

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 24, 2020

3:17 p.m.

MEMBERS PRESENT

Representative Ivy Spohnholz, Chair
Representative Louise Stutes
Representative Zack Fields
Representative Sara Hannan
Representative Andi Story
Representative Mel Gillis
Representative Sara Rasmussen

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 84

"An Act relating to the presumption of compensability for a disability resulting from certain diseases for firefighters, emergency medical technicians, paramedics, and peace officers."

- HEARD & HELD

HOUSE BILL NO. 215

"An Act relating to unemployment insurance contribution rates; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 235

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 113

"An Act relating to employment preferences for spouses and children of veterans, disabled veterans, former prisoners of war, members of the national guard, and deceased service members."

- MOVED CSHB 113 (L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 84

SHORT TITLE: WORKERS' COMP: POLICE, FIRE, EMT, PARAMED

SPONSOR(S): REPRESENTATIVE(S) JOSEPHSON

03/06/19 (H) READ THE FIRST TIME - REFERRALS
03/06/19 (H) HSS, L&C
04/04/19 (H) HSS AT 3:00 PM CAPITOL 106
04/04/19 (H) Heard & Held
04/04/19 (H) MINUTE(HSS)
04/25/19 (H) HSS AT 3:00 PM CAPITOL 106
04/25/19 (H) Moved HB 84 Out of Committee
04/25/19 (H) MINUTE(HSS)
04/26/19 (H) HSS RPT 5DP
04/26/19 (H) DP: CLAMAN, TARR, DRUMMOND, ZULKOSKY,
SPOHNHOLZ
02/24/20 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 215

SHORT TITLE: EMPLOYER'S UNEMPLOYMENT INSUR RATE

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/27/20 (H) READ THE FIRST TIME - REFERRALS
01/27/20 (H) L&C, FIN
02/24/20 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 235

SHORT TITLE: AK WORKFORCE INVESTMENT BOARD:ALLOCATIONS

SPONSOR(S): WOOL

02/05/20 (H) READ THE FIRST TIME - REFERRALS
02/05/20 (H) L&C, FIN
02/21/20 (H) L&C AT 3:15 PM BARNES 124
02/21/20 (H) Heard & Held
02/21/20 (H) MINUTE(L&C)
02/24/20 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 113

SHORT TITLE: MILITARY FAMILY EMPLOYMENT PREFERENCE

SPONSOR(S): JACKSON

03/27/19 (H) READ THE FIRST TIME - REFERRALS
03/27/19 (H) MLV, L&C
04/16/19 (H) MLV AT 1:00 PM GRUENBERG 120

04/16/19 (H) Heard & Held
 04/16/19 (H) MINUTE (MLV)
 04/18/19 (H) MLV AT 1:00 PM GRUENBERG 120
 04/18/19 (H) -- MEETING CANCELED --
 04/23/19 (H) MLV AT 1:00 PM GRUENBERG 120
 04/23/19 (H) Moved CSHB 113 (MLV) Out of Committee
 04/23/19 (H) MINUTE (MLV)
 04/24/19 (H) MLV RPT CS (MLV) NT 5DP 1NR
 04/24/19 (H) DP: KOPP, JACKSON, TARR, TUCK, LEDOUX
 04/24/19 (H) NR: THOMPSON
 05/06/19 (H) L&C AT 3:15 PM BARNES 124
 05/06/19 (H) -- MEETING CANCELED --
 05/10/19 (H) L&C AT 3:15 PM BARNES 124
 05/10/19 (H) Heard & Held
 05/10/19 (H) MINUTE (L&C)
 02/19/20 (H) L&C AT 3:15 PM BARNES 124
 02/19/20 (H) Heard & Held
 02/19/20 (H) MINUTE (L&C)
 02/21/20 (H) L&C AT 3:15 PM BARNES 124
 02/21/20 (H) Heard & Held
 02/21/20 (H) MINUTE (L&C)
 02/24/20 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE ANDY JOSEPHSON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 84, as prime sponsor.

ELISE SORUM-BIRK, Staff

Representative Andy Josephson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint entitled, "HB 84," on behalf of Representative Josephson, prime sponsor.

THOMAS HOFFMAN

Public Safety Employees Association

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 84.

PATSY WESCOTT, Director

Division of Employment and Training Services

Department of Labor & Workforce Development

Juneau, Alaska

POSITION STATEMENT: Introduced HB 215.

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

POSITION STATEMENT: Provided a PowerPoint, entitled "Unemployment Insurance Financing Metrics in Alaska 1980s to Current," and answered questions during the hearing on HB 215.

