

ALASKA LEGISLATURE COMMITTEE FILES 1983-1986 86/2

4261 SRES SB 271

1147

out of work. We have only 100 members (local residents) working on the slope at this time. Compared to 600 residents last year who are on Book I. Local resident members who have lived in Alaska one year and have worked a certain number of hours (2,080 hours within the past four years) in the trade are dispatched first from Book I.

We have better than 32% Alaska natives in the Apprenticeship program at Fairbanks. These apprentices are from Barrow, Nome, Kotzebue, Galena, Tanana and Fort Yukon. Yet there are 40 apprentice wireman and 120 wireman out of work from the Fairbanks dispatch area.

We have 12% Alaska Natives in the Apprenticeship program in Anchorage and there are presently 70 apprentices out of work (34 wireman, 24 lineman, and 12 communication). Most of these Alaska Native apprentices are from the Bethel area.

We know that a majority of our local people are losing their jobs, primarily from out of state firms who are hiring their own people and bringing them up here to work on the slope.

I would like to mention several oil field firms who are doing just that:

1. GSL Oil Field Service - A firm out of Corpus Christi, Texas, who is working out of the Prudhoe Bay Hotel. They have up to 50-60 workers, mostly out of state, presently hired as maintenance road crews.
2. Pingo Oil Field Service - They hire maintenance people and are of state.
3. North Oilfield Service - Out of state people.
4. Udelhoven Oil Field Service - A good portion of their workers are out of state and work at Kapuruk.

These oil field services are mostly subcontracted by either ARCO or SOHIO.

VECO is another large firm who hires a lot of out of state workers.

The IBEW has not dispatched any non-resident since September 1984.

Out of approximately 300 total electricians working on the slope -- we can fairly say 200 are not local people. The situation

appears not to be getting any better for our local workers, but worse.

We have approximately 300 local people out of work from the Anchorage Dispatch office. This is a very large amount of our members unemployed. Many of these members, I am sure are drawing unemployment.

We have seen many situations where outside firms are awarded contracts only to hire people from outside. Case in point is the Irby Construction Company from Jackson, Mississippi, who received the contract to build the Inter-tie line between Fairbanks and Anchorage. You might say one-half of the line was built by out of state people.

I could continue on with more examples, but I feel I have painted a big enough picture for all of you to realize the situation our local resident members are up against. One only needs to come up on a flight out of Los Angeles, etc. to verify the number of out of state workers heading for the North Slope. The IBEW feels this bill would favorably help the economic picture of Alaska. The oil and gas industry needs to be more responsive to the needs of resident hire and this bill would provide just that.



LABORERS INTERNATIONAL UNION OF NORTH AMERICA

LOCAL NUMBER 942

OFFICES: 315 BARNETTE ST., FAIRBANKS, ALASKA 99701 PHONE (907) 456-4584
369 S. FRANKLIN STREET, JUNEAU, ALASKA 99801 PHONE (907) 586-2860

WILLIE LEWIS
President

JOE J. THOMAS
Business Manager and
Secretary-Treas.

JUNEAU OFFICE
JAMES R. WAKEFIELD
Assistant
Business Manager

The following is a breakdown of people dispatched to work through Laborers Local #942 between January 1984 and April 10, 1985.

Total Dispatched - 4278
Residents - 3923
Nonresidents - 355
92% Resident Hire

Total dispatched from Fairbanks hall for work at Prudhoe Bay.

Total - 1833
Residents - 1620
Nonresidents - 213*
88% Resident Hire

*Better than 90% of this figure was name requests by Employer.

Total dispatched from Fairbanks hall for all work other than Prudhoe Bay.

Total - 2030
Residents - 1896
Nonresidents - 134
93% Resident Hire

Total dispatched from Juneau and Ketchikan halls (includes all of South-eastern Alaska.)

Total - 415
Residents - 407
Nonresidents - 8*
98% Resident Hire

*All eight were name requests by Employers as foremen or individuals with special skills.

Total dispatched by all three Local #942 Hiring Halls (Fairbanks, Juneau, Ketchikan) for work other than Prudhoe Bay.

Total - 2445
Residents - 2303
Nonresidents - 142
94% Resident Hire

MR. CHAIRMAN AND MEMBERS OF THE SENATE LABOR AND COMMERCE. MY NAME IS CHARLIE ELDER AND I AM AN EMPLOYEE OF SOHIO AS AN EXECUTIVE CONSULTANT FOR OUR INTEREST IN ALASKA.

MY PURPOSE TODAY IS TO LAY ON THE TABLE SOHIO'S OBJECTIONS AND COMMENTS ON SENATE BILL 271, AND I WILL ATTEMPT TO BE BRIEF. I WILL BE GLAD TO HAVE QUESTIONS AT ANY TIME DURING MY COMMENTS. AND, OF COURSE, IT WILL BE OPEN SEASON AT THE CONCLUSION OF MY REMARKS. I WILL COMMENT TODAY ON A NUMBER OF PROVISIONS OF SB271, BUT OVERRIDING ALL OF THE LATER STATEMENTS IS THE FACT THAT THIS BILL GREATLY ERODES OUR RIGHT TO MANAGE. THIS IS AN INHERENT RIGHT AND ABSOLUTELY NECESSARY IF WE ARE TO DO THE BEST JOB IN THE INTEREST OF OUR COMPANY, EMPLOYEES, AND STOCKHOLDERS. IN VIEW OF THE STAKE THE STATE OF ALASKA HAS IN OUR PERFORMANCE, SUCCESSES AND FAILURES, THE LACK OF MANAGEMENT CONTROL, I BELIEVE, WILL FAR OUTWEIGH THE PROVISIONS OF THIS BILL AND SHOULD BE A FACTOR IN YOUR DELIBERATIONS. THE "RIGHT TO MANAGE" IS UNIVERSALLY RECOGNIZED AND IN MY NEARLY 40 YEARS WITH SOHIO I HAVE NEVER SIGNED A CONTRACT (AND THERE HAVE BEEN MANY) WITH A UNION OR A NONUNION CONTRACTOR WHICH DID NOT CONTAIN REFERENCE TO MANAGEMENT RIGHTS AS FOLLOWS:

MANAGEMENT RIGHTS

SOHIO RETAINS FULL AND EXCLUSIVE AUTHORITY FOR THE MANAGEMENT OF ITS OPERATION. SOHIO RETAINS THE RIGHT TO DIRECT THE WORKING FORCE, INCLUDING THE HIRING, PROMOTIONS,

TRANSFERS, DISCIPLINE OR DISCHARGE OF EMPLOYEES: THE SELECTION OF FOREMAN; THE ASSIGNMENT OF OVERTIME WORK AND THE DETERMINATION OF WHEN IT SHALL BE WORKED. NO RULES, CUSTOMS, OR PRACTICES WHICH LIMITS OUR PRODUCTIVITY, EFFICIENCY OR THE INDIVIDUAL AND/OR JOINT WORKING EFFORTS OF EMPLOYEES SHALL BE PERMITTED.

SB271 REMOVES FROM SOHIO A LARGE PORTION OF THESE MANAGEMENT RIGHTS AND WE BELIEVE IN THE OVERALL IT WILL WORK TO THE DETRIMENT OF THE STATE. NONE OF THE FOREGOING SHOULD BE INTERPRETED THAT SOHIO WILL NOT CONTINUE ITS GOOD FAITH EFFORT TO HAVE ALASKANS IN THE JOBS WITHOUT A LEGISLATIVE REQUIREMENT TO DO SO.

THE FOREGOING IS OUR BASIC OBJECTION, BUT WE HAVE THE FOLLOWING ADDITIONAL QUESTIONS AND COMMENTS:

- I. IF THE BILL IS UNCONSTITUTIONAL WE WILL ALL FIND OUT LATER, BUT PASSING THIS QUESTION FOR THE MOMENT, IT APPEARS THE BILL IS PUNITIVE IN NATURE OR PERHAPS THE KINDEST THING THAT COULD BE SAID IS THAT IT'S GROSSLY UNFAIR IN THAT ITS APPLICATION IS LIMITED TO THE OIL INDUSTRY AND ITS SUPPORT CONTRACTORS - NOT MENTIONING OUR OTHER INDUSTRIES UTILIZING MUCH HIGHER PERCENTAGES OF NONRESIDENTS.

AN ALASKAN DOL ANALYSIS UPDATED TO MARCH 31, 1985 CONTINUES AS FOLLOWS NONRESIDENT EMPLOYMENT IN BUSINESSES AND INDUSTRIES IN THE STATE.

- A. FOOD PROCESSING (75% NONRESIDENTS).
- B. EATING AND DRINKING PLACES (51%).
- C. MINING OTHER THAN OIL AND GAS (48%).
- D. LOGGING AND LUMBER (48%)
- E. CONSTRUCTION (45%).
- F. HOTELS (44%).
- G. BUSINESS SERVICES (44%).
- H. FISHERIES ?
- I. TOURISM ?

THE OIL INDUSTRY DOES NOT EVEN MAKE THE SCOREBOARD. BY WHAT LOGIC ARE THESE BUSINESSES EXCLUDED FROM SB 271? THIS INFORMATION FLIES IN THE FACE OF LEGISLATIVE FINDINGS (2).

2. LEGISLATIVE FINDINGS (4) (5) REFERS TO THE INVESTMENT BY THE STATE IN TRAINING PROGRAMS. WHILE I AM NOT FAMILIAR WITH ANY SPECIFIC TRAINING PROGRAMS CONDUCTED FOR THE PRIVATE SECTOR, WE APPRECIATE AND COMMEND THE STATE FOR THEIR SUPPORT OF VOCATIONAL EDUCATION. SOHIO HAS MADE SUBSTANTIAL USE OF THESE FACILITIES TO TRAIN ALASKAN WORKERS. WE HAVE PAID TUITION OF \$125,000 OVER THE LAST FIVE YEARS TO THE VOC-ED FACILITIES AND HAVE ALSO AWARDED SCHOLARSHIPS AMOUNTING TO \$38,000 TO GRADUATES THROUGHOUT THE STATE FOR ATTENDANCE AT OTHER INSTITUTIONS. WE DO NOT BELIEVE THE STATE'S INVESTMENTS H. BEEN OF LITTLE AVAIL.

3. SECTION 38.45.030 RESIDENT HIRE PASSES THE RESPONSIBILITY OF PREPARING REGULATIONS AND ADMINISTERING PROVISIONS OF THE BILL TO THE COMMISSIONER OF LABOR AND THE COMMISSIONER OF THE DEPARTMENT OF NATURAL RESOURCES.

