to add 40 rooms. The Sunrise Inn was licensed in the early 1960s and she used her retirement savings to purchase

it in November 2015. Like the other businesses, she would be forced to close the day after she lost her liquor license. That would negatively impact the schools because the inn is the only gathering place in the community and the only establishment open between Girdwood, Sterling, and Seward. It's a safety spot on a dangerous road.

[1:53:43 PM](#)

LELA ROSIN, owner, Duck Inn, Soldotna, Alaska, said she and her partner have owned this small motel, café, and lounge for 11 years. The tourism beverage dispensary license was transferred to her in 2007 and has renewed every odd year since then. That license is now in jeopardy because of the recent interpretation by the ABC Board. She opined that the Alcohol & Marijuana Control Office has set a precedent for her and similar businesses by allow these licenses to operate and transfer. She listed the contributions the business has made in the past 11 years, including paying nearly \$1 million to the community and state in tax revenue. She said this change is unrealistic and unreasonable financially and dynamically. Removing the option to sell the license also jeopardizes her family's economic future. She urged the committee to support the solution represented by HB 301.

[1:57:20 PM](#)

DALE FOX, President, Alaska CHARR, shared that 33 years ago he supported the bill that now needs a correction. The intent was to promote tourism by allowing businesses with 10 rooms to receive a beverage dispensary license. It was the same concept as the Roadhouse license during Territorial days. There was no thought about transfers or grandfathering because there was never any intent to "kick the licenses out from underneath these hardworking families that you're hearing from," he said. He pointed out that if this isn't fixed it's not just the 34 business owners who will be hurt; it's all their employees and their communities too. Fixing this issue by passing HB 301 is the only descent thing to do, he said.

[1:59:56 PM](#)

LYN CARDEN, Deputy Administrator, City of Wasilla, Wasilla, Alaska, stated that the City of Wasilla supports HB 301. Two businesses inside the City of Wasilla are affected and the MatSu Borough has several licenses that are affected. It makes sense economically.

[2:00:36 PM](#)

CHAIR COSTELLO closed public testimony on HB 301 and noted that Erika McConnel, the Director of the Alcohol & Marijuana Control Office had been listening online to the testimony. She asked if there were questions.

[2:00:53 PM](#)

SENATOR GARDNER pointed out the letter of support from the ABC Board in the bill packet.

CHAIR COSTELLO stated she would hold HB 301 in committee.

[2:01:10 PM](#)

At ease

### **HB 142-UNEMPLOYMENT INSURANCE BENEFITS**

[2:02:05 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of HB 142. [CSHB 142(FIN) was before the committee.]

[2:02:22 PM](#)

REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, Juneau, Alaska, sponsor of HB 142, thanked the committee for hearing the bill that improves unemployment insurance. He said his staff would provide the introduction and sectional analysis and he would follow up talking about the economic benefits.

[2:02:42 PM](#)

KENDRA KLOSTER, Staff, Representative Chris Tuck, Alaska State Legislature, Juneau, Alaska, introduced HB 142 speaking to the following sponsor statement:

The Alaska Department of Labor's Unemployment Insurance (UI) program provides unemployment benefits to eligible workers who become unemployed through no fault of their own, working less than full-time, and meet certain other eligibility requirements. With the seasonal nature of much of the state's workforce and Alaska's vast remoteness, UI benefits serve not only to bridge the economic gap for the individual worker, but also as a stabilizing influence on local economies.

The current Maximum Weekly Benefit Amount (MWBA) of \$370 only replaces 36% of the state's average weekly wage of \$1,020. An MWBA of \$510 would provide 50% wage

replacement of the average weekly wage, a nationally recognized norm.

To compare to other western states, the MWBA rate in Washington is \$681, Oregon is \$590, and California is \$450. In addition, Alaska is one of only three states where the cost of providing UI benefits is shared by employers and employees.

House Bill 142 would increase the maximum weekly benefit amount under the UI Program in two steps from the current \$370 to \$458 in 2018 and to \$510 in 2019.

Among 50 states, the District of Columbia, and Puerto Rico, Alaska is:

- 39th in Maximum Weekly Benefit Amount
- 44th in Average Weekly Benefit Amount (\$252)
- 52nd in Wage Replacement Ratio (.288)
- 9th in Reciprocity Rate (unemployed workers receiving benefits - .37)

As a claimant filing for UI benefits, individuals are responsible for actively seeking suitable fulltime employment and reporting activity for seeking employment each week to remain eligible.

