

HOUSE FINANCE COMMITTEE

April 26, 2021

1:34 p.m.

1:34:33 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Representative Andi Story, Sponsor; Thatcher Brower, Staff, Representative Tarr.

PRESENT VIA TELECONFERENCE

Susan Doherty, Executive Director, Southeast Alaska Seiners Association; Robert Heyano, Self, Dillingham; Chelsea Haisman, Executive Director, Cordova District Fisherman United, Cordova; Susan DeLoache, Owner, Bright Beginnings Early Learning Center, Palmer; Jan Carolyn Hardy, Self, Anchorage; Heather DeLoache, Corporate IT Manager, Bright Beginnings Early Learning Center, Anchorage; Arthur Clark, Alaska Real Estate Association, Anchorage; Trevor Storrs, President and CEO, Alaska Children's' Trust, Anchorage; Tricia Teasley, Vice President of Communication, Catholic Social Services, Anchorage; Eve Van Dommelen, Alaska Food

Coalition, Anchorage; Don Etheridge, Alaska American Federation Of Labor And Congress Of Industrial Organizations (AK AFL-CIO), Juneau; John Fox, Self, Anchorage; Dan Robinson, Research Chief, Division of Labor Research and Analysis, Department of Labor and Workforce Development,; Patsy Westcott, Director, Division of Employment and Training Services, Department of Labor; Lennon Weller, Economist and Unemployment Insurance Actuary, Division of Labor Research and Analysis, Department of Labor.

SUMMARY

HB 28 REGISTRATION OF BOATS: EXEMPTION

HB 28 was HEARD and HELD in committee for further consideration.

HB 41 SHELLFISH PROJECTS; HATCHERIES; FEES

CSHB 41(FIN) was REPORTED out of committee with a "do pass" recommendation and with five previously published fiscal notes, two zero notes: FN1(CED) and FN2(DFG); and three indeterminant notes: FN3(DFG), FN4(GOV/SP Approp), and FN5(REV).

HB 47 COUNCIL FOR ALASKA NATIVE LANGUAGES

HB 47 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1(CED).

HB 81 OIL/GAS LEASE:DNR MODIFY NET PROFIT SHARE

HB 81 was HEARD and HELD in committee for further consideration.

HB 127 MUNI BOND BANK: UA, LOAN AND BOND LIMITS

HB 127 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1(REV).

HB 151 UNEMPLOYMENT BENEFITS FOR COVID-19

HB 151 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the meeting agenda.

[1:35:17 PM](#)

Representative Thompson asked Co-Chair Foster for further public process on HB 69 [-Approp: Operating Budget/Loans/Funds] and wanted information on what had changed since the last committee substitute (CS) had been adopted due to the inclusion of the federal COVID relief funding and some capital items. He also inquired why the Permanent Fund Dividend (PFD) was not included in the bill.

Co-Chair Foster indicated that part of the issue was timing and completing the budget by the end of session. He agreed things had been more complicated with the inclusion of COVID relief funding. He would reply further later.

#hb47

HOUSE BILL NO. 47

"An Act renaming the Alaska Native Language Preservation and Advisory Council as the Council for Alaska Native Languages; and relating to the Council for Alaska Native Languages."

[1:38:33 PM](#)

Co-Chair Merrick indicated that the committee had a prior hearing on HB 47 on April 21, 2021.

[1:38:42 PM](#)

REPRESENTATIVE ANDI STORY, SPONSOR, shared that she was a member of the Alaska Native Language Preservation and Advisory Council. She highlighted that the bill changed the council's name to the Alaska Native Language Council. In addition, the bill expanded the council from 5 to 7 members, making room for more regional language experts.

[1:39:52 PM](#)

Co-Chair Merrick OPENED public testimony.

[1:40:00 PM](#)

Co-Chair Merrick CLOSED public testimony.

Co-Chair Foster MOVED to report HB 47 out of Committee with individual recommendations and the accompanying fiscal note.

HB 47 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1(CED).

[1:41:14 PM](#)

#hb127

HOUSE BILL NO. 127

"An Act relating to the Alaska Municipal Bond Bank Authority."

Co-Chair Merrick indicated that the committee had a prior hearing on HB 127 on April 21, 2021.

[1:41:26 PM](#)

REPRESENTATIVE BART LEBON, SPONSOR, thanked the committee for hearing the bill.

[1:41:55 PM](#)

Co-Chair Merrick OPENED public testimony.

[1:42:03 PM](#)

Co-Chair Merrick CLOSED public testimony.