THE COMMISSIONER OF LABOR IS CHARGED WITH 17 DISTRICT RESPONSIBILITIES, INCLUDING THE ASSESSMENT PENALTIES, WHICH I WILL NOT REPEAT.

THE COMMISSIONER OF DNR HAS THE RESPONSIBILITY TO STUDY AND EVALUATE DOL CERTIFICATION, INVESTIGATION AND HOLD HEARINGS, - AND, IF WILLFULL NONCOMPLIANCE IS DETERMINED THE COMMISSIONER CAN IMPOSE SEVERE PENALTIES.

IN ADDITION, DOL OR DNR MAY SEEK INJUNCTIVE RELIEF AGAINST A PERSON WHO IS NOT IN COMPLIANCE.

4. INsofar AS THE EMPLOYER IS CONCERNED HE MUST, IN THE INTEREST OF GOOD BUSINESS, CONSIDER AND MAKE A JUDGMENT ON AT LEAST ELEVEN ISSUES, MOST OF WHICH ENCROACH ON HIS RIGHT TO MANAGE.
5. INsofar AS THE STATE IS CONCERNED SB271 CERTAINLY DOES NOT ENCOURAGE INVESTMENT IN OIL DEVELOPMENT, AND IT COULD PREVENT THE LOWEST COST DEVELOPMENT WHICH MAY BE NECESSARY FOR FOR THE MARGINAL FIELDS WE EXPECT TO BE WORKING WITH.

IF PASSED, SB271 WILL CERTAINLY RESULT IN HIGHER ADMINISTRATIVE COSTS IF ALL OF THE PROVISIONS ARE CARRIED OUT. I AM CURIOUS AS TO WHETHER OR NOT THIS POINT HAS BEEN CONSIDERED.

THE STATE WILL ACQUIRE A BILL THAT IS BASICALLY UNINFORCEABLE, AND ASSURES THE CERTAINTY OF MANY LAWSUITS FILED BY INDIVIDUALS, THE INDUSTRY AND ITS ASSOCIATED CONTRACTORS.

6. FINALLY, IT'S COUNTERPRODUCTIVE TO THE STATE POLICY
- CONTAINED IN SECTION 38.45.010.

THIS CONCLUDES MY PREPARED REMARKS.

Offered: 4/25/86
Referred: Judiciary and
Finance

Original sponsors: Faiks, Josephson,
Sturgulewski, et al

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 367 (L&C) am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to Alaskan resident employment
7 preference; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. PURPOSE. The legislature recognizes that the state has a
10 significant unemployment problem. This Act is intended to better fulfill
11 the state's duty of loyalty to its citizens, reduce unemployment among
12 residents of the state, remedy social harms resulting from chronic unem-
13 ployment, and assist economically and socially disadvantaged residents. If
14 the courts find that a portion of AS 36.10 is unconstitutional, the public
15 interest requires that the remaining portions be implemented as fully as
16 possible.

17 * Sec. 2. AS 36.10.005 is amended by adding new subsections to read:

18 (c) The legislature finds that the following factors are reason-
19 able but not exclusive indicators of the ratio of nonresident to
20 resident employees in the state:

21 (1) the ratio of applicants for unemployment insurance who
22 list out-of-state residences to applicants who list residences in the
23 state;

24 (2) the ratio of employees who are subject to unemployment
25 insurance coverage and who did not apply for or were denied a perma-
26 nent fund dividend to employees who were found eligible for a divi-
27 dend.

28 (d) The legislature finds that

29 (1) the number of state residents who are unable to find

1 work is considerably higher than is reflected by unemployment rates
2 based on nationally accepted measures;

3 (2) many rural state residents who wish to work do not seek
4 employment as frequently as necessary to meet federal definitions of
5 unemployment because of continuing lack of employment opportunities in
6 rural areas of the state.

7 * Sec. 3. AS 36.10.070 is repealed and reenacted to read:

8 Sec. 36.10.070. UNAVAILABILITY OF PREFERRED WORKERS. (a) An
9 employer subject to hiring requirements under this chapter may request
10 the Department of Labor to assist in locating qualified, eligible
11 employees. After receiving a request for assistance, the department
12 shall refer qualified, eligible, available residents to the employer
13 to fill the employer's hiring needs. The employer shall cooperate
14 with the department.

15 (b) If the department is unable to refer a sufficient number of
16 qualified, eligible, available residents able to perform the work, the
17 commissioner of labor may approve the hiring of residents who are not
18 eligible for preference and nonresidents for the balance of the re-
19 quest.

20 * Sec. 4. AS 36.10.075 is amended by adding a new subsection to read:

21 (b) The commissioner of labor shall adopt regulations to encour-
22 age and require the hiring of residents to the maximum extent permit-
23 ted by law.

24 * Sec. 5. AS 36.10 is amended by adding new sections to read:

25 Sec. 36.10.130. RESIDENT HIRE REPORT. The attorney general and
26 the commissioner of labor shall report annually to the legislature and
27 the governor on the status of employment in the state, the effect of
28 nonresident employment on the employment of residents in the state,
29 and methods to increase resident hire. The report shall be submitted

1 by January 31 of each year.

2 Sec. 36.10.140. ELIGIBILITY FOR PREFERENCE. (a) A person is
3 eligible for an employment preference under this chapter if the person
4 certifies eligibility as required by the Department of Labor, is a
5 resident, and

6 (1) is receiving unemployment benefits under AS 23.20 or
7 would be eligible to receive benefits but has exhausted them;

8 (2) is not working and has registered to find work with a
9 public or private employment agency or a local hiring hall;

10 (3) is underemployed or marginally employed as defined by
11 the department; or

12 (4) has completed a job-training program approved by the
13 department and is either not employed or is engaged in employment that
14 does not use the skills acquired in the job-training program.

15 (b) In approving job-training programs under (a) of this sec-
16 tion, the department shall use information and findings from other
17 state and federal agencies as much as possible.

18 (c) An employer subject to a resident hiring requirement under
19 this chapter shall certify that persons employed as residents under
20 the preference were eligible for the preference at the time of hiring.

21 (d) A labor organization that dispatches members for work on a
22 public works project under a collective bargaining agreement shall
23 certify that persons dispatched as residents to meet a preference were
24 eligible for the preference at the time of dispatch.

25 (e) An employer or labor organization may request assistance
26 from the Department of Labor in verifying the eligibility of an
27 applicant for a hiring preference under this chapter.

28 Sec. 36.10.150. DETERMINATION OF ZONE OF UNDEREMPLOYMENT. (a)
29 Immediately following a determination by the commissioner of labor

1 that a zone of underemployment exists, and for the next two fiscal
2 years after the determination, qualified residents of the zone who are
3 eligible under AS 36.10.140 shall be given preference in hiring for
4 work on each project under AS 36.10.180 that is wholly or partially
5 sited within the zone. The preference applies on a craft-by-craft or
6 occupational basis.

7 (b) The commissioner of labor shall determine the amount of work
8 that must be performed under this section by qualified residents who
9 are eligible for an employment preference under AS 36.10.140. In
10 making this determination, the commissioner shall consider the nature
11 of the work, the classification of workers, availability of eligible
12 residents, and the willingness of eligible residents to perform the
13 work.

14 (c) The commissioner shall determine that a zone of underemploy-
15 ment exists if the commissioner finds that

16 (1) the rate of unemployment within the zone is substan-
17 tially higher than the national rate of unemployment;

18 (2) a substantial number of residents in the zone have
19 experience or training in occupations that would be employed on a
20 public works project;

21 (3) the lack of employment opportunities in the zone has
22 substantially contributed to serious social or economic problems in
23 the zone; and

24 (4) employment of workers who are not residents is a pecu-
25 liar source of the unemployment of residents of the zone.

26 Sec. 36.10.160. PREFERENCE FOR RESIDENTS OF ECONOMICALLY DIS-
27 TRESSED ZONES. (a) Immediately following a determination by the
28 commissioner that an economically distressed zone exists, and for the
29 next two fiscal years after the determination, qualified residents of

1 the zone who are eligible under AS 36.10.140 shall be given preference
2 in hiring for at least 50 percent of employment on each project under
3 AS 36.10.180 that is wholly or partially sited within the zone. The
4 preference applies on a craft-by-craft or occupational basis.

5 (b) The commissioner shall determine that an economically dis-
6 tressed zone exists if the commissioner finds that

7 (1) the per capita income of residents of the zone is less
8 than 90 percent of the per capita income of the United States as a
9 whole, or the unemployment rate in the zone exceeds the national rate
10 of unemployment by at least five percentage points;

11 (2) the lack of employment opportunities in the zone has
12 substantially contributed to serious social or economic problems in
13 the zone; and

14 (3) employment of workers who are not residents is a pecu-
15 liar source of unemployment of residents of the zone.

16 Sec. 36.10.170. PREFERENCE FOR ECONOMICALLY DISADVANTAGED MINOR-
17 TTY RESIDENTS. (a) Immediately following a determination by the
18 commissioner that the minority residents of a zone are economically
19 disadvantaged, and for the next two fiscal years after the determina-
20 tion, qualified minority residents of the zone who are eligible under
21 AS 36.10.140 shall be given preference in hiring for at least 25
22 percent, or a percent representative of the civilian minority resi-
23 dents in the zone, whichever is greater, of employment on each project
24 under AS 36.10.180 that is wholly or partially sited within the zone.
25 The preference applies on a craft-by-craft or occupational basis.

26 (b) The commissioner shall determine that the minority residents
27 of a zone are economically disadvantaged if the commissioner finds
28 that

29 (1) the percentage of civilian minority residents in the

1 zone exceeds the percentage of civilian minority residents in the
2 state;

3 (2) either the percent of unemployment of civilian minority
4 residents of the zone is at least two times the percent of unemploy-
5 ment of nonminority residents of the zone or the civilian minority
6 population of the zone has suffered past economic discrimination;

7 (3) the economic disadvantage of civilian minority resi-
8 dents of the zone has substantially contributed to serious social or
9 economic problems in the zone; and

10 (4) employment of workers who are not residents is a pecu-
11 liar source of unemployment of civilian minority residents of the
12 zone.

13 (c) In this section, a person is considered to be a member of a
14 minority if the person is Hispanic, Asian or Pacific Islander, Ameri-
15 can Indian or Alaskan Native, or Black as those terms are defined by
16 the Equal Employment Opportunity Commission.

17 Sec. 36.10.175. PREFERENCE FOR ECONOMICALLY DISADVANTAGED FEMALE
18 RESIDENTS. (a) Immediately following a determination by the commis-
19 sioner that the female residents of a zone are economically disadvan-
20 taged, and for the next two fiscal years after the determination,
21 qualified female residents of the zone who are eligible under AS 36.-
22 10.140 shall be given preference in hiring for at least 25 percent of
23 employment on each project under AS 36.10.180 that is wholly or par-
24 tially sited within the zone. The preference applies on a craft-by-
25 craft or occupational basis.

26 (b) The commissioner shall determine that the female residents
27 of a zone are economically disadvantaged if the commissioner finds
28 that

29 (1) either the percent of unemployment of female residents

1 of the zone is at least two times the percent of unemployment of male
2 residents of the zone or the female population of the zone has suf-
3 fered past economic discrimination;

4 (2) the economic disadvantage of female residents of the
5 zone has substantially contributed to serious social or economic prob-
6 lems in the zone; and

7 (3) employment of workers who are not residents is a pecu-
8 liar source of unemployment of female residents of the zone.

9 Sec. 36.10.180. PROJECTS SUBJECT TO PREFERENCE. (a) The pref-
10 erences established in AS 36.10.150 - 36.10.175 apply to work per-
11 formed

12 (1) under a contract for construction, repair, preliminary
13 surveys, engineering studies, consulting, maintenance work, or any
14 other retention of services necessary to complete a given project that
15 is let by the state or an agency of the state, a department, office,
16 state board, commission, public corporation, or other organizational
17 unit of or created under the executive, legislative or judicial branch
18 of state government, including the University of Alaska and the Alaska
19 Railroad Corporation, or by a political subdivision of the state
20 including a regional school board with respect to an educational
21 facility under AS 14.11.020;

22 (2) on a public works project under a grant to a municipal-
23 ity under AS 37.05.315;

24 (3) on a public works project under a grant to a named
25 recipient under AS 37.05.316;

26 (4) on a public works project under a grant to an unincor-
27 porated community under AS 37.05.317; and

28 (5) on any other public works project or construction
29 project that is funded in whole or in part by state money.

1 (b) If the governor has declared an area to be an area impacted
2 by an economic disaster under AS 44.33.285, then the preference for
3 residents of the area established under AS 44.33.285 - 44.33.310
4 supersedes the preference under AS 36.10.150 - 36.10.175 for contracts
5 awarded by the state.

6 (c) The commissioner shall define the boundaries of a zone
7 within which a preference applies.

8 Sec. 36.10.190. REPORTING PROVISIONS. An employer obligated to
9 meet resident hire requirements under this chapter shall comply with
10 the reporting provisions that the commissioner of labor determines are
11 reasonably necessary to carry out this chapter. Except for statis-
12 tical data, all information regarding specific employees is confiden-
13 tial and may not be released by the Department of Labor. However,
14 confidential employee information may be shared between departments
15 for purposes of this chapter.

16 Sec. 36.10.200. CRIMINAL PENALTIES. (a) A person who makes a
17 false sworn statement in connection with a certification of eligibil-
18 ity for an employment preference under this chapter is subject to
19 criminal prosecution for perjury as provided in AS 11.56.200.

20 (b) A person who makes an unsworn falsification, with the intent
21 to mislead a public servant in the performance of a duty, in connec-
22 tion with a certification of eligibility for an employment preference
23 under this chapter, is subject to criminal prosecution as provided in
24 AS 11.56.210.

25 Sec. 36.10.210. CIVIL PENALTIES. (a) In addition to any crimi-
26 nal penalties imposed, after a hearing the department may impose a
27 civil penalty on a person who, in connection with certification of
28 eligibility for an employment preference under this chapter,

29 (1) made a false sworn statement; or

1 (2) made an unsworn falsification with intent to mislead a
2 public servant in the performance of a duty.

3 (b) The amount of the civil penalty under (a) of this section
4 for a person who falsely certifies that the person is eligible for an
5 employment preference under this chapter is not more than \$400 for
6 each false certification.

7 (c) The amount of the civil penalty under (a) of this section
8 for an employer who falsely certifies that employees are residents
9 eligible for a preference under this chapter is not more than \$2,000
10 for each of the first five false certifications. The penalty for the
11 sixth false certification made by an employer and for each false
12 certification thereafter is at least \$2,000 and not more than \$4,000.

13 Sec. 36.10.900. EFFECT OF JUDICIAL DECISIONS. If a provision of
14 this chapter, or the application of a provision to a person or circum-
15 stance, is held invalid, the remainder of this chapter and the appli-
16 cation to other persons or circumstances shall not be affected by the
17 holding. The remainder shall be enforced to the greatest extent
18 constitutionally permissible under the constitutions of the United
19 States and the State of Alaska.

20 Sec. 36.10.990. DEFINITIONS. In this chapter

21 (1) "qualified" means possesses the requisite education,
22 training, skills, or experience to perform the work;

23 (2) "zone" includes a census area in the state, an economic
24 region of the state, and the state as a whole.

25 * Sec. 6. AS 36.95.010 is amended by adding a new paragraph to read:

26 (9) "resident" means a person who establishes residency
27 under AS 01.10.055.

28 * Sec. 7. AS 37.05.315 is amended by adding a new subsection to read:

29 (e) The Department of Labor shall require a municipality awarded

1 a grant for a public works project under (a) of this section to comply
2 with the hiring preferences under AS 36.10.150 - 36.10.175 for employ-
3 ment generated by the grant.

4 * Sec. 8. AS 37.05.316 is amended by adding a new subsection to read:

5 (b) The Department of Labor shall require a recipient awarded a
6 grant for a public works project under (a) of this section to comply
7 with the hiring preferences under AS 36.10.150 - 36.10.175 for employ-
8 ment generated by the grant.

9 * Sec. 9. AS 37.05.317 is amended by adding a new subsection to read:

10 (b) The Department of Labor shall require the qualified incor-
11 porated entity awarded a grant or agents or contractors with whom the
12 Department of Community and Regional Affairs contracts under (a) of
13 this section to comply with the requirements of AS 36.10.150 - 36.10.-
14 175 for employment generated by the grant or contract if the grant or
15 contract is for a public works project.

16 * Sec. 10. The provisions of this Act do not apply to a contract en-
17 tered into before the effective date of this Act unless the contract in-
18 cludes a provision requiring compliance with laws regarding the hiring of
19 Alaska residents that take effect during the term of the contract.

20 * Sec. 11. AS 36.10.010 and AS 36.95.010(4) and (5) are repealed.

21 * Sec. 12. This Act takes effect immediately in accordance with AS 01.-
22 10.070(c).

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 4/3/86

REQUEST

Bill/Resolution No. : CSSS SB 271 (Resources)
 Title : "An Act requiring resident hire
 on certain natural resources projects.."
 Sponsor : Josephson, Kerttula, et al.
 Requestor : Resources
 Date of Request : 4/2/86

FISCAL DETAIL

Agency Affected : Labor
 BRU : Labor Standards and Safety
 Components : Wage and Hour

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		113.9	231.4	231.4	231.4	231.4
TRAVEL		17.0	47.7	49.6	51.6	53.7
CONTRACTUAL		21.0	12.2	12.7	13.2	13.7
SUPPLIES		2.0	3.6	3.7	3.8	3.9
EQUIPMENT		4.8	4.8	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	158.7	299.7	297.4	300.0	302.7

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	0	158.7	299.7	297.4	300.0	302.7
FEDERAL FUNDS						
OTHER						
TOTAL	0	158.7	299.7	297.4	300.0	302.7

POSITIONS :

FULL-TIME	0	3	6	6	6	6
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : *Robert J. Bacolas Sr.* Phone : 465-4870
 Division : Labor Standards & Safety Date : 4/3/86
 Approved by Commissioner : *Jim Robison* Date : 4/3/86
 Agency : Labor

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSS SB 271

In order to carry out the monitoring activities, investigations, and hearings required of this bill the Department of Labor would need the following resources:

FY 87

Two Wage and Hour Investigator I's and one Clerk-Typist III would be required. Costs and duties associated with these positions are detailed on the attached Request for New Position forms.

In addition to these costs, these would be a one time expense of \$15,000 to develop software and lease equipment to capture residency information.

FY 88 and beyond

Major Prudhoe and Kuparuk unitization agreements are due to be renegotiated in FY 88. At that time the agreements will be covered by the provisions of this bill. An additional Wage and Hour Investigator located in Fairbanks and two Wage and Hour Technicians will be required. Costs associated with these positions are summarized below:

	<u>W&H Tech. Anchorage</u>	<u>W&H Tech. Anchorage</u>	<u>W&H Invest. I Fairbanks</u>
Personal Service	33.6	33.6	50.3
Travel	0	0	15.0
Contractual	2.0	2.0	2.0
Commodities	.5	.5	.5
Equipment	1.6	1.6	1.6
	<u>37.7</u>	<u>37.7</u>	<u>69.4</u>

Also, an additional \$15,000 in travel expense would be incurred by existing positions for travel to the North Slope.

Assumptions

1. The major unitization agreements (Prudhoe Bay and Kuparuk) will not be covered by this bill until FY 88 when the agreements are renegotiated.
2. Inflation on non-personal services items would be 4% per year.

Position Title Wage and Hour Investigator I			No. of Positions 2	Range/Step 15A	Barg. Unit GGU	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12	RP Number	Location Anchorage		Election District	Leg.		
Type of Expenditure			Justification					
Amount			<p>These positions would monitor new or re-negotiated oil and gas leases and other natural resources projects on state land to ensure compliance with resident hire laws. They would also hold hearings when requested.</p> <p>The positions would interact with the Department of Natural Resources and industry contacts to establish an effective monitoring procedure.</p> <p>Travel costs are to establish monitoring procedures and for monitoring compliance with resident hire laws.</p> <p>Contractual and commodity costs are average per position costs. The equipment costs are for desks, chairs, cabinets, etc., and are one-time costs.</p>					
1	2	3						
Salary	67,320							
Benefits	20,196							
Premium Pay								
Other								
Total Personal Services		87,516						
Travel		17,000						
Contractual		4,000						
Commodities		1,000						
Equipment		3,200						
Other								
Total Cost		112,716						
Receipt Code	Funding Source							
	Federal Receipts	1002						
	G. F. Match	1003						
	General Funds	1004	112,716					
	I-A Receipts	1005						
	Program Receipts	1028						
	CIP Receipts	1061						
	Other							
For B&M Use Only								
Key Number _____								

**Request For
New Position**

Agency Labor
 BRU Labor Standards and Safety
 Component Wage and Hour

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 Revised Date _____

FY 87

Position Title Clerk Typist III			No. of Positions 1	Range/Step 8A	Barg. Unit GGI	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12	RP Number	Location Anchorage		Election District	Leg.		
Justification								
This position would provide typing, filing and data entry under the provisions of this bill.								
Contractual and commodities costs are average per employee costs. The equipment costs are for a desk, chair, cabinets, etc., and are a one-time item.								
Type of Expenditure			Amount					
1	2	3						
Salary	20,316							
Benefits	6,095							
Premium Pay								
Other								
Total Personal Services		26,411						
Travel		-0-						
Contractual		2,000						
Commodities		1,000						
Equipment		1,600						
Other								
Total Cost		31,011						
Receipt Code			Funding Source					
			Federal Receipts 1002					
			G. F. Match 1003					
			General Funds 1004 31,011					
			I-A Receipts 1005					
			Program Receipts 1028					
			CIP Receipts 1061					
			Other					
For B&M Use Only Key Number _____								

**Request For
New Position**

Agency Labor
 BRU Labor Standards and Safety
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 Revised Date _____

FY 87

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 4/3/86

REQUEST

Bill/Resolution No. : CSSSSB 271 (Resources)
 Title : "An Act requiring resident hire
 on certain natural resources projects..."

Sponsor : Josephson, Kerttula, et al
 Requestor : Resources
 Date of Request ; 4/2/86

FISCAL DETAIL

Agency Affected : Labor
 BRU : Administrative Services

Components : Special Services

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		133.6	133.6	133.6	133.6	133.6
TRAVEL		0	0	0	0	0
CONTRACTUAL		193.7	204.0	242.2	241.1	247.2
SUPPLIES		1.2	1.2	1.3	1.3	1.4
EQUIPMENT		4.0	.8	.9	.9	1.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	332.5	339.6	378.0	376.9	383.2

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	0	332.5	339.6	378.0	376.9	383.2
FEDERAL FUNDS						
OTHER						
TOTAL	0	332.5	339.6	378.0	376.9	383.2

POSITIONS :

FULL-TIME		3	3	3	3	3
PART-TIME		1	1	1	1	1
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : *Brim Budy for* Judy Knight, Director Phone : 465-2720
 Division : Administrative Services Date : 4/03/86

Approved by Commissioner *Jim Robison* Jim Robison Date : 4/03/86
 Agency : Labor

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION OF FISCAL NOTE ANALYSIS
Bill/Resolution No. CSSSSB 271 (Resources)

This legislation was carefully drafted to maximize its chances in any future court challenge. This resulted in a complex set of area designations and determinations of resident preferences that are based on objective statistics. To make the determinations and designations specified in this legislation will require this department to collect and analyze extensive occupational information by area resident status. Our assumptions are as follows:

1. An annual report designating underemployment areas would be completed by January 31 of each year beginning in 1987.
2. On-going collection of occupational titles would be required from employers, and extensive computer matching would be necessary to determine residency status.
3. The collection of occupational titles from firms will be phased in over a three year period. Industries identified as having the highest dollar payments to nonresidents in 1984 would be targeted first:

First Year construction, oil and gas mining, and food processing;

Second Year all first year industries plus business services, local government, miscellaneous services, eating and drinking places, air transportation, and state government; and

Third Year all industries.

4. In addition to the occupational information, reporting of the residency status by industry and area would be necessary.
5. Information to make the determinations of Sec. 38.45.070 (b) will be developed as follows:

Nature of the work The Standard Industrial Classification (SIC) coding will be used for all information related to the employers' type of business. This will hold down costs and permit aggregate comparisons.

Classification of workers Nationally accepted occupational classification coding will be used for all information related to individuals' occupations.

Availability of eligible residents Our analysis will consider registered applicants in Job Service, employment, job turnover, unemployment and training program completers by occupation.

Willingness of eligible residents to perform the work This will be done in two stages:

- a) Estimates of eligible and available residents within each economic region will be evaluated relative to the projected employment for relevant occupations.
 - b) all occurrences where the Department is unable to assist an employer to place a qualified resident will be recorded as to the specific occupation and area. Subsequent cases will not require resident placement in that occupation and area until sufficient data exists to indicate that qualified residents are available.
6. Resident hire legislation requires comprehensive statistical support of the displacement of residents by nonresident workers, and the resulting social effects.
 7. Extensive mainframe data processing costs will be required. No one computer file has all of the information necessary for the analysis required by this legislation. Records of several files, with as many as 2 million records (UI wage items), have to be matched together by Social Security Number (SSN), and information on occupational titles and Certified Payrolls entered and edited.

An additional field for the occupational title will be added to all UI wage item reports from employers. As detailed in item #3 reporting from industries will be phased in. Costs are estimated to be \$20,000 in FY 87, \$40,000 in FY 88, and \$62,000 in FY 89. Increases in FY 90 and FY 91 are anticipated due to inflation and a greater number of firms.

Programming costs include: modification of programs used last year (\$2,000); development of new applications in FY 87 (\$25,500); and system maintenance, and analytical extractions (\$2,000) in all years. Estimated total programming costs are \$29,500 for FY 87 (983 hours @ \$30 per hour including all benefits and overhead), dropping to \$4,500 (150 hours @ \$30 per hour) in FY 88, and experiencing small inflationary costs in later years.

Primary processing will be done on the DOL computer. Costs are allocated to projects based upon use, in conformance with federal and state accounting requirements. Total data processing operations costs are estimated at \$116,000 in FY 87. Primarily due to the phase in of additional industries' occupational titles costs will increase to \$131,000 in FY 88, \$146,000 in FY 89, \$149,000 in FY 90, and \$152,000 in FY 91.

Microcomputers will be used for analysis and editing when possible to minimize costs.

8. Printing costs for the annual report are estimated at \$4,500 the first year with inflationary increases in FY 90 and FY 91. This is based upon an assumption of 1,500 copies at \$3 each.

9. Long distance phone calls will be done on a daily basis to verify the accuracy of occupational titles. The greatest number of calls will occur in the first year that an industry is surveyed. After the first three years the costs would drop.

Additional calls will be necessary each year to address the annual report requirement to determine "methods to increase resident hire." High nonresident employment by occupation, industry, and/or area will be identified in our statistical work. Calls will be made to follow up on the reasons for the high nonresident employment and solutions to increase resident hiring will be sought.

10. As currently drafted the statistical and analytical requirements of Senate Bill 271 closely parallel that of House Bill 466, and its Senate complement 367. If both pieces of legislation are enacted our fiscal note for House Bill 466 would also cover all of our costs for Senate Bill 271.

Summary of
Nonpersonal Services by Year

	FY 87	FY 88	FY 89	FY 90	FY 91
Travel	0	0	0	0	0
Key Entry	20,000	40,000	62,000	64,000	66,000
DP Operations	116,000	131,000	146,000	149,000	152,000
DP Applications	29,500	4,500	4,700	4,900	5,100
Printing	4,500	4,500	4,500	4,700	5,000
Long Distance Phone Service	12,000	12,500	13,000	6,000	6,200
Equipment Lease	8,000	8,300	8,700	9,000	9,400
Equipment Maintenance	800	800	900	900	900
Training, shipping, & Misc.	2,900	2,400	2,400	2,600	2,600
Total Contractual	193,700	204,000	242,200	241,100	247,200
Supplies	1,200	1,200	1,300	1,300	1,400
Equipment(desk,chair,software)	4,000	800	900	900	1,000

Position Title Labor Economist III			No. of Positions 1	Range/Step 18B	Barg. Unit GGU	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau		Election District	Leg.		
Type of Expenditure			Justification					
		Amount	<p>This position will have primary responsibility for the analysis of data, the preparation of the annual resident hire report, and the determination of the amount of work required in underemployed areas. Specifically, the duties would include:</p> <ol style="list-style-type: none"> 1) Coordinate the collection and monitor the validity of relevant resident hire related statistics from other agencies. 2) Coordinate the updating and crossmatching of resident hire related data files with the analyst programmer. 3) Develop, collect and analyze data that are required to determine the amount of work to be done by nonresidents in underemployed areas. 4) Supervise the statistical technician who will collect new data for the determination of work by nonresidents, and develop the occupational code conversion program. 5) Analyze microcomputer resident hire data bases to generate resident hire related tables and reports. 6) Supervise the Statistical Clerk that will prepare the basic resident hire data tables for the report. <p>Contractual services costs include equipment lease, training, and other miscellaneous items.</p>					
1	2	3						
Salary	40,188							
Benefits	12,283							
Premium Pay								
Other								
Total Personal Services		52,471						
Travel		0						
Contractual		3,600						
Commodities		365						
Equipment		1,400						
Other								
Total Cost		57,836						
Receipt Code	Funding Source							
	Federal Receipts 1002							
	G. F. Match 1003							
	General Funds 1004		57,836					
	I-A Receipts 1005							
	Program Receipts 1028							
	CIP Receipts 1061							
	Other							
For B&M Use Only Key Number _____								

**Request For
New Position**

Agency Labor
 BRU Administrative Services
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Position Title Labor Economist II			No. of Positions 1	Range/Step 16B	Barg. Unit GGU	Gov.	Approv.	Disapp.
Time Status PPT	Staff Months 3	RP Number	Location Juneau		Election District	Leg.		
Type of Expenditure			Justification					
1		2	3					
Salary		8,412	<p>This part-time position will be necessary to help the Labor Economist III analyze and compile data for the annual resident hire report. This position will work for three months prior to the report deadline.</p> <p>Specific duties include:</p> <p>1) Conduct exploratory data analysis of economic information that illustrates the effect of the nonresident worker in the Alaska economy; show the degree of displacement of residents by nonresidents.</p> <p>2) Use a microcomputer to prepare graphs tables and narrative that result from the exploratory data analysis.</p> <p>Contractual services include miscellaneous phone, training and equipment lease cost.</p>					
Benefits		4,965						
Premium Pay								
Other								
Total Personal Services		13,377						
Travel								
Contractual			900					
Commodities			100					
Equipment			0					
Other								
Total Cost			14,377					
Receipt Code		Funding Source						
		Federal Receipts 1002						
		G. F. Match 1003						
		General Funds 1004		14,377				
		I-A Receipts 1005						
		Program Receipts 1028						
		CIP Receipts 1061						
		Other						
For D&M Use Only								
Key Number _____								

**Request For
New Position**

Agency Labor
 BRU Administrative Services
 Component Special Services

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Position Title Statistical Technician I			No. of Positions 1	Range/Step 12B	Barg. Unit GGO	Gov.	Approv.	Disapp.																																												
Time Status PFT	Staff Months 12	RP Number	Location Juneau		Election District	Leg.																																														
<table border="1"> <thead> <tr> <th>Type of Expenditure</th> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td></td> <td>26,592</td> <td rowspan="4"></td> </tr> <tr> <td>Benefits</td> <td></td> <td>9,152</td> </tr> <tr> <td>Premium Pay</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Total Personal Services</td> <td></td> <td>35,744</td> </tr> <tr> <td colspan="4">Travel</td> </tr> <tr> <td>Contractual</td> <td></td> <td></td> <td>3,600</td> </tr> <tr> <td>Commodities</td> <td></td> <td></td> <td>365</td> </tr> <tr> <td>Equipment</td> <td></td> <td></td> <td>1,300</td> </tr> <tr> <td>Other</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="2">Total Cost</td> <td></td> <td>41,009</td> </tr> </tbody> </table>			Type of Expenditure	1	2	3	Salary		26,592		Benefits		9,152	Premium Pay			Other			Total Personal Services			35,744	Travel				Contractual			3,600	Commodities			365	Equipment			1,300	Other				Total Cost			41,009	Justification This position will have primary responsibility for assisting the Labor Economist III with the collection, and formulation of data for the resident hire report and for the determination of the amount of work to be done by nonresidents. This position will be heavily involved in the quality control of data collected. Specifically, the duties would include: 1) Collect and edit data to be used to analyze labor supply, and labor shortage of Alaska workers; collect and edit data on social variables to be correlated to the impact of unemployment. 2) Create and use quality control look up tables to ensure all data are properly coded; this includes industry, occupation, and area codes. 3) Use the microcomputer to load information into spreadsheets to show the occupational displacement of residents by nonresidents. 4) Prepare and update tables of economic information by resident status. Contractual services costs include phone, equipment lease, training, etc.				
Type of Expenditure	1	2	3																																																	
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For B&M Use Only Key Number _____																																																				

**Request For
New Position**

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Position Title Statistical Clerk			No. of Positions 1	Range/Step 108	Barg. Unit GAU	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12.0	RP Number	Location Juneau	Election District 4	Leg.			
Type of Expenditure			Justification					
		Amount	<p>This position will work on the quality control of occupational titles which would be submitted by employers each quarter. Specifically, the duties would be:</p> <ol style="list-style-type: none"> 1. Review detailed edit listings. 2. Update edit data files. 3. Call employers for clarification when necessary. 4. Correct occupational titles. 5. Prepare computer summaries of results. <p>Contractual costs for this position include phone, training, and other miscellaneous items.</p>					
1	2	3						
Salary	23,580							
Benefits	8,458							
Premium Pay								
Other								
Total Personal Services		32,038						
Travel		0						
Contractual		3,600						
Commodities		365						
Equipment		1,300						
Other								
Total Cost		37,303						
Receipt Code	Funding Source							
	Federal Receipts 1002							
	G. F. Match 1003							
	General Funds 1004		37,303					
	I-A Receipts 1005							
	Program Receipts 1028							
	CIP Receipts 1061							
	Other							
For B&M Use Only								
Key Number _____								

**Request For
New Position**

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**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 4/3/86

REQUEST

Bill/Resolution No.: CSSS SB 271 (Resources)
 Title: "An Act requiring resident hire on certain natural resources projects.."

Sponsor: Josephson, Kerttula, et al.

Requestor: Resources

Date of Request: 4/2/86

FISCAL DETAIL

Agency Affected: Labor
 BRU: Labor Standards and Safety

Components: Wage and Hour

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		113.9	231.4	231.4	231.4	231.4
TRAVEL		17.0	47.7	49.6	51.6	53.7
CONTRACTUAL		21.0	12.2	12.7	13.2	13.7
SUPPLIES		2.0	3.6	3.7	3.8	3.9
EQUIPMENT		4.8	4.8	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	158.7	299.7	297.4	300.0	302.7

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	0	158.7	299.7	297.4	300.0	302.7
FEDERAL FUNDS						
OTHER						
TOTAL	0	158.7	299.7	297.4	300.0	302.7

POSITIONS :

FULL-TIME	0	3	6	6	6	6
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Robert J. Bacolas Sr. Phone: 465-4870
 Division: Labor Standards & Safety Date: 4/3/86

Approved by Commissioner: Jim Robison Date: 4/3/86
 Agency: Labor

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSS SB 271

In order to carry out the monitoring activities, investigations, and hearings required of this bill the Department of Labor would need the following resources:

FY 87

Two Wage and Hour Investigator I's and one Clerk-Typist III would be required. Costs and duties associated with these positions are detailed on the attached Request for New Position forms.

In addition to these costs, these would be a one time expense of \$15,000 to develop software and lease equipment to capture residency information.

FY 88 and beyond

Major Prudhoe and Kuparuk unitization agreements are due to be renegotiated in FY 88. At that time the agreements will be covered by the provisions of this bill. An additional Wage and Hour Investigator located in Fairbanks and two Wage and Hour Technicians will be required. Costs associated with these positions are summarized below:

	<u>W&H Tech. Anchorage</u>	<u>W&H Tech. Anchorage</u>	<u>W&H Invest. I Fairbanks</u>
Personal Service	33.6	33.6	50.3
Travel	0	0	15.0
Contractual	2.0	2.0	2.0
Commodities	.5	.5	.5
Equipment	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
	37.7	37.7	69.4

Also, an additional \$15,000 in travel expense would be incurred by existing positions for travel to the North Slope.

Assumptions

1. The major unitization agreements (Prudhoe Bay and Kuparuk) will not be covered by this bill until FY 88 when the agreements are renegotiated.
2. Inflation on non-personal services items would be 4% per year.

Position Title Wage and Hour Investigator I			No. of Positions 2	Range/Step 15A	Org. Unit GGU	Gov.	Approv.	Disapp.
Time Status PFT	Staff Months 12	RP Number	Location Anchorage		Election District	Leg.		
Type of Expenditure			Justification					
Amount			<p>These positions would monitor new or re-negotiated oil and gas leases and other natural resources projects on state land to ensure compliance with resident hire laws. They would also hold hearings when requested.</p> <p>The positions would interact with the Department of Natural Resources and industry contacts to establish an effective monitoring procedure.</p> <p>Travel costs are to establish monitoring procedures and for monitoring compliance with resident hire laws.</p> <p>Contractual and commodity costs are average per position costs. The equipment costs are for desks, chairs, cabinets, etc., and are one-time costs.</p>					
1	2	3						
Salary	67,320							
Benefits	20,196							
Premium Pay								
Other								
Total Personal Services		37,516						
Travel		17,000						
Contractual		4,000						
Commodities		1,000						
Equipment		3,200						
Other								
Total Cost		112,716						
Receipt Code	Funding Source							
	Federal Receipts 1002							
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	Program Receipts 1028							
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	Other							
For B&M Use Only								
Key Number								

Request For
New Position

Agency Labor
BRU Labor Standards and Safety
Component Wage and Hour

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Revised Date

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Position Title Clerk Typist III			No. of Positions 1	Range/Step 8A	Barg. Unit GGL	Gov.	Approv.	Disapp.																																					
Time Status PFT	Staff Months 12	RP Number	Location Anchorage		Election District	Leg.																																							
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**Request For
New Position**

Agency Labor
 BRU Labor Standards and Safety
 Component Wage and Hour

Page 2 of 2
 Revised Date _____

FY 87

Local hire laws continue to push constitutional limits

Despite frequent setbacks in federal and state courts, state and local legislators — not just in Alaska, but around the country — continue their struggle to produce local hire laws that will meet constitutional requirements.

The United States Supreme Court ruled in 1978 that the Alaska Hire Act was unconstitutional because its broad terms discriminated too heavily against non-resident workers. The state legislature responded by enacting the present Local Hire law, which limits the coverage of the residency requirement to state-funded projects. In 1984, however, an Anchorage Superior Court judge ruled that the Local Hire law still did not meet constitutional requirements.

The Alaska Supreme Court is currently considering the Superior Court's decision on appeal. The high court had permitted the state to enforce the Local Hire law until the court reached its decision, but the court revoked that authority in July.

The Alaska legislature amended the Local Hire law this past session in an attempt to solve the constitutional problems that were identified by the Superior Court. It is unknown whether these amendments will do the job. Proponents of local hire legislation do find some cause for hope in a recent Wyoming Supreme Court decision that ruled that a Wyoming law, similar to Alaska's Local Hire law, was constitutional.

Another legislative means of favoring Alaska residents is the Alaska Bidder Preference Act. This law gives resident bidders a 5 percent advantage in competing for certain state contracts.

Although this law may be subject to the same constitutional problems that have plagued Local Hire, no one has, as yet, successfully challenged the Alaska Bidder Preference statute. Nonetheless, the legislature amended the act during the last session to improve the law's chances of withstanding a constitutional challenge if one arises.

Local governments also have made attempts to give their residents preference in hiring. The Fairbanks Assembly recently approved a resolution supporting local hire for its contracts. Municipal ordinances requiring local hire will be



Legal notes

Dick McCann

subject to the same constitutional requirements imposed on state legislation and may be ruled unconstitutional if they are not carefully drafted.

As another option, the legislature might also consider taxing out-of-state residents who work in Alaska. Many other cities and states have attempted to institute such "commuter taxes" and failed. In instances where the tax on non-residents is offset by taxes on residents, which demonstrates that non-residents are paying no more than their fair share, some local hire plans have succeeded.

Can the legislature produce a Local Hire law that will work? It can be done, but the state will have to convince the courts that there is a substantial unemployment problem in Alaska, that non-residents are a peculiar source of that problem, and that resident hiring requirements (the Local Hire law) are closely tailored to remedy that problem. The legislature's latest Local Hire amendments might be enough to satisfy these requirements.

The Local Hire amendments, as well as the Alaska Bidder Preference amendments, articulate policy reasons for favoring Alaska residents. Legislators hope that these new provisions will increase the chances that the Local Hire law will pass judicial scrutiny. We may have to wait a long time to find out whether the legislature's efforts were successful.

Even if the Alaska Supreme Court decides that the Local Hire statute is unconstitutional, that decision will not give us a definitive ruling on the constitutionality of the amended statute.

Dick McCann has been a practicing attorney for 15 years and is managing partner of Perkins Coie's Anchorage office.

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THE ALLIANCE

P.O. Box 100100 / Anchorage, Alaska 99510 / (907) 582-0100

Senator Arliss Sturgulewski
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

May 3, 1985

Dear Senator Sturgulewski:

This morning, the directors of the Alaska Support Industry Alliance unanimously adopted the attached resolution in support of the practice and concept of "local hire".

As you will find, the resolution notes that job opportunities exist in all industries operating in Alaska, including government, and that qualified Alaska residents should be given preference in filling those openings. The statement of policy also emphasizes that incentives to encourage public and private sector employers to reach out to qualified Alaska residents would create a positive business climate which, in turn, will serve to give momentum to additional economic development opportunities.

As your committee deliberates the committee substitute for Senate Bill number 271, we encourage you to incorporate these policy concepts into the final version. Meanwhile, we offer the following observations on the bill you will have before the committee next Wednesday.

1. Sec. 38.45.020 (1) & (2) find that the Alaska economy has historically been "unstable". On the contrary, the Alaska economy has been rather vigorous, growing at an annual rate of 6.5 percent over the past 15 years. Although it has slowed somewhat during the decade of the 80s, it must be remembered that the base is substantially larger and that an annual growth rate of 6.0 percent still must be considered vigorous. Moreover, since the lion's share of the Alaska economy is comprised of government and mining (the petroleum industry in particular) perceptions that Alaska's economy is "unstable" ought to be reconsidered.
2. Subsection (9) of that section points to a "trend towards hiring nonresidents". We have tried to develop some data which might substantiate this statement but have not yet been able to do so. Indeed the State Department of Labor cannot provide verification of the statement at this time either. Our impression of the trend is away from the historic requirement to look for qualified

Alaska Support Industry Alliance

... for responsible economic development

Milton Byrd - President
Frontier Companies of Alaska

Ann Curtis - Vice President
Crowley Maritime

Charles F. Becker - Vice President
Brown & Root, Inc.

William D. Bennett - Secretary
Perkins, Cole, Stone,
Olson & Williams

Val Molyneux - Treasurer
Veco, Inc.

Bill Bettes - Director
Pingo Corporation

Randy Goodrich - Director
Executive Travel Service

Roger Haxby - Director
Waukeaha Alaska Corporation

Joe Mathis - Director
Universal Services, Inc.

Walt Rafterman - Director
Pacifi Industrial Company

Jack Thompson - Director
Air Van Lines, Inc.

William F. Webb - Director
Arctic Hosts, Inc.

Senator Sturgulewski
Page two
May 3, 1985

help outside Alaska. Although leakage in the economy still does occur, the accelerated pace of import substitution coupled with an average increase of 13,500 new jobs per year over the past four years would seem to point toward a reversal of the trend to go "outside" for qualified employees. From a practical perspective, it is uneconomic to do so.

3. Subsection (11) of Sec. 38.45.020 appears to be a warning directed at Alaska employers that if state residents are not given employment opportunities, the tax code might be used as a tool for penalizing those employers. We are sure that state policies favoring a stable level of taxation are based on solid concepts of economic development principles as opposed to the interpretation which some might give to the manner in which this finding is stated.
4. In general, we would encourage you and members of your committee to accentuate the positive aspects of the Alaska economy and to eliminate some of the more onerous tonalities contained in the draft bill.
5. Sec. 38.45.030, as written, implies state imposed quotas and determinations which might prove to be in conflict with federal EEO statutes and/or constitutionally indefensible.
6. Sec. 38.45.050. The committee might want to discuss the applicability of the bill to recipients of state loans for business development.
7. Sec. 38.45.070. We would hope the committee would devote considerable time to an analysis of the negative consequences stemming from enactment of penalties as severe as those are which are set forth in this section. Shutting down business operations, blacklisting, fines which appear to punish rather than to elicit compliance, are not, in our opinion, conducive to fostering a positive business climate in Alaska.
8. Finally, as we indicated earlier, all Alaskan employers need to be aware of the benefits attendant to employment of Alaska residents. Sec. 38.45.090 (2) singles out the oil and gas, mineral and timber industries, along with their support industry network.

Thank you for the opportunity to present our perspective on this important issue.

Sincerely,

William Webb

William Webb
President

Enclosure

WW/bs



THE ALLIANCE

P.O. Box 100100 / Anchorage, Alaska 99510 / (907) 562-0100

RESOLUTION IN SUPPORT OF THE PRACTICE AND CONCEPT OF "LOCAL HIRE"

WHEREAS, consistently high levels of unemployment have been endemic in Alaska's socioeconomic history, and

WHEREAS, these structural and cyclical dislocations have been substantially ameliorated through the economic development initiatives which have occurred over the past two decades, and

WHEREAS, despite these major impacts on the Alaska labor force, unacceptable levels of unemployment remain, and

WHEREAS, immediate and future prospects for economic development opportunities exist in . . .

- * the petroleum industry, as it refocuses its attention towards the promise off Alaska's coastline;
- * the hard-rock mining industry, as world-scale operations lay at the threshold of development;
- * the visitor industry, a happy product of sophistication in the transportation, services and trade industries, as campaigns continue to spur increases in the number of tourists choosing Alaska as a destination;
- * the fishing industry, as new concepts in surimi production and marketing open up the enormous potential attendant to bottomfish harvesting and as "fish and chips" diplomacy prods profitability of Alaskan joint ventures;
- * the finance, insurance and real estate industries, as our population continues to expand and more people choose to invest in opportunities in Alaska rather than "Outside"; and

WHEREAS, it is economically and sociologically prudent that qualified Alaska residents in search of employment should be given preference for jobs in these industries and others.

Alaska Support Industry Alliance

... for responsible economic development

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Frontier Companies of Alaska

Ann Curtis - Vice President
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Charles F. Becker - Vice President
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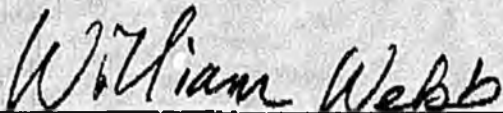
William F. Webb - Director
Arctic Hosts, Inc.

THE ALLIANCE

NOW THEREFORE BE IT RESOLVED, that the Alaska Support Industry Alliance hereby supports the practice and concept of providing employment preference to qualified Alaska residents.

BE IT FURTHER RESOLVED, that the Alliance calls upon the leaders of Alaska's prime industries and their support network of industries and government, to institute practices and policies which are designed to achieve this objective.

BE IT FURTHER RESOLVED, that the Alliance does hereby call upon the leaders of government in Alaska to develop incentives to facilitate local hire practices and which, in the process, serve to create a positive business climate in the state which will also generate added opportunities for Alaska and Alaskans.



William Webb, President



Chuck Becker, Vice President

This third day of May, Nineteen Hundred and Eighty-Five.

ALASKA SUPPORT INDUSTRY ALLIANCE

RESOLUTION #3

1985

IN SUPPORT OF THE PRACTICE AND CONCEPT OF "LOCAL HIRE"

WHEREAS, consistently high levels of unemployment have been endemic in Alaska's socioeconomic history, and

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- * the fishing industry, as new concepts in surimi production and marketing open up the enormous potential attendant to bottomfish harvesting and as "fish and chips" diplomacy prods profitability of Alaskan joint ventures;
- * the finance, insurance and real estate industries, as our population continues to expand and more choose to invest in opportunities in Alaska rather than "Outside"; and

WHEREAS, it is economically and sociologically prudent that ^{QUALIFIED} Alaska residents in search of employment should be given the first right of refusal on jobs in these industries ^{AND OTHERS}.

NOW THEREFORE BE IT RESOLVED, that the Alaska Support Industry Alliance hereby supports the practice and concept of providing employment preference to ^{QUALIFIED} Alaska residents.

BE IT FURTHER RESOLVED, that the Alliance calls upon the leaders of Alaska's prime industries and their support network of industries, to institute practices and policies which are designed to achieve this objective.

BE IT FURTHER RESOLVED, that the Alliance does hereby call upon the leaders of government in Alaska to develop incentives to facilitate local hire practices and which, in the process, serve to create a positive business climate in the state which will also serve to generate added opportunities for Alaska and Alaskans.

ALASKA SUPPORT INDUSTRY ALLIANCE

RESOLUTION #3

1985

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1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 367 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act requiring resident hire on certain natural
7 resource projects on state land; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 38 is amended by adding a new chapter to read:

11 CHAPTER 45. RESIDENT EMPLOYMENT PREFERENCE UNDER STATE LEASES.

12 Sec. 38.45.010. STATE POLICY. It is the policy of the state to
13 develop its natural resources to provide the maximum benefit to the
14 people of the state as required by the Constitution of the State of
15 Alaska. These benefits include employment opportunities in natural
16 resource development projects for residents qualified for the employ-
17 ment, as well as receipt of state revenue from the development.

18 Sec. 38.45.020. LEGISLATIVE FINDINGS. The legislature finds:

19 (1) because of its unique climate and its distance from the
20 contiguous states, the state has historically suffered from unique
21 social, seasonal, geographic, and economic conditions that result in
22 an unstable economy;

23 (2) the unstable economy is a hardship on the residents of
24 the state and is aggravated by the large numbers of seasonal and
25 transient nonresident workers;

26 (3) the rate of unemployment among residents of the state
27 is one of the highest in the nation;

28 (4) the state has one of the highest ratios of nonresident
29 to resident workers in the nation;

1 (5) the state has a compelling interest in reducing the
2 level of unemployment among its residents;

3 (6) a major factor of increasing importance in the unem-
4 ployment problem is the failure of employers engaged in the explora-
5 tion, development, and production of natural resources on state land,
6 and under leases or other agreements granted or permitted by the
7 state, to employ state residents;

8 (7) whereas at an earlier stage of the state's history it
9 was asserted that high unemployment in the state was due to cultural
10 and geographical migration barriers, the state now has many residents
11 who are qualified, trained, and available for employment in the explo-
12 ration, development, production, and extraction of natural resources
13 on state land, but who are not presently employed because an increas-
14 ing amount of the work they are qualified to perform is being per-
15 formed on state land by nonresidents;

16 (8) the state has made significant investments in training
17 programs and vocational education to help furnish industry with qual-
18 ified residents able to work in the development, exploration, produc-
19 tion, and extraction of natural resource products on state land;

20 (9) unless the trend towards hiring nonresidents is re-
21 versed, the state's investment in these training and education pro-
22 grams will be of little avail, the state policy of maximizing benefits
23 from natural resource development will be thwarted, and the state will
24 suffer the burdens wrought by increasing demands for public assistance
25 and other state services from unemployed residents and their families;

26 (10) employment of nonresidents displaces qualified resi-
27 dents from work in the development, exploration, production, and
28 extraction of natural resource products on state land and from work in
29 service occupations on state land that directly support the

1 development, exploration, and production activities; therefore, the
2 growing number of nonresidents hired for work on state land, in the
3 development, exploration, production, and extraction of state re-
4 sources, is a peculiar source of the unemployment evil now besetting
5 the state;

6 (11) state policies favoring stable levels of taxation have
7 been predicated upon assurances from the natural resource industries
8 that state residents would receive employment opportunities in the
9 exploration, development, and production of natural resources from
10 state-owned land, but data show that these assurances, and the expect-
11 ations they created, are not being fulfilled.

12 Sec. 38.45.030. ELIGIBILITY FOR PREFERENCE. (a) The Department
13 of Labor shall certify a person as eligible for a hiring preference
14 under this chapter if the person applies on a form provided by the
15 department, is a resident, and

16 (1) is receiving unemployment benefits under AS 23.20 or
17 would be eligible to receive benefits but has exhausted them;

18 (2) is unemployed and has registered with a public or
19 private employment agency;

20 (3) is underemployed or marginally employed as determined
21 by regulations adopted by the department; or

22 (4) has completed a job-training program approved by the
23 department.

24 Sec. 38.45.040. RESIDENT HIRE REQUIREMENTS. (a) An employer
25 shall meet the resident hiring requirements established by the commis-
26 sioner of labor under this section on a natural resource project on
27 state land that is subject to a hiring preference under AS 38.45.060.
28 An employer may not discriminate against qualified residents in em-
29 ployment on a natural resource project on state land.

1 (b) The commissioner of labor shall determine the amount of work
2 that must be performed under this chapter by eligible qualified resi-
3 dents on a natural resource project on state land. In making this
4 determination, the commissioner shall consider the nature of the work,
5 the classification of workers, availability of eligible residents, and
6 the willingness of eligible residents to perform the work. The com-
7 missioner shall require an employer to make the maximum feasible
8 effort to hire eligible qualified residents for jobs on state land.

9 (c) In order to create, protect, and preserve the right of
10 eligible qualified residents to employment in natural resource proj-
11 ects on state land, the commissioner of natural resources shall incor-
12 porate into each lease, unitization agreement, or renegotiation of a
13 lease or agreement, provisions requiring compliance with this chapter,
14 regulations adopted under this chapter, and all later amendments to
15 this chapter or the regulations, and authorizing penalties under
16 AS 38.45.080 for failure to comply. The commissioner shall incorpo-
17 rate into each lease, agreement, or renegotiation a requirement that
18 the lessee include in each contract under the lease or agreement with
19 contractors or subcontractors who will be operating on state land a
20 provision requiring compliance with this chapter, later amendments of
21 this chapter, regulations adopted under this chapter, and authorizing
22 penalties under AS 38.45.080.

23 (d) An employer subject to resident hiring requirements under
24 this chapter may request the Department of Labor to assist in locating
25 eligible, qualified, available employees. After receiving a request
26 for assistance, the department shall refer eligible, qualified, avail-
27 able residents to the employer to fill the employer's hiring needs.
28 If the department is unable to refer a sufficient number of eligible
29 residents, it may approve the hiring of residents who are not eligible

1 for preference and nonresidents for the balance of the request.

2 Sec. 38.45.050. REPORTING PROVISIONS. An employer obligated to
3 meet resident hiring requirements under this chapter shall comply with
4 the reporting provisions that the commissioner of labor determines are
5 reasonably necessary to carry out this chapter.

6 Sec. 38.45.060. APPLICABILITY OF CHAPTER. This chapter applies
7 to all natural resource projects on state land. The Department of
8 Labor shall determine the extent of the resident hiring preference for
9 each project under AS 38.45.040. The preference applies only to
10 employment that is performed directly for an employer.

11 Sec. 38.45.070. REGULATIONS AND HEARINGS. (a) The Department
12 of Labor and the Department of Natural Resources shall adopt regula-
13 tions to implement this chapter. The Department of Labor shall adopt
14 regulations prohibiting discrimination against qualified residents in
15 employment on a natural resource project on state land. Regulations
16 and proceedings under this chapter are subject to the Administrative
17 Procedure Act (AS 44.62) except as provided in (b) of this section.

18 (b) An employer shall determine and judge the work qualifica-
19 tions of applicants for employment. An applicant who has been reject-
20 ed or an employee who has been terminated from employment may, within
21 30 days after the rejection or termination, request a hearing before
22 the Department of Labor to determine whether the employer violated
23 this chapter in denying the application or terminating the employment.
24 The Department of Labor shall hold a hearing on the question within 20
25 days of receipt of the request unless the applicant or employee re-
26 quests a longer period of time.

27 (c) The Department of Labor may conduct investigations and
28 hearings to determine compliance with this chapter. If the commis-
29 sioner of labor finds that an employer has wilfully failed to comply

1 with this chapter, the commissioner may certify the finding to the
2 Department of Natural Resources.

3 Sec. 38.45.080. PENALTIES. (a) If the Department of Labor
4 finds that an employer has rejected a qualified applicant or term-
5 inated a qualified employee from employment in violation of this
6 chapter, the department may require the employer to pay the person
7 three times the amount of wages the person lost and may require addi-
8 tional amounts if the person's actual expenses incurred as a result of
9 the wrongful action exceeded the triple wages assessed. Either party
10 may appeal the department's decision under this section to the su-
11 perior court. The court may hear the appeal de novo.

12 (b) The Department of Natural Resources, upon certification of
13 noncompliance by the Department of Labor under AS 38.45.070, may
14 investigate and conduct hearings. If it finds wilful noncompliance,
15 the department may impose on the employer any of the following pen-
16 alties:

17 (1) increase the rent or other forms of compensation re-
18 ceived by the state under the project lease or agreement by a factor
19 of no more than 10; the increase may not exceed \$100,000;

20 (2) require that all or a portion of project operations
21 cease;

22 (3) remove, for an appropriate period of time not to exceed
23 three years, the eligibility of the employer to contract with the
24 state or any of its political subdivisions; or

25 (4) require a noncompliance payment in liquidated damages
26 to the state in an amount equal to seven and one-half times the number
27 of hours required but not worked by eligible qualified residents
28 multiplied by the going wage or salary rate for the particular job or
29 activity involved.

1 (c) The commissioner may impose the penalties under (b)(1) and
2 (2) of this section on a lessee only if the lessee itself has failed
3 to comply with this chapter or incorporate into the contract with the
4 violator a provision requiring compliance with this chapter.

5 Sec. 38.45.090. INJUNCTIVE RELIEF. The Department of Labor or
6 the Department of Natural Resources, in addition to the imposition of
7 penalties under AS 38.45.080, may seek injunctive relief against a
8 person who is not in compliance with this chapter; the Department of
9 Natural Resources may seek injunctive relief to enforce penalties
10 imposed under AS 38.45.080.

11 Sec. 38.45.100. DEFINITIONS. In this chapter

12 (1) "employer" means a person other than the state who is a
13 party to a lease or agreement for a natural resource project on state
14 land and includes the person's affiliate, principal, subsidiary,
15 contractor, or subcontractor if the activity of the affiliate, princi-
16 pal, subsidiary, contractor, or subcontractor is performed on state
17 land;

18 (2) "natural resource project on state land" means a con-
19 tract, lease, unitization agreement, or a renegotiation of a contract,
20 lease, or agreement for exploration, development, extraction or pro-
21 duction of oil and gas, mineral, or timber resources if the state is a
22 party to the contract, lease or agreement and the project is performed
23 in whole or in part on state land;

24 (3) "qualified resident" means a resident who possesses the
25 requisite education, training, skills, or experience to perform the
26 work;

27 (4) "resident" means a person who

28 (A) except for military service, has been physically
29 present in the state for a period of 30 days immediately before

1 the time the person enters into a contract of employment on a
2 natural resource project on state land; and

3 (B) shows by all attending circumstances the intention
4 to permanently reside in this state.
5

6 * Sec. 2. This chapter applies to a lease, unitization agreement, or
7 contract for the development of oil and gas, mineral, or timber resources
8 entered into on or after the effective date of this Act and to a
9 renegotiation of the lease, agreement, or contract. This chapter applies
10 to the renegotiation on or after the effective date of this Act of a lease,
11 agreement, or contract entered into before the effective date of this Act
12 if the renegotiation results in a major change to the duties of a party.

13 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).
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REPRESENTATIVE MARCO A. PIGNALBERI

TESTIMONY

HB 367 RESIDENT HIRE ON OIL & GAS LEASES

House Labor & Commerce Committee

May 2, 1985

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Representative Marco A. Pignalberi
Testimony HB 367
House Labor & Commerce Committee
May 2, 1985

HB 367/SB 271 Companion Bills

HB 367 is the companion bill to SB 271.

Since the Senate Resources Committee has already conducted a public hearing on SB 271, a number of constructive amendments have been prepared following testimony by the affected state agencies, business firms, labor organizations and interested individuals. These suggested amendments have been duplicated for your consideration as a Committee Substitute for HB 367.

Introduced: 4/11/85
Referred: Labor & Commerce,
Judiciary and Finance

BY PIGNALBERI, COTTEN,
DAVIS, PHILLIPS, HURLEY,
NAVARRE, GOLL AND SUND

1 IN THE HOUSE

2

HOUSE BILL NO. 367

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act requiring resident hire under certain oil and

7

gas leases and unitization agreements on state land;

8

and providing for an effective date."

9

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

10

* Section 1. AS 38 is amended by adding a new chapter to read:

11

CHAPTER 45. RESIDENT EMPLOYMENT PREFERENCE UNDER STATE LEASES.

12

Sec. 38.45.010. STATE POLICY. It is the policy of the state to develop its natural resources to provide the maximum benefit to the people of the state as required by the Constitution of the State of Alaska. These benefits include employment opportunities in natural resource development projects for residents qualified for the employment, as well as receipt of state revenue from the development.

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Sec. 38.45.020. LEGISLATIVE FINDINGS. The legislature finds:

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(1) the rate of unemployment among residents of the state is one of the highest in the nation;

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(2) a major factor of increasing importance in the unemployment problem is the failure of employers engaged in the exploration, development, and production of natural resources on state land, and under leases or other agreements granted or permitted by the state, to employ state residents;

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(3) whereas at an earlier stage of the state's history it was asserted that high unemployment in the state was due to cultural and geographical migration barriers, the state now has many residents who are qualified, trained, and available for employment in the

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HB 367

1 exploration, development, and production of oil and gas on state land,
2 but who are not presently employed because an increasing amount of the
3 work they are qualified to perform is being performed on state land by
4 nonresidents;

5 (4) the state has made significant investments in training
6 programs and vocational education to help furnish industry with qual-
7 ified residents able to work in the development, exploration, and
8 production of oil and gas products on state land;

9 (5) unless the trend towards hiring nonresidents is re-
10 versed, the state's investment in these training and education pro-
11 grams will be of little avail, the state policy of maximizing benefits
12 from natural resource development will be thwarted, and the state will
13 suffer the burdens wrought by increasing demands for public assistance
14 and other state services from unemployed residents and their families;

15 (6) employment of nonresidents displaces qualified resi-
16 dents from work in the development, exploration and production of oil
17 and gas products on state land and from work in service occupations on
18 state land that directly support the development, exploration, and
19 production activities; therefore, the growing number of nonresidents
20 hired for work on state land, in the development, exploration, and
21 production of state resources, is a peculiar source of the unemploy-
22 ment evil now besetting the state;

23 (7) state policies favoring stable levels of taxation have
24 been predicated upon assurances from the oil and gas industry that
25 state residents would receive employment opportunities in the explora-
26 tion, development, and production of oil and gas from state-owned
27 land, but data show that these assurances, and the expectations they
28 created, are not being fulfilled.

29 Sec. 38.45.030. RESIDENT HIRE. (a) An employer shall meet the

1 resident hiring requirements established by the commissioner of labor
2 under this section on an oil and gas project on state lands that is
3 subject to a hiring preference under AS 38.45.050. An employer may
4 not discriminate against qualified residents in employment on an oil
5 and gas project on state land.

6 (b) The commissioner of labor shall determine the amount of work
7 that must be performed under this chapter by qualified residents on an
8 oil and gas project on state land. In making this determination, the
9 commissioner shall consider the nature of the work, the classification
10 of workers, availability of residents, and the willingness of resi-
11 dents to perform the work. The commissioner shall require an employer
12 to make the maximum feasible effort to hire qualified residents for
13 jobs on state land.

14 (c) In order to create, protect, and preserve the right of qual-
15 ified residents to employment in oil and gas projects on state land,
16 the commissioner of natural resources shall incorporate into each
17 lease, unitization agreement, or renegotiation of a lease or agree-
18 ment, provisions requiring compliance with this chapter and authoriz-
19 ing penalties under AS 38.45.070 for failure to comply.

20 (d) The Department of Labor shall maintain a file of the names
21 of qualified residents seeking employment on an oil and gas project on
22 state land. The department shall make the file available to an em-
23 ployer and to an employment or dispatching agency, union, or other
24 similar entity.

25 Sec. 38.45.040. REPORTING PROVISIONS. An employer obligated to
26 meet resident hiring requirements under this chapter shall comply with
27 the reporting provisions that the commissioner of labor determines are
28 reasonably necessary to carry out this chapter.

29 Sec. 38.45.050. APPLICABILITY OF CHAPTER. (a) The Department

1 of Labor shall determine by regulation the minimum monetary value for
2 projects subject to the resident hiring preference under this chapter.
3 In determining the minimum value, the department shall compare the
4 benefit that enures to state residents with administrative and en-
5 forcement costs.

6 (b) An employer shall submit to the department evidence of the
7 monetary value of an oil and gas project on state land. The depart-
8 ment shall determine whether the project is subject to a hiring pref-
9 erence. If the project is subject to a hiring preference, the depart-
10 ment shall determine the extent of the preference under AS 38.45.030.
11 The preference applies only to employment that is performed directly
12 for an employer. The department shall ensure that projects or activ-
13 ities within projects are not artificially divided to prevent coverage
14 under this chapter. If the department finds evidence of artificial
15 division, the burden is on the employer to show that the division is
16 not artificial.

17 Sec. 38.45.060. REGULATIONS AND HEARINGS. (a) The Department
18 of Labor and the Department of Natural Resources shall adopt regula-
19 tions to implement this chapter. The Department of Labor shall adopt
20 regulations prohibiting discrimination against qualified residents in
21 employment on an oil and gas project on state land. Regulations and
22 proceedings under this chapter are subject to the Administrative
23 Procedure Act (AS 44.62) except as provided in (b) of this section.

24 (b) An employer shall determine and judge the work qualifica-
25 tions of applicants for employment. An applicant who has been reject-
26 ed or an employee who has been terminated from employment may request
27 a hearing before the Department of Labor to determine whether the
28 employer violated this chapter in denying the application or terminat-
29 ing the employment. The Department of Labor shall hold a hearing on

1 the question within 10 days of receipt of the request unless the
2 applicant or employee requests a longer period of time.

3 (c) The Department of Labor may conduct investigations and
4 hearings to determine compliance with this chapter. If the commis-
5 sioner of labor finds that an employer has wilfully failed to comply
6 with this chapter, the commissioner may certify the finding to the
7 Department of Natural Resources.

8 Sec. 38.45.070. PENALTIES. (a) If the Department of Labor
9 finds that an employer has rejected a qualified applicant or term-
10 inated a qualified employee from employment in violation of this
11 chapter, the department may require the employer to pay the person
12 three times the amount of wages the person lost and may require addi-
13 tional amounts if the person's actual expenses incurred as a result of
14 the wrongful action exceeded the triple wages assessed. Either party
15 may appeal the department's decision under this section to the su-
16 perior court. The court shall hear the appeal de novo.

17 (b) The Department of Natural Resources, upon certification of
18 noncompliance by the Department of Labor, under AS 38.45.060, may
19 investigate and conduct hearings. If it finds wilful noncompliance,
20 the department may impose on the employer any of the following pen-
21 alties, as appropriate:

22 (1) increase the rent or other forms of compensation re-
23 ceived by the state under the project lease or agreement by a factor
24 of no more than 10; the increase may not exceed \$100,000;

25 (2) require that all or a portion of project operations
26 cease;

27 (3) remove, for an appropriate period of time not to exceed
28 ___ years, the ability of the employer to contract with the state or
29 any of its political subdivisions; or

1 (4) require a noncompliance payment in liquidated damages
2 to the state in an amount equal to seven and one-half times the number
3 of hours required but not worked by qualified residents, times the
4 going wage or salary rate for the particular job or activity involved.

5 Sec. 38.45.080. INJUNCTIVE RELIEF. The Department of Labor or
6 the Department of Natural Resources, in addition to the imposition of
7 penalties under AS 38.45.070, may seek injunctive relief against a
8 person who is not in compliance with this chapter; the Department of
9 Natural Resources may seek injunctive relief to enforce penalties
10 imposed under AS 38.45.070.

11 Sec. 38.45.090. DEFINITIONS. In this chapter

12 (1) "employer" means a person other than the state who is a
13 party to a lease or agreement for an oil and gas project on state land
14 and includes the person's affiliate, principal, subsidiary, contrac-
15 tor, or subcontractor if the activity of the affiliate, principal,
16 subsidiary, contractor, or subcontractor is performed on state land;

17 (2) "oil and gas project on state land" means an oil and
18 gas lease, a unitization agreement, or any renegotiation of a lease or
19 agreement if the state is a party to the lease or agreement and the
20 project is performed in whole or in part on state land;

21 (3) "resident" means a person who

22 (A) except for military service, has been physically
23 present in the state for a period of 30 days immediately before
24 the time the person enters into a contract of employment on an
25 oil and gas project on state land; and

26 (B) shows by all attending circumstances the intention
27 to permanently reside in this state.

28 * Sec. 2. This chapter applies to an oil and gas lease, a unitization
29 agreement, or a renegotiation of a lease or agreement entered into on or

1 after the effective date of this Act.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).

BACKGROUND STATEMENT

Representative Marco A. Fignalberi
Testimony HB 367
House Labor & Commerce Committee
May 2, 1985

BACKGROUND

The State Legislature enacted a resident hire law applicable to oil and gas leases on state lands in 1972. This law was enforced by the Department of Labor throughout the period of construction of the Trans-Alaska Oil Pipeline. A court case (Hicklin v. Orbeck) which eventually was decided by the United States Supreme Court, found the state's local hire law to be unconstitutional. HB 367 would re-establish a state policy for resident hire preference for all employment on oil and gas projects having leases on state land.

There were a number of issues raised in the court arguments, and the Court's opinion addressed various standards which were deficient. The essence of the decision was that the Supreme Court struck down the law because its scope was too broad.

The scope of the preference in HB 367 is much narrower than the previous statute. It is unlike the earlier law which applied to all state oil and gas leases, easements, or right-of-way permits for oil and gas pipelines and unitization agreements. The previous law also extended to other employers who had no direct connection to the state's oil and gas, who performed no work on state land, had no contractual relationship with the state and received no payment from the state.

Rep. Marco Pignalberi
Testimony HB 367
May 2, 1985

HB 367 clearly identifies the definition of "employer" as being limited to that area of activity where work is being performed on oil and gas leases contained on state lands. Other details of the bill are contained in the sectional analysis which follows.

BACKGROUND AND PURPOSE

During the course of preparation for a resolution (HCR20) introduced earlier in the year on the subject of local hire, I discovered a number of things about our Alaskan economy, our Alaskan workforce, and our ill-defined and uncoordinated state policy on resident hire.

There are a number of factors involved in our local economy and in the problems we face in attempts to maximize full benefits for our state's residents in employment. Every member of this Committee has heard the statement that Alaska ranks among the top in severity of unemployment. I was shocked to learn the extent of that severity.

During last year (calendar 1984) Alaska had the fifth highest unemployment in the country! In the past twelve months, Alaska has averaged 10.5% unemployment. That means there were approximately 40,000 Alaskans out of work for at least a part of the year.

Don't you think it seems strange that in a state with the largest amount of construction activity in both the public and private sector, a state where the per capita budget is the highest in the nation, a state that has the second or third fastest growing economy in the country....such a state should have the fifth highest unemployment in the country?

One of the things I learned in studying the local hire/resident-nonresident hiring issue was the secondary impact on our economy caused by out-of-state workers drawing unemployment insurance payments from the Alaska Trust Fund.

In 1983 \$21 million in unemployment insurance payments went to people living in other states. Last year, 1984, the amount of payments to outside workers increased to \$22 million. This is a direct drain of money from our local economy. This is especially bothersome in the oil and gas industry because this industry has the highest weekly unemployment insurance benefit payment of all industries.

The purpose of HB 367 is to clearly establish a positive policy whereby local hire is the first priority for all employment activity in the state. Residents of Alaska can and will receive priority preference in employment practices. Passage of this bill will be another step in implementing this policy.

SECTIONAL ANALYSIS

Representative Marco A. Pignalberi
Testimony HB 367
House Labor & Commerce Committee
May 2, 1985

SECTIONAL ANALYSIS

Section 1

adds a new Chapter (AS 38.45) with nine subsections titled:

38.45.010	State Policy
38.45.020	Legislative Findings
38.45.030	Resident Hire
38.45.040	Reporting Provisions
38.45.050	Applicability of Chapter
38.45.060	Regulations and Hearings
38.45.070	Penalties
38.45.080	Injunctive Relief
38.45.090	Definitions

Subsections 010 and 020 State Policy and Legislative Findings

These sections state that the policy for development is to provide benefit to Alaskan residents, and enumerates seven legislative findings about unemployment and the need for a resident employment preference.

Subsection 030 Resident Hire

This section contains four parts which, a) requires employers to meet certain hiