

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

February 27, 2020  
1:30 p.m.

**MEMBERS PRESENT**

Senator Click Bishop, Chair  
Senator Gary Stevens, Vice Chair  
Senator Elvi Gray-Jackson

**MEMBERS ABSENT**

Senator Mia Costello  
Senator Joshua Revak

**COMMITTEE CALENDAR**

CONFIRMATION HEARINGS

Alaska State Board of Architects, Engineers, & Land Surveyors  
Catherine Fritz - Juneau

- CONFIRMATION ADVANCED

Alaska Workers' Compensation Board  
Nancy Shaw - Anchorage

- CONFIRMATION ADVANCED

SENATE BILL NO. 182

"An Act raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating to the taxation of electronic smoking products; and providing for an effective date."

- HEARD AND HELD

PRESENTATION: ALASKA HIRE

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 182

SHORT TITLE: AGE FOR NICOTINE/E-CIG; TAX E-CIG.  
SPONSOR(s): SENATOR(s) STEVENS

02/10/20 (S) READ THE FIRST TIME - REFERRALS  
02/10/20 (S) L&C, FIN  
02/27/20 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

CATHERINE FRITZ, Appointee  
Alaska State Board of Architects, Engineers and Land Surveyors  
Division of Corporations, Business and Professional Licensing  
Department of Commerce, Community and Economic Development  
Juneau, Alaska  
**POSITION STATEMENT:** Testified as an appointee to the Alaska State Board of Architects, Engineers and Land Surveyors.

NANCY SHAW, Appointee  
Alaska Workers Compensation Board  
Department of Labor and Workforce Development (DOLWD)  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified as appointee to the Alaska Workers Compensation Board.

TIM LAMKIN, Staff  
Senator Gary Stevens  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Delivered a presentation and the sectional analysis for SB 182.

MARGE STONEKING, Executive Director  
American Lung Association of Alaska  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of SB 182.

JOE DARNELL, Chief Investigative Officer  
Tobacco Youth Education & Enforcement Program  
Division of Behavioral Health  
Department of Health and Social Services (DHSS)  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of SB 182.

DAN ROBINSON, Chief  
Research & Analysis (R&A)  
Division of Administrative Services  
Department of Labor and Workforce Development (DOLWD)

Juneau, Alaska

**POSITION STATEMENT:** Participated in the presentation on Alaska Hire.

ROB KREIGER, Economist

Research & Analysis (R&A)

Division of Administrative Services

Department of Labor and Workforce Development (DOLWD)

Juneau, Alaska

**POSITION STATEMENT:** Delivered the presentation on Alaska Hire.

#### **ACTION NARRATIVE**

[1:30:47 PM](#)

**CHAIR CLICK BISHOP** called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at call to order were Senators Gray-Jackson, Stevens, and Chair Bishop.

#### **CONFIRMATION HEARINGS**

[1:32:15 PM](#)

CHAIR BISHOP announced the first order of business would be consideration of governor appointees. He asked each appointee to place their name and affiliation on the record, give a brief introduction, and discuss the reason they want to serve on the board or commission. He advised that public testimony would be taken after all appointees had testified and the names would be forwarded to the full body for consideration. The hearing was not a recommendation on any subsequent vote.

[1:33:07 PM](#)

CATHERINE FRITZ, Appointee, Alaska State Board of Architects, Engineers and Land Surveyors, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED) Juneau, Alaska, stated that her consideration is a reappointment to a second term. She advised that she has lived in Alaska since 1983 and has been a registered architect since 1990. She said she grew up in a blue-collar family and learned the value of accomplishing things for oneself and others; that dreaming and problem solving go hand in hand; and that making a great idea a reality takes compromise and hard work. She lives by these principles.

MS. FRITZ related that her career in public service provided a good understanding of statutory and regulatory processes as well as the role of this board. This has helped her effectively

respond to the business of the board and stay focused on the board's mission. She said she is able to objectively consider the regulatory needs of the profession. In the last year she helped develop the board's Strategic Plan to guide its work and she would like to continue to work on this and several other projects if reconfirmed. She said it has been an honor to serve on the AELS Board and she has demonstrated this by coming to meetings prepared, engaging in committee work, and being responsive to the board's business. She noted that she submitted written testimony.

SENATOR STEVENS asked what has been the hardest part of serving on this board.