REPRESENTATIVE ADAM WOOL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, provided the opening statement for HB 235.

ASHLEY CARRICK, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 235 on behalf of Representative Wool, prime sponsor.

DON ETHERIDGE
Alaska American Foundation of Labor & Congress of Industrial Organizations
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 235.

CHARLES MCKEE
Anchorage, Alaska

POSITION STATEMENT: Provided Comments not on topic with the published agenda.

DOUG WAIRATH
Northwestern Alaska Career & Technical Center
Nome, Alaska

POSITION STATEMENT: Testified in support of HB 235.

REPRESENTATIVE SHARON JACKSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Offered comments during the hearing on HB 113, as prime sponsor.

ACTION NARRATIVE

[3:17:24 PM](#)

CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Story, Stutes, Fields, Gillis, Hannan, Rasmussen, and Spohnholz were present at the call to order.

HB 84-WORKERS' COMP: POLICE, FIRE, EMT, PARAMED

[3:18:28 PM](#)

CHAIR SPOHNHOLZ announced that the first order of business would be HOUSE BILL NO. 84, "An Act relating to the presumption of compensability for a disability resulting from certain diseases for firefighters, emergency medical technicians, paramedics, and peace officers."

[3:18:43 PM](#)

REPRESENTATIVE ANDY JOSEPHSON, Alaska State Legislature, as prime sponsor, introduced HB 84. He paraphrased the sponsor statement, which read in its entirety as follows [original punctuation provided]:

First responders are exposed to a broad array of toxic chemicals daily in the course of their service to our communities. This level of exposure has been linked to increased risk of disease or disability among this sector of public servants. Under current Alaska law, the presumption of coverage for certain diseases or disabilities being caused by work only extends to certain firefighters. House Bill 84 (HB 84) has the core purpose of extending this presumption of coverage to emergency medical technicians, paramedics and peace officers.

Emergency medical technicians (EMTs), paramedics and peace officers face toxic exposure comparable to those faced by firefighters and often are present when responding to fire calls or when dealing with a mediation of other environmental contaminants. Since these professions face the same daily risks as firefighters, they deserve the same legal protections.

Additionally, HB 84 adds breast cancer to the diseases covered under Alaska's presumptive illness law. There is emerging evidence that breast cancer rates are significantly higher among female firefighters than

the average population and that there are more instances of premenopausal breast cancer among these professional women. There is also evidence that many chemicals known to cause breast cancer form during thermal decomposition.

Finally, HB 84 extends coverage to professionals who entered active service prior to August 19, 2008 and who, having gone through all official work-related medical examinations, did not show evidence of disease in their first seven years of service.

Passage of HB 84 will ensure that Alaska adequately protects the individuals who choose professions to protect Alaska. I encourage you to support this legislation and urge you to reach out to my office with any questions or concerns.

[3:24:31 PM](#)

ELISE SORUM-BIRK, Staff, Representative Andy Josephson, Alaska State Legislature, presented a PowerPoint entitled, "HB 84," on behalf of Representative Josephson, prime sponsor. She informed the committee that most categories of firefighters are currently covered under AS 23.30.121 [Presumption of coverage for disability from diseases for certain firefighters]. The purpose of HB 84 is to extend the presumption of compensability for certain diseases to three more professions: emergency medical technicians, peace officers, and paramedics. She noted that the first responder professions are often exposed to the same dangerous situations and toxins that firefighters are (slide 2). HB 84, she said, seeks to expand presumptive coverage to allow for line-of-duty claims and subsequent benefits to be automatically approved as long as the specific criteria are met under the state's regulations. Alaska has very specific criteria in place for someone to be eligible for the potential benefits (Slide 3). She outlined Alaska's specific criteria on slide 4, which read as follows [original punctuation provided]:

- Narrowly defined and limited in AS 23.30.121
- Presumption of coverage may be rebutted based on tobacco use, physical fitness, weight, lifestyle, hereditary factors, exposure from other employment or non-employment activities
- May not extend for more than 3 months for each year of service or 60 months following last date of employment

- Only to those who have served for a minimum of seven years
- Only to individuals who have undergone qualifying medical exam and requisite annual exams with no evidence of disease
- Only if the individual with cancer was exposed to known carcinogens in the course of employment

MS. SORUM-BIRK directed attention to slide 5, entitled "Sectional Analysis," which read as follows [original punctuation provided]:

- **Section 1:**
 - Amends AS 23.30.121(b) throughout to add emergency medical technician, paramedic and peace officer to professions presumed covered for disability or disease.
 - Creates a new section to include breast cancer under diseases for which a covered professional can claim compensation.
 - Extends coverage to certain professionals who entered active service prior to August 19, 2008.
- **Section 2, Section 3, Section 4:**
 - Includes emergency medical technician, paramedic and peace officer among presumptively covered professions
- **Section 5:**
 - Provides definitions of "emergency medical technician," "firefighter," "paramedic," and "peace officer."
- **Section 6:**
 - Clarifies that AS 23.30.121 as amended applies to claims made on or after the effective date of this Act.
- **Section 7:**
 - Encourages revisors to update catch line of AS 23.30.121 to reflect changes made by this Act.

MS. SORUM-BIRK continued to slide 6, entitled "Diseases covered in Alaska," which read as follows [original punctuation provided]:

- **Currently covered:** respiratory disease, certain cardiovascular events related to toxin exposure, primary brain cancer, malignant melanoma, leukemia, non-Hodgkin's lymphoma, bladder cancer, ureter cancer, kidney cancer, prostate cancer
- **Added by HB 84: breast cancer**

- Emerging literature suggests a higher rate of breast cancer among women firefighters

[3:31:56 PM](#)

MS. SORUM-BIRK directed attention to slide 8, "Expands definition of firefighter." She explained that the current statutory definition of firefighter that's used in the presumptive illness legislation in presumptive illness law does not include individuals who are employees of the state of Alaska. This means that airport firefighters who are Department of Transportation & Public Facilities (DOT&PF) employees, employees of the state fire marshal, and wildland firefighters employed by the Department of Natural Resources are not covered by current law. For this reason, HB 84 adds firefighters who are state employees to the definition of firefighter. She noted that at least 13 states cover police officers, and 10 states cover paramedics and EMTs. She added that there is a growing body of research relating to the cancer risk for police officers. Several studies have found correlations between police work and increases in various types of cancer. She further noted that the most common hazards for EMTs and paramedics include responding to natural disasters, terrorist attacks, and chemical spills released during chemical transportation. Law enforcement personnel are also concerned with clandestine drug labs and exposure, specifically from methamphetamine production.

REPRESENTATIVE JOSEPHSON noted that the 2008 legislation was restricted and constrained.

[3:36:26 PM](#)

REPRESENTATIVE HANNAN questioned whether the statutory definition of peace officer includes village public safety officers (VPSOs) who in many communities, are the only first responders.

MS. SORUM-BIRK said she would follow-up with the requested information.

REPRESENTATIVE HANNAN inquired as to how firefighters verify that they were exposed to carcinogens on the job.

[3:38:13 PM](#)

REPRESENTATIVE JOSEPHSON said he does not know; however, he read the following from the John Adamson case [ADAMSON v. State of Alaska, Intervenor.]:

At the hearing, Adamson testified that he had been exposed to soot in the course of fighting fire and that he had been involved in fighting several large fires including a paint supply store in which paint was burning. Dr. Allems agreed that Adamson had been exposed to soot. Dr. Allems also testified that arsenic is used in paint pigments and cadmium is used in paints and batteries. Cadmium, arsenic, and soot are all listed as known carcinogens by the national toxicology program.

CHAIR SPOHNHOLZ clarified that by "soot," Representative Josephson was referring to ash.

REPRESENTATIVE JOSEPHSON offered his understanding that, not without a battle by the municipality, Adamson was able to provide anecdotal evidence of his exposure to carcinogens. He said keeping a log is typically how it's done.

[3:39:47 PM](#)

REPRESENTATIVE HANNAN asked how many disability claims have been processed since the law passed in 2008 from which public employees or volunteer firefighters have received workers' compensation.

MS. SORUM-BIRK offered her understanding that "just a handful" of cases have used this presumption of compensability in Alaska. Regarding the determination of carcinogens, she directed attention to page 2, lines 28-29 of the bill, which states that the lists of cancer-causing agents must be defined by the International Agency for Research on Cancer or the National Toxicology Program.

REPRESENTATIVE JOSEPHSON offered to follow up with the requested information.

[3:41:50 PM](#)

REPRESENTATIVE RASMUSSEN referencing AS 01.10.609(a)(7)(A)-(F), said the definitions of a "peace officer" include an officer of the state troopers; a member of the police force of a municipality; a village public safety officer; a regional public

safety officer; a United States marshal or deputy marshal; and an officer whose duty it is to enforce and preserve the public peace. She expressed her concern that that subparagraph (F), "an officer whose duty it is to enforce and preserve the public peace," is too vague.

REPRESENTATIVE JOSEPHSON acknowledged her concern and said he would look into the meaning of that categorization.

CHAIR SPOHNHOLZ noted that subsection (F) may be regarding serious emergencies or larger disasters. She added, people who might not respond to certain kinds of emergencies in every given scenario will do so in the case of a serious emergency. In the case of a larger disaster, emergency responders of all different kinds will participate in different ways according to their training and could be exposed to things that they might not be in the course of their regular duties.

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REPRESENTATIVE RASMUSSEN mentioned the research on women firefighters and breast cancer. She asked if "there's anything that correlates female firefighters to, maybe, starting a little bit later in life with starting their family ... getting themselves established in a career that's more male dominated."

REPRESENTATIVE JOSEPHSON explained that the San Francisco Fire Department did a study that found six times the normal rate of breast cancer among its firefighters. He acknowledged that there could be other causalities.

MS. SORUM-BIRK noted that the same study found a much higher level of breast cancer among premenopausal women compared to the general population. She said she's not sure if they looked at the specific factors mentioned by Representative Rasmussen.

REPRESENTATIVE RASMUSSEN offered her belief that, in general, age is a factor for women. She said that as women approach age 55 it increases the likelihood of developing breast cancer. She went on to say she heard that women who breast feed are less likely to develop breast cancer and asked if there is any known correlation between the two.

CHAIR SPOHNHOLZ agreed that when expanding presumptive illness to include breast cancer, it's fair to ask that [the committee] has a clear understanding of what the "linkage" is to an increase in rates.

[3:47:20 PM](#)

THOMAS HOFFMAN, Public Safety Employees Association, said he has been a firefighter and police officer at the Ted Stevens Anchorage International Airport for the last four years. He stated that he and his co-workers are appreciative that HB 84 is being expanded to include the state firefighters. He said there are a lot of hazardous materials involved in responding to an aircraft or airport fire. He offered his belief that all firefighters who serve the state of Alaska, whether in training or responding to incidents, have been exposed to carcinogens. He expressed his support for HB 84.

[3:49:33 PM](#)

REPRESENTATIVE RASMUSSEN asked how many state firefighters would be included in HB 84.

MR. HOFFMAN replied that in his department alone there are anywhere between 68-75 firefighters, not including the Fairbanks Airport or the UAA firefighters.

CHAIR SPOHNHOLZ thanked Mr. Hoffman and the rest of the public safety employees for their work for the state.

[3:50:52 PM](#)

CHAIR SPOHNHOLZ announced that HB 84 was held over.

HB 215-EMPLOYER'S UNEMPLOYMENT INSUR RATE

[3:51:23 PM](#)

CHAIR SPOHNHOLZ announced that the next order of business would be HOUSE BILL NO. 215, "An Act relating to unemployment insurance contribution rates; and providing for an effective date."

[3:51:57 PM](#)

PATSY WESCOTT, Director, Division of Employment and Training Services, Department of Labor & Workforce Development, informed the committee that employer rates are provided for in Title 23, Chapter 20, the Alaska Employment Security Act. The act itself is designed to promote employment and economic security and provide a partial wage replacement to qualified, unemployed

workers through the collection of unemployment insurance tax contributions. Currently, the applicable statute provides for a minimum contribution rate of one percent for all employers in all rate classes one through twenty. The only exception is rate class twenty-one, which is the penalty rate. HB 215 seeks to lower the minimum contribution rates for employers in rate classes one through nine and set the minimum rates to correlate with an employer's experience rating. The current minimum of one percent notably affects the rate for employers with a year-round consistent work force. These employers contribute at a disproportionate rate when compared to employers who have inconsistent employee payroll from quarter to quarter. An employer's experience rate is based on how consistent their work force is throughout the year. The more stable an employer's work force, the less need there is for their employees to draw unemployment insurance benefits. Since these employers have fewer employees in need of benefits, it is appropriate that their rates should not be expected to carry the same contribution burden as their counterparts in higher rate classes. At this time, approximately 4,700 employers are paying more contributions than are necessary. The proposed legislation would establish lower minimum rates, beginning January 1, 2021.

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LENNON WELLER, Economist/Unemployment Insurance Actuary, Research & Analysis Section, Department of Labor & Workforce Development, provided a PowerPoint presentation, entitled "Unemployment Insurance Financing Metrics in Alaska 1980s to Current." He noted that, in general, the unemployment insurance (UI) financing system has essentially been in its current form since the early 1980s and has served the state "fairly well." He said it's a well-functioning system. Both through the 1980s recession and the 2009 recession, Alaska never borrowed money to pay benefits - unlike a majority of other states - which, he said, is a testament to the system's well-functioning nature. He explained that the system is self-adjusting, in that it looks to recapture costs born by the system as its primary objective. It's also countercyclical, meaning it attempts to do that post the high cost period through a three-year averaging of cost in relation to covered wages when implementing tax rates in the following years. The UI financing system has two primary objectives, cost recovery and recession readiness, which are the two main drivers of rates at any given year. He directed attention to a graph on slide 3, entitled "UI Trust Fund End-of-Year Balance, Benefit Costs, and Payroll Contributions, 1981-2019." He said it shows the relationship between benefit costs

at any given year, net contributions, and the resulting trust fund balance. Over time, in nominal terms, the trust fund balance should grow because it is kept within a relative ratio to wages in the economy. Essentially, as wages grow the balance of the fund should grow.

[3:58:05 PM](#)

REPRESENTATIVE HANNAN asked if benefit cost is what is paid out in benefits.

MR. WELLER answered yes.

REPRESENTATIVE HANNAN pointed out that in 1986 more money was spent on unemployment insurance than was taken in. She asked where that money came from, more specifically, if it was a draw on the general fund.

MR. WELLER said all revenues, or net UI contributions, come from the payroll tax, which is assessed on all wage and salary employment in the state.

REPRESENTATIVE HANNAN said the graph shows that the trust fund balance wasn't high enough to pay the benefit cost in 1986. She asked what happens when the benefit costs are higher than the trust fund balance.

MR. WELLER explained that while in any given year more benefits might have been paid out than the amount received in contributions, the actual net value of the fund was never negative. He said in 1986 it fell to a low of \$60 million and began to recover thereafter. He noted that several years prior, the fund was built up to have the cushion necessary to absorb those benefit costs higher than contributions.

[3:59:43 PM](#)

MR. WELLER directed attention to a graph on slide 4, entitled "Unemployment Insurance Trust Fund Reserve Rate the Measure of Solvency 1981-2020." He discussed how the trust fund balance is viewed in terms of the financing system. He said the more important aspect, as opposed to the nominal value of the fund, is its relation to the total wages covered in the economy. The target for the reserve ratio is between 3-3.3 percent of covered wages and the fund seeks to return to the relative portion of covered wages. In periods it will be below that which is accounted for by cost recapture and a solvency adjustment. He

said that the reserve ratio is the balance of the fund as a percentage of wages in the economy. He pointed out that in the last several years, it has gone above the target high point reserve ratio of 3.3 and is currently at 3.8 reserve ratio. He further noted that the target reserve ratio is a result of looking at history, benefit costs under high-cost periods, and deemed acceptable to meet a vast majority of potential large cost periods.

MR. WELLER turned attention to a graph on slide 5, entitled "U.S. DOL, Measures of Trust Fund Adequacy." He said, generally, the state will meet the average high-cost multiple, which is a more generous measure. It looks at a three-year average of the highest cost periods as a percentage of wages. That high-cost rate is 22.6 percent. He explained that the high-cost multiple looks at the highest cost 12-month period in the program's history, which was in 1958 at 4.34 percent of covered wages. The point of this graph, he said, is to show how far the reserve ratio has come in the last several years. It is now running at 60 percent higher than the main federal DOL measure of full solvency - 160 percent of what they would deem necessary to meet the most likely recessionary cost period.

MR. WELLER continued to a graph on slide 6, entitled "Unemployment Insurance Average Benefit Cost Rate, ABCR, 1985-2020." He stated that the Average Benefit Cost Rate (ABCR) is the main driver of tax rates in any given year - it is the cost recover element. Three years of benefit cost is used as a percentage of wages to replenish the fund in relation to those wages covered. Since the mid-1980s, there has been a significant decline in the relative ratio of benefits paid to the general size of the potential pool of wages in the economy. Furthermore, 2020 is the first year where ACR fell below the threshold at which the one percent statutory minimum met the average rate classes 10 and 11.

MR. WELLER directed attention to a graph on slide 7, entitled "Alaska, UI Contribution Rates Employer and Employee, CY1981 - CY2020." He said it shows the average employer tax rate and the uniform employee rate. The past four years has steadily remained at the statutory minimum one percent, which signifies that tax rates have bottomed out. He continued to a graph on slide 8, entitled "1985-2020 Count of Tax Classes at Statutory Min. 1 [percent] in a given tax year Total of 20 Tax Classes subject to 1 [percent] Min." He stated that there's at least one or two tax classes that become subject to the minimum

because rate class one equates to 40 percent of the average benefit cost rate of portion two employers.

[4:06:23 PM](#)

The committee took a brief at-ease.

[4:06:27 PM](#)

CHAIR SPOHNHOLZ noted that something is wrong with the visuals on the projector.

[4:07:24 PM](#)

MR. WELLER said on average, there are several tax classes that are subject to the minimum rate; however, in the past several years it has steadily crept up to the point where currently, 18 of the 20 rate classes that subject to the minimum are at that one percent minimum.

[4:07:50 PM](#)

REPRESENTATIVE FIELDS asked how many employers HB 215 would affect.

MS. WESCOTT answered approximately 4,700.

CHAIR SPOHNHOLZ sought clarification on the variation in tax classes.

MR. WELLER said the average benefit cost rate becomes the primary component for all employers' rates. Classes 10 and 11 are currently the median of the class structure. That is multiplied by something either lesser or greater than that to essentially experience rate employers. He further noted that tax classes 9 would be subject to 90 percent of that, 8 would be 80 percent and so forth, all the way down to rate class one, which has an experience factor of .4. That means they should ideally pay 40 percent of what those in the average tax classes 10 and 11 would pay.

CHAIR SPOHNHOLZ asked for an even more elemental description of what a tax classification is and how individual jobs are ascribed to tax classifications.

[4:09:36 PM](#)

MR. WELLER explained that federal law mandates that employers are experience rated. The department does that through a peril decline method, which means employers are assigned with a lesser experience a lower rate and those with a higher experience a higher rate. This is done by looking at average decline in the employers' payroll. He noted that they must have at least four quarters of payroll to be subject to an experience rating.

CHAIR SPOHNHOLZ asked what an experience rating is.

MR. WELLER said an experience rating is the relative share of the average rate that they would pay based on their payroll decline portion.

[4:10:41 PM](#)

MS. WESCOTT, in response to Chair Spohnholz, explained that experience rating is a long-used term by the U.S. Department of Labor. Essentially, employers whose payroll has large fluctuations from quarter to quarter indicates that their employees were laid off, filing for benefits, or using the system. Therefore, that employer is experiencing the benefits of the trust fund and the benefits of the system, as are their employees. This is contrary to an employer whose payroll is consistent from quarter to quarter, which indicates their employees are not being laid off and not drawing benefits from the system. This employer's experience would be much lower than an employer whose payroll fluctuates greatly.

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REPRESENTATIVE HANNAN surmised that in the context of unemployment insurance, a high experience rating is bad, and a low experience rating is good.

MS. WESCOTT replied she wouldn't use the term "bad." She said the unemployment insurance system exists to provide that partial wage replacement during periods of time where an employee can be laid off. Nonetheless, from an employer's perspective, the lower the rate class they're in the better it is for that employer because they are paying out a lower rate.

[4:13:00 PM](#)

REPRESENTATIVE FIELDS noted that some of this is sectoral - the construction of industry waxes and wanes with season. He asked if that is correct.

MS. WESTCOTT confirmed that.

[4:13:13 PM](#)

REPRESENTATIVE HANNAN said she assumed that there are other states that have seasonality to their incomes. In Alaska, for example, there are huge swaths of industry - from construction to fisheries - that are always going to be high experience. She asked if the ranking, rating, and payment rate account for any industry differences or if seasonality is irrelevant.

MR. WELLER acknowledged that there is a strong correlation between seasonality and the rate class - the more seasonal the industry the higher the rate class. He added that less seasonal more stable employers all find themselves in the lowest rate class one.

REPRESENTATIVE HANNAN asked if seasonal employers are penalized by the slower seasons.

MS. WESCOTT said there is nothing in statute that provides for any waiver or relief to any particular industry.

[4:16:57 PM](#)

MR. WELLER resumed his presentation on slide 9, entitled "Average Benefit cost rate, ABCR/Employer Rate Share/Min one percent Rate." He explained that the graph depicted on this slide displays the relationship between the total ABCR and the employer share. He said at an ABCR of 1.37 or lower the average rate classes 10 and 11 would be subject to this statutory minimum. Currently, for 2020 there was an ABCR of 1.28 percent, which would make the average rate class .82. Under HB 215, the absolute minimum take would be .82 as opposed to the current 1 percent statutory minimum. He continued to slide 10, entitled "2020 Rate Classes 1-9, Current Statute V. Proposed Change." He said that this slide demonstrates how the new experience rated minimums would affect rate classes 1-9 for the current calendar year. If there was no minimum in place and included the solvency adjustment, there would be a negative tax rate for rate class 1 in 2020. However, if the solvency adjustment were to be disregarded, the experience rated rate class 1 would be at .38 percent in 2020.

