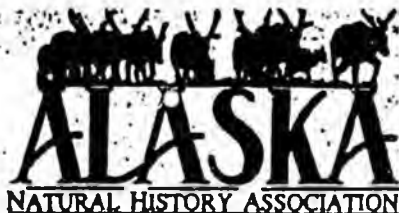


ALASKA LEGISLATURE

2206

HOUSE and SENATE FINANCE COMMITTEE FILES, 2001 - 2002



Alaska Public Lands Information Center
250 Cushman Street, Suite 1A, Fairbanks, AK 99701
(907) 456-0530

Jennifer Bell
Branch Manager
January 24, 2001

Fairbanks Representative John Davies
1998 Kittiwake Dr.
Fairbanks, AK 99709

Dear Mr. Davies;

My name is Jennifer Bell and I am a 21-year-old Business Administration major at UAF with an emphasis on Management and Organizations. I am writing this letter in support of your House Bill 54, which deals with rewarding Alaska students who graduate and remain in Alaska to work. I was very excited to read of your proposal in last Thursday's Daily News-Miner (January 18) as I think it is an excellent idea. I will be graduating in May of this year and have had no intention whatsoever of remaining here to work. I have already had several excellent job leads in places such as Phoenix and Dallas, and fully intended to accept a position once I graduated. Once I read the article, though, I really began to think about my job opportunities here in the state. I immediately got on the Internet and searched for jobs in Alaska and found several potential positions. Your bill would definitely encourage me to remain here and use my skills and education to better Alaska, rather than taking them to the Lower 48. I firmly believe that the incentive would be great for many other students also, and that the cost would be far outweighed by the advantage that it would bring to Alaska. I hope that the House Special Committee on Education takes your proposal seriously and that House Bill 54 will pass. If I can be of any help on the matter please let me know. Thank you for your time.

Sincerely,

Jennifer Kathleen Bell

Subject: Alaska Student Loans

Date: Sat, 3 Feb 2001 13:59:00 -0900

From: "Action Rehab" <rehab@alaska.net>

To: <Representative_John_Davies@legis.state.ak.us>

CC: "Stephanie Yates" <syates10@hotmail.com>

Dear Mr. Davies,

Currently I am not in Fairbanks (I'm in Juneau working), however I am a registered voter of Fairbanks. My parents have informed me that you have headed up a bill this legislative session that addresses student loans.

I attended UAF for my undergrad degree. Afterwards I had to attend an out-of-state college to receive my Master's in Physical Therapy, since this program is not offered in our state. To attend that program, I paid out-of-state tuition and acquired a large student loan debt, for which AK Student Loan holds \$25,000 of that debt. I began paying on this loan as of 1-00 with one of my loans charging a 9% interest rate. My question is if a bill is passed to decrease the interest rate charged on student loans, would it only encompass student loans that are taken out after 7-01-01 or would it also change current loans?

My concern in this matter is that if this bill does not address current loans that we are not adequately serving our recently higher educated population. While I was in high school, the complete forgiveness of student loans was overturned and if we now enact legislation for future loans, we are not addressing the concerns of students educated over the past ten years. In addition, the bill seems to only address undergrad programs. I feel that our state's university system lacks professional programs for medical professions (including physical therapy) therefore our students must go out of state to receive this education, which is typically beyond an undergrad degree. We need to create incentives for our professionals to come back to our State because we need these students/professionals. In essence, I feel a bill of this nature should reduce the interest for all students currently paying or who will be paying on AK student loans in the future. In addition, the bill should allow this rate to be effective for loans taken out for undergrad and graduate programs. Thank you for your time.

Sincerely,
Stephanie Yates
1150 Ivy Drive
Fairbanks, AK 99709
907-479-8031

Subject: Re: support hb 54

Date: Thu, 15 Mar 2001 23:53:22 EST

From: Elfincoho@aol.com

To: Representative_John_Davies@legis.state.ak.us

<< To: representative_john_davies@legis.state.ak.us >>

I am writing to voice my support to house bill 54. I have one child in college here in Alaska and two more in high school. All the help we can get to afford to better educate our children is needed. Thank you Shirley Perkins Elfin Cove, Alaska

Subject: support hb 54

Date: Thu, 15 Mar 2001 13:48:26 -0900

From: "Elizabeth S. Piedra" <fsespl@uaf.edu>

**To: "representative_john_davies@legis.state.ak.us" <Representative_John_Davics@legis.state.ak.us:
MERCEDES PIEDRA <MERCEDES_PIEDRA@mte.educ.state.ak.us>,
"Elfincoho@aol.com" <Elfincoho@aol.com>**

Thanks Representative Davies!

As an Alaskan student I have a lot to gain from any help paying for college. Although a 50% forgiveness bill sounded great, this is appreciated and although I couldn't base myself in Alaska just for this money, since I'm already here... I won't say no!

Who else can I email support for this bill to?

THANKS, Elizabeth Piedra

HB

56

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS HB 56 (L&C)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: EED
Title "An act relating to minimum wages" BRU K-12 Support
Component Pupil Transportation
Sponsor Rep. Kolt
Requester House Finance Component No. 144

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	*	*	*	*	*	*
Travel	*	*	*	*	*	*
Contractual	*	*	*	*	*	*
Supplies	*	*	*	*	*	*
Equipment	*	*	*	*	*	*
Land & Structures	*	*	*	*	*	*
Grants & Claims	*	*	*	*	*	*
Miscellaneous	*	*	*	*	*	*
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: *(Attach a separate page if necessary)*
The majority of the districts already pay higher than the proposed minimum wages. Contractors are not required to adjust the minimum wage until a new contract is bid. The largest districts (Anchorage, Kenai, Fairbanks, Mat Su, Kodiak, Delta-Greely, Juneau and Alaska Gateway in Tok) will not bid new contracts until fall of 2006, for contracts beginning FY07. Ketchikan will not bid until fall of '05, for its contract beginning FY06.

Prepared by: Eddy Jeans, School Finance Manager Phone 465-8679
Division Education Support Services Date/Time 2/15/02 2:47 PM
Approved by: Karen Rehfold, Director of Education Support Services Date 2/15/02
Agency Department of Education & Early Development

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 56(L&C)
(H) Publish Date: 2/8/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
Title: RELATING TO THE MINIMUM WAGE BRU: Public Assistance
Component: ATAP

Sponsor: KOTT
Requestor: HOUSE (L&C) Component Number: 220

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)
Miscellaneous						
TOTAL OPERATING	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbreviate)						
TOTAL	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Approximately 670 adults currently receiving Temporary Assistance have jobs paying between \$5.65/hr. and \$7.15/hr. An increase in the minimum wage will result in an increase in the households' countable earned income. This increase will result in a reduction in monthly Alaska Temporary Assistance Program (ATAP) benefits paid to the family and will generate savings in the benefit line of the ATAP component. A general fund savings would not be realized because federal law requires the State to contribute a fixed amount of state funds toward the program (maintenance of effort) or be subject to penalty resulting in loss of TANF funds. The Temporary Assistance program is currently budgeted at the minimum maintenance of effort. Any further reduction will subject the State to a block grant penalty. Federal savings would be realized as an increase in the available TANF block grant balance that can be reinvested into work services. Congress is due to reauthorize the program for FFY 2003. Availability

Prepared by: Jim Nordlund Phone 465-5835
Division: Public Assistance Date/Time 02/06/2002
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date 02/06/2002
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

COMMITTEE COPY

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB 56(L&C)

ANALYSIS CONTINUATION

of excess federal dollars for the future cannot be guaranteed.

Assumptions:

On average, ATAP recipients who earn between \$5.65/hr and \$7.15/hr work 120 hours per month.

Currently, the average wage for ATAP recipients who earn between \$5.65/hr and \$7.15/hr is \$6.43/hr. The average monthly ATAP grant for these recipients is \$561.

Effective January 1, 2003, 673 ATAP recipients will receive an earnings increase to \$7.15/hr. The monthly grant for these recipients is \$511, a \$50 decrease

Assume the new minimum wage will increase by .8 percent/year beginning January 1, 2004.

Effective January 1, 2004, 673 ATAP recipients will receive an earning increase from 7.15/hr to \$7.21/hr. The monthly grant for these recipients is 507, a \$54 decrease.

Effective January 1, 2005, 673 ATAP recipients will receive an earnings increase from \$7.21/hr to \$7.28/hr. The monthly grant for these recipients is \$502, a \$59 decrease.

Effective January 1, 2006, 673 ATAP recipients will receive an earnings increase from \$7.28/hr to \$7.34/hr. The monthly grant for these recipients is \$498, a \$63 decrease.

Effective January 1, 2007, 673 ATAP recipients will receive an earnings increase from \$7.34/hr to \$7.40/hr. The monthly grant for these recipients is \$493, a \$68 decrease.

Effective January 1, 2008, 673 ATAP recipients will receive an earnings increase from \$7.40/hr to \$7.46/hr. The monthly grant for these recipients is \$489. a \$72 decrease.

Calculations

FY2003 \$50 x 6 months x 673 recipients = \$201,900

FY2004 \$50 x 6 months x 673 recipients = \$201,900

\$54 x 6 months x 673 recipients = \$218,052

\$419,952

FY2005 \$54 x 6 months x 673 recipients = \$218,052

\$59 x 6 months x 673 recipients = \$238,242

\$456,294

FY 2006 \$59 x 6 months x 673 recipients = \$238,242

\$63 x 6 months x 673 recipients = \$254,394

\$492,636

FY 2007 \$63 x 6 months x 673 recipients = \$254,394

\$68 x 6 months x 673 recipients = \$274,584

\$528,978

FY2008 \$68 x 6 months x 673 recipients = \$274,584

\$72 x 6 months x 673 recipients = \$290,736

\$565,320

22-LS0342L
Craver
2/21/02

adopted N/O

CS FOR HOUSE BILL NO. 56(FIN)

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES KOTT, Harris, Mulder

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to minimum wages; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 **LEGISLATIVE INTENT.** It is the intent of the legislature that

6 (1) sections 2 - 4 of this Act embody the terms of the initiative identified as a
7 "Bill Increasing Alaska's Minimum Hourly Wage," petition ID: 01MNWG;

8 (2) those sections are substantially the same measure as the minimum wage
9 initiative; and

10 (3) if this Act is enacted before the election, the minimum wage initiative will
11 be void under art. XI, sec. 4, Constitution of the State of Alaska.

12 *** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 **FINDINGS, DECLARATION, AND PURPOSE OF SECTIONS 3 AND 4.** (a) The
15 legislature finds that

1 (1) an increase in the state minimum wage will help ensure a minimum
2 standard of living for the health and well-being of every Alaskan;

3 (2) employees working full-time at the minimum wage earn far less than the
4 federal poverty level for a family of three;

5 (3) the west coast states of Washington, Oregon, and California already have a
6 higher minimum wage than the minimum wage in Alaska; and

7 (4) a fair minimum wage indexed to the cost of living will help low-income
8 workers keep pace with inflation.

9 (b) It is the purpose of secs. 3 and 4 of this Act to increase the state minimum wage to
10 \$7.15 an hour, effective January 1, 2003, and thereafter adjust the minimum wage annually
11 for inflation.

12 * Sec. 3. AS 23.10.065(a) is amended to read:

13 (a) Except as provided under (b) of this section and as otherwise provided
14 for in law for work performed on or after the effective date of this Act, an
15 employer shall pay to each employee wages at a rate of not less than \$7.15 [50
16 CENTS] an hour [GREATER THAN THE PREVAILING FEDERAL MINIMUM
17 WAGE LAW] for hours worked in a pay period, whether the work is measured by
18 time, piece, commission, or otherwise. An employer may not apply tips or gratuities
19 bestowed upon employees as a credit toward payment of the minimum hourly wage
20 required by this section. Tip credit as defined by the Fair Labor Standards Act of 1938
21 as amended does not apply to the minimum wage established by this section. The
22 department shall, by regulation, not later than September 30 of each calendar
23 year, adjust the minimum wage for inflation, effective for the following calendar
24 year. The minimum wage shall be either the most recent wage adjusted for 100
25 percent of the rate of inflation based on the Consumer Price Index for all urban
26 consumers for Anchorage, Alaska, prepared by the United States Bureau of
27 Labor Statistics or \$1 more than the federal minimum wage, whichever is
28 greater. The department shall round the adjusted minimum wage up to the
29 nearest one cent. The adjusted wage shall apply to work performed beginning on
30 January 1 through December 31 of the year for which it is effective.

31 * Sec. 4. Sections 2 and 3 of this Act take effect January 1, 2003.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 56(L&C)
(H) Publish Date: 2/8/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
Title: RELATING TO THE MINIMUM WAGE BRU: Public Assistance
Component: ATAP

Sponsor: KOTT
Requestor: HOUSE (L&C) Component Number: 220

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)
Miscellaneous						
TOTAL OPERATING	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)
1003 GF Match						
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Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Approximately 670 adults currently receiving Temporary Assistance have jobs paying between \$5.65/hr. and \$7.15/hr. An increase in the minimum wage will result in an increase in the households' countable earned income. This increase will result in a reduction in monthly Alaska Temporary Assistance Program (ATAP) benefits paid to the family and will generate savings in the benefit line of the ATAP component. A general fund savings would not be realized because federal law requires the State to contribute a fixed amount of state funds toward the program (maintenance of effort) or be subject to penalty resulting in loss of TANF funds. The Temporary Assistance program is currently budgeted at the minimum maintenance of effort. Any further reduction will subject the State to a block grant penalty. Federal savings would be realized as an increase in the available TANF block grant balance that can be reinvested into work services. Congress is due to reauthorize the program for FFY 2003. Availability

Prepared by: Jim Nordlund Phone 465-5835
Division: Public Assistance Date/Time 02/06/2002
Approved by: Elnor A. Lindstrom, Deputy Commissioner Date 02/08/2002
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB 56(L&C)

ANALYSIS CONTINUATION

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Assumptions:

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\$72 x 6 months x 673 recipients = \$290,736
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Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE C TOL
JUNEAU, AK

Memorandum

TO: House Finance Committee Members
FROM: Rep. Pete Kott
Date: February 27, 2002
RE: Pupil Transportation Costs

Previously, committee members inquired about the anticipated fiscal impact that HB 56 would have on AS 23.10.065(b), which sets public school bus driver's hourly wage at twice the prevailing minimum wage. The Fiscal Note provided by the Department of Education and Early Development indicates the fiscal impact to be imprecise considering the number of variables and unknowns. Hence, a "zero*" Fiscal Note.