Co-Chair Foster MOVED to report HB127 out of Committee with individual recommendations and the accompanying fiscal note.

HB 127 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1(REV).

#hb28

HOUSE BILL NO. 28

"An Act relating to the registration of commercial vessels; and providing for an effective date."

Co-Chair Merrick indicated that the committee had a prior hearing on HB 28 on April 22, 2021.

[1:42:43 PM](#)

THATCHER BROWER, STAFF, REPRESENTATIVE TARR, thanked the committee for hearing the bill. He recounted that the bill removed the duplicative requirement for vessels with a current Commercial Fisheries Entry Commission (CFEC) license to register every three years with the Division of Motor Vehicles (DMV).

[1:43:18 PM](#)

Co-Chair Merrick OPENED public testimony.

[1:43:33 PM](#)

SUSAN DOHERTY, EXECUTIVE DIRECTOR, SOUTHEAST ALASKA SEINERS ASSOCIATION (via teleconference), relayed her organization's support for HB 28. She elaborated that the bill fixed the unintended consequences created by the passage of SB 92 [Vessels: Registration/Titles; Derelicts - Chapter 111 SLA 18, 10/11/2018] in 2018. She believed that the redundancy created an unnecessary hardship for Alaska's fleet in communities lacking a DMV office and for out-of-state license holders. She offered that the intent of the bill was to ensure proper ownership and contact information was on file in the event the vessel was abandoned. She encouraged the committee to pass the legislation.

[1:45:19 PM](#)

ROBERT HEYANO, SELF, DILLINGHAM (via teleconference), spoke in support of HB 28. He shared that he was a commercial herring and salmon fisher in Bristol Bay. He agreed that the bill corrected an oversight. He believed that commercial fishing vessels had sufficient identification and asked for passage of the bill.

[1:46:31 PM](#)

CHELSEA HAISMAN, EXECUTIVE DIRECTOR, CORDOVA DISTRICT FISHERMAN UNITED, CORDOVA (via teleconference), spoke in support of HB 28. She conveyed that the bill eliminated the need for an additional vessel registration with the DMV as required by prior passage of SB 92 and provided an exemption for vessels registered with the Commercial Fisheries Entry Commission (CFEC). Currently, all vessel owners who participate in Alaska's commercial fisheries are

required to register their vessel with the CFEC, which provided each vessel with a permanent Alaska Department of Fish and Game (ADF&G) number. She indicated that CFEC already had a database that was easily searchable and publicly accessible online, and vessels registered with the CFEC are well documented by the state. Most commercial fishermen had U.S. Coast Guard documented vessels.

[1:47:43 PM](#)

Co-Chair Merrick CLOSED public testimony.

HB 28 was HEARD and HELD in committee for further consideration.

#hb81

HOUSE BILL NO. 81

"An Act authorizing the commissioner of natural resources to modify a net profit share lease."

[1:48:15 PM](#)

Co-Chair Merrick reported that the committee last heard the bill on April 23, 2021.

[1:48:27 PM](#)

Co-Chair Merrick OPENED public testimony.

[1:48:39 PM](#)

Co-Chair Merrick CLOSED public testimony.

Co-Chair Merrick indicated amendments were due by 12:00 P.M. on Thursday, April 29, 2021.

[1:49:24 PM](#)

HB 81 was HEARD and HELD in committee for further consideration.

#hb151

HOUSE BILL NO. 151

"An Act relating to unemployment benefits during a period of state or national emergency resulting from a

novel coronavirus disease (COVID-19) outbreak; and providing for an effective date."

1:49:52 PM

Co-Chair Merrick indicated that the last time the bill was heard was on April 20, 2021.

1:50:06 PM

Co-Chair Merrick OPENED public testimony.

1:50:14 PM

SUSAN DELOACHE, OWNER, BRIGHT BEGINNINGS EARLY LEARNING CENTER, PALMER (via teleconference), opposed the bil. She read from submitted testimony (copy on file).

I am the owner of Bright Beginnings Early Learning Centers in Anchorage and Eagle River. We are licensed to care for 455 children ages 6 weeks to 12 years. I am concerned about the effects that extended unemployment benefits and stimulus checks are having on our ability to hire staff. The passing of HB151 would magnify this problem. I was grateful for the extra benefits when it was necessary for our staff to receive them in 2020 due to lack of work. That was a very difficult year for all of us. For our childcare centers to provide care for the parents that are returning to work, it is vital that we have qualified applicants to hire. Even though our business offers competitive wages, health insurance, 401K, paid vacations, and other benefits, we have very few applicants. Many times, applicants don't show up for their scheduled interview. It seems that they are looking to fulfill the requirements for maintaining their unemployment benefits, and not actually wanting to work. It has been suggested that we contact the unemployment officials when someone does not show up for an interview or declines a job offer. We cannot be put in the position of policing unemployment fraud.

This would be time-consuming and create animosity towards our business. Now it is time to encourage people to go back to work. Enrollment in our childcare centers is starting to increase, and it is necessary

for us to hire additional staff members to care for these children. The extended benefits have made hiring very difficult, and our company is not able to enroll new children because of staffing shortages. Last week it was necessary for us to discontinue care for some of our families because there simply are not enough staff members to care for the children. The parents of ten children from our Eagle River center were informed that we could no longer care for their children. This is devastating for all of us. These are children that we have a relationship with and care very much about. The financial loss to our center is \$8000/month. This week we are having an emergency meeting to determine how many children we can care for at our other three sites with the staff that we have. Sadly, it is necessary to discontinue care for more of our children. This was truly a heartbreaking decision for us to make and puts our parents in a very difficult position. Our current staff members are not getting proper rest. They are often working 10 hours a day with no lunch breaks so that we can meet the proper child to adult ratios. This has been going on for the past six weeks, and we must take steps to protect our staff from exhaustion. If workers were incentivized to return to work rather than to stay home, we would not be in this difficult position.

My colleagues in the childcare industry and I are struggling financially. Our business is operating at a \$100,000 loss each month. We are relying on our Payroll Protection Loan and a grant from the MOA to keep our doors open. Without increased enrollment, we will be forced to close when these funds run out. I understand that the intent of HB151 is to provide assistance to unemployed people with families. The unintended result will be that families choose to stay home with their children instead of returning to the workforce. The reality is that this will result in childcare centers permanently closing. Then, when people are ready to return to work, they will not have access to childcare. This will cripple the economy. Please consider targeting funds for the genuinely needy, while encouraging people capable of working to seek employment. This will help each sector of our economy recover. Thank you for your consideration in this matter.

[1:53:56 PM](#)

Representative Rasmussen appreciated Ms. DeLoach's passion for the children in her program and for providing daycare for working families. She thought the state needed to figure out more ways to provide more daycare and Pre-K.

Ms. DeLoach appreciated Representative Rasmussen's comments.

[1:55:01 PM](#)

Representative Wool understood the plight of small business owners. He asked how easy it had been to prior to the pandemic to hire staff. Ms. DeLoach indicated it was drastically more difficult than prior to the pandemic.

[1:55:49 PM](#)

JAN CAROLYN HARDY, SELF, ANCHORAGE (via teleconference), supported the legislation. She read from submitted testimony (copy on file).

I am a Retired State of Alaska employee and a former Unemployment Insurance (UI) Adjudicator. During my training I was taught that for every dollar of UI infused into the community an additional quarter is generated. That money is spent here in Alaska and circulates in the community thereby providing more jobs for more people. People want to work. No one likes to be without a job: a job helps to define who we are and to give our lives meaning. Work is a matter of pride. Moreover, when we work we can save some of our earnings, get the benefit of retirement, qualify for health insurance, and even a 401K. That is not possible when drawing UI. Yes, we pay taxes on earned income but we also pay taxes on UI. Same for Social Security and any other benefit earned from a lifetime of work.

UI claims in February were 208% greater than last year. While things are improving we have a long way to go in our recovery. On the bright side, augmented UI benefits during the pandemic have increased consumer spending, smoothed consumption, stabilized aggregate demand, and benefited local business owners. The proposed increase in benefits under HB151 is targeted,

temporary, and goes to families who need it. The idea that increased flexibility and benefits are no longer necessary or are bad for business is short sighted and illogical. Passing HB 151 will result in leveraging \$2.4 million in UI benefits paid for by the federal government, providing the Department Labor and Workforce Development which oversees UI with additional flexibility and temporarily increasing a per dependent benefit of \$51 per week for unemployed families with children or who are caring for individuals with disabilities. Since the State of Alaska has the lowest wage replacement rates in the nation and is still down 20,000 jobs from pre-pandemic employment, we need this bill to sustain our economy and to keep Alaskans from moving to States where they perceive greater opportunity.

I know our legislators are aware that Alaskans are not yet out of the pandemic woods. We are making great strides to recovery but we cannot let our guard down. HB 151 provides for the temporary assistance we need now. I urge you to shepherd this through the committee process, vote in favor, and send HB 151 on to the Senate floor for approval.

Thank you for your time and for your consideration.

[1:58:54 PM](#)

HEATHER DELOACHE, CORPORATE IT MANAGER, BRIGHT BEGINNINGS EARLY LEARNING CENTER, ANCHORAGE (via teleconference), spoke against the legislation. She read from submitted testimony (copy on file).

My name is Heather DeLoach. I am the Corporate Finance & IT Manager for Bright Beginnings Early Learning Center in Anchorage and Eagle River. As a lifelong Alaskan, graduate of UAA's School of Business, and mother of two children, I would ask the members of our House of Representatives to vote against the provisions in HB151 that will allow an indiscriminate increase of unemployment benefits until March 2022. The original intent of increased unemployment benefits was to support Alaskans as their places of work were closed due to the COVID-19 pandemic. Thankfully, businesses are reopening and are in desperate need of a workforce to support a recovering economy.

Increasing unemployment benefits at this time does not support this effort. Our leadership team has diligently fought to retain and hire teachers to meet the need for childcare in our community. However, the workforce is greatly diminished. As a result, our dedicated teaching staff is becoming overworked as they selflessly tend to the children entrusted to our care. We need more teachers, but the applicants are minimal and far too many will schedule an interview, only to not show up. Hiring has always had its challenges for our industry, but the difficulty in hiring over the last several months is unprecedented. As we are unable to fill vacant positions, we are at a point of needing to turn away families seeking childcare and have even been forced to disenroll current families so we can maintain safe ratios. This is costing us thousands and will soon cost us 10's of thousands of dollars each month in lost income and increased expenses.

If the goal of our state's leaders is economic recovery, I would urge financial incentives for employers to increase wages. and benefits, funding to the Background Check Unit so as to make the hiring process more efficient and reducing the 30- day turnaround on background checks, provide support to the Department of Labor's Unemployment Insurance staff to investigate fraudulent unemployment claims, and so on. These actions would help strengthen our economy, instead of removing incentives to work and then increasing employer Unemployment Insurance taxes.

Funding greater unemployment benefits will only increase the number of people using these benefits. When looking at economic incentives, if given the choice to either work or not work while still making the same, if not more, income, the incentive is to NOT work. Where will our economy be when businesses fail due to a lack of workers - there will be few jobs available when the unemployment runs out and we will have prematurely exhausted the funding to sustain it. a lot of the current unemployment funding is provided by federal resources. Let's send the message that Alaskans want to work for a living. I respectfully urge you to lead Alaska's economic recovery by considering the long-term needs of both employees and employers and voting against HB151.

Representative Rasmussen asked if her business had offered a new hiring bonus. She inquired whether it would be beneficial if the state could assist in offering hiring bonuses with federal funds. Ms. DeLoache replied that the business had offered a \$100 hiring bonus, which was all it could afford. She noted that it had not made any difference.

[2:02:59 PM](#)

ARTHUR CLARK, ALASKA REAL ESTATE ASSOCIATION, ANCHORAGE (via teleconference), spoke in favor of the legislation. He shared that he represented many owners of housing rentals and believed that the payments helped residents pay rent and utilities, which stabilized the housing market.

[2:04:14 PM](#)

TREVOR STORRS, PRESIDENT AND CEO, ALASKA CHILDREN'S' TRUST, ANCHORAGE (via teleconference), supported the legislation. He related that one of the most effective ways to prevent child abuse and neglect was by addressing the social determinants that promotes trauma and inhibits the skills to manage it. A key social determinate was a family's economic wellbeing; Alaska was ranked 36 in the nation for children's wellbeing. He elaborated that growing up in poverty was a major barrier to healthy child development and had a disproportionate effect on the very young or those in persistent poverty. He reported that in 2019, 14 percent of Alaska's children lived at or below the poverty level. In 2019, one quarter of Alaskan children lived in households with high housing costs. He indicated that the effects of COVID magnified the issues. Nearly 20 percent of Alaska's adults living in households with children felt they could not pay their next rent or mortgage payment and 18 percent did not have enough food. Over 50 percent of adults living in households with children had lost their jobs since March 2020. He emphasized that HB 151 provided economic stability to the state's most vulnerable families and decreased the risk to children.

[2:06:36 PM](#)

Representative Rasmussen thanked Mr. Storrs for commenting. She asked whether Mr. Storrs had heard the testimony from the childcare center operators and what his thought were. She related her concerns regarding the lack of childcare

due to staffing needs. Mr. Storrs answered that he heard and was alarmed by the testimony. He voiced that there was no indication that HB 151 would exacerbate the issue. He shared that he had friends with businesses who were struggling to find staff. He thought the larger issue was with wages. He deemed that if providing a living wage through enhanced unemployment truly was creating a problem with staffing, discussions regarding wages were necessary.

[2:08:26 PM](#)

Representative Rasmussen asked how many childcare positions were needed to fulfill the need for childcare in the state. Mr. Storrs did not know the information. He furthered that tracking childcare staff was not a data point that was commonly measured. The numbers of open positions for children in childcare centers was tracked and he offered to provide the most current numbers. Representative Rasmussen would appreciate the information.

[2:10:06 PM](#)

TRICIA TEASLEY, VICE PRESIDENT OF COMMUNICATION, CATHOLIC SOCIAL SERVICES, ANCHORAGE (via teleconference), spoke in favor of the bill. She relayed that her organization was in solidarity with Mr. Storrs testimony. Since the pandemic, Catholic Social Services (CSS) experienced a sharp increase for many of its services for families with dependents. The organization's food pantry went from serving 100 families per day to 300 families per day; many were first time recipients. The housing case managers were housing one family per day, which represented a large increase since the pandemic began and rental assistance had skyrocketed as well. She urged the committee to support HB 151.

[2:11:56 PM](#)

EVE VAN DOMMELEN, ALASKA FOOD COALITION, ANCHORAGE (via teleconference), spoke in support of the legislation. She shared that the coalition partnered with 120 organizations to work together to elevate anti-hunger and root cause issues. She noted that food insecurity had risen by 32 percent over the past year. She elucidated that over 25 percent of Alaska's children were experiencing food insecurity. The coalition partners had to significantly increase their capacity, up to 900 percent since 2019, and many had experienced its highest numbers in the prior few

months. She was concerned that the economic impacts of COVID 19 would linger. She believed that unemployment insurance (UI) was a vital resource for the families the coalition served. She shared that extension of the unemployment benefits provided support and flexibility for families to "get back on their feet" during the period of recovery. In addition, the benefits eased the burden on the coalition partners and other front line organizations. She urged members to support HB 151.

[2:14:10 PM](#)

DON ETHERIDGE, ALASKA AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AK AFL-CIO), JUNEAU (via teleconference), supported HB 151. He reported that many seasonal workers in the tourist industry would remain unemployed in the upcoming tourist season. The members would need the financial support due to low employment. He offered that the Department of Labor and Workforce Development (DLWD) was doing a good job of rooting out fraud in the UI system. He reiterated that the members needed the support the extended benefits provided. He relayed that AK AFL-CIO submitted a letter of support that provided further detail (copy on file).

[2:16:16 PM](#)

JOHN FOX, SELF, ANCHORAGE (via teleconference), spoke in opposition to the bill. He shared that he owned 2 businesses in Anchorage and was having difficulty finding employees. He had been looking for someone to work for over 9 months.

Co-Chair Merrick asked him what kind of businesses he owned. Mr. Fox responded that he owned a restaurant and a construction company.

[2:17:28 PM](#)

Co-Chair Merrick CLOSED public testimony.

[2:17:48 PM](#)

DAN ROBINSON, RESEARCH CHIEF, DIVISION OF LABOR RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, (via teleconference), was asked to provide the data that would support or refute the argument that

expanded UI benefits were incentivizing people to refrain from working or seeking employment. He elaborated that DOL did not maintain data on job openings or applications. However, the department had specific data on what hiring Alaskan businesses were engaged in. When employers filed UI quarterly contribution reports, they provided occupation codes, dates of hire, and names of new employees. The information was valuable for identifying economic trends. He noted that the division published a monthly publication called "Alaska Economic Trends." He relayed that the information was based on statewide data. He revealed that the largest numbers of hires occurred in lower wage industries. In the most recent quarter available, the fourth quarter of 2020, 7,046 employees were hired in the retail sector, which was almost normal by only 100 fewer hires. He surmised that in the retail industry extended UI benefits did not reflect a disincentive to return to work. He illuminated that in the Accommodation and Food Services Sector that included hotels, restaurants, and bars, was one of the largest sectors and experienced the highest number of job losses. In the fourth quarter of 2020, 4,716 individuals were hired, which reflected a decrease from 6,987 in the prior year. He related that he had heard the same concerns that extended UI benefits were inhibiting job seekers. The division informally attempted to answer the assertion by asking a few questions of employers. The division inquired whether former employees were informing employers that the reason they were not wanting to work was due to the fact they could earn more collecting UI. He wondered whether the reason people were not applying for work was due to a vulnerability to COVID, or worry regarding becoming infected, or infecting someone they live with. He asked whether homeschool or childcare duties obstructed some from returning to work. Finally, he considered whether it was possible that the increased "hassles" of being in the hospitality industry was worth the amount paid for hospitality work. He exemplified a wait person who had confrontations with people not wearing masks, increased take-out orders, and changes in tipping. He commented that "labor markets really are markets" and many potential employees and/or employers did not like the market changes. He thought that COVID-19 raised many questions. He informed the committee that the labor market always reflected a balancing act between employers wanting applicants and workers desiring higher wages. He surmised that COVID changed the dynamic; possibly forever. He saw the possibility of restaurant and childcare workers' wages

increasing caused by the different set of factors created by the COVID pandemic.

2:23:38 PM

Representative Thompson pondered that some businesses had to lay off employees at the beginning of COVID and wondered whether a former employee was disqualified from receiving UI if the employer offered their job back and the individual refused to return. Mr. Robinson responded that it was not clear. He indicated that UI required that recipients had to actively seek work and was meant to function as a bridge while work was unavailable

2:24:59 PM

Representative Thompson restated his question about the employee refusing to return to work. Mr. Robinson replied that it depended on the reason for the refusal. The UI system staffer would ask the recipient why and if the answer was due to COVID or COVID related circumstances, the individual would not be disqualified from receiving benefits. He deferred details to his colleague that was part of the UI system.

2:26:08 PM

PATSY WESTCOTT, DIRECTOR, DIVISION OF EMPLOYMENT AND TRAINING SERVICES, DEPARTMENT OF LABOR (via teleconference), replied that the answer was dependent on individual circumstances. She elucidated that there were mitigating factors that gave the recipient "good cause" to refuse work. The UI system determined whether an individual had the right to refuse work and scrutinized each individual situation. The determinants had to be mitigating circumstances i.e., a preexisting condition for COVID or the employer did not implement necessary precautions for the employee to return to work safely. She voiced that simply the fear of COVID was not enough just cause for employees to refuse to return to work. The division took the issues very seriously.

2:28:06 PM

Representative Thompson appreciated Ms. Westcott's answer. He shared from personal experience as a previous employer that his rates of unemployment insurance would increase

with layoffs. He asked whether the person refusing to return to work under COVID would still affect the employer's rate. Ms. Westcott affirmed that there was an experience rating factor that was part of the tax rate calculation. She pointed out that Alaska was not a direct charge back state. She delineated that the rating system considered massive fluctuations from quarter to quarter for an individual employer and could affect the employer contribution rate from year to year. However, slight fluctuations did not affect the employer tax rates. She deferred to the UI actuary for further details on the tax rating system.

[2:30:22 PM](#)

LENNON WELLER, ECONOMIST AND UNEMPLOYMENT INSURANCE ACTUARY, DIVISION OF LABOR RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR (via teleconference), relayed that the state had an indirect experience rating system, referred to as a payroll decline system. He elaborated that when employers had enough quarters of wages reported they fell into the experience rating system where a minimum of 6 quarters and a maximum of 12 quarters were arrayed from least to greatest in terms of average payroll decline. The system was "very indirect" and on an individual employee basis it would not affect the tax class much, rather larger changes in payroll would affect an employer's tax class. He added that the state had a classification of 20 class rate taxes for employers.

[2:31:56 PM](#)

Representative Wool asked which area of labor did not experience a steep decline. Mr. Robinson replied that it was in the retail trade, which were relatively low wage workers. He noted that the sector was particularly interesting because low wage work might be susceptible to workers not returning to work due to extended benefits. Representative Wool suggested that the hospitality industry was affected by tips and would be a factor with takeout or low capacity regardless of the rate of hourly pay. He wondered when the \$600 weekly federal supplement ended and if there was a change in hiring data when it ended. Mr. Robinson answered that the \$600 expired at the end of the second quarter. He noted that there had been three different supplements to UI. He reminded the committee that the department maintained quarterly hiring data.

[2:34:12 PM](#)

Representative Wool inquired whether DOL had the data to compare the quarter before the supplement ended and the quarter after and if he noticed a change in the hiring data for either retail or hospitality workers. Mr. Robinson replied that there were enough other things happening that washed out a definitive effect by larger factors. He guessed that the supplement could have been a factor in hiring. He provided the example of the hospitality industry in the second quarter of 2019 with 14,520 hires compared to the second quarter of 2020 with 5,943 hires, which included the period of people receiving the \$600 supplement. However, in the third quarter the number only increased to 7,194 still well below the 2019 number. He concluded that larger things were at work and made it difficult to isolate the UI supplement factor if it did exist.

Representative Wool acknowledged the difficulty of isolating the different factors. He shared from personal experience that he had been an employer prior to the COVID 19 pandemic. He pointed out the difference between aggregate data and individual industry data. He recounted from prior personal experience that when he had asked former employees to return from seasonal layoff on a limited hourly basis, they asked to be paid in cash, so they did not lose their UI benefit or Medicaid. He asked how limited hourly work affected someone who was receiving UI benefits or Medicaid. He wondered if they completely lost their benefits or whether the benefits were on a sliding scale. He wondered whether DOL enforced working for cash under the scenario he described. Ms. Westcott responded that wages had to be reported and that working under the table for cash was a violation and was not an option. She related that an individual could work part-time; for every dollar they earned DOL deducted \$.75 per every \$1.00 earned on their UI benefit. She surmised that it was possible for someone to work 10 hours per week and still receive a partial UI benefit. Representative Wool deduced that it was not much of an incentive to work. Ms. Westcott noted that the first \$50 of wages earned in a week was not deducted from their UI benefit.

[2:40:28 PM](#)

Representative Wool had a question about enforcement. He asked about fraud detection and the number of cases the

division pursued. Ms. Westcott reported that the department had found less than 1 percent of cases were fraudulent. The division audited and investigated fraud every day and supposed that fraudulent claims might increase with the episodic supplemental program, which created a ripe environment for fraud. Currently the department's fraud rate was very low. However, it was something that the department continued to vigorously investigate. The division was adding staff to its benefits payment control unit for fraud detection. She emphasized that the division considered fraud a serious violation. She acknowledged that it might be arduous for employers to report an employee on UI benefits refusing to return to work for fear of losing benefits.

[2:43:18 PM](#)

Representative Wool returned to his scenario, but the employer reported the person for fraud. He did not think a valuable employee would ever want to return to the former employer and it would deter others from working at the establishment. He deduced that requiring the employer to self-report on a valuable employee for fraud was problematic for the employer. He cited the current UI supplement of \$300 and wondered when the supplement expired. Ms. Westcott responded that the benefits were extended through September 6, 2021.

[2:44:36 PM](#)

Representative Edgmon was trying to get a sense of the larger picture. He observed that Alaska had lost population over the last 2 years and deduced that the bill would benefit some of the workers included in the lost population due to COVID and the highly seasonal workers that included the hospitality and tourist industry because the former number of jobs had decreased. He wondered whether his observation was valid. He also wanted to know about the opening of the economy considering the seasonality of jobs in the state and the fact that many jobs were currently not available. He noted that the state was down 23,000. He asked if possibly some of the people who had previously filled seasonal jobs might have moved out of state. He also determined that in 2021 the job market would not be back to normal and less jobs would be available.

[2:46:51 PM](#)

Mr. Weller replied that the answer to the first question about in and out migration concurred with Rep. Edgmon's conclusion that the state had seen a net negative migration. He elucidated that he was uncertain of the composition regarding the individuals vacating the state in the past 12 months. He could not draw a conclusion whether it would match the potential labor supply of the jobs available. He expected to have answers in the future. He agreed that out migration could arguably be a factor in reducing labor supply for individuals looking for work. He elucidated that it was likely that Alaska was competing for a certain labor pool where economies in other states were opening more quickly than Alaska. He asked Rep. Edgmon to repeat his second question. Representative Edgmon repeated his question about the economy opening up and his expectation that many jobs would still be in decline especially in the tourist industry. Mr. Weller responded that demand had been elusive in anything related to the hospitality industry and it would be difficult for the state to overcome. He pointed out that it was important to keep in mind that the pandemic occurred pre-tourism season in the prior year but for many who lost jobs it was disproportionately higher for people with year around employment. He guessed that the economy should be able to reabsorb a high number of workers as vaccination rates continued to increase and COVID was under control. He agreed that in the later stages of the pandemic economic recovery would be frustrating and develop in "fits and starts" in terms of reabsorbing workers back into the work force.

Representative Edgmon commented that the pandemic made it difficult to make blanket statements about anything. He ascertained that currently, the legislation would benefit many Alaskans and that the bill was likely more helpful than not. He wondered if anyone in DOL could answer the question whether the bill was necessary and helpful.

Ms. Westcott responded that the department forecasted roughly 11,000 new filers between April 1 through September 6, 2021, who would benefit from the change in provision that waived the waiting week. In addition, in any given week approximately 25 thousand to 35 thousand individuals that filed had one or more dependents that would benefit from the enhanced dependent allowance. Representative Edgmon asked if her answer was a vote of confidence on the bill. Ms. Westcott offered that the department was neutral

on the bill. Representative Edgmon wondered if there was anyone on the line that could answer his question of whether the bill would be beneficial for Alaskans. Ms. Westcott reiterated the statistics she cited in her prior answer.

2:56:01 PM

Representative Josephson referenced a 2-page document provided by DOL dated March 2021 (copy on file) that contained a table. He wondered if Ms. Westcott was familiar with the document. Ms. Westcott responded that the table was the Wage Replacement Ratio. Representative Josephson deduced that Alaska was ranked in last place. Ms. Westcott affirmed his statement. She explained that the ratio was the state's average UI benefit amount as a percentage of the state's average weekly wage. She confirmed that Alaska was last in the nation for wage replacement benefits. Representative Josephson appreciated concerns regarding "indolence;" people receiving UI that could otherwise work. However, Alaska was the absolute worst in the nation at wage replacement. He noted that AS 23.23.50 was the most recent change in replacement rates in 2008. He discerned that the state had not adjusted rates in at least 13 years. He summarized that the bill authorized \$2.1 million of federal funds for a week of non-delay. The bill was also increasing the per child benefit from \$25 to \$74. He offered that Alaska was still the least generous of all states. Ms. Westcott confirmed that Alaska had the least amount of wage replacement in the nation. She confirmed that the waiting waiver was fully federally funded. The provision related to the enhanced dependent allowance was a cost to the state's trust fund. She thought Mr. Weller would better answer the question.

3:00:33 PM

Representative LeBon asked if the goal was to reopen the economy sooner rather than later, whether the bill helped towards the goal. Ms. Westcott reiterated that the department was neutral on the bill. She indicated that some provisions in the bill was fully federally funded. The department was interested in hearing about any situation in which any unemployed worker refused suitable work because UI paid more. Representative LeBon opined that it was essential that businesses were allowed to fully reopen to 100 percent capacity so they could survive as a business.

Co-Chair Merrick would invite other testifiers from the DOL at a later hearing.

HB 151 was HEARD and HELD in committee for further consideration.

#hb41

HOUSE BILL NO. 41

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits and shellfish enhancement project permits; allowing the Alaska Seafood Marketing Institute to market aquatic farm products; and providing for an effective date."

[3:02:51 PM](#)

Co-Chair Merrick indicated that HB 41 was heard in a prior hearing on April 21., 2021. She reported that there was one amendment by Representative Thompson.

Representative Thompson withdrew Amendment 1 (copy on file).

[3:03:18 PM](#)

Representative Thompson MOVED to ADOPT Conceptual Amendment 1 (copy on file):

I Move A Conceptual Amendment; Sections 7 Through 10 Are Effective Through June 30, 2025.

Co-Chair Merrick OBJECTED for discussion.

Representative Thompson explained that the bill would be amended to sunset sections 7-10 on June 30, 2025. The sections addressed the Alaska Seafood Marketing Institute ASMI portion of the bill.

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RECONVENED

Representative Thompson further explained Conceptual Amendment 1. He indicated that the bill contained sections providing that ASMI would market aquatic farm products and that the industry would be exempt from reparations to ASMI. He relayed prior testimony stating the shellfish industry would be worth \$100 million in a few years. He felt that the industry should have some skin in the game and contribute to ASMI's marketing. The sunset date would allow time to revisit the issue to determine whether there was a need to contribute for marketing. He shared that the fishing industry contributed .50 percent of the ex-vessel price through the processors.

[3:10:50 PM](#)

Representative Edgmon thanked the former fisheries committee chairman. He thought Representative Thompson's amendment was beneficial and supported it.

Co-Chair Merrick WITHDREW her OBJECTION.

Co-Chair Foster MOVED to report CSHB 41(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CSHB 41(FIN) was REPORTED out of committee with a "do pass" recommendation and with five previously published fiscal notes, two zero notes: FN1(CED) and FN2(DFG); and three indeterminant notes: FN3(DFG), FN4(GOV/SP Approp), and FN5(REV).

Co-Chair Merrick reviewed the agenda for the following meeting.

#

ADJOURNMENT

[3:12:21 PM](#)

The meeting was adjourned at 3:12 p.m.