The federal poverty level for a family of three in Alaska for 2016 is \$25,200, or \$2100 a month. An unemployed single parent with two dependent children receiving the MWBA of \$370 plus the dependent child allowance of \$24 per child under 18 (up to a maximum of three) receives approximately \$1800 per month in UI benefits.

By passing House Bill 142, Alaska will be more in-line with the average weekly benefits and provide the necessary financial support families need to survive while seeking employment.

[2:04:24 PM](#)

MS. KLOSTER delivered a sectional analysis of HB 142 speaking to the following prepared document:

**Sectional Analysis for HB 142 version R**  
*Increase to Alaska's Unemployment Insurance Maximum  
Weekly Benefit Amount*

Increases the state's maximum weekly benefit amount (WBA) from \$370 to \$510 and increases the qualifying wage scale from \$42,000 to \$59,500. After the initial increase to \$510, future benefit increases are tied to an economic indicator based on the state's average weekly wage (AWW). Increases to the WBA shall not exceed 50% of the states average weekly wage from the prior calendar year.

**Section 1:** AS 23.20.350(d) - Amends the benefit schedule by increasing the maximum qualifying wage requirement from \$42,000 to \$59,500. The qualifying wage schedule is extended in \$250 increments to reach the new maximum qualifying amount. The benefit schedule is extended in \$2 increments for each additional \$250 of qualifying wages to reach a new maximum weekly benefit amount of \$510.

**Section 2:** Amends AS 23.20.350 by adding new subsections:

(h) Annually, after December 31, 2020, authorizes the Department to increase the highest WBA for individuals earning at least \$59,750. The new WBA calculation shall amend the highest base period wages in \$250 increments and the highest WBA in \$2 increments if the state's average weekly wage increases. The new maximum WBA shall not exceed 50% of the average weekly wage.

(i) Provides for public notice of any new benefit amounts calculated under (h) by December 1 of each year by posting a notice on the Alaska Online Public Notice System and allows for public comment on the accuracy of the Department's calculations.

New maximum WBAs apply to benefit years established on January 1 of each year and does not change existing claims.

Changes to the WBA shall be calculated only once per year.

(j) Establishes the calculation procedure for determining Alaska's average weekly wage by

December 1 of each year. The average weekly wage is determined by dividing the average annual wage in the state for the preceding 12-month period ending June 30 by 52. The state must include wages of all employees in the state covered by this chapter, both public and private. If the calculation does not result in whole dollars, the amount shall be rounded down.

**Section 3:** Provides for an effective date of January 1, 2019.

MS. KLOSTER related that the sponsor believes this is the right time to increase unemployment insurance benefits. There is an economic downturn and Alaskans need help to ensure that they can pay the mortgage and put food on the table. Testimony in other committees demonstrated that it's been hard to take care of families when the UI benefits are so low. She advised that individuals from DOLWD were available to answer any questions the committee may have.

2:06:23 PM

REPRESENTATIVE TUCK provided information on the economic benefits of always having unemployment insurance and specifically when there is a downturn in the economy. A study by the Columbia Business School titled "The Importance of Unemployment Insurance as an Automatic Stabilizer" found that unemployment insurance acts as an automatic stabilizer to the economy. "The more generous the unemployment insurance benefits are, the better the region fairs overall." The research explains that "as demand for products and services decline due to unemployment, unemployment insurance allows for continual cash flow in the community." Further, the Congressional Budget Office reports that every dollar that is invested into unemployment insurance nationwide, contributes to about 19,000 new jobs. By comparison, a dollar in tax cuts creates just 10,700 jobs. He explained that unemployment insurance creates more jobs because people spend all the money received from unemployment insurance, whereas someone who is employed and receives that dollar from tax credits won't spend the whole dollar. Just part of that dollar goes into the economy; the rest is to pay off a mortgage, to pay down debt, put in savings or something else. He reiterated that a benefit of unemployment insurance is as a stimulus to the economy. Research indicates the return per dollar invested can be as high as \$2.15. The reason is that when people purchase groceries, it keeps agriculture workers, truck drivers, grocery store workers, and others employed.

REPRESENTATIVE TUCK argued that paying reasonable unemployment insurance benefits also helps to keep skilled, seasonal workers in Alaska. Alaska is among the highest in the nation for seasonal work and the cost of living is very high. Once a worker moves out of the state, it's difficult to get them back, particularly when the Lower-48 economy is doing well, and unemployment insurance is higher. A worker in Washington state who loses his/her job will receive almost 70 percent more than the UI benefits in Alaska.

He shared that the Federal Reserve commented that unemployment insurance is the best economic stimulus package a state can offer. It is better than infrastructure investment for mass transit because the money immediately goes into the economy. Former Federal Reserve Chair Ben Bernanke said the unemployment insurance benefits program spurs growth and creates jobs.

CHAIR COSTELLO noted who was available from DOLWD to answer questions.

[2:11:04 PM](#)

SENATOR MEYER asked what the UI benefits would be today if a COLA had been in effect in 2009 when the benefits were last raised.

REPRESENTATIVE TUCK deferred the question to Lennon Weller and advised that HB 142 would increase the maximum weekly benefit amount (WBA) to \$510.

[2:12:17 PM](#)

At ease

[2:12:40 PM](#)

CHAIR COSTELLO reconvened the meeting.

SENATOR MEYER asked if \$510 was a reasonable weekly benefit compared to a cost of living allowance (COLA) applied to the 2009 benefit.

[2:13:07 PM](#)

LENNON WELLER, Economist and Actuary for the Unemployment Insurance System, Research and Analysis Section, Department of Labor and Workforce Development, Juneau, Alaska, advised that the two amounts are roughly aligned. The calculation shows that for calendar year 2018, the maximum benefit would be \$506.

SENATOR MEYER asked the derivation of the \$510 value.

MR. WELLER explained that when the bill was originally drafted, it was 50 percent of the average annual wage. The basis was state fiscal year 2016 wages and employment.

SENATOR MEYER asked if there was a surplus or deficit in the Unemployment Insurance Trust Fund.

MR. WELLER said that as of February, the fund balance was \$442.7 million. More importantly, that corresponds to a 3.64 percent reserve ratio. The goal is to have a reserve ratio of between 3 percent and 3.3 percent to handle increased benefit loads. "Right now, we have what we would consider full solvency," he said.

SENATOR MEYER observed that Alaska is one of just three states where both employers and employees contribute to the unemployment insurance program. He asked if employers are the sole contributors in the other 47 states.

MR. WELLER said yes.

SENATOR MEYER asked if the sponsor agrees with that and questioned whether the employer should be the sole payer.

[2:16:53 PM](#)

REPRESENTATIVE TUCK said he would like Alaska to be more like the other states, but it's important to put this money in the economy now rather than getting bogged down with too many fixes at one time. Right now, the bill increases the WBA to DOLWD's recommended level and implements an automatic mechanism.

[2:18:06 PM](#)

CHAIR COSTELLO asked for an explanation of the actual weekly payout.

REPRESENTATIVE TUCK directed attention to the chart of numbers on page 7. He explained that the numbers continue the calculation in existing statute. For every \$250 increase in annual earnings for an employee, the weekly benefit increases \$2. Under the bill, the maximum weekly benefit is \$510. Under current statute the calculation stops at the maximum annual wage of \$42,000. That benefit would be \$370. Anyone making more than \$42,500 would still only receive \$370. HB 142 increases the maximum base wage calculation to \$59,500.

CHAIR COSTELLO asked if he had run any economic modeling to determine the impact the bill would have on the fund.

MR. WELLER said the economic modeling on the cost impact of this increase goes through 2024.

CHAIR COSTELLO asked him to share that information with the committee.

MR. WELLER advised that HB 142 brings costs back to the long-term goals where financing of the system tends to be more reactive and functional. Increases won't begin to go into effect for the average rate class until 2021. At that point the maximum cost per employee is projected to increase from \$70 to \$139 in 2022 and to \$222 in 2023 before falling back to a difference of \$185 over the baseline cost expectations at the average tax rates for tax classes 10 and 11.

MS. KLOSTER added that the packets have some charts that would help with the explanation.

CHAIR COSTELLO asked, if the bill were to pass as written, would the highest change be to the \$510 per week or would that amount go up over time.

MR. WELLER advised that very little change is expected in the average annual wage through 2024. As a result, the maximum weekly benefit amount is not expected to change through 2024.

CHAIR COSTELLO asked for an explanation of the language in subsection (h) on page 9, lines 13-17.

[2:26:06 PM](#)

REPRESENTATIVE TUCK replied that is the automatic adjustment factor that is based on the average annual wages of Alaskans. What Mr. Weller was relating is that DOLWD expects wages to be stagnant for a while, so unemployment insurance benefits are not going to increase either. If there was a sudden spike in the economy and wages went up proportionally, unemployment insurance would also go up because it's factored on 50 percent of the average annual wage. That is the calculation in Section 2. Thirty-six other states use that same calculation, one state uses less than 50 percent and some states use as high as 60 percent of the average annual wage.

[2:27:33 PM](#)

CHAIR COSTELLO observed that Section 2 has new subsections and asked if this is a new adjustment.

REPRESENTATIVE TUCK confirmed that was correct.

CHAIR COSTELLO observed that the system is currently static.

MS. KLOSTER agreed.

[2:27:58 PM](#)

CHAIR COSTELLO opened public testimony on HB 142.

[2:28:14 PM](#)

RYAN ANDREW, International Brotherhood of Electrical Workers (IBEW) Local 1547, Anchorage, Alaska, stated he was speaking in support of HB 142. He pointed out that there hasn't been an increase in the unemployment benefit since 2009, that Alaska ranks 37<sup>th</sup> in the nation for maximum weekly benefit, and it ranks dead last on the wage replacement ratio. He said Alaskan workers employed in industries like construction rely on unemployment benefits to carry them through the winter when construction work isn't readily available. The cost of living is high in Alaska and \$370 a week isn't enough. The proposed increase would benefit both employees and employers. It would be a direct benefit to employees and an indirect benefit to employers by retaining a skilled workforce. The economy on the West Coast is booming and there is no economic reason for a skilled worker to return to Alaska once they've made the decision to seek employment elsewhere. He said the IBEW apprenticeship program invests 4-5 years and between \$20,000 and \$30,000 to train an apprentice and it's a blow to lose those workers to the Lower-48. Increasing the benefit would encourage workers to remain in Alaska, even when the economy is slow. He said it's also important to point out that paying for unemployment benefits is a shared burden.

[2:31:32 PM](#)

SERGIO ACUNA, representing self, Anchorage, Alaska, said he's been a construction worker for over 22 years and is speaking in support of HB 142. This much-needed increase will help unemployed workers and their families while they look for another job.

[2:33:46 PM](#)

DOUG TANSY, President, Fairbanks Central Labor Council, Fairbanks, Alaska, stated support for HB 142 and asked the committee to consider the social factors that come into play

when workers and their families are stretched beyond their means to extend debt. He emphasized that hard-working Alaskans deserve a bill like HB 142.

[2:34:43 PM](#)

LAKE WILLIAMS, President, Fairbanks Building Trades and district representative for the International Union of Operating Engineers (IUOE), Local 302, Fairbanks, Alaska, advised that the resolution he introduced on behalf of the Fairbanks Building Trades in support of HB 142 should be in members' packets. He said his members are relying on unemployment insurance benefits more than ever to make payments and feed their families until the next job is available. This year between 300 and 400 people were on the out-of-work list hoping to go to the North Slope but the jobs were not available. He said another problem is that competition from the Lower-48 is causing some of Alaska's skilled workforce to relocate out of state. They generally don't come back, but some become transient workers who return to get a paycheck then go back to their new state of residence and spend their money there. He opined that increasing the UI benefits will help curb this situation. He urged the committee to pass HB 142 and send it to the governor.

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DON ETHERIDGE, Lobbyist, Alaska AFL-CIO, Juneau Alaska, stated strong support for HB 142 and requested the committee move it on. He related that during the last economic downturn the local labor union lost over 50 percent of its membership to Washington, Oregon, and Nevada. Once the economy recovered the union spent millions of dollars retraining a workforce. Passing HB 142 will help prevent that situation from recurring.

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BARBARA HUFF-TUCKNESS, Director of Government and Legislative Affairs, Teamsters Local 959, Anchorage, Alaska, said she would not reiterate the excellent testimony on HB 142, but she would remind members that the unemployment insurance, like health, fire, and home insurance, provides a cushion when there is an unexpected economic situation that folks either aren't prepared for or their savings can't cover. Without that cushion many are forced to leave their community and/or state. She referenced Senator Meyer's comment and advised that she has never heard a member complain about the contribution they make towards the unemployment insurance fund. She said she supports employees and employers both contributing to this important insurance fund. She urged support for the passage of HB 142.

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ANTHONY LADD, Iron Workers Local 751, Anchorage, Alaska, stated support for HB 142. He said it's an understatement to say that an iron worker's job in Alaska is seasonal. He shared that in earlier years he was forced to fly south to look for work during the off season to be able to support his four kids. He currently trains apprentices and sees the work and money that goes into training the workforce in Alaska. He opined that when they are laid off in the winter they'll do nothing but leave and get their unemployment somewhere else.

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RODNEY HESSON President, Juneau Building and Trades Council, Juneau, Alaska, said the skilled trades workforce in Alaska is particularly hard hit now because members are not only relocating to find work but many are also retiring at an accelerated rate. He said it takes five years to train an IBEW apprentice and for them to leave the state as journeymen and possibly never return is expensive and problematic. We need to keep our workers here in the state, he said.

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CHAIR COSTELLO closed public testimony on HB 142.

SENATOR GARDNER commented that she's come to realize that the bill has a broader impact than just protecting the families of people who are temporarily unemployed. It also addresses keeping seasonally or temporarily unemployed workers in Alaska as part of a skilled workforce.

SENATOR MEYER asked for an explanation of how a worker qualifies for unemployment insurance benefits.

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MR. WELLER explained that to qualify for UI benefits a worker is required to work in multiple quarters and must earn at least \$100 in a quarter outside the primary quarter of earnings. The size of the benefit is assessed according to the individual's base period wages. That is the first four of the most recent five completed calendar quarters. Seasonality of the wages impacts the duration of the benefit.

SENATOR MEYER asked if individuals who come to Alaska to work in seafood processing plants would qualify for benefits once the work ends and they leave Alaska.

MR. WELLER said yes if they meet the strict requirements. They must earn at least \$2,500 in wages and at least \$100 must be in a quarter outside the primary quarter of earnings. They must also meet the requirements of being able and available for work.

SENATOR MEYER noted the letters in the bill packet from small businesses that are opposed to HB 142. He questioned the opposition if the UI increases would be healthy for the economy.

MR. WELLER replied it's understandable that employers are concerned about the increased costs and payroll taxes, but it's important to keep in mind that employers that have relatively stable payrolls will receive a tax rate that is much lower on average. He said it's also important to understand that there is parity established within the unemployment insurance financing system.

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REPRESENTATIVE TUCK quoted the Federal Reserve Bank of Minnesota that said,

Despite years of research, the economic effects of unemployment benefits are poorly understood. While intuition might suggest that providing financial aid to people who lose their jobs would discourage them from seeking new jobs, recent research has found that extending benefits has little effect at the individual level.

One of the reasons is that the opportunity cost is low. When one goes from unemployed to employed, they are willing to give up unemployment insurance to get full employment. This is unlike someone who is considering opening a restaurant where the opportunity cost is high. Those high opportunity costs might prevent someone from making the investment.

He said the solution to unemployment is creating new jobs. The federal reserve also says that UI adds to the overall demand and overall employment over what otherwise would have been if there had been no unemployment insurance at all. It's during those periods of economic weakness that UI keeps money circulating in the economy. He said some business groups oppose the bill due to the misunderstanding of how unemployment insurance benefits affect the economy. Some people look at it as paying people to sit at home but that hasn't been the case.

SENATOR MEYER questioned how raising the unemployment insurance benefits would help the oil industry be more profitable.

REPRESENTATIVE TUCK agreed it would not help that industry unless it maintained its workforce in Alaska.

SENATOR MEYER commented on the importance of maintaining a skilled workforce in Alaska.

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CHAIR COSTELLO thanked the sponsor and stated she would hold HB 142 in committee.

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There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:53 p.m.