Current Statutory Minimum Wage for public school bus drivers is \$11.30, with passage of HB56, the minimum wage would increase to \$14.30. However, AS 23.10.065(b) stipulates that the adjustment would take place when entering into or renewing the contract. Based upon informal information provided by the Department, the data below illustrates the contract expiration dates and the number of buses and districts impacted:

Contract Expiration Dates and Number of Buses impacted:

FY02 = 19 buses, 3 school district
FY03 = 21 buses, 12 school districts
FY04 = 17 buses, 3 school districts
FY05 = 20 buses, 5 school districts
FY06 = 591 buses, 13 school districts

As the contracts expire and assuming the CPI of Anchorage is a steady 2% per year, the contracts would be based upon the following minimum wages:

Minimum Wage effective: 1/1/03:	\$14.30
Minimum Wage effective: 1/1/04:	\$14.58
Minimum Wage effective: 1/1/05:	\$14.88
Minimum Wage effective: 1/1/06:	\$15.18
Minimum Wage effective: 1/1/07:	\$15.48
Minimum Wage effective: 1/1/08:	\$15.78

Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akrepublicans.org/Kott.htm>



In 2006, the lion's share of pupil transportation contracts will expire. When these school districts (Anchorage, Mat-Su, Fairbanks, Delta-Greeley, Kenai Peninsula) negotiate new contracts, the minimum wage is estimated to be \$15.18 in 2006. This represents an increase of \$3.88 per hour over the current minimum wage.

Estimating the 2007 fiscal impacts of the 411-bus urban school districts (Anchorage, Mat-Su, Fairbanks, Delta-Greeley, Kenai Peninsula) on the pupil transportation costs:

- *Assuming that the all school bus drivers work 37 hours per week, or 120 hours in one month.*
- *Assuming that these school districts have 411 buses driving (this is 2002's total number of buses).*
- *Assuming the minimum wage is \$15.18:*

The math:

411 bus drivers working 120 hours in one month equals 49,320 hours worked.

$$49,320 \text{ hours at } \$15.18 \text{ per hour} = \$748,677$$

If those 49,320 hours were paid today's minimum wage of \$11.30, in one month they would have been paid \$557,316.

In 2007, the increased cost of pupil transportation in one month for the largest urban districts of Anchorage, Mat-Su, Fairbanks, Delta-Greeley, Kenai Peninsula can be estimated at **\$191,361** for a single month, or **\$1,722,249** for 9 months.

Again, this is a rough guess.



Alaska
Catholic
Conference

Alaska
Catholic
Conference

Robert B. Flint, Executive Director
225 Cordova Street, Anchorage, AK 99501
Phone: (907) 297-7738 • FAX: (907) 279-3885



Who are Alaska's Catholics?

More than 55,000 Alaskans are members of over 100 Catholic parishes and missions from Barrow and Nome to Ketchikan and Skagway. One Archdiocese, Anchorage, and two dioceses, Fairbanks and Juneau, are the governing bodies of the Catholic Church in Alaska. The Church is served by more than 200 priests, deacons and members of religious orders. One thousand children attend Catholic schools.

Alaska Catholics are a diverse group. A strong and historic presence among Alaska Natives complements recent participation by immigrants from around the world.

The Alaska community as a whole is served by Catholic medical care institutions and an extensive social service network for the aged, homeless, youth, immigrants, and the disadvantaged.



What is The Alaska Catholic Conference?

The Alaska Catholic Conference is the voice of the Roman Catholic Bishops of Alaska on public issues related to the moral and social teachings of the Church.

The Church emphasizes the sacredness of every human being, the dignity of human work, and the obligations of the community to all people. The Bishops propose the principles of the Church as a guide to society and, specifically, to lawmakers and those who govern.

The Bishops, from a Gospel perspective, seek to be a positive influence on public policy by encouraging

- * protection of human life
- * support of families
- * access to economic opportunity
- * personal responsibility and character
- * quality education and good role models for our children
- * aid to the poor and vulnerable

The Conference also speaks to the Catholic people of Alaska to educate clergy, religious and laity on their responsibilities as citizens. The laity, in light of the Church teachings, have a duty to participate in the shaping of public policy.

The Catholic Church in Alaska seeks, without partisanship or self-interest, to contribute to the whole society through the work of its members and institutions and, through the Conference, to enter into the arena of public debate in order to promote the good of all.

ALASKA STATE CHAMBER OF COMMERCE
Survey on Minimum Wage Increase

The following survey was faxed to approximately 600 Alaska businesses the first week of February 2000. The nearly 100 responses received by February 15 are summarized below.

1. Should the state legislature raise the minimum wage to \$6.40 next year and \$6.90 in 2003?
 (Representative Kott's proposal)

35% Yes 32% No 28% Undecided

2. Should the state's minimum wage be increased to \$6.40 this year; to \$7.15 next year and be indexed to inflation thereafter? (Governor's proposal)

21% Yes 49% No 28% Undecided

3. Are you currently paying any of your employees the state minimum wage of \$5.65 per hour?

a. Full-time workers 5% Yes 92% No

b. Part-time workers 5% Yes 92% No

4. What impact would a raise in the minimum wage have on your business? (Select all that apply)
 (Percentage of total respondents choosing these items.)

Would increase pay for non-minimum wage employees	15%
Would increase prices for products/services	18%
Would reduce non-wage benefits of employees	9%
Would reduce hours and/or jobs for part-time employees	14%
Would reduce hours and/or jobs for full-time employees	12%
Would have little or no impact on my business	77%

5. What is the age bracket of most of your minimum wage employees?

15 to 18 years old	14%
19 to 22	1.5%
23 to 35	9%
36 to 60	1.5%
Over 60	0%
Not applicable	77%

6. Of your minimum wage employees, about how many are the heads of a household
 (Principal wage earner for a family)?

None or almost none	14%
One-fourth	1.5%
One-half	0%
Three-quarters	0%
All or almost all	0%
Not applicable	81.5%

Alaska State Chamber Minimum Wage Survey - Page 2

7. What is the lowest hourly wage you pay starting employees?

\$5.65	6%
\$6.00 to \$6.50	8%
\$6.51 to \$7.00	2%
\$7.01 to \$7.50	6%
\$7.51 to \$8.00	9%
\$8.01 or more	69%

8. Please circle the category below which best describes your business:

a. Resource (oil & gas, mining, timber, fish harvest, agriculture, etc.)	10%
b. Manufacturing (seafood processing, forest products, petrochemical, technology/software, etc.)	7.5%
c. Construction	7.5%
d. Transportation	6%
e. Communications/Telecommunications	6%
f. Utilities	0%
g. Retail Trade	3%
h. Wholesale Trade	10.5%
i. Finance, Insurance, Real Estate	12%
j. Restaurant	1%
k. Fast food service	1%
l. Visitor-related services	7.5%
m. Business services	4%
n. Professional services (Includes health care)	13.5%
o. Non-profit trade or business organization	7.5%
p. Other	3%

9. How many employees do you have?

1 to 5	<u>15%</u>	16 to 25	<u>17%</u>	50 to 100	<u>14%</u>	250 and up	<u>14%</u>
6 to 15	<u>21.5%</u>	25 to 50	<u>4.5%</u>	101 to 250	<u>14%</u>		

LEXSEE 543 P.2d 731

Clifford E. WARREN, Appellant, v. H. A. (Red) BOUCHER and State of Alaska,
Appellees

No. 2315

Supreme Court of Alaska

543 P.2d 731; 1975 Alas. LEXIS 321

November 28, 1975

COPY TERMS: initiative, candidate, lieutenant governor, election, ballot, expenditure, constitutional convention, governor, reporting, watchdog, media, void, framers, legislative act, initiated, election campaign, initiative process, eliminated, effective, legislative session, proposed law, certification, adjournment, referendum, spending, campaign, voters, duty, delegation, accomplish

COUNSEL:
[**1]

Clifford E. Warren, Pro Se.

Timothy G. Middleton, Asst. Atty. Gen., Anchorage,
Norman C. Gorsuch, Atty. Gen., Juneau, for Appellees.

JUDGES:

Rabinowitz, C.J., and Connor, Erwin, Boochever
and Burke, JJ. Erwin and Burke, JJ., dissent.

OPINION BY:
CONNOR

OPINION:

[*732] This case raises issues regarding the initiative procedure in Alaska. Specifically, it is concerned with the process and conditions, if any, by which enactments of the legislature can operate to prevent an initiative from appearing on the ballot.

I.

The procedural history antedating this appeal is undisputed. Prior to the regular 1974 session of the Alaska legislature, an initiative petition entitled "An Act relating to campaign contributions, expenditures, and their limitations" was filed with the lieutenant governor. During that session, the legislature enacted Ch. 76, SLA

1974. That act is entitled, "An Act relating to the election campaigns; and providing for an effective date."

Pursuant to AS 15.45.210, n1 the lieutenant governor, H. A. (Red) Boucher, sought to determine whether the act and the initiative were substantially the same. An opinion of the attorney general, Norman C. Gorsuch, was sent to the lieutenant [**2] governor in a letter dated June 17, 1974. The attorney general's opinion was that the measures were substantially the same and, therefore, the initiative was void. The lieutenant governor concurred and notified the initiative committee that the initiative would not appear on the ballot.

n1 AS 15.45.210 provides:

"If the lieutenant governor, with the formal concurrence of the attorney general, determines that an act of the legislature that is substantially the same as the proposed law was enacted after the petition had been filed, and before the date of the election, the petition is void and the lieutenant governor shall so notify the committee."

This case was initiated on June 25, 1974, when Clifford E. Warren filed a "Complaint for Declaratory Judgment" in the superior court. Warren sought a preliminary injunction requiring the lieutenant governor to place the initiative on the primary ballot of August 27, 1974, or, alternatively, on the general election ballot.

Oral argument was heard on June 28, [*3] 1974, and the preliminary injunction was denied.

On July 16, 1974, Warren brought a petition for review to this court. The petition was initially denied, but on motion for reconsideration review was granted

and, on August 20, 1974, we remanded the case to the superior court with directions to proceed to a final determination of the action as expeditiously as possible.

On September 6, 1974, Judge Carlson granted summary judgment for defendants in a memorandum decision. From that judgment this appeal has been taken.

II.

Warren offers two significant arguments in contending that the initiative should be placed before the voters. He asserts that:

(1) AS 15.45.210 n2 is unconstitutional because the legislature has improperly delegated a judicial function to an executive officer;

(2) Ch. 76, SLA 1974 and the initiative are not substantially similar;

Several additional arguments are offered by appellant, though not all of them warrant extended analysis.

n2 *Id.*

III.

Appellant strongly [**4] urges that AS 15.45.210 improperly delegates to the lieutenant governor the duty of determining, in the first instance, whether an act and an initiative are "substantially the same." He argues that this law violates the separation of powers doctrine by vesting the construction of constitutional language in an executive officer of the state, rather than in [*733] the courts. n3 The statute, enacted in 1960, provides:

"Determination of void petition. If the lieutenant governor, with the formal concurrence of the attorney general, determines that an act of the legislature that is substantially the same as the proposed law was enacted after the petition had been filed, and before the date of the election, the petition is void and the lieutenant governor shall so notify the committee."

Obviously, the statute was enacted to effectuate Art. XI, Sec. 4, of the Alaska Constitution. That provision states:

"Initiative Election. An initiative petition may be filed at any time. The lieutenant governor shall prepare a ballot title and proposition summarizing the proposed law, and shall place them on the ballot for the first statewide election held more than one hundred [**5] twenty days after adjournment of the legislative session

following the filing. If, before the election, substantially the same measure has been enacted, the petition is void."

n3 Warren also contends that AS 15.45.210 violates Alaska Constitution, Art. III, Sec. 22.

"All executive and administrative offices, departments, and agencies of the state government and their respective functions, powers, and duties shall be allocated by law among and within not more than twenty principal departments, so as to group them as far as practicable according to major purposes. Regulatory, quasi-judicial, and temporary agencies may be established by law and need not be allocated within a principal department."

At the outset, we note that Art. XI, Sec. 4, does not expressly confer on any branch or agency the power to determine whether an act and an initiative are "substantially the same." However, Alaska Constitution, Art. V, Sec. 3, declares in part:

"The procedure for determining election contests, [**6] with right of appeal to the courts, shall be prescribed by law."

Alaska Constitution, Art. XII, Sec. 11, provides, in part:

"As used in this constitution, the terms 'by law' and 'by the legislature,' or variations of these terms, are used interchangeably when related to law-making powers."

We conclude that these constitutional provisions, when read in harmony, give the legislature the power to enact a method of determining whether two provisions are "substantially the same," as used in Art. XI, Sec. 4, of the Alaska Constitution.

The legislature has expressly delegated its power in this regard to the lieutenant governor, n4 subject to review by the courts. n5 reviewing that delegation of power, we reiterate that we are disinclined to pass judgment on the means selected by the legislature to accomplish legitimate purposes, unless such means clearly violate the Constitution. *DeArmond v. Alaska State Development Corp.*, 376 P.2d 717, 724 (Alaska 1962).

n4 See AS 15.45.210, n. 1, *supra*.

n5 AS 15.45.240 provides:

"Any person aggrieved by a determination made by the lieutenant governor may bring an action to have the determination reviewed within 30 days of the date on which notice of the determination was given by any appropriate remedy in the superior court."

[**7]

Courts in modern times have been reluctant to declare legislation unconstitutional on the ground of improper delegation of power. n6 Indeed, Professor Louis L. Jaffe, in commenting on the United States Supreme Court's attitude toward such challenges, has noted:

"The Court has given the Congress a latitude broad enough for almost any administrative experiment presently believed necessary." n7

[*734] And Professor Kenneth C. Davis has stated:

"We have learned that the danger of tyranny or injustice lurks in unchecked power, not in blended power." n8

n6 See generally, Jaffe, *An Essay on the Delegation of Legislative Power*, 47 *Colum.L.Rev.* 359 and 561 (1947).

n7 *Id.* at 581.

n8 K. Davis, *Administrative Law Text* § 1.08, at 25 (1972).

This does not mean that the legislature has an unlimited right to delegate its responsibilities. But where it would be impractical or cumbersome for the legislature to undertake the task in question, a limited delegation, [**8] subject to appropriate review, has been upheld. n9

n9 See, e.g., *Union Bridge Co. v. United States*, 204 U.S. 364, 387, 27 S. Ct. 367, 51 L. Ed. 523 (1907); *Meadowlark Farms, Inc. v. Ill. Pollution Control Bd.*, 17 Ill.App.3d 851, 308 N.E.2d 829, 832 (1974); *Leininger v. Alger*, 316 Mich. 644, 26 N.W.2d 348, 352 (1948).

Turning to the case at bar, the legislature has divested itself of a fact finding task which has no direct

relation to that body's law making functions. Comparative analysis of varying pieces of legislation can be an arduous and time consuming endeavor. We find that the delegation in this case is based on sound, practical considerations.

In delegating the responsibility to the lieutenant governor, n10 the legislature has assigned the task to the person who is in charge of administering and supervising the conduct of all state elections. n11 In addition, the lieutenant governor performs extensive ministerial functions related to the initiative process. n12 Thus, the legislature has [**9] delegated its authority to a logical governmental officer.

n10 The delegation initially went to the secretary of state, but that office was supplanted by the creation of the lieutenant governor's post in 1970.

n11 See AS 15.15.010 *et seq.*

n12 See AS 15.45.010 *et seq.*

The delegated function, in this instance, is definitionally narrow. The lieutenant governor, aided by the attorney general, must make a simple factual determination: Are two documents substantially the same in their content? In carrying out this determination, the lieutenant governor is not formulating policy. The framers of the Alaska Constitution have already decided that an initiative is void if legislation, which is substantially the same, exists. By determining whether two documents are substantially the same, the lieutenant governor is simply effectuating constitutional policy.

Similar non-discretionary delegations have been upheld in other jurisdictions. n13 The Alaska legislature has expressly afforded an aggrieved [**10] party the right to judicial review. n14 In these circumstances, we hold the delegation of power in AS 15.45.210 to be both reasonable and constitutional.

n13 See, e.g., *Adams v. Bolin*, 74 Ariz. 269, 247 P.2d 617, 627-28 (1952); *Hodges v. Dawdy*, 104 Ark. 583, 149 S.W. 656, 658-59 (Ark. 1912); *Leininger v. A. Jer*, 316 Mich. 644, 26 N.W.2d 348, 352 (1948); *Schmidt v. Gronna*, 68 N.D. 488, 281 N.W. 57, 60 (1938); *Brazell v. Zeigler*, 26 Okl. 826, 110 P. 1052 (1910); *White v. Welling*, 89 Utah 335, 57 P.2d 703, 705 (1936).

Cf. *Union Bridge Co. v. United States*, 204 U.S. 364, 385-86, 27 S. Ct. 367, 51 L. Ed. 523

(1907); *Meadow Lark Farms, Inc. v. Illinois Pollution Control Bd.*, 17 Ill. App. 3d 851, 308 N.E.2d 829, 832 (Ill.App. 1974); *Joseph E. Seagram & Sons, Inc. v. Hostetter*, 45 Misc.2d 956, 258 N.Y.S.2d 442, 451 (Sup.Ct. 1965).

n14 See n. 5, supra.

IV.

Warren also urges that the superior court erred in ruling that the initiative and the act are "substantially the same." [**11]

In his memorandum decision of September 6, 1974, the trial judge undertook to define the phrase "substantially the same," as used in Article XI, Sec. 4, of the Alaska Constitution. He concluded that the phrase is broad enough to include a statute which "treats the same problem as that sought to be reached by the proposed initiative." He then granted summary judgment for the state because he found that [**735] the statute and the initiative "attempt to reach the same results, more effective election campaigns."

In reaching his definition, the trial judge relied, in part, on commentary which accompanied the Constitutional Convention Committee's Proposal No. 3, concerning initiatives and referendums. That proposal, in pertinent part, stated:

".... Laws proposed by the initiative shall be submitted to the voters by ballot title at an election not later than 180 days after the adjournment of the legislative session following the filing of the petition, *unless the legislature enacts the measure initiated during the session.*"

The commentary, which did not refer to any specific phrase within Proposal No. 3, stated:

"If the legislature adopts [**12] a measure that is the subject of the initiative, the measure does not have to be submitted to the people."

Subsequent to the introduction of Proposal No. 3, several amendments to it were made. Article XI, Sec. 4, now reads:

"An initiative petition may be filed at any time. The lieutenant governor shall prepare a ballot title and proposition summarizing the proposed law, and shall place them on the ballot for the first statewide election held more than one hundred twenty days after adjournment of the legislative session following the filing. *If, before the election, substantially the same measure has been enacted, the petition is void.*"

In view of the changes which this provision underwent after its introduction, we find the committee commentary which guided the trial court to be less than conclusive. As we stated in *Walters v. Cease*, 388 P.2d 263, 266 (Alaska 1964):

"While such a statement might have been a valuable aid for ascertaining the intention of the convention with respect to the constitutional provision then under consideration, it loses any value it may have had because Proposal No. 3 ... was later amended so as to materially change its [**13] meaning."

The committee proposal was first taken up by the constitutional convention as a committee of the whole. Later the proposed article was considered a number of times through floor discussions of some length, and numerous amendments were adopted. However, there is no helpful discussion of what was the intended scope of the words "substantially the same measure." Thus the ultimate construction of this critical language devolves upon this court.

Our dissenting colleagues rightly observe that the article on direct legislation was the subject of extensive debate at the constitutional convention. They read the term "substantially the same measure" as permitting legislative displacement of an initiative only within rather narrow confines. However, we find nothing in the legislative history of the article, or in the vigorous floor debates thereon, which points to an agreed upon meaning or a consciously adopted definition of what this critical language should mean. Many views were expressed by individual delegates, but these expressions do not in this instance provide a reliable guide to what the constitutional convention as a whole intended by the adoption of the phrase [**14] in question, or what it meant to the voters who ratified the constitution. In order to interpret this language we must analyze its functional relationship to other constitutional provisions. We must infer the purposes and intentions of the framers from the language of the constitution itself, with careful regard for the apparent aims which the framers had in mind. n15

n15 The dissent refers to the frustrations experienced by Alaskans under territorial government, and the deeply felt need for self-government which led to convening the constitutional convention as part of the statehood movement. Nothing in that background, however, has any direct bearing on how the term "substantially the same measure" should be interpreted.

Substantial

[*736] The words "substantial" or "substantially" are relative, inexact terms. Their meaning is quite elusive. *Application of Scroggin*, 103 Cal. App. 2d 281, 229 P.2d 489 (1951). The meaning of such terms can be derived only by reference to all the circumstances surrounding the [*15] context in which they are used. *Atchison, T. & S.F.Ry. v. Kings County Water District*, 47 Cal.2d 140, 302 P.2d 1, 3 (1956). So here, we believe that the term "substantially the same measure" must be viewed against the total structure contemplated in Art. XI of our constitution in the matter of direct legislation.

It is evident that the framers wanted to avoid a constitutional system in which any and all types of law could be enacted by direct legislation. Thus they placed a number of specific restrictions upon its use. Art. XI, Sec. 7, states:

"The initiative shall not be used to dedicate revenues, make or repeal appropriations, create courts, define the jurisdiction of courts or prescribe their rules, or enact local or special legislation. The referendum shall not be applied to dedications of revenue, to appropriations, to local or special legislation, or to laws necessary for the immediate preservation of the public peace, health, or safety."

A less absolute, more relative restriction on the use of the initiative comes about by reason of the language which must be construed in the case at bar. By providing that the legislative enactment of substantially the same [*16] measure could have the effect of voiding an initiative, the framers empowered the legislature to cut off initiated legislation from consideration and vote by the general public. The manner in which Art. XI, Sec. 4, was amended in the constitutional convention makes this clear. The original proposal at the convention would have required that an initiative could be voided only by legislative enactment of "the measure initiated". Read literally, this would require that the language of both measures be identical. However, as discussed above, the final constitutional language requires merely that "substantially the same measure" be enacted by the legislature in order to void an initiative petition.

It is clear that the legislative act need not conform to the initiative in all respects, and that the framers intended that the legislature should have some discretion in deciding how far the legislative act should differ from the provisions of the initiative. The question, of course, is how great is the permitted variance before the legislative act becomes no longer substantially the same.

Upon reflection we have concluded that the legislature's discretion in this matter is reasonably [*17] broad. If in the main the legislative act achieves the

same general purpose as the initiative, if the legislative act accomplishes that purpose by means or systems which are fairly comparable, then substantial similarity exists. It is not necessary that the two measures correspond in minor particulars, or even as to all major features, if the subject matter is necessarily complex or if it requires comprehensive treatment. The broader the reach of the subject matter, the more latitude must be allowed the legislature to vary from the particular features of the initiative.

We are fortified in this understanding of the constitutional language, and the intention of the framers, by a companion provision of the constitution. Under Art. XI, Sec. 5, an initiative, once enacted, cannot be repealed by the legislature within two years of its effective date. But it may be amended at any time. Here, as with Art. XI, Sec. 4, a considerable change occurred in the constitutional convention in the language first proposed and that finally adopted. Committee Proposal No. 3 (Committee on Direct Legislation, Amendment 37] and Revision, December 9, 1965), provided:

"No law passed [*18] by initiative may be vetoed by the Governor nor amended or repealed by the legislature for a period of three years."

The final constitutional provision states in pertinent part:

"An initiated law is not subject to veto, and may not be repealed by the legislature within two years of its effective date. It may be amended at any time"

The constitution thus vests broad authority in the legislature to vary the terms of an initiated law, after its adoption, by the process of amendment. This power amounts to a check or balance against the initiative process. No doubt the legislature was given this power to assure that initiatives which were ill-advised, which might seriously cripple or frustrate the sound workings of government, or which might be impracticable, could be altered or corrected rapidly by the legislature. It was obviously intended by the framers that the initiative process should not be permitted to disrupt vital governmental functions or to impose intolerable burdens upon established administrative systems. To this end the legislature was given the ability to substitute its judgment for that of the proponents of an initiative. n16

n16 The discussions on the floor of the constitutional convention reveal a belief by a number of framers that a countervailing consideration would act as a balance against legislative arbitrariness in this respect. It was believed that the natural desire of many

legislators to be re-elected, or at least to demonstrate credible performance as public officials, would cause them to think carefully before amending an initiative out of existence, because of the effect which such action might have on the electorate in the future.

[**19]

Art
XI,
Sec 4

What is significant to us here is the effect which the amendatory power of the legislature has upon our interpretation of the words "substantially the same measure." For if the legislature has broad power of amendment, it follows that it has broad power to change an initiative by an enactment covering the same subject as the initiated measure. In short, we must interpret Art. XI, Sec. 4, broadly and not narrowly as to the scope of legislative power. We, of course, are not passing here on the question of whether an amendment so vitiates an act passed by initiative as to constitute its repeal.

Turning now to the initiative and legislative act before us, it is clear that they both cover the same general subject matter. Both are aimed at the control of election campaign contributions and expenditures. The main points of similarity in the two measures are these: The amount a candidate may spend on his campaign is limited; contributions and expenditures must be reported; contributions of \$100 or more under the act, and all contributions under the initiative, must be reported; the persons covered include candidates for governor, lieutenant governor, and state legislature; n17 criminal [**20] misdemeanor penalties are imposed for the violation of the respective provisions of both measures; n18 acceptance of anonymous contributions is prohibited; a responsible campaign treasurer must be appointed by each candidate; certain violations under each measure work a forfeiture of nomination or election; required reports must be made available for inspection by the public; and provision is made for citizen enforcement of the law, by court action under the initiative, and under the act by a complaint to the election [*738] campaign commission and appeal to the supreme court.

n17 The initiative covers all municipal elections. The act permits a municipality to exempt itself from the coverage of the law. The initiative covers candidates for Congress, while the act does not. It should be noted that candidates for federal office are regulated extensively by the federal election campaign disclosure act passed in 1972. See 2 U.S.C. § § 431-454.

n18 AS 15.13.120(a) imposes penalties of up to one year of imprisonment or a fine up to \$5,000 for violation of the act. We do not view the act, as does the dissent, as eliminating almost all individual penalties for enforcement.

[**21]

Under the initiative a watchdog committee is created, composed of three members of each major political party and three independent persons, plus one member from any other recognized political party. The ultimate appointive authority as to the committee is in the governor. Under the act there is created an election campaign commission. The governor appoints to the commission two members from each major political party, and they select by majority vote a fifth member.

There are certain points of contrast between the two measures. The initiative places most of the supervisory and administrative responsibilities on the lieutenant governor. The act places these functions in the election campaign commission. The initiative requires commercial advertisers to file reports of political advertising; the act does not require this. The initiative attempts to place out-of-state contributors under the jurisdiction of the Alaska courts; the act is silent on this subject. n19 The act defines and regulates political groups formed to support or oppose a political candidacy; the initiative does not reach such groups. Under the act a \$1,000 limit is placed upon individual contributions; the [**22] initiative imposes no limit. Under the initiative candidates for governor and lieutenant governor cannot use more than 40% of their expenditures for "communications media." The act contains no such limitation.

n19 This does not mean that out-of-state contributions go unregulated. Under the act these contributions must be reported; they may not exceed \$1,000 in the aggregate per annum for any one candidate; and it is a criminal offense to accept a contribution in violation of the act. See AS 15.13.040, 070, and 120(a)(6)

The dissent views the act as eliminating all subpoena or investigatory power of the watchdog committee. However, the act, AS 15.13.030, requires that the commission must receive and hold open for public inspection the reports filed under the act. The commission is empowered to adopt regulations necessary to effectuate and clarify the act, and to conduct investigations of claimed violations of the act. AS 15.13.030(10) and 120(d). If the commission finds that

violations have occurred it [**23] must report them to the attorney general for action. The attorney general may, of course, obtain subpoenas by resort to grand jury proceedings. We do not view the act as hampering investigation and prosecution of prohibited activities. Therefore, the elimination of the watchdog committee's subpoena power does not, in our opinion, create a significant difference between the two measures.

We are unable to accept the view, expressed in the dissent, that enforcement of the act will be less effective because violations must be referred to the attorney general. The practical or political problems posed by that method of enforcement, as contrasted with the watchdog committee envisaged by the initiative, may not in actuality operate as a serious barrier to enforcement. To some extent such problems inhere in the process of criminal prosecution generally. The countervailing forces are an aroused public opinion and the constitutional obligation resting on the executive to see that the laws are faithfully executed. These forces are operative in the processing of criminal matters of all types. We will not assume that practical or political considerations will frustrate effective enforcement. [**24]

The act does not place limitations on media spending, does not impose reporting requirements on media, does not require permits for media advertising, and does not provide for the reporting of surplus funds collected, in the same manner as does the initiative. But that is not to say that these subjects are unregulated. Under AS 15.13.110(d) all persons supplying services to any candidate must maintain a record of each transaction and must file appropriate reports with the commission. While the act does not limit the amount of media [*739] spending, it does limit total spending by any candidate. Surplus funds will be reported under AS 15.13.110 which requires that a report shall be filed on December 31 of each year for expenditures and contributions not reported earlier in that year.

That the act contains no requirement for equal charges by media and equal time to candidates is moderated in part by applicable federal law. Under 47 U.S.C. Sec. 315(a)(2) a broadcasting licensee must afford equal opportunity to all other candidates for a given office. n20

n20 See *Red Lion Broadcasting Co. v. Federal Communications Commission*, 395 U.S. 367, 89 S. Ct. 1794, 23 L. Ed. 2d 371 (1969), for an exposition of the fairness doctrine, which is distinct from the statutory equal time requirement.

[**25]

The power of the watchdog committee to delay certification of candidates or to bring charges requiring a delay of certification has been eliminated in the act. But the act declares void the nomination or election of a candidate who violates the act, and provides for an expeditious judicial procedure to determine such cases.

Both measures control the total amount of expenditures by candidates as to primary and general elections. The specific amounts limited in each measure vary. As to the candidates for governor and lieutenant governor the amounts work out nearly the same. n21 As to candidates for the House the initiative limits expenditures to \$6,000, while the act limits them to about \$7,000. The initiative limits Senate campaign expenditures to \$8,000, while the formula used under the act results in a limit of about \$14,000.

n21 The proposed initiative, Sec. 2(a)(1) limits expenditures by or on behalf of a candidate for governor or lieutenant governor to exactly \$125,000. The legislative enactment, AS 15.13.070(f)(1) utilizes a formula which limits expenditures by or on behalf of a candidate for governor or lieutenant governor to "40 cents times the total population of the state according to the latest United States census figures" The official United States Decennial Census, last taken in 1970, sets the population of the State of Alaska at 302,173. Thus candidates for governor and lieutenant governor would be restricted to expenditures of \$120,869.20 under the legislative act, as compared with \$125,000 under the proposed initiative.

[**26]

In short, the statute is not a hollow gesture toward the regulation of election campaigns. It sets up workable machinery to ensure compliance. Quite possibly the legislature felt that an election campaign commission could better handle the prescribed administrative and supervisory duties than could the lieutenant governor, and that such a commission would be more effective than the watchdog committee contemplated by the initiative. In making such a choice the legislature would not be vitiating the aims of the initiative but making those aims more feasible of achievement.

Various other differences can be found in the two measures, but they are not significant enough to make a material difference in our decision.

Viewing the two measures as a whole we find that they accomplish the same general goals. They adopt similar, although not identical, functional techniques to accomplish those goals. The variances in detail between the measures are no more than the legislature might have accomplished through reasonable amendment had the initiative become law. Nothing is present here to suggest that the act was a subterfuge to frustrate the ability of the public to obtain consideration [**27] and enactment of a comprehensive system to regulate election campaign contributions and expenditures. n22 No doubt other changes will be made in the law, in response to newly perceived needs and in the light of experience gained in the administration of the act. The same would be true had the initiative been placed upon the ballot and become law.

n22 On the contrary, a number of differences between the initiative and the act can be explained by the possibility that the legislature might have regarded certain features of the initiative to be subject to constitutional attack or to be practically unworkable. We do not, however, express an opinion on the constitutionality of any of the particular provisions of either measure.

[*740] It is our opinion that substantial similarity exists between the two measures. The act effectively displaced the initiative. The lieutenant governor was correct in withholding the initiative from the ballot. We affirm the judgment of the superior court.

Affirmed.

ERWIN and [*28] BURKE, JJ., dissent.

DISSENTBY:
ERWIN

DISSENT:

ERWIN, Justice, with whom BURKE, Justice joins, dissenting.

I dissent.

The power of initiative and referendum is the basic recognition that under our republican form of government the ultimate political power exists with the people and not in some legislative body. n1 These provisions permit the people to enact laws when the legislature refuses to act, or repeal acts of the legislature which are unpopular or unfair. Moreover, it is an additional check and balance on the governmental

process because it acts upon the legislative awareness that such power exists with the people n2

n1 2 Alaska Constitutional Convention Proceedings, 931-975. See particularly the statements of Delegates Marston and Taylor, 959-961, before defeat of the motion to delete all reference to referendum in the article on 973.

n2 Fischer, Alaska Constitutional Convention, 79-81 (University of Alaska Press, 1975).

One set of critics at the constitutional convention claimed, however, that its [**29] limitations make it less than effective as a popular tool of government. They argued that the requirement of obtaining a large number of signatures from residents in order to put the issue before the voters significantly limited the use of the initiative process in all but a few cases. n3

n3 *Id.* at 79.

Legis decides how much of the
Now the majority opinion further restricts this initiative process by countenancing substantial legislative limitation of the initiative procedure. When this court determines that the legislature may decide how much of the legislation supported by the people they want, the basic political right of initiative disappears, for it is not the will of the people that is paramount, it is the will of the legislature. *+ want*

I find that the minutes of the Alaska constitutional convention and the commentary thereon are not as limited as the majority opinion indicates.

The initial proposal filed by the Committee on Direct Legislation contained the following language:

.... Laws proposed by the initiative shall be submitted [*30] to the voters by ballot title at an election not later than 180 days after the adjournment of the legislative session following the filing of the petition, unless the legislature enacts the measure initiated during the session. n4

In the accompanying commentary the committee explained the content of the legislative enactment in the following terms:



ALASKA

National Federation of Independent Business

Statement of Opposition

of HB 56

Minimum Wage Increase

January 29, 2001

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state. The legislative agenda of NFIB is determined by ballot. The ballot is our poll of members on a series of state legislative and regulatory issues.

NFIB/Alaska special ballot results on minimum wage indicate a majority of members in opposition to an increase in the minimum wage and strong opposition to an increase that is indexed to inflation. Most Alaska employers start their new employees higher than the current minimum wage. However, when the minimum wage is used, it is generally paid to entry-level employees to allow students and other new entrants to the workforce a way to learn job skills. It is also often used in jobs that provide other forms of compensation such as tips. Several NFIB members also pointed out that they utilize the minimum wage to participate in social service programs to hire special needs personnel. Members also indicated that they primarily use minimum wage for seasonal employees.

Businesses that have minimum wage employees will likely increase prices or make reductions elsewhere such as reducing benefits, number of employees or number of hours worked. An increase in the minimum wage also has a trickle up affect on other wages paid.

The result of the NFIB/Alaska fax poll on minimum wage is attached to this statement.

Submitted by Thyes Shaub on behalf of NFIB/Alaska.



ALASKA

**NFIB/Alaska FAX Poll Results on Minimum Wage
January 24, 2001**

The following questions were faxed to 1100 National Federation of Independent Business members participating in the Alaska fax network. The 200 responses received by January 27th are summarized below.

1. Should the state legislature raise the minimum wage to \$6.40 next year and \$6.90 in 2003?

33% Yes 55% No 12% Undecided

2. Should the state's minimum wage be increased to \$6.40 this year, \$7.15 next year and indexed to inflation thereafter?

20% Yes 68% No 12% Undecided

3. Are you currently paying any of your employees that state minimum wage of \$5.65 per hour?

a. Full-time workers 5% Yes 95% No

b. Part-time workers 11% Yes 89% No

4. What impact would a raise in the minimum wage have on your business?
(Select all that apply)

Would increase pay for non-minimum wage employees	17 ½%
Would increase prices for products/services	31 ½%
Would reduce non-wage benefits of employees	13 %
Would reduce hours and/or jobs for part-time employees	22 ½%
Would reduce hours and/or jobs for full-time employees	11 ½%
Would have little or no impact on my business	61 ½%

5. What is the age bracket of most of your minimum wage employees?

15 to 18 years old	19%
19 to 22	9%
23 to 35	6%
36 to 60	4%
Over 60	0%
Not applicable	62%

6. Of your minimum wage employees, about how many are the heads of a household (principal wage earner for a family)

None or almost none	31%
One fourth	1%
One half	1/2%
Three quarters	1/2%
All or almost all	1/2%
Not applicable	66.5%

7. What is the lowest hourly wage you pay starting employees?

\$5.65	11%
\$6.00 to \$6.50	16%
\$6.51 to \$7.00	9%
\$7.01 to \$7.50	10%
\$7.51 to \$8.00	8%
\$8.01 or more	46%

} 36% pay starting employees less than \$

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Is the Initiative and CS HB 56 Substantially the Same Measure?

Article XI, sec 4 Constitution of the State of Alaska states:

INITIATIVE ELECTION. An initiative petition may be filed at any time. The Lt governor shall prepare a ballot title and proposition summarizing the proposed law, and shall place them on the ballot for the first statewide election held more than 120 days after adjournment of the legislative session following filing. If, before the election, substantially the same measure has been enacted, the petition is void.

AS 15.45.210 states:

Determination of void petition. If the Lt governor, with the formal concurrence of the atty general determines that an act of the legislature that is substantially the same as the proposed law was enacted after the petition had been filed, and before the date of the election, the petition is void and the Lt governor shall notify the committee.

Warren v Boucher

The test of how similar a measure enacted by the legislature and an initiative must be for the legislative measure to invalidate the initiative was set out in Warren v. Boucher.

"If the main of the legislative act achieves the same general purpose as the initiative, if the legislative act accomplishes that purpose by means or systems which are fairly comparable, then substantial similarity exists. It is not necessary that the two measures correspond in minor particulars, or even as to all major features, if the subject matter is necessarily complex or requires comprehensive treatment. The broader the reach of the subject matter, the more latitude must be allowed the legislature to vary from the particular features of the initiative."

"It is clear that the legislative act need not conform to the initiative in all respects, and that the framers intended that the legislature should have some discretion in deciding how far the legislative act should differ from the provisions of the initiative. The question, of course, is how great is the permitted variance before the legislative act becomes no longer substantially the same."



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8943 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akRepublicans.org/Kott.htm>



Substantially the Same?

Conclusion:

The initiative language is not particularly precise where it discusses the increase based upon CPI:

The initiative states that the minimum wage shall be adjusted annually for inflation by "using the CPI-Anchorage."

The lack of specificity indicates that the primary purpose is to tie the wage to local economic changes rather than rely on keeping slightly ahead of the federal prevailing minimum wage or upon the Alaska State Legislature to inject a raise into the minimum wage scale. The key element is that the minimum wage is attached to an elevator independent of the political process.

In that respect, HB 56 is substantially the same measure at 50% of the CPI of Anchorage.

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
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JUNEAU, AK 99801

Dating back to 1938 when the United States established the Fair Labor Standards Act, Americans have believed that it is entirely appropriate for the government to establish a minimum wage floor for workers. Immediately following statehood, Alaska statute echoed that conviction by declaring its own policy in the preamble of the Wage and Hour Act of 1959:

It is the public policy of the state to:

- (1) establish minimum wage and overtime compensation standards for workers at levels consistent with their health, efficiency, and general well-being, and
- (2) safeguard existing minimum wage and overtime compensation standards that are adequate to maintain the health, efficiency, and general well-being of workers against unfair competition of wage and hour standards that do not provide adequate standards of living.

Over the years, Alaska has lost sight of that commitment to its lowest paid workers and the time is now to correct this. HB 56 changes to Alaska's minimum wage statute so that it more adequately provides for a fair minimum wage to Alaska's lowest paid workers. Last year, thousands of Alaskans voiced their support for raising the floor as well as adding a cost of living adjustment.

The Alaska Legislature concurs and makes the following findings

An increase in the minimum wage will help ensure a minimum standard of living for the health, safety, and well-being of every Alaskan.

The Legislature notes that currently, Washington, Oregon and California have surpassed Alaska in providing for a minimum standard of living for its workers.

Finally, the Legislature finds that for a minimum wage to be fair, it must be indexed to the cost of living to help low-income workers keep pace with inflation.

This bill amends section 2 (a) so that

- effective January 1, 2003, an employer shall pay each employee wages at a rate of not less than \$7.15 an hour, for hours worked in a pay period.
- As well, each year, not later than September 30, the Department shall adjust the minimum wage for inflation effective the following year.
- The minimum wage shall be adjusted for inflation calculated by 50% of the Consumer Price Index for Anchorage *or* \$1.00 more than the federal minimum wage, whichever is greater.



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us
<http://www.akrepublicans.org/Kott.htm>



difference will reflect the award necessary to ensure that straight-time, overtime, and total compensation are all based on the applicable rate of regular pay. *Piquini Mgt. Corp. v. Reeves*, 965 P.2d 732 (Alaska 1998).

Definition of "supervisory" in the Alaska Administrative Code, that the term as used in this section means a person who directs the activities of other employees and who does not perform duties which are regularly performed by the employees supervised, except for brief periods of time not to exceed more than eight hours in the supervisor's workweek, is reasonable and not arbitrary. *Alaska Int'l Indus., Inc. v. Musarra*, 602 P.2d 1240 (Alaska 1979).

Bookkeeper in separate company held to be employee. — An employee of a real estate company who handled the bookkeeping for a storage company was considered to be an employee of the storage company since the relationship was of a permanent nature, the bookkeeper received a flat management fee regardless of profits, and since bookkeeping is an integral part of a business. *Bobich v. Stewart*, 843 P.2d 1232 (Alaska 1992).

Partner considered as employee. — Where a partnership agreement provides regular compensation, untied to profits, for a partner's services, such a compensated partner shall be considered to be both an owner and an employee. To do otherwise would permit

employers to defeat the Alaska Wage and Hour Act remedial purposes by simply calling paid employees "partners." *Bobich v. Stewart*, 843 P.2d 1232 (Alaska 1992).

Exemptions. — An employees' work schedule established under collective bargaining agreements that the employees work 14 consecutive 12-hour days followed by 14 days off, was exempt from the overtime requirements of this section. *Ganz v. Alaska Airlines, Inc.*, 963 P.2d 1015 (Alaska 1998).

Procedural issues. — In an action by long haul truck drivers claiming overtime compensation, where there was a genuine issue of fact as to whether driving times relied upon by the employer in calculating compensation were inaccurate, and whether the employer knew this to be the case despite driver logs to the contrary, grant of summary judgment against the drivers was error. *Schorr v. Frontier Transp. Co.*, 943 P.2d 418 (Alaska 1997).

Severance payment which exceeds maximum recovery — Release given by employee in exchange for large severance payment, which substantially exceeded the maximum he could have recovered under the Alaska Wage and Hour Act, encompassed any subsequent AWAHA violation claims by the employee and the severance payment fully satisfied any potential AWAHA award. *Alyeska Pipeline Serv. Co. v. Shook*, 978 P.2d 86 (Alaska 1999).

Sec. 23.10.065. Minimum wages. (a) Except as provided under (b) of this section, an employer shall pay to each employee wages at a rate of not less than 50 cents an hour greater than the prevailing Federal Minimum Wage Law for hours worked in a pay period, whether the work is measured by time, piece, commission, or otherwise. An employer may not apply tips or gratuities bestowed upon employees as a credit toward payment of the minimum hourly wage required by this section. Tip credit as defined by the Fair Labor Standards Act of 1938 as amended does not apply to the minimum wage established by this section.

(b) Subject to the limitation under (c) of this section, an employer shall pay to each person employed as a public school bus driver wages at a rate of not less than two times the minimum wage established under (a) of this section, for hours worked in a pay period, whether work is measured by time, commission, or otherwise. An employer may not apply fringe benefits as a credit toward payment of the minimum wage established under this subsection.

(c) Notwithstanding (b) of this section, an employer who contracts with the Department of Education and Early Development, a school district, or a regional education attendance area to provide school bus transportation services is not required to adjust school bus driver wages under (b) of this section, except when entering into or renewing the contract. (§ 4 ch 171 SLA 1959; am § 2 ch 2 SLA 1962; am § 1 ch 41 SLA 1974; §§ 3, 4 ch 12 SLA 1990)

Revisor's notes. — In 1999, "Department of Education" was changed to "Department of Education and Early Development" in (c) of this section in accordance

with § 89, ch. 68, SLA 1999.
Cross references. — For the Fair Labor Standards Act of 1938, see 29 U.S.C. 201-219.

NOTES TO DECISIONS

This section is based on the federal Fair Labor Standards Act of 1938, 29 U.S.C. §§ 201-219, and the terms used in the Alaska Statute are defined in the same way as in the federal act. *McGinnis v. Stevens*, 843 P.2d 1221 (Alaska 1992) decided prior to the 1978 amendment to AS 23.10.065(6).

Prisoners as employees of the state. — See

McGinnis v. Stevens, 843 P.2d 1221 (Alaska 1992) decided prior to the 1978 amendment to AS 23.10.065(6).

Article not void. — The Alaska Wage and Hour Act merely requires higher minimum and overtime pay than the Fair Labor Standards Act, 29 U.S.C. §§ 201-219. Although compliance with both

is more expensive than compliance with the Act, in any sense, impossible so as to be rendered void. *Webster v. Bechtel, Inc.*, 602 P.2d 1240 (Alaska 1979).

Concurrent coverage of FLSA and AS 23.10.065. — This section is not preempted by the Fair Labor Standards Act. It appears that 29 U.S.C. § 218 is intended to allow the recovery of a claim under more protective state laws. Congress contemplated that the state law would govern an action as to the whole claim, not just the overtime claim.

Collateral references. — Validity of Alaska wage statutes relating to private employers. ALR2d 740.

Sec. 23.10.070. Exemptions. — Regulations that prevent curtailment of opportunities or orders provide for tips for (1) an individual whose earnings are less than the wages and benefits fixed by the commissioner, (2) an apprentice at the wages and benefits fixed by the commissioner, and (3) a learner at the wages and benefits fixed by the commissioner.

Sec. 23.10.071. Wages for participants in a program. — AS 23.10.070, a participant in a program designed to extend more than 90 days beyond the period prescribed in AS 23.10.050 — (1) an individual whose earnings are less than the wages and benefits fixed by the commissioner, (2) an apprentice at the wages and benefits fixed by the commissioner, and (3) a learner at the wages and benefits fixed by the commissioner. (b) The commissioner shall: (1) is solely for the benefit of the patient; (2) would ordinarily be performed by the patient; (3) is work that may produce a tangible benefit for the patient; (4) produces goods or services for the patient; (5) benefit the owners, operators, or employees; (6) creates an unfair competition with other businesses. (§ 1 ch 58 SLA 1974)

Sec. 23.10.075. Labor standards. — The division of labor standards is responsible to the commissioner for enforcing AS 23.10.050 — 23.10.160.

Sec. 23.10.080. Powers and duties of the director. — The representative of the director, (1) investigate and ascertain the cause of any violation of the Act; (2) employ of any employee in violation of the Act; (3) enter the place of business of any employer for the purpose of inspecting payroll records; (4) determine whether any person worked;

at the Alaska Wage and Hour Act by simply calling paid employees v. Stewart, 843 P.2d 1232 (Alaska 1997).

- An employees' work schedule under collective bargaining agreements for work 14 consecutive 12-hour shifts off, was exempt from the overtime provisions of this section. Ganz v. Alaska Airlines, 543 P.2d 1221 (Alaska 1998).

issues. — In an action by long-haul trucking overtime compensation, where the issue of fact as to whether driving was by the employer in calculating overtime was inaccurate, and whether the overtime was to be the case despite driver logs, summary judgment against the employer. Schorr v. Frontier Transp. Co., 543 P.2d 1221 (Alaska 1997).

payment which exceeds maximum overtime pay given by employee in exchange for the payment, which substantially exceeds the amount he could have recovered under the Alaska Wage and Hour Act, encompassed by the Act. A violation claims by the employee for overtime payment fully satisfied any potential claim. Alyeska Pipeline Serv. Co. v. Shook, 543 P.2d 1221 (Alaska 1999).

ded under (b) of this section, shall be not less than 50 cents an hour for hours worked in a pay period, commission, or otherwise. An employer may not apply this section to employees as a credit toward overtime. Tip credit as defined by this section shall apply to the minimum wage.

An employer shall pay to each employee a rate of not less than two times the minimum wage for hours worked in a pay period. An employer may not apply this section to a wage established under this section.

10 contracts with the Department of Education, or a regional education agency, is not required to adjust the minimum wage when entering into or renewing a contract. AS 23.10.050; am § 1 ch 41 SLA 1974;

8, SLA 1999.

issues. — For the Fair Labor Standards Act, 29 U.S.C. 201-219.

more than compliance with the federal act, it is in any sense, impossible so as to make the Alaska Wage and Hour Act void. Webster v. Bechtel, Inc., 621 P.2d 890 (Alaska 1980).

Concurrent coverage of minimum wage provisions is not preempted by the Federal Fair Labor Standards Act. It appears that 29 U.S.C. § 218(a) was intended to allow the recovery of additional amounts under more protective state laws. It is logical that Congress contemplated that the state would allow for recovery as to the whole claim, not just the increase.

Collateral references. — Validity of minimum wage statutes relating to private employment. 39 P.S. 740.

Sec. 23.10.070. Exemptions from minimum wage. To the extent necessary to prevent curtailment of opportunities of employment, the commissioner may by regulation or orders provide for the employment at wages lower than the minimum wage described in AS 23.10.050 — 23.10.150 of

- (1) an individual whose earning capacity is impaired by physical or mental deficiency, age, or injury, at the wages and subject to the restrictions and for the period of time that are fixed by the commissioner; and
- (2) an apprentice at the wages that are approved by the commissioner; or
- (3) a learner at the wages and subject to the restrictions and for the periods of time that are fixed by the commissioner. (§ 5 ch 171 SLA 1959; am § 3 ch 2 SLA 1962)

Sec. 23.10.071. Wages for work therapy. (a) For work therapy, as defined in AS 23.10.070, a participant in a residential drug abuse or alcoholism treatment program assigned to extend more than 120 days may be paid less than the minimum wage described in AS 23.10.050 — 23.10.150 if the rate has been approved by the commissioner under this section and is in compliance with federal law.

(b) The commissioner shall adopt regulations regarding the payment of wages for work therapy. In adopting the regulations, the commissioner shall consider whether the work performed by the patient

- (1) is solely for the benefit of the patient and is that which is ordinarily carried on by patients in a residential treatment program;
- (2) would ordinarily be performed by full-time employees of the program;
- (3) is work that may produce income to the patient, other than wages;
- (4) produces goods or services the proceeds of which will economically or otherwise benefit the owners, operators, or businesses of the rehabilitation program; and
- (5) creates an unfair competition with private enterprise because of lower wage standards. (§ 1 ch 58 SLA 1983)

Sec. 23.10.075. Labor standards and safety division. There is established in the department the division of labor standards and safety. The director of the division is responsible to the commissioner. The director shall administer AS 18.60.010 — 18.60.105 and AS 23.10.050 — 23.10.150. (§ 6(1) ch 171 SLA 1959; am E.O. No. 52, § 4 (1982))

Sec. 23.10.080. Powers and duties of division. The director, or an authorized representative of the director, shall

- (1) investigate and ascertain the wages and related conditions and standards of employment of any employee in the state;
- (2) enter the place of business or employment of an employer at reasonable times for the purpose of inspecting payroll records that relate to the question of wages paid or hours worked;

evens, 543 P.2d 1221 (Alaska 1998) to the 1978 amendment to

void. — The Alaska Wage and Hour Act requires higher minimum and overtime pay under the Fair Labor Standards Act, 29 U.S.C. 201-219, though compliance with both

Minimum Wage Law in Alaska

Date	Statutory Language	\$ Facts
May 2, 1959 § 4 ch 171 SLA 1959	Every employer, except as may be otherwise provided in this Act, shall pay to each of his employees wages at a rate of not less than \$1.50 an hour. <i>1959 Federal Minimum Wage: \$1.00</i>	In 2001 dollars: Fed \$1.00 = \$5.92 AK \$1.50 = \$9.13 \$.50 = \$3.04
1962 am § 2 ch 2 SLA 1962	Every employer, except as may be otherwise provided in this Act, shall pay to each of his employees wages at a rate of not less than \$.50 an hour greater than the prevailing Federal Minimum Wage Law . <i>1962 Federal Minimum Wage: \$1.15</i>	In 2001 dollars: Fed \$1.15 = \$6.75 AK \$1.75 = \$9.68 \$.50 = \$2.93
1974 1 ch 41 SLA 1974	Section 1 AS 23.10.065 is amended to read: An employer shall pay to each of his employees wages at a rate of not less than 50 cents an hour greater than the prevailing Federal Minimum Wage Law or \$2.60 an hour, whichever is greater for work... No employer may apply tips or gratuities bestowed upon employees as a credit toward payment of the minimum hourly wage required by this section. <i>1974 Federal Minimum Wage: \$2.00</i>	In 2001 dollars: Fed \$2.00 = \$7.19 AK \$2.50 = \$9.35 \$.50 = \$1.80
1990 §§ 3, 4 ch 12 SLA 1990	Adds a new section: Section 4. AS 23.10.065 An employer shall pay to each person employed as a public school bus driver wages at a rate of not less than two (2) times the minimum wage established under (a) of this section for hours worked... An employer may not apply fringe benefits as a credit toward payment of the minimum wage established under this section. <i>1990 Federal Minimum Wage: \$3.80</i>	In 2001 dollars: Fed \$3.80 = \$5.15 AK \$4.30 = \$6.10 \$.50 = \$0.68



Alaska Division of Elections

**INITIATIVE PETITION BILL LANGUAGE
by Petition Sponsors**

**Petition ID: 01MNWG
Bill Increasing Alaska's Minimum Hourly Wage**

Posted 10/24/01

Proposed Bill:

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA

Section 1. Findings and Declaration

The people of the State of Alaska find and declare that:

- (a) An increase in Alaska's minimum wage will help ensure a minimum standard of living for the health and well being of every Alaskan,
- (b) Alaskans working full-time at the current minimum wage earn far below the federal poverty level for a family of three,
- (c) The U.S. West Coast states of Washington, Oregon and California already have a higher minimum wage than the State of Alaska,
- (d) A fair minimum wage indexed to the cost of living will help low-income workers keep pace with inflation.

Section 2. Purpose

The purpose and intent of enacting this legislation is to raise Alaska's minimum wage to \$7.15 per hour effective January 1, 2003 and thereafter adjusted annually for inflation.

Section 3. AS 23.10.065(a) is repealed and reenacted to read:

(a) Except as otherwise provided for in law, an employer shall pay to each employee a minimum wage, as established herein, for hours worked in a pay period whether the work is measured by time, piece, commission or otherwise. An employer may not apply tips or gratuities bestowed upon employees as a credit toward payment of the minimum hourly wage required by this section. Tip credit as defined by the Fair Labor Standards Act as amended does not apply to the minimum wage established by this section. Beginning with the passage of this Act, the minimum wage shall be \$7.15 per hour effective January 1,

2003 and thereafter, adjusted annually for inflation. The adjustment shall be calculated each September 30, for the proceeding January-December calendar year, by the Alaska Department of Labor, using the CPI-Anchorage. Such adjustment shall take effect January 1 of the following year.

Section 4. If the minimum wage determined under Section 3 is less than one dollar over the federal minimum wage, the Alaska minimum wage shall be set at one dollar over the federal minimum wage. This amount shall be adjusted in subsequent years by the method established in Section 3.



Initiative Petition Status Report



Alaska Division of Elections Home Page

LEGISLATIVE RESEARCH REPORT

FEBRUARY 13, 2002



REPORT NUMBER 02.118

THE EFFECT OF INFLATION ON THE PROPOSED MINIMUM WAGE

REPRESENTATIVE PETE KOTT

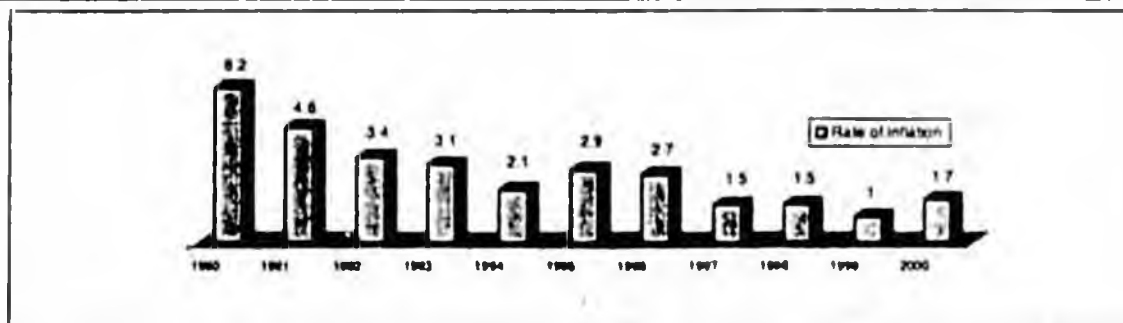
BY PATRICIA YOUNG, MANAGER

You asked for information about the minimum wage as proposed in the current House Bill 56. Specifically, you asked that we project a minimum wage of \$7.15 per hour adjusted annually for 50 percent of the rate of inflation and for 100 percent of the rate of inflation, as measured by the consumer price index in Anchorage, over a five-year period. You also wished to know the impact on the monthly payroll of a business with three employees, each working 120 hours per month, if the minimum wage rose to \$7.15 per hour. Additionally, you wished to know if any other states tie their minimum wage to the rate of inflation.

The U.S. Department of Labor's Bureau of Labor Statistics (BLS) produces the Consumer Price Index (CPI), which reflects the change over time in the cost of living in a particular place. Because Anchorage is the only community within Alaska for which the BLS produces such an index, the Anchorage CPI is often treated as the de facto statewide measure of inflation in Alaska.

It is important to note that the rate of inflation is a product of dynamic factors. As can be seen in Figure 1, the rate of inflation in Anchorage has gone from a high of 6.2 percent in 1990 to a low of 1.0 percent in 1999. After four years consistently below 2.0 percent, the eleven-year average inflation rate is 2.79 percent.

Figure 1: Rate of Inflation in Anchorage, 1990 - 2000



Although the CPI reflects the change in prices over time, it is not predictive. As such, groups that need to account for the rate of inflation in the future make projections as to the rate over various periods of time. According to Brad Pierce, senior economist with the Office of Management and Budget, that office is currently projecting an inflation rate of 2.5 percent from 2002 through 2007 for the purposes of preparing fiscal notes. The OMB makes its projections based on the Anchorage CPI for all urban consumers (CPI-U). We also spoke with Jim Kelly, research and liaison officer with the Alaska Permanent Fund Corporation. According to Mr. Kelly, the corporation, which looks more to the national rates of inflation, is currently projecting an inflation rate of 2.9 percent for the next five years.

For the purposes of this report, we calculate the impact of inflation on the minimum wage over five years based on three assumptions of what the rate might be. For each scenario, we project the minimum wage at both 100 percent and 50 percent of the Anchorage CPI-U. We present those projections in Table 1.

Table 1: Effect of Inflation on Proposed Minimum Wage of \$7.15 Over Five Years

Year	2 Percent Inflation		2.5 Percent Inflation		3 Percent Inflation	
	@ 100 % CPI-U	@ 50 % CPI-U	@ 100 % CPI-U	@ 50 % CPI-U	@ 100 % CPI-U	@ 50 % CPI-U
1	7.15	7.15	7.15	7.15	7.15	7.15
2	7.29	7.22	7.33	7.24	7.36	7.26
3	7.44	7.29	7.51	7.33	7.59	7.37
4	7.59	7.37	7.70	7.42	7.81	7.48
5	7.74	7.44	7.89	7.51	8.05	7.59
6	7.89	7.51	8.09	7.61	8.29	7.70

Notes and Sources:

Minimum wage is presented in nominal dollars.

The Alaska Office of Management and Budget (OMB) currently projects an inflation rate of 2.5 percent for the next five years; the Alaska Permanent Fund Corporation currently projects an inflation rate of 2.9 percent over the next five years.

Brad Pierce, senior economist, OMB, (907)465-4677; and Jim Kelly, research and liaison officer, Alaska Permanent Fund Corporation, (907)465-2059.

In Table 2, we project over the course of five years the impacts of the same rates of inflation on the monthly payroll of a small business. For the purposes of this projection, we assume that the business has three employees, each working 120 hours per month, and that the minimum wage at the beginning of the five-year period is \$7.15 per hour.

Table 2: Estimated Inflation-Adjusted Monthly Payroll for Three Employees, Over Five Years

Year	2 Percent Inflation		2.5 Percent Inflation		3 Percent Inflation	
	Ⓢ 100 % CPI-U	Ⓢ 50 % CPI-U	Ⓢ 100 % CPI-U	Ⓢ 50 % CPI-U	Ⓢ 100 % CPI-U	Ⓢ 50 % CPI-U
1	2,574	2,574	2,574	2,574	2,574	2,574
2	2,625	2,600	2,638	2,606	2,651	2,613
3	2,678	2,626	2,704	2,639	2,731	2,652
4	2,732	2,652	2,772	2,672	2,813	2,692
5	2,786	2,679	2,841	2,705	2,897	2,732
6	2,842	2,705	2,912	2,739	2,984	2,773

Notes:

Payroll calculations are based on a business with three employees, each working 120 hours per month (30 hours per week), at the inflation-adjusted minimum wage. Monthly payroll amounts are expressed in nominal dollars.

According to information on state minimum wage laws in effect as of January 1, 2002, published by the U.S. Department of Labor (USDOL), the state of Washington is along in tying the minimum wage to the rate of inflation. Minimum wage in Washington is annually adjusted for inflation by a calculation using the consumer price index for urban wage earners and clerical workers (CPI-W) for the prior year.¹

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

¹ Synopses of states' minimum wage laws are available through the U.S. Department of Labor at <http://www.dol.gov/dol/esa/public/minwage/america.htm>.

CY 1999 Workers by Median Age and Occupation
Sorted Median Wage

O.E.S. Occupations with 1st qrt < \$7.15	OES			ODB				
	1st Quartile Wage Max	Median Wage	4th Quartile Wage Min	Total Number of Workers Without regard to wage	Total Number of Resident Workers	Resident Worker Median Age	Resident Worker by Gender Male Female	
Ushers, Lobby Attendants, Ticket Takers	5.87	5.92	6.51	74	76	18.0	33	37
Graders & Sorters: Agricultural Products	5.95	6.08	7.55	133	52	32.0	41	11
Waiters & Waitresses	5.94	6.26	7.33	9,654	7,161	29.0	1,476	5,662
Food Servers, Ex Restaurant	6.08	6.57	11.32	3,844	3,248	20.0	963	2,275
Dancers & Choreographers	6.08	6.55	10.08	549	321	25.0	44	273
Amusement & Recreation Attendants	6.15	6.68	10.38	3,496	3,074	28.0	1,324	1,748
Counter Attendants: Lunchroom/Coffee Shop	6.10	6.71	8.24			20.0		
Dining Room/Cafeteria Attendant/Bar Help	5.98	6.75	7.97	2,161	1,694	20.0	887	801
Taxi Drivers & Chauffeurs	5.97	6.94	8.90	408	346	36.0	244	101
Comb Food Prep/Service Wkrs: Fast Food	6.11	7.01	8.07	6,647	5,257	19.0	2,769	2,467
Cooks: Specially Fast Food	6.05	7.10	8.56	325	260	21.5	165	92
Telemarketers/Door-to-Door Sales Wkrs	6.15	7.39	12.11	537	440	24.0	197	241
Baggage Porters & Bellhops	6.62	7.46	8.33	1,218	1,019	31.0	797	222
Hosts/Hostess: Rest/Lounge/Coffee Shop	6.66	7.50	8.37	2,180	1,848	35.0	889	955
Vehicle Washers & Equipment Cleaners	6.59	7.63	8.71	2,007	1,621	24.0	1,356	265
Service Station Attendants	6.81	7.65	8.50	1,499	1,303	25.0	1,132	169
Property & Real Estate Managers & Admin	6.49	7.66	8.91	522	482	44.0	189	293
Child Care Wkrs	6.65	7.82	9.47	4,058	3,327	27.0	544	2,775
Musical Instrument Repairs/Tuners	6.36	7.84	13.71	4	4	49.0	4	0
Cannery Wkrs	6.62	7.85	10.09	19,784	6,349	32.0	4,143	2,148
Marking Clerks***	6.88	7.95	9.12	3,884	3,519	38.0	835	2,682
Photographic Processing Mach Opers	6.32	8.07	11.82	159	120	27.0	67	53
Pressing Mach Opers: Textile, Garment	7.12	8.08	9.28	204	155	40.0	32	123
Cooks: Short Order	7.10	8.13	9.47	2,317	1,781	21.0	1,050	726
All Oth Sales Wkrs	6.47	8.15	11.03	443	385	34.0	229	154
Cashiers	7.14	8.18	9.78	8,165	7,008	28.0	2,123	4,872
Driver/Sales Wkrs	6.99	8.41	11.71	1,180	972	29.0	838	132
Food Preparation Wkrs	7.00	8.45	10.68	5,364	4,317	28.0	2,051	2,251
Laundry/Dry-cleaning Mach Opers, Ex Press	7.08	8.51	10.66	449	381	37.0	133	247
Animal Caretakers, Ex Farm	6.97	8.54	11.93			28.0		
Mach Feeders & Oilbearers	6.14	8.87	13.25	235	176	38.0	102	74
File Clerks	6.98	8.90	11.09	909	810	26.0	149	661
Mail Mach Opers: Prep & Handling	6.58	8.94	11.17	79	77	38.0	27	50
Hand Packers & Packagers	6.75	9.39	11.15	1,285	995	28.0	822	168
Shoe Repairs	6.42	9.52	11.68	13	13	19.0	12	1
Hairdressers/Hairstylists/Cosmetologists	6.17	9.66	13.41	930	805	31.0	57	746
Guides	6.13	10.42	12.68	2,030	1,025	31.0	711	312
Veterinary Assistants	6.49	11.21	19.23	522	415	29.0	95	318
Public Admin Chief Exec/Leg/General	6.16	11.69	13.25	469	448	47.0	219	229
Total				87,737	61,278	29.0	25,749	34,334

Age and gender data is available only for those with PFD information in 1994-99. Totals of resident workers for gender may be less than the number of resident workers by age due to missing gender information.

Occupational titles and wage rates are from the Occupational Employment Statistics program.

The number of workers is based on data from the Occupational Database and does not include federal government or the self-employed. A worker is counted if he/she worked in that occupation at any time during the calendar year. Workers who worked for more than one employer are counted only once.

Due to the different coding taxonomies used by these programs, some occupational titles are combined when calculating the number of workers and median age.

*** Marking Clerks are included in the larger category of Administrative Support Occupations, including Clerical, Not Elsewhere Classified.

Source: AK Department of Labor and Workforce Development, Research and Analysis.

Industry	Percent of Total Minimum Wage ¹ Employment	Total Minimum Wage ¹ Employment by Industry
Eating And Drinking Places	32.31	4,664
Amusement & Recreation Services	8.76	1,265
Educational Services	5.61	810
Government	4.39	634
Food And Kindred Products	4.27	617
Hotels And Other Lodging Places	4.09	590
General Merchandise Stores	4.05	584
Food Stores	3.75	542
Miscellaneous Retail	3.47	501
Social Services	3.29	475
Real Estate	3.00	433
Membership Organizations	2.30	332
Automotive Dealers & Service Stations	2.01	290
Health Services	1.61	233
Motion Pictures	1.49	215
Personal Services	1.39	200
Wholesale Trade-nondurable Goods	1.22	176
Transportation By Air	1.21	174
Local And Interurban Passenger Transit	1.11	160
Miscellaneous Repair Services	1.10	159
Auto Repair, Services, And Parking	1.08	156
Business Services	0.98	142
Communications	0.80	115
Holding And Other Investment Offices	0.79	114
Apparel And Accessory Stores	0.69	99
Building Materials & Garden Supplies	0.63	91
Engineering & Management Services	0.53	76
Printing And Publishing	0.42	60
Wholesale Trade-durable Goods	0.40	58
Transportation Services	0.36	52
Special Trade Contractors	0.35	50
Agricultural Services	0.33	48
Transportation Equipment	0.20	29
Museums, Botanical, Zoological Gardens	0.20	29
General Building Contractors	0.19	28
Insurance Agents, Brokers, & Service	0.19	27
Oil And Gas Extraction	0.15	21
Lumber And Wood Products, Except Furni	0.15	21
Security And Commodity Brokers	0.15	22
Trucking And Warehousing	0.13	19
Water Transportation	0.12	17
Depository Institutions	0.12	17
Heavy Construction, Ex. Building	0.11	16
Legal Services	0.10	15
Furniture And Homefurnishings Stores	0.08	11
Nonmetallic Minerals, Except Fuels	0.06	3
Electric, Gas, And Sanitary Services	0.06	9
Insurance Carriers	0.06	8
Miscellaneous Manufacturing Industries	0.05	7
Petroleum And Coal Products	0.03	4
Rubber And Misc. Plastics Products	0.03	4
Services, Nec	0.02	3
Apparel And Other Textile Products	0.01	2
Chemicals And Allied Products	0.01	1
Leather And Leather Products	0.01	1
Instruments And Related Products	0.01	1
Total	100.00	14,435

^{1/} For the purpose of this analysis, "minimum wage" comprises the \$5.65-\$6.74 wage range.

Source: Department of Labor and Workforce Development, Research & Analysis Section

HB

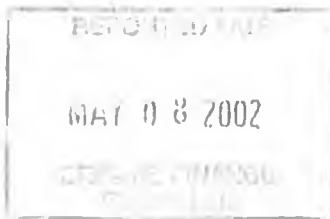
56

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/27/02



FURTHER:

DATE TURNED IN TO OFFICE: 05/08/02

Finance Committee considered

CS FOR HOUSE BILL NO. 56(FIN)

HB 56 MINIMUM WAGE

"An Act relating to minimum wages; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
HSS	HSS	✓		FN Forthcoming

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
J&C	2/15/02		✓	#1
EED	2/15/02		✓	#3

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>			✓	



FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 56(L&C)
(H) Publish Date: 2/8/02

Revision Date/Time (Note if correction): ()
Title Increase Minimum Wage
Sponsor Representative Kott
Requester (H) Labor & Commerce
Dept. Affected: All
BRU All
Component All
Component No. 56

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 00
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The lowest paid state employees receive \$7.50 per hour; therefore, an increase in the minimum wage to \$7.15 will have no fiscal impact on state agencies.

Assuming a 2% CPIU-Anchorage annually, the increase in minimum wage would be 1% per year. The minimum wage remains below the \$7.50 state employee wage minimum until FY 2009 when the minimum wage become \$7.51.

Prepared by: David Stewart Phone 465-4431
 Division: Division of Personnel Date/Time 2/5/02 3:02 PM
 Approved by: Jim Duncan, Commissioner Date 2/5/2002
 Agency: Department of Administration

REPORTED OUT

FISCAL NOTE

MAY 18 2002

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSHB 56(FIN)
(H) Publish Date: 3/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: EED
Title "An act relating to minimum wages" BRU K-12 Support
Component Pupil Transportation
Sponsor Rep. Kott
Requester House Finance Component No. 144

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	*	*	*	*	*	*
Travel	*	*	*	*	*	*
Contractual	*	*	*	*	*	*
Supplies	*	*	*	*	*	*
Equipment	*	*	*	*	*	*
Land & Structures	*	*	*	*	*	*
Grants & Claims	*	*	*	*	*	*
Miscellaneous	*	*	*	*	*	*
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The majority of the districts already pay higher than the proposed minimum wages. Contractors are not required to adjust the minimum wage until a new contract is bid. The largest districts (Anchorage, Kenai, Fairbanks, Mat Su, Kodiak, Delta-Greely, Juneau and Alaska Gateway in Tok) will not bid new contracts until fall of 2006, for contracts beginning FY07. Ketchikan will not bid until fall of '05, for its contract beginning FY06.

Prepared by: Eddy Jeans, School Finance Manager
Division: Education Support Services
Approved by: Karen Rehfeld, Director of Education Support Services
Agency: Department of Education & Early Development

Phone 465-8679
Date/Time 2/15/02 2:47 PM
Date 2/15/02



FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 56 (FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Health & Social Services
 Title: RELATING TO THE MINIMUM WAGE BRU: Public Assistance
 Component: ATAP

Sponsor: KOTT
 Requestor: HOUSE (FIN) Component Number: 220

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	(201.9)	(440.1)	(508.8)	(577.4)	(650.1)	(722.8)
Miscellaneous						
TOTAL OPERATING	(201.9)	(440.1)	(508.8)	(577.4)	(650.1)	(722.8)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	(201.9)	(440.1)	(508.8)	(577.4)	(650.1)	(722.8)
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbreviate)						
TOTAL	(201.9)	(440.1)	(508.8)	(577.4)	(650.1)	(722.8)

Estimate of any current year (FY2002) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Approximately 670 adults currently receiving Temporary Assistance have jobs paying between \$5.65/hr. and \$7.15/hr. An increase in the minimum wage will result in an increase in the households' countable earned income. The increase will result in a reduction in monthly Alaska Temporary Assistance Program (ATAP) benefits paid to the family and will generate savings in the benefit line of the ATAP component. A general fund savings would not be realized because federal law requires the State to contribute a fixed amount of state funds toward the program (maintenance of effort) or be subject to penalty resulting in loss of TANF funds. The Temporary Assistance program is currently budgeted at the minimum maintenance of effort. Any further reduction will subject the State to a block grant penalty. Federal savings would be realized as an increase in the available TANF block grant balance that can be reinvested into work services. Congress is due to reauthorize the program for FFY 2003. Availability

Prepared by: Jim Nordlund Phone: 465-5835
 Division: Public Assistance Date/Time: 02/28/2002
 Approved by: Elmer A. Lindstrom, Deputy Commissioner Date: 03/01/2002
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS HB 56 (FIN)

ANALYSIS CONTINUATION

of excess federal dollars for the future cannot be guaranteed.

Assumptions:

On average, ATAP recipients who earn between \$5.65/hr and \$7.15/hr work 120 hours per month.

Currently, the average wage for ATAP recipients who earn between \$5.65/hr and \$7.15/hr is \$6.43/hr. The average monthly ATAP grant for these recipients is \$561.

Effective January 1, 2003, 673 ATAP recipients will receive an earnings increase to \$7.15/hr. The monthly grant for these recipients is \$511, a \$50 decrease

Assume the new minimum wage will increase by 1.7 percent/year beginning January 1, 2004.

Effective January 1, 2004, 673 ATAP recipients will receive an earning increase from 7.15/hr. to \$7.27/hr. The monthly grant for these recipients is \$502, a \$59 decrease.

Effective January 1, 2005, 673 ATAP recipients will receive an earnings increase from \$7.27/hr. to \$7.39/hr. The monthly grant for these recipients is \$494, a \$67 decrease.

Effective January 1, 2006, 673 ATAP recipients will receive an earnings increase from \$7.39/hr. to \$7.52/hr. The monthly grant for these recipients is \$485, a \$76 decrease.

Effective January 1, 2007, 673 ATAP recipients will receive an earnings increase from \$7.52/hr. to \$7.64/hr. The monthly grant for these recipients is \$476, a \$85 decrease.

Effective January 1, 2008, 673 ATAP recipients will receive an earnings increase from \$7.64/hr. to \$7.77/hr. The monthly grant for these recipients is \$467, a \$94 decrease.

Calculations:

FY2003	\$50 x 6 months x 673 recipients = \$201,900
FY2004	\$50 x 6 months x 673 recipients = \$201,900 \$59 x 6 months x 673 recipients = \$238,242 Total = \$440,142
FY2005	\$59 x 6 months x 673 recipients = \$238,242 \$67 x 6 months x 673 recipients = \$270,546 Total = \$508,788
FY 2006	\$67 x 6 months x 673 recipients = \$270,546 \$76 x 6 months x 673 recipients = \$306,888 Total = \$577,434
FY 2007	\$76 x 6 months x 673 recipients = \$306,888 \$85 x 6 months x 673 recipients = \$343,230 Total = \$650,118
FY2008	\$85 x 6 months x 673 recipients = \$343,230 \$94 x 6 months x 673 recipients = \$379,572 Total = \$722,802

Alaska State Legislature

House of Representatives

RULES COMMITTEE, CHAIR
COMMITTEE ON COMMITTEES
LABOR & COMMERCE COMMITTEE
MILITARY & VETERANS AFFAIRS
LEGISLATIVE COUNCIL



INTERIM
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Sponsor Statement CS for HB 56

Dating back to 1938 when the United States established the Fair Labor Standards Act, Americans have believed that it is entirely appropriate for the government to establish a minimum wage floor for workers. Immediately following statehood, Alaska statute echoed that conviction by declaring its own policy in the preamble of the Wage and Hour Act of 1959:

It is the public policy of the state to:

- (1) establish minimum wage and overtime compensation standards for workers at levels consistent with their health, efficiency, and general well-being, and
- (2) safeguard existing minimum wage and overtime compensation standards that are adequate to maintain the health, efficiency, and general well-being of workers against unfair competition of wage and hour standards that do not provide adequate standards of living.

Over the years, Alaska has lost sight of that commitment to its lowest paid workers and the time is now to correct this. HB 56 changes to Alaska's minimum wage statute so that it more adequately provides for a fair minimum wage to Alaska's lowest paid workers. Last year, thousands of Alaskans voiced their support for raising the floor as well as adding a cost of living adjustment.

The Alaska Legislature and the overwhelming majority of Alaskan residents are in agreement with the following findings:

- An increase in the minimum wage will help ensure a minimum standard of living for the health, safety, and well-being of every Alaskan.
- The Legislature notes that currently, Washington, Oregon and California have surpassed Alaska in providing for a minimum standard of living for its workers.
- Finally, the Legislature finds that for a minimum wage to be fair, it must be indexed to the cost of living to help low-income workers keep pace with inflation.

This bill amends section 2 (a) so that

- effective January 1, 2003, an employer shall pay each employee wages at a rate of not less than \$7.15 an hour, for hours worked in a pay period.
- As well, each year, not later than September 30, the Department shall adjust the minimum wage for inflation based upon the CPI of Anchorage, or \$1.00 more than the federal minimum wage, whichever is greater effective the following year.



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.alaska.us
<http://www.akrepublicans.org/Kott.htm>

HB

58

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 58
(H) Publish Date: 1/16/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Labor
Title: "An Act relating to the calculation and BRU: Employment Security
payment of unemployment compensation..."
Sponsor: Rules Committee Component: Unemployment Ins
Requestor: Governor Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
New# Bldg Safety Acct						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: None

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation increases the maximum unemployment compensation weekly benefit amount (WBA) from \$249.00 to \$284.00 and increases the qualifying wages in the existing statutory table. There is no fiscal impact to the department as a result of this legislation.

Prepared by: Rebecca Gamez, Director Phone: 465-2711
Division: Employment Security Date/Time: 1/10/01 10:38 AM
Approved by: Ed Flanagan, Commissioner Date: 1/10/2001
Agency: Department of Labor and Workforce Development

For distribution information, call the Governor's Legislative Office

COMMITTEE COPY

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSHB 58(L&C)
(H) Publish Date: 4/10/01

Revision Date/Time (Note if correction): (Cor. 3/16/01) Dept. Affected: Various
Title: "An Act relating to the calculation and payment of unemployment compensation benefits..." BRU: Various
Sponsor: Rules Committee Component: Various
Requester: (H)L&C Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	95.6	257.4	323.7	325.0	325.0	325.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	95.6	257.4	323.7	325.0	325.0	325.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type) <u>various</u>	95.6	257.4	323.7	325.0	325.0	325.0
TOTAL	95.6	257.4	323.7	325.0	325.0	325.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This legislation has a fiscal impact on the employer charge percentage charged all state agencies using the working reserves for unemployment insurance. The Fund Source is all funding sources that include Personal Services. The costs are based on a 3-year average annual usage (\$3,932,804 for FY 98 through FY 00).

The Alaska Department of Labor conducted an analysis of affected claimants to determine the estimates reflected above. Their analysis is attached. The methodology has been provided to the University of Alaska for their use in preparing a fiscal note on this proposed legislation.

Prepared by: Kim Gamero Phone 465-3435
Division: Finance Date/Time 03/26/01
Approved by: Jim Duncan, Commissioner Date 3/22/01
Agency: Department of Administration

For distribution information, call the Governor's Legislative Office

Dept. of Administration's Fiscal Note

The original fiscal note for HB 58 was prepared by Dept. of Administration with the following estimates:

FY 2002	\$295 (Thousands)
FY 2003	\$590
FY 2004	\$590
FY 2005	\$590
FY 2006	\$590
FY 2007	\$590

The estimate of increased cost of HB 58 was based on the value of a working reserve fund for reimbursable state UI costs during the last three fiscal years. The reserves covered State Agencies, Courts, and Legislative Agencies, but not the University. The first part of the legislation raises the Maximum Weekly Benefit Amount (MWBA) from \$248 to \$284, which calculates to an increase of 15 percent. The fiscal note was prepared with an assumed 15 percent cost increase. In the note cost for the first year, FY2002, assumed 15% for half the year, since the new WBA would be in effect for only 6 months of the state fiscal year. The 15% for each full year after was then applied for FY 2003 - 2007.

Some basic facts about HB 58 are that the Maximum WBA would rise from the current \$248 to \$284 during the calendar year 2002. In the following calendar year, 2003, the MWBA would be determined by a formula based on the prevailing state average wage. Current data indicate that the resulting WBA would be set at approximately \$320.

The cost increase for state FY 2002 would include the increase for one-half of calendar year 2002, in which a MWBA of \$284 would be in place. The cost for state FY 2003 would include the increase for the second half of CY 2002, with a MWBA of \$284, PLUS the increase for the first half of CY 2003, in which a MWBA of roughly \$320 would be in place. The following state fiscal years, starting with FY 2004 would be impacted by the increases associated with the MWBA of roughly \$320.

The actual costs of the proposed legislation will be determined by the payment of benefits under the new benefit schedule, to qualified unemployed state employees. We know that most of the current state employee benefit recipients are not receiving the maximum benefit amount, and will not qualify for the new proposed maximum WBA's.

The fiscal note assumption of a 15% increase in cost, based on a 15% increase MWBA, is a conservative approach, but probably overstates the cost for the first year or two. The preparation of the fiscal note did not seem to take into account the second change in MWBA, from \$284 to roughly \$320, another 13 percent increase. These two factors together have a somewhat self-canceling effect, and the resulting estimates in the later fiscal years are not unreasonable.

Dept. of Labor & WD, R&A's estimates

A. R&A's initial estimates include costs beyond those covered by the Fiscal Note

To generate its taxable employer cost estimates for HB 58, research and analysis used a special claimant file which stratifies claim payment activity by the qualifying wages of claimants. We have used CY 1998 as a representative year. The costs for 1998 were lower than 1999, and a bit higher than 2000, and are a reasonable representative of our current economy. In looking at state of Alaska reimbursable costs for the fiscal note, we followed the same approach, limiting our data to claimants with a state "ownership" code. Unlike the Department of Administration fiscal note, our original estimate included the University of

Alaska, The Alaska Railroad, Etc. Running the state claimant data through our model gave us the following rough results:

The annual cost increase resulting from a new Max WBA of \$284 would be approximately \$ 293,000.
The annual cost increase resulting from a new Max WBA of \$320 would be approximately \$ 498,000.

The claimants covered in the state data include every state entity, including the university, railroad, legislative branch, courts, etc. These estimates, therefore, cover a larger group than the DOA was considering in its fiscal note. Using these inclusive numbers we generated the following FY estimates, calculating the FY costs according to the effective WBA in place (see paragraph 4 above): FY 02 - \$147,000, FY 03 - \$396,000, FY 04 - \$498,000, FY 05 to 07 - \$500,000.

B. R&A adjusts its estimates to conform to the same parameters of coverage in the fiscal note developed by the Department of Administration

When we examine the reported amount of state total reimbursable costs, for the same group covered by the DOA's fiscal note, during the last three fiscal years (source ETA 2112 report), the average figure is \$ 3.9 million. These costs were predominantly State Administration, with minor costs for academic, fee agents, and elections.

When we estimated the total cost of benefits paid to all "state" claimants (the "larger" group), in our special claimant file, we came up with a figure of \$ 6.3 Million.

Using the two estimates, we calculated the ratio between the two data sets as approximately 65%. We then applied a 0.65 factor to the raw FY figures above to get the following estimates:

FY 2002	\$ 095,550
FY 2003	\$ 257,400
FY 2004	\$ 323,700
FY 2005	\$ 325,000
FY 2006	\$ 325,000
FY 2007	\$ 325,000

Looking at the various data sources, all created for different purposes, was a classic attempt to compare apples and oranges and get a simple definitive result. The cost figures we have created are as much a product of measured logic as they are of accounting and forecasting, which in the end is how most estimates are generated

James Wilson
Asst. UI Actuary
Alaska Dept. of Labor and Workforce Development
465 4520

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSHB 58(L&C)
 (H) Publish Date: 4/10/01

Revision Date/Time (Note if correction): _____ Dept. Affected: University of Alaska
 Title: An Act relating to the calculation and payment of unemployment compensation benefits; and providing an effective date BRU: various
 Sponsor: Rules Committee Component: various
 Requester: Governor Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	15.8	46.5	61.3	63.4	65.3	67.2
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	15.8	46.5	61.3	63.4	65.3	67.2

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	15.8	46.5	61.3	63.4	65.3	67.2
TOTAL	15.8	46.5	61.3	63.4	65.3	67.2

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has a fiscal impact on the employer charge percentage and thus the amount the University of Alaska pays for unemployment insurance. The Fund Source is all funding sources that include Personal Services. The costs are based on a 3-year average annual usage (\$640,000 FY99 thru FY01).

The University of Alaska used the estimates and methodology supplied by the Alaska Department of Labor from their analysis of affected claimants to prepare this fiscal note on the proposed legislation.

Prepared by: Pat Pitney Phone 474-5889
 Division: University of Alaska Date/Time 4/3/01 1:00 PM
 Approved by: _____ Date _____
 Agency: _____

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Failed 2-8

CSHB 58(L&C)

Proposed Amendment

I

Amendment No. _____

By _____

CSHB 58(L&C) is amended by:

Page 5 Line 23, Delete Sec. 2

Page 10 Line 6, Delete Sec. 3

Page 15 Line 2, Delete Sec 5

Page 15 Line 3, Delete Sec 6

Renumber sections and pages

Becca

Mr. Chairman _____ and members of the House Finance Committee --

The legislation before you relates to the effectiveness of Alaska's Unemployment Insurance program. As you may be aware, the national Unemployment Insurance system was originally created in 1935 as one of the programs ~~fostered by~~ ^{under} the Social Security Act. Congress chose at that time to create a national system for compensation of unemployed workers composed of programs administered by each state and territory with broad federal oversight. The decision was made to create this system on an insurance model, rather than as a ~~straightforward~~ ^{an} entitlement program.

This insurance model has worked well for over sixty-five years. As with any insurance program, the object is to underwrite an identified potential loss incurred by a small percentage of the insured through accumulation of funds collected from the group as a whole. The loss insured by this program is the loss of wages by unemployed workers. The "premiums" required to cover this potential loss are, in ~~most~~ ^{all} states ~~paid solely by the employer, although in~~ ^{except Alaska and New Jersey,} Alaska ~~the cost is shared between the employer and the worker~~ Alaskan employers carry 80% of the direct costs and the workers pay 20% of these costs through payroll taxes.

New Jersey capped @ about \$42-1/yr.
AK EE's contrib. via @ about \$133-1/yr.

With any program that compensates individuals while they are not working, there has always been a concern that the goal of providing temporary, partial wage replacement not inadvertently provide a disincentive to returning to work. In striving to provide sufficient temporary income to enable the

worker to "bridge the gap" between jobs while meeting non-deferrable expenses ^(such as food, shelter and fuel) a target of 50% wage replacement has been used most frequently.

According to figures provided by the US Department of Labor, Alaska ranks not only below all other states in the adequacy of wage replacement provided by its Unemployment Insurance program, but also below the District of Columbia and Puerto Rico.

Benefit amounts are based on the amount of wages a worker earns during a prescribed "base period". Workers with higher earnings, whose loss of work has a higher financial impact, generally receive a higher weekly benefit amount.

Under our current statute, the maximum benefit amount that can be paid to workers who have earned over \$26,750 is \$248 a week, regardless of whether the amount wages the worker lost was \$26,750 or \$50,000 a year. The maximum amount currently represents approximately 38% of the average weekly wage in the state.

The proposed legislation seeks to raise the maximum weekly benefit amount in Alaska in three steps to an amount roughly equal to one half of the current average weekly wage in the state, \$320. The first increase, to be effective January 1, 2002 would raise the amount to \$272. A second increase, to be effective January 1, 2003 would raise the amount to \$296 with the third increment effective January 1, 2003.

Clearly, there is a cost associated with increasing the wage replacement for Alaska's workers. The goal of closing the gap between our current maximum benefit amount and the target of 50% of the current average weekly wage is the largest financial hurdle. The total additional cost to the fund is anticipated to be approximately \$10 million. ^{\$8.0 by ERS \$2.0 by workers} This will result in an increase in taxes to the average employer of 9.6%. ^{over six years} However, as the costs used as the foundation of determining tax rates are derived from the average of the benefit outlays from the previous three state fiscal years, the increase resulting from this legislation will not impact taxes until 2003. The increases will be phased in during the following years, with the full impact being included in the tax calculations for 2008.

I appreciate your consideration of this legislation and remain available to answer any questions you may have.

Headquarters:
217 2nd Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515
ascjuno@ptialaska.net



Regional Office:
P.O. Box 91896
Anchorage, Alaska 99509
(907) 278-2722 FAX 278-6643
ascanch@ptialaska.net

ALASKA STATE CHAMBER OF COMMERCE

Position Statement

CSHB 58 (L&C) - Unemployment Compensation Benefits

CSHB 58 (L&C) proposes to increase the maximum weekly benefit amount (MWBA) for unemployment compensation by 29% above the present level. Alaska's employers would pay the cost of the increase, which is \$10 million. The Alaska State Chamber of Commerce believes this increase to be exorbitant.

Under CSHB 58, the increase would occur in three increments: from the current \$248 per week to \$272 in 2002; to \$290 in 2003; and to \$320 in 2004. Alaska is one of 12 states that also provide a supplemental weekly benefit of \$24 per dependent, up to 3 dependents, or \$72. Therefore, the maximum weekly benefit amount under current law ranges between \$248-\$320.

The stated goal of the Alaska Department of Labor is to have the MWBA be 50% of Alaska's average weekly wage, which they say is \$640. Under current law, the MWBA ranges between \$248 and \$320, or between 39% and 50% of the average weekly wage. With the proposed increase, the MWBA would range between 50% and 61% of the average weekly wage.

Alaska State Chamber of Commerce members responding to a survey on HB 58 said the following:

- 60% wanted no increase in the MWBA
- 12% supported an increase in the MWBA to \$284 (proposed in the original bill)
- 2% supported an increase in the MWBA to \$320
- 26% said the increase should be less than either of these amounts

86% of the respondents opposed the increases proposed in HB 58.

Recognizing that the last increase in the MWBA occurred 4 years ago and that some increase in the MWBA may be appropriate, the Alaska State Chamber is willing to support the increase to \$272 proposed in Section 1 of CSHB 58 (L&C). This is an increase of 10% and sets the MWBA in a range of between \$272-\$344, or between 43% and 54% of the average weekly wage.

We are opposed to the further increases proposed in Sections 2 and 3 of the bill.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 58
(H) Publish Date: 1/16/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Labor
Title: "An Act relating to the calculation and BRU: Employment Security
payment of unemployment compensation..."
Sponsor: Rules Committee Component: Unemployment Ins
Requester: Governor Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
New/Bldg Safety Acct						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: None

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation increases the maximum unemployment compensation weekly benefit amount (WBA) from \$248.00 to \$284.00 and increases the qualifying wages in the existing statutory table. There is no fiscal impact to the department as a result of this legislation.

Prepared by: Rebecca Gomez, Director Phone 465-2711
Division: Employment Security Date/Time 1/10/01 10:38 AM
Approved by: Ed Flanagan, Commissioner Date 1/10/2001
Agency: Department of Labor and Workforce Development

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FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 58(L&C)
 (H) Publish Date: 4/10/01

Revision Date/Time (Note if correction): (Cor. 3/16/01) Dept. Affected: Various
 Title: "An Act relating to the calculation and payment BRU: Various
of unemployment compensation benefits..." Component: Various
 Sponsor: Rules Committee
 Requester: (H)L&C Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	95.6	257.4	323.7	325.0	325.0	325.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	95.6	257.4	323.7	325.0	325.0	325.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type) <u>various</u>	95.6	257.4	323.7	325.0	325.0	325.0
TOTAL	95.6	257.4	323.7	325.0	325.0	325.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has a fiscal impact on the employer charge percentage charged all state agencies using the working reserves for unemployment insurance. The Fund Source is all funding sources that include Personal Services. The costs are based on a 3-year average annual usage (\$3,932,804 for FY 98 through FY 00).

The Alaska Department of Labor conducted an analysis of affected claimants to determine the estimates reflected above. Their analysis is attached. The methodology has been provided to the University of Alaska for their use in preparing a fiscal note on this proposed legislation.

Prepared by: Kim Ganiaro Phone: 465-3435
 Division: Finance Date/Time: 03/20/01
 Approved by: Jim Duncan, Commissioner Date: 3/22/01
 Agency: Department of Administration

For distribution information, call the Governor's Legislative Office

COMMITTEE COPY

Dept. of Administration's Fiscal Note

The original fiscal note for HB 58 was prepared by Dept. of Administration with the following estimates:

FY 2002	\$295 (Thousands)
FY 2003	\$590
FY 2004	\$590
FY 2005	\$590
FY 2006	\$590
FY 2007	\$590

The estimate of increased cost of HB 58 was based on the value of a working reserve fund for reimbursable state UI costs during the last three fiscal years. The reserves covered State Agencies, Courts, and Legislative Agencies, but not the University. The first part of the legislation raises the Maximum Weekly Benefit Amount (MWBA) from \$248 to \$284, which calculates to an increase of 15 percent. The fiscal note was prepared with an assumed 15 percent cost increase. In the note cost for the first year, FY2002, assumed 15% for half the year, since the new WBA would be in effect for only 6 months of the state fiscal year. The 15% for each full year after was then applied for FY 2003 – 2007.

Some basic facts about HB 58 are that the Maximum WBA would rise from the current \$248 to \$284 during the calendar year 2002. In the following calendar year, 2003, the MWBA would be determined by a formula based on the prevailing state average wage. Current data indicate that the resulting WBA would be set at approximately \$320.

The cost increase for state FY 2002 would include the increase for one-half of calendar year 2002, in which a MWBA of \$284 would be in place. The cost for state FY 2003 would include the increase for the second half of CY 2002, with a MWBA of \$284, PLUS the increase for the first half of CY 2003, in which a MWBA of roughly \$320 would be in place. The following state fiscal years, starting with FY 2004 would be impacted by the increases associated with the MWBA of roughly \$320.

The actual costs of the proposed legislation will be determined by the payment of benefits under the new benefit schedule, to qualified unemployed state employees. We know that most of the current state employee benefit recipients are not receiving the maximum benefit amount, and will not qualify for the new proposed maximum WBA's.

The fiscal note assumption of a 15% increase in cost, based on a 15% increase MWBA, is a conservative approach, but probably overstates the cost for the first year or two. The preparation of the fiscal note did not seem to take into account the second change in MWBA, from \$284 to roughly \$320, another 13 percent increase. These two factors together have a somewhat self-canceling effect, and the resulting estimates in the later fiscal years are not unreasonable.

Dept. of Labor & WD, R&A's estimates

A. R&A's Initial estimates include costs beyond those covered by the Fiscal Note

To generate its taxable employer cost estimates for HB 58, research and analysis used a special claimant file which stratifies claim payment activity by the qualifying wages of claimants. We have used CY 1998 as a representative year. The costs for 1998 were lower than 1999, and a bit higher than 2000, and are a reasonable representative of our current economy. In looking at state of Alaska reimbursable costs for the fiscal note, we followed the same approach, limiting our data to claimants with a state "ownership" code. Unlike the Department of Administration fiscal note, our original estimate included the University of

Alaska, The Alaska Railroad, Etc. Running the state claimant data through our model gave us the following rough results:

The annual cost increase resulting from a new Max WBA of \$284 would be approximately \$ 293,000.

The annual cost increase resulting from a new Max WBA of \$320 would be approximately \$ 498,000.

The claimants covered in the state data include every state entity, including the university, railroad, legislative branch, courts, etc. These estimates, therefore, cover a larger group than the DOA was considering in its fiscal note. Using these inclusive numbers we generated the following FY estimates, calculating the FY costs according to the effective WBA in place (see paragraph 4 above): FY 02 - \$147,000, FY 03 - \$396,000, FY 04 - \$498,000, FY 05 to 07 - \$500,000.

B. R&A adjusts its estimates to conform to the same parameters of coverage in the fiscal note developed by the Department of Administration

When we examine the reported amount of state total reimbursable costs, for the same group covered by the DOA's fiscal note, during the last three fiscal years (source ETA 2112 report), the average figure is \$ 3.9 million. These costs were predominantly State Administration, with minor costs for academic, fee agents, and elections.

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FY 2002	\$ 095,550
FY 2003	\$ 257,400
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FY 2005	\$ 325,000
FY 2006	\$ 325,000
FY 2007	\$ 325,000

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James Wilson
Asst. UI Actuary
Alaska Dept. of Labor and Workforce Development
465 4520

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSHB 58(L&C)
 (H) Publish Date: 4/10/01

Revision Date/Time (Note if correction): _____ Dept. Affected: University of Alaska
 Title: An Act relating to the calculation and payment of unemployment compensation benefits; and providing an effective date BRU: various
 Sponsor: Rules Committee Component: various
 Requester: Governor Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	15.8	46.5	61.3	63.4	65.3	67.2
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	15.8	46.5	61.3	63.4	65.3	67.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)	15.8	46.5	61.3	63.4	65.3	67.2
TOTAL	15.8	46.5	61.3	63.4	65.3	67.2

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has a fiscal impact on the employer charge percentage and thus the amount the University of Alaska pays for unemployment insurance. The Fund Source is all funding sources that include Personal Services. The costs are based on a 3-year average annual usage (\$640,000 FY99 thru FY01).

The University of Alaska used the estimates and methodology supplied by the Alaska Department of Labor from their analysis of affected claimants to prepare this fiscal note on the proposed legislation.

Prepared by: Pat Pitney Phone 474-5889
 Division: University of Alaska Date/Time 4/3/01 1:00 PM
 Approved by: _____ Date _____
 Agency: _____

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COMMITTEE COPY

HB

58

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/6/01

REPORTED
 MAY 11 8 2002

FURTHER:

DATE TURNED
IN TO OFFICE:

05/09/02

Finance Committee considered

CS FOR HOUSE BILL NO. 58(L&C)

HB 58 UNEMPLOYMENT COMPENSATION BENEFITS

"An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

and recommends:

- be replaced with 5 CS CS 58 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
forthcoming f/n's				

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS.	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Lynda Green</i>			✓	
<i>Walter Custer</i>			✓	
<i>Tommy Huffon</i>			✓	
<i>Deborah</i>			✓	
<i>James White</i>	✓			
<i>Loren D. Jensen</i>			✓	
COCHAIR: <i>Jan Paulsen</i>	✓			
COCHAIR: <i>Deborah</i>			✓	

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SCS for CSHB 58 (FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
 Title: Unemployment Compensation Benefits BRU: Employment Security
 Component: Unemployment Insurance
 Sponsor: Rules Committee
 Requester: Senate Finance Component Number: 2276

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: None

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation increases the maximum unemployment compensation weekly benefit amount (WBA) over a period of three years, from \$248.00 to \$320.00, and increases the qualifying wages in the existing statutory table. In calendar year 2002, the maximum WBA amount goes from \$248 to \$272. In calendar year 2003, the maximum WBA amount goes from \$272 to \$295. In calendar year 2004, the maximum WBA amount goes from \$295 to \$320.

There is no fiscal impact to the department as a result of this legislation.

Prepared by: Ronald Hull, Director Phone: 465-2711
 Division: Employment Security Division Date/Time: 5/9/02 5:22 PM
 Approved by: Ed Flanagan, Commissioner Date: 05/09/02
 Agency: Department of Labor and Workforce Development

For distribution information, call the Governor's Legislative Office

SENATE FINANCE
COMMITTEE

Amendment Number: # 2
Bill Number: HB 58
Sponsor: Olson Date: 5/8/02
Logged In By: Mindy

AMENDMENT

Offered in Senate Finance Committee
TO: CSHB 58 (L&C)

By Olson J

Page 15, line 1:

Delete "January 1, 2002"

Insert "July 1, 2002"