MS. FRITZ replied it is a matter of trying to be understanding and aware of the different but related disciplines because the board has to make licensing decisions for 15 types of engineers as well as land surveyors and architects. In some places there should be differences and others there should be similarities.

CHAIR BISHOP asked her to comment on her time as adjunct professor at the university.

MS. FRITZ said she was an adjunct professor for a project management class at UAS. She found it very fulfilling to take this aspect of her work and apply it to young students trying to find their path, not necessarily in architecture.

CHAIR BISHOP asked if she shared her non-textbook, real-world experience as an architect with her students to help put them ahead when they enter the work world.

MS. FRITZ said yes; it's nice to give students a small picture of where they might go in the future.

CHAIR BISHOP thanked her and asked Ms. Shaw to provide her testimony.

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NANCY SHAW, Appointee, Alaska Workers Compensation Board, Department of Labor and Workforce Development (DOLWD), Labor Member, Anchorage, Alaska, stated that she has served on the board [in the labor seat] for two years and was pleased to learn the governor reappointed her for an additional three years. She relayed that she was general counsel for the Teamsters Union for 15 years and continues to do a little work for the Teamsters and Longshoremen in Anchorage. She listed her varied areas of work

to demonstrate that her background relates to workplace issues across the state. She said her service on the board has provided an opportunity to look at workplace safety issues from the perspective of employers who have to assist employees recover from injuries. She said the learning curve for board members is very steep and after the training she's received the last two years she feels she can now serve effectively.

CHAIR BISHOP found no questions and applauded her commitment to serve.

CHAIR BISHOP stated that in accordance with AS 39.05.080, the Senate Labor and Commerce Standing Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Alaska State Board of Architects, Engineers, & Land Surveyors  
Catherine Fritz - Juneau

Alaska Workers' Compensation Board  
Nancy Shaw - Anchorage

Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.

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At ease

**SB 182-AGE FOR NICOTINE/E-CIG; TAX E-CIG.**

[1:43:45 PM](#)

CHAIR BISHOP announced the consideration of SENATE BILL NO. 182, "An Act raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating to the taxation of electronic smoking products; and providing for an effective date."

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SENATOR GARY STEVENS, speaking as sponsor of SB 182, stated that this legislation is about protecting children from becoming addicted to nicotine by restricting sales and possession of various tobacco products to young people, including electronic cigarettes. He said scientific evidence and public health advocates have helped to put the use of traditional tobacco products on the decline and tobacco manufacturers are responding

by offering new and more fashionable smoking options related to e-cigarettes. These are designed to be particularly appealing to young people. He said the claim that these products are safe is simply not true and it is therefore important to act quickly to protect young Alaskans who are being targeted.

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TIM LAMKIN, Staff, Senator Gary Stevens, Alaska State Legislature, Juneau, Alaska, began the presentation on SB 182 with a short video to demonstrate the importance of preventing youth from accessing e-cigarettes because it is becoming an epidemic.

MR. LAMKIN advised that the committee will hear that e-cigarettes are not targeting youth, that e-cigarettes help people quit smoking, that these products are safe and healthy, and that taxation will kill the industry. He said he would refute each claim.

He related that vaping started in the 1940s but it was not seen as a fashionable form of smoking. The practice was revitalized in the early 2000s and it entered the U.S. market in early 2007. The federal government has scrambled to catch up with this elusive industry since then. These largely unregulated products contain five known chemicals. He displayed a slide to demonstrate that these ultra-fine particles that form an aerosol are inhaled into the lungs. He said it would be difficult to suggest that they are safe. He noted that the benefits of ingesting vitamin E have been demonstrated but inhaling it as an aerosol is very harmful.

MR. LAMKIN said some people argue that the expense of these products is a barrier to youth access. He refuted that claim by displaying a depiction of a \$50 JUUL starter kit and \$4-\$5 refillable cartridges. He said these products are advertised with a multitude of flavorings but it's primarily nicotine that keeps customers coming back. He displayed a slide showing vintage advertising of tobacco products alongside current advertising of vaping products. He pointed out that vapor product marketing is largely unregulated. The next slides show different celebrities and young people using e-cigarettes, including Donny Smokes, a social media celebrity who is alleged to receive \$1,000 per post. He called it a "youth frenzy" as demonstrated by the social media postings and videos such as "My First Time Vaping With Friends!" and "BAD IDEA Vaping in front of my mom for the 1st time." He noted that the latter had more than 1.5 million views.

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MR. LAMKIN displayed a slide showing the wide array of flavors that are available for vaping and noted that the bill addresses this aspect of e-cigarettes. The images depicted on this slide refute the claim that these products are not marketed to youth. This is one avenue for getting people addicted to nicotine. He pointed out that these nicotine disguised flavors are completely unregulated.

MR. LAMKIN said the argument that these products do not have nicotine and are not addictive is refuted by a 2015 report by the Food and Drug Administration (FDA). Testing found that over 99 percent of the tested products contained nicotine, even when labeled nicotine free. The risks of e-cigarettes are not known, but the FDA has not found that any are safe. They may help someone stop smoking, but they do not treat the addiction. Recent research indicates that more than half of adult e-cigarette users also continue to use traditional cigarettes. He pointed out that quitting means ending the addiction, not switching to another method of nicotine delivery.

The 2017 Alaska Youth Risk Behavioral Survey indicates that 13 percent of high school youth currently use tobacco and 16 percent use e-cigarettes while 34 percent have tried tobacco and 40 percent have tried e-cigarettes. He offered his understanding that the most recent data suggests that the current use of e-cigarettes has almost doubled, from 16 percent to between 30-35 percent. Those numbers will be published in April.

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MR. LAMKIN pointed to the next slide that shows a wide variety of the e-devices that have been confiscated in Anchorage schools. He said these devices are in children's hands and they are aware of the disparity between state and federal law. Federal law prohibits, without exception, the sale or possession of e-cigarette products to anyone under the age of 21. SB 182 will bring state law in line with federal law with the exception of those in the military and in prison. He said the sponsor will introduce amendments to SB 182 to remove those exceptions to conform to federal law. State law currently allows those who are age 19 to buy, sell, or possess cigarette products. He said the federal government relies on the state for enforcement but the state's enforcement hands are tied because of the conflict between the laws. He reiterated that SB 182 will align state law with the federal law. Furthermore, the bill will tax these products.

MR. LAMKIN concluded the presentation by showing a picture from 1994 when the CEOs of the major U.S. cigarette manufacturers swore under oath to Congress that their products were neither addictive nor harmful to human health. He pointed out that industry advocates today insist that e-cigarettes are neither addictive nor harmful. They maintain these products are a safe, healthy alternative to tobacco and that more time, research, and data is needed to study their effect on human health. He said this is a multibillion dollar business and lobbyists are in the committee room and online right now monitoring the progress of the bill.

CHAIR BISHOP asked him to go through the sectional analysis.

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MR. LAMKIN summarized that SB 182 will bring all statutes related to buying, selling, or possessing tobacco from a minimum age of 19 to the age of 21. Further, it will bring all e-cigarettes under the existing tax code for tobacco.

He paraphrased the sectional analysis for SB 182:

Sec. 1: AS 11.76.100(a), relating to selling or giving tobacco to a minor, raises the minimum age from 19 to 21.

Sec. 2: AS 11.76.100(b), relating to the requirement for vendors to supervise the operation of tobacco product vending machines (TVM), amends the exemption for TVMs situated in a private break room, provided there is signage posted indicating the minimum age to possess tobacco products is age 21 (from 19).

Sec. 3: AS 11.76.100(c), provides an exemption for selling or giving tobacco products to incarcerated minors, raising the minimum age from 19 to 21 years of age.

Sec. 4: AS 11.76.105, relating to possession of tobacco, electronic smoking products (ESP), or products containing nicotine, raises the minimum age to possess from 19 to 21 years of age.

Sec. 5: AS 11.76.106(b), relating to the 'behind the counter' control provisions of selling tobacco products, allowing exemptions for tobacco shops or

online sales, raising the minimum, age to sell from 19 to 21 years of age

Sec. 6: AS 11.76.109(a), relating to other products containing nicotine, including chew, gum, patches, or E-cigarette products, raises the minimum age to sell or give such products from 19 to 21.

Sec. 7: AS 11.76.109(b), relating to exemptions to selling products containing nicotine to persons under the age of 21, if the product is FDA-approved, prescribed by a doctor, or given by a parent or legal guardian.

Sec. 8: AS 11.76.109(d), relating to the requirement for vendors to supervise the operation of ESP or nicotine product vending machines (EVM), amends the exemption for EVMs situated in a private break room, provided there is signage posted indicating the minimum age to possess tobacco products is age 21 (from 19).

Sec. 9: AS 11.76.109(g), relating to the penalty for selling or giving ESP or nicotine products to a minor as being a violation, raises the minimum age from 19 to 21 years of age.

Sec. 10: AS 43.50.105(b), relating to wholesale tobacco sales and licensees, to restrict licensees from selling or transporting tobacco products to persons that are at least 21 (from 19) years of age.

Sec. 11: AS 43.50.150(c), relating to state being in partnership with municipalities in taxing tobacco products, is amended to include taxing ESPs.

Sec. 12: AS 43.50.300, relating to existing state excise tax on tobacco products, is amended to include taxing ESPs.

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Sec. 13: AS 43.50.310(b) exempts the excise tax for electronic smoking products that do not contain nicotine, or those ESPs that are FDA-approved.

MR. LAMKIN noted that there are no FDA-approved electronic smoking products at this time.

Sec. 14: AS 43.50.320(a), includes a requirement to be licensed as a distributor of ESPs for those products subject to an excise tax.

Sec. 15: AS 43.50.330(a), relating to annual reporting requirements for tax purposes, amends existing tobacco sales reporting to include ESP reporting.

Sec. 16: AS 43.50.335, relating to existing tobacco tax credits and refunds for faulty or destroyed products, to include credits for similarly faulty or destroyed ESPs.

Sec. 17: AS 43.50.340, relating to existing record keeping requirements for licensed businesses selling tobacco products, to also be required to track sales and product information on ESPs being sold.

Sec. 18: AS 43.50.390(1), relating to the definition of a distributor of tobacco products, to also include ESPs, for purposes of identifying business who bring ESPs in and out of state, manufactures ESPs in the state, or ships ESPs to retailers in the state.

Sec. 19: AS 43.50.390(5), relating to the term "wholesale price" for purposes of taxing tobacco products, includes ESPs as part of wholesale pricing and taxing.

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Sec. 20: AS 43.50.390 provides a definition of "electronic smoking product" consistent with use of the phrase elsewhere in statute, specifying an ESP means a:

(A) component, solution, vapor product, or other related product that is manufactured and sold for use in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or other similar device for the purpose of delivering nicotine or other substances to the person inhaling;

(B) product under (A) of this paragraph that is sold as part of a disposable integrated unit containing a power source and delivery system or as a kit containing a refillable electronic smoking system and power source.

Sec. 21: AS 43.70.075(f), relating to business license endorsements for selling tobacco products, amends the existing requirement for signage to be posted on vendor premises, stating it being illegal to sell tobacco or ESPs to minors under the age of 21 (from 19).

Sec. 22: AS 43.70.075(m), relating to the process for suspending business licensees holding a tobacco endorsement, amends existing statute referring to tobacco or ESPs being sold to minors under the age of 21 (from 19).

Sec. 23: AS 43.70.075(t), relating to penalties for licensees violating the T21 laws, amends existing statute for lessening the penalties if a license holder has a written tobacco or ESPs sales policy to include employees not selling tobacco or ESPs to minors under the age of 21 (from 19).

Sec. 24: AS 43.70.075(w), relating to the appeal and administrative process of license suspension, conforms existing law regarding tobacco and ESP sales, to apply to sales to minors under the age of 21 (from 19).

Sec. 25: AS 47.12.030(b), relating to the juvenile justice system, and minors accused of possessing tobacco, confirms existing law to apply to possession by minors under the age of 21 (from 19).

Sec. 26: Applies an effective date of January 1, 2021.

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CHAIR BISHOP said he would hold his questions until the next hearing so there was time to hear from the invited testimony.

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MARGE STONEKING, Executive Director, American Lung Association of Alaska, Anchorage, Alaska, reported that Alaska achieved a 70 percent reduction in cigarette smoking among youth between 1995 and 2013 by following the Centers for Disease Control and Prevention's (CDC) comprehensive tobacco control program that includes a strong public media component, cessation systems, a smoke-free workplace law, and increasing tobacco taxes. E-cigarettes threaten that progress but raising the minimum sales age to 21 is a tool to help stem this epidemic. She pointed out

that youth are particularly vulnerable to the impacts of tobacco use and that the tobacco industry has long targeted this age group. In fact, big tobacco spends about \$17 million a year marketing their products in Alaska while smoking costs the state about \$438 million annually in healthcare costs, 93 million of which are Medicaid dollars.

MS. STONEKING said the data shows that 95 percent of current tobacco or e-cigarette users started using tobacco before age 21 so it's particularly important to prevent teens from starting to smoke. She described the spending bill that President Trump signed in December 2019 that raised the legal age for tobacco products from 18 to 21 as a major accomplishment. It became effective on the date it was signed and there are no exemptions anywhere in the U.S. She described the federal Synar Amendment that requires states to enforce the minimum age laws or risk losing substance abuse grant funds, and reported that Alaska has been 95 percent compliant. She said SB 182 updates the statute to reflect the age requirements in the new federal law and adds electronic smoking devices to the definition of other tobacco products so that they are taxed fairly along with all other tobacco products. She said this will also reduce use by young people because a ten percent increase at the cash register reduces consumption among youth by about seven percent.

MS. STONEKING reported that a 2019 statewide poll for the American Lung Association found that 73 percent of Alaskans who were polled supported taxing e-cigarettes and vaping devices at the same, 75 percent of wholesale, rate as cigarettes. She said this is consistent with the \$2 per pack tax on cigarettes so \$3.75 would be added to a \$10 pack of Juul cartridges, for example.

MS. STONEKING said the Alaska 2019 Youth Risk Behavior Survey results have not been released but the expectation is that it will show a drastic increase in the prevalence of e-cigarette and vape usage, which is reflective of the 78 percent national increase of youth vaping between 2017 and 2018. She said the American Lung Association and its partners are working with school districts to update policies and programs to respond to this increase in youth vaping but the legislature needs to do its part by passing SB 182.

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SENATOR STEVENS expressed appreciation that her testimony touched on both the age and taxation issues and the idea that education is necessary for children and adults. He noted his

surprise to learn from students and teachers that parents often supply their kids with vaping products. He asked her to comment.

MS. STONEKING replied the American Lung Association is also fighting the battle of misinformation about the safety of these products and is encouraging parents to educate themselves by looking at the video at [thevapetalk.org](http://thevapetalk.org).

CHAIR BISHOP suggested she leave her written testimony with the committee aide.

[2:21:03 PM](#)

JOE DARNELL, Chief Investigative Officer, Tobacco Youth Education & Enforcement Program, Division of Behavioral Health, Department of Health and Social Services (DHSS), Juneau, Alaska, said he would touch on what is happening in enforcement. He explained that the youth enforcement program started in 2003 when underage sale of tobacco to minors was 36 percent. That has dropped to the 4-6 percent range with education and changes in the licensing laws.

When vaping became popular, baseline studies showed that underage use of vaping products over a three year period was 37 percent statewide. When data from Anchorage was viewed independently, it showed the sell rate of vaping products to youth was 50 percent. Every other vape shop was blatantly selling to kids, he said. The numbers started to drop once SB 15 went into effect on January 1, 2019. In Anchorage, sales dropped from 50 percent to 30 percent.

He said SB 182 would align state law with the new federal law, which would help both the state and businesses because the laws conflict and this puts merchants in limbo. He said 95 percent of the tobacco and e-cigarette vendors want to do the right thing and follow the law but it's difficult when the laws don't jibe.

MR. DARNNESS noted that the ads in convenience store windows now feature e-cigarettes more frequently than tobacco. He said the effort to reduce tobacco smoking in youth has been successful and an equally robust effort is needed for electronic products.

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CHAIR BISHOP asked if the youth enforcement program receives any federal money.

MR. DARNELL replied the program receives money indirectly through the Tobacco Master Settlement Agreement.

CHAIR BISHOP said he wanted to know if the state would jeopardize receipt of federal funds if it did not comply with the new federal law.

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SENATOR STEVENS asked Mr. Darnell what happens to youths that violate this law.

MR. DARNELL explained that the young people who work for the enforcement program are interns with the state. They receive several days of training and then visit tobacco/vape shops and try to purchase product. If the intern is successful in purchasing tobacco or e-cigarettes, the vender receives a citation that requires a court appearance and a fine that ranges from \$300 to \$500. Any convictions are sent to licensing and that is used to suspend the tobacco endorsement. On the first offense the retailer can show seven things they were doing ahead of time to mitigate their suspension time. There is no opportunity to mitigate a suspension after the first offense.

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CHAIR BISHOP held SB 182 in committee for future consideration.

[2:28:09 PM](#)

At ease

**Presentation: Calculating Zones of Underemployment and Other Measures Used in Alaska Employment Preference Determinations**

[2:29:16 PM](#)

CHAIR BISHOP reconvened the meeting and announced the last order of business would be a presentation on Alaska Hire by the Research and Analysis Section of DOLWD.

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DAN ROBINSON, Chief, Research & Analysis (R&A), Division of Administrative Services, Department of Labor and Workforce Development (DOLWD), Juneau, Alaska, introduced himself and advised that Mr. Kreiger would talk about the detailed computations that are done in support of Alaska statutes and regulations that historically have been used to grant preferential hire for Alaska residents.

He noted that the role of R&A is primarily computational and does not change with different administrations. Among other things, they produce an annual report on nonresident workers in

Alaska that has specifics by industry and occupation which may be relevant to the discussion today.

MR. ROBINSON said R&A's role in the process of determining a zone of underemployment is to demonstrate the need by showing that parts of Alaska have a higher unemployment rate than the nation and that Alaska has an available supply of trained workers if a preferential determination is made by the commissioner.

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ROB KREIGER, Economist, Research & Analysis (R&A), Division of Administrative Services, Department of Labor and Workforce Development (DOLWD), Juneau, Alaska, stated that he has been with Research & Analysis (R&A) for almost 20 years and has worked specifically on the resident hire process since 2013.

MR. KREIGER stated that R&A was asked to provide details on how zones of underemployment are calculated. Their role is limited to running an established series of calculations every other fiscal year. The commissioner uses these calculations to determine zones of underemployment and which occupations qualify for resident hire preference.

He displayed slide 3 that lists the relevant statutes and regulations. He noted that the committee heard a detailed discussion of Title 36 during the last hearing. He noted that AS 36.10.150 is specific to resident hire determinations. It gives the commissioner of labor broad discretion in determining a zone of underemployment. Regulations specifically called out in the statute include:

- 8 AAC 30.064 - Hiring preference for residents of zone of underemployment, which gives guidance on the numbers used in the calculations and provides some examples of how to run the calculations
- 8 AAC 30.068 - Determination that lack of employment opportunities has substantially contributed to serious social or economic problems. This must be taken into consideration in the process but is not something that R&A provides as a number. Past public testimony and other published works have established a link between high unemployment and social & economic problems and are generally used in consideration of this regulation.
- 8 AAC 30.069 - Determination of peculiar source of unemployment is often referred to as the percent of

nonresident. It provides R&A with more specifics when calculating the numbers.

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MR. KREIGER explained that R&A uses two main calculations. The first is the zone of underemployment, which refers to the geographic area for which resident hire preference applies. For this purpose, the term refers to workers in a particular zone that have the skill to do a job if work was available. The data used to calculate the zone of underemployment are the Alaska and U.S. average seasonally adjusted unemployment rates for the most recent 12-month period. The rates of unemployment are compared to see whether Alaska's rate was higher or lower than the U.S. as a whole. If Alaska's rate was 10 percent higher, the commissioner generally deems the entire state a zone of underemployment.

MR. KREIGER displayed the calculation example on slide 6:

- For the 2019 determinations, unemployment rates were 6.8 percent for Alaska and 3.8 percent for the U.S.
- Alaska's unemployment rate was about 79 percent higher than the U.S. rate. That is well above the 10 percent threshold for the commissioner to declare a statewide zone of underemployment.

The actual math calculations are as follows:

- $6.8 - 3.8 = 3.0$  percent
- $(3.0 / 3.8) * 100 = 78.9$  percent above the U.S. rate

He noted that if the rate was 10 percent or lower, the initial test would not qualify and the commissioner would have the discretion to look at other methods.

MR. KREIGER said the second calculation R&A uses involves the occupations within the zone of underemployment that qualify for resident hire preference. This calculation looks at 23 occupations and applies formulas using internal data sets to determine which occupations do and which do not qualify for resident hire preference. The same occupations have been evaluated for at least 25 years and were probably derived from Davis Bacon regulations regarding prevailing wages on federal and state construction projects. He noted that the occupations,

listed on slide 7, vary in skill level from highly skilled craft occupations to culinary workers.

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MR. KREIGER explained that for an occupation to be eligible for resident hire employment preference, all three of the following criteria must be met:

- Nonresident percentage in the occupation is over 10 percent
- Percent of total residents in that occupation who are unemployed is over 10 percent
- Percent of unemployed residents with experience in that occupation relative to its total workers is over 10 percent

MR. KREIGER explained that slide 9 is an excerpt of the actual table for employment preference determinations for a zone of underemployment. The example shows just carpenters and engineers & architects but the actual table lists all 23 occupations. Column 1 is the total resident workers identified in the particular occupation; column 2 is the total nonresident workers in the occupation; column 3 is the percent nonresident workers in the occupation; column 4 is the number of resident workers identified as unemployed or looking for work in the occupation; column 5 is the percent of unemployed residents in the occupation; and column 6 is the percent of available unemployed residents relative to total workers in the particular occupation. For an occupation to qualify for resident hire preference, columns 3, 5, and 6 must be over 10 percent. He noted that in this example, all the criteria for carpenters are met so the occupation qualifies. In the case of engineers and Architects, column 3 qualifies but columns 5 and 6 do not. He said he selected these occupations because they have similar numbers of total workers and similar numbers of percent nonresident but the number of workers identified as available or looking for work in the occupation is much less for engineers and architects. As a general rule, there are fewer people with architect and engineering skills than people with carpenter skills.

MR. KREIGER described the four primary sources of data used in the occupational calculations:

- Wage records -used to calculate workers by occupation

These records are derived from reports from employers who participate in the unemployment insurance program and file every quarter. For every worker who earned wages, the employer reports the occupation, which borough or census area the person worked, and the total wage they earned. From this information, R&A is able to identify the people working in each of the 23 occupations. He noted that information is entered into columns 1 and 2 of the table described in slide 9.

- Permanent Fund Dividend applications - used to calculate Alaska residency columns 1 and 2

Someone who applies for a Permanent Fund Dividend in either of the two most recent years is considered a resident for the purpose of this analysis.

- Claims for unemployment insurance - used to determine number of unemployed workers available for work This gets information for column 4

R&A looks at the work history of people who have active claims for unemployment insurance to see if the work is in an area related to the 23 occupations listed on slide 7. If the person has work experience in the previous quarter but happens to be collecting unemployment insurance in the quarter under analysis and they are a resident, the information goes into column 4. That is the supply of unemployed residents available for work.

- Active resumes and work history in ALEXsys - Used to identify workers looking for work in particular occupations

In addition to the people who have a work history in ALEXsys and are actively looking for work in any of the 23 occupations, R&A also does general work searches for those occupations and adds the information to the unemployment insurance claims.

Cleanup and checking is done to ensure that people aren't counted more than once and the result is two unique datasets that are used for analysis.

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CHAIR BISHOP asked for a description of ALEXsys.

MR. KREIGER explained that it is an online job-seeker resource that allows someone to set up an account, create a resume, search for jobs, apply for jobs, and receive labor market information for a certain area.

[2:45:48 PM](#)

MR. ROBINSON added that the broad purpose is to identify the supply of workers who are qualified and looking for work in the relevant occupation.

MR. KREIGER said what isn't known is the percentage of the total people looking for jobs who actually use ALEXsys. He said we suspect it is probably a fraction of the total people looking for work so the numbers R&A uses are probably conservative.

CHAIR BISHOP suggested the committee go to the Job Service to see how ALEXsys works. He described it as a comprehensive tool.

MR. KREIGER said the math that R&A uses is not complicated but the hard part is how to combine the data sources to come up with the numbers in a consistent and defensible way.

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SENATOR GRAY-JACKSON said she assumes the two occupations shown on slide 9 are just a sample.

MR. KREIGER said that's correct. The calculations are run for each of the 23 occupations. He noted that the chart on slide 9 shows the actual data for those two occupations for the most recent quarter, which is always the third quarter.

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CHAIR BISHOP thanked the presenters and reiterated that Research & Analysis is one of the best assets the Department of Labor and Workforce Development (DOLWD) has. He said, "I'll put them up against any research and analysis department in any state in the union."

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There being no further business to come before the committee, Chair Bishop adjourned the Senate Labor and Commerce Standing Committee meeting at 2:50 p.m.