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REPRESENTATIVE FIELDS said an employer might pay in more in a given year than their employees take out when they get laid off. He asked if that changes from year to year, meaning one year an employer's employees getting laid off may take less and then the next year they might take more. He asked if that's generally accurate.

MR. WELLER answered yes.

REPRESENTATIVE FIELDS asked if Alaska is 50th in the nation in terms of UI payments.

MS. WESCOTT said Alaska is currently 37th.

REPRESENTATIVE FIELDS asked how much below average Alaska is in terms of weekly or bi-weekly payments.

MS. WESCOTT said she would follow up with requested information.

REPRESENTATIVE FIELDS explained that he would like to understand where Alaska is relative to the average in terms of amount of dollars workers are not getting when they get laid off.

CHAIR SPOHNHOLZ said the entire committee would be interested in knowing what Alaska's UI payments are and how they fit into the national context, as well as what wages are in the state of Alaska.

[4:22:23 PM](#)

REPRESENTATIVE HANNAN sought clarification on whether the state ranking accounts for the number of people being paid as well as the dollars they are receiving or just the dollars they are receiving.

MS. WESCOTT explained that the state ranking compares Alaska's maximum weekly benefit amount to that of the rest of the states.

REPRESENTATIVE HANNAN asked if it disaggregates for the time of year and job type.

MS. WESCOTT said there are a number of measures that the department reports on. She noted that Alaska's average weekly benefit amount in a given year is much lower than 370.

[4:24:33 PM](#)

REPRESENTATIVE FIELDS said he would be interested in learning Alaska's maximum and average compensation over time and adjusted for inflation to understand if workers today are getting paid more or less than 20 or 30 years ago.

CHAIR SPOHNHOLZ agreed.

[HB 215 was held over.]

[4:25:11 PM](#)

The committee took an at-ease from 4:25 to 4:29.

HB 235-AK WORKFORCE INVESTMENT BOARD:ALLOCATIONS

[4:29:58 PM](#)

CHAIR SPOHNHOLZ announced that the next order of business would be HOUSE BILL NO. 235, "An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

[4:30:16 PM](#)

REPRESENTATIVE ADAM WOOL, Alaska State Legislator, as prime sponsor, provided a brief reintroduction to HB 235. Basically, he said, it's a program that was renewed three years ago that is seeking reauthorization. It takes a portion of collected unemployment funds and distributes them to 10 recipients according to a formula.

[4:30:59 PM](#)

ASHLEY CARRICK, Staff, Representative Adam Wool, Alaska State Legislature, stated that HB 235 would reauthorize the TVEP program for another three years, until 2023. She proceeded to correct a statement from the previous bill hearing, noting that the governors amended budget added additional funding for the TVEP program this year into direct allocations, rather than to the unemployment insurance fund, as was incorrectly stated previously.

[4:31:51 PM](#)

REPRESENTATIVE HANNAN questioned the reason for a three-year renewal as opposed to a longer period of time.

REPRESENTATIVE WOOL said there's no reason it must be three years, adding that it could be longer. He explained that they were trying to repeat what was done in the past.

CHAIR SPOHNHOLZ questioned whether TVEP has ever been reauthorized for longer than three years in the past.

MS. CARRICK replied the TVEP program was reauthorized for one year at its inception in 2000. It was reauthorized for three years for the first time in 2014 and has never been renewed for a longer period of time.

[4:33:07 PM](#)

REPRESENTATIVE RASMUSSEN asked if it is possible to make sure that this program is always renewed in the first year of a legislative cycle. She expressed her concern about nearing the end of session, which makes it difficult to move legislation through.

CHAIR SPOHNHOLZ said that is a fair point for consideration by future legislators.

[4:33:51 PM](#)

REPRESENTATIVE WOOL suggested a two or four-year renewal instead of three years so that it wouldn't end up in the middle.

CHAIR SPOHNHOLZ explained if the program is reauthorized for three years this time it would come up the first year of the two-year session next time around. After which, future reauthorization could be set for an even number of years to avoid this problem from happening in the future.

[4:35:23 PM](#)

REPRESENTATIVE STORY said she would prefer to leave the renewal at three years because Alaska's career and technical education is constantly changing.

[4:36:12 PM](#)

CHAIR SPOHNHOLZ opened public testimony.

[4:36:32 PM](#)

DON ETHERIDGE, Alaska American Foundation of Labor & Congress of Industrial Organizations, reported that the Alaska American Foundation of Labor and Congress of Industrial Organizations (AFL CIO) and the Alaska Works Partnership (AWP) are supportive of HB 235, and have been since its inception. He noted that in the past, they have asked for a five-year reauthorization period. He expressed concern about expanding the program because over the years, programs were added without thinking about the work and training that would come out of it. He reiterated that the Alaska AFL CIO supports the program as it is.

[4:37:40 PM](#)

REPRESENTATIVE RASMUSSEN asked Mr. Etheridge why the five-year renewal hasn't worked in the past.

MR. ETHERIDGE explained that they were attempting to stabilize the TVEP program so the recipients would know how long they could count on the funds; however, [the legislature] suggested that a three-year maximum would allow changes to be considered. He went on to say the Alaska AFL CIO would consent to a five-year renewal, adding that the length of renewal isn't important to them.

[4:38:40 PM](#)

CHARLES MCKEE provided comments not on topic with the published agenda.

[4:40:23 PM](#)

DOUG WAIRATH, Northwestern Alaska Career & Technical Center, expressed his support for reauthorizing TVEP. He stated that TVEP supports a regional training center network across the state that provides autonomy and flexibility to meet the unique needs of each regions' priority industry. The regional training centers provide workforce development training that would otherwise need to occur outside the region at a much greater expense. TVEP funds and supports industry certification in health care through advanced technical training, which transitions students into employment as certified nurse aides, village health aides, and personal care attendants. Furthermore, NACTEC is the only provider of adult and high school driver education training in the Nome census area and is a DMV approved third-party road test examiner. He said this is important in the region as the budget has become tighter and

more cuts have occurred, which resulted in the loss of the Nome DMV office. As the state budget is restricted, he said, it becomes critically important to make earlier outreach to develop a technically skilled workforce. NACTEC supports TVEP reauthorization efforts and its expansive reach across Alaska to train workforces locally to best meet local needs.

[4:43:07 PM](#)

CHAIR SPOHNHOLZ closed public testimony.

CHAIR SPOHNHOLZ announced that HB 235 was held over.

HB 113-MILITARY FAMILY EMPLOYMENT PREFERENCE

[4:43:28 PM](#)

CHAIR SPOHNHOLZ announced that the final order of business would be HOUSE BILL NO. 113, "An Act relating to employment preferences for spouses and children of veterans, disabled veterans, former prisoners of war, members of the national guard, and deceased service members."

[4:44:07 PM](#)

REPRESENTATIVE FIELDS moved to adopt Amendment 3, [labeled 31-LS0715\S.4, Wayne, 2/22/20], which read:

Page 6, line 10:
Delete "(i)"

Page 6, line 15, following "Militia":
Insert "or"

Page 6, lines 16 - 21:
Delete all material.

Page 6, line 28, following "to":
Insert "(i)"

Page 6, line 29:
Delete "(1) (A) (i) of subsection;"
Insert "(1) (A) subsection;
(ii) a dependent child or the spouse of a
person under (1) (A) of this subsection;
(iii) a dependent child or, unless the
surviving spouse has remarried, the surviving the

spouse of a person under (1)(B) of this subsection who died within the 10-year period immediately preceding the date of the assessment;"

CHAIR SPOHNHOLZ objected for the purpose of discussion.

[4:44:13 PM](#)

REPRESENTATIVE FIELDS stated that the intent of Amendment 3 is to ensure that every spouse and dependent of an active-duty service member receives consideration or an interview for a state job. This amendment makes that clear while deleting confusing material about adding points. It does, however, leave the underlying point system in place for veterans and disabled veterans, so that should the department and the state choose to return to a point-based system, they retain that authority.

[4:45:30 PM](#)

REPRESENTATIVE SHARON JACKSON, Alaska State Legislator, thanked the committee for working to make HB 113 a comprehensive bill to employ Alaska's military spouses.

[4:46:01 PM](#)

REPRESENTATIVE STUTES asked if the bill sponsor has any objection to Amendment 3.

REPRESENTATIVE JACKSON answered no.

CHAIR SPOHNHOLZ removed her objection. There being no further objection, Amendment 3 was adopted.

[4:46:48 PM](#)

REPRESENTATIVE STUTES moved to report CSHB 113, Version 31-LS0715\S, as amended, out if committee with individual recommendations and the accompanying fiscal notes. Without objection, CSHB 113(L&C) was moved from the House Labor and Commerce Standing Committee.

[4:48:26 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:48 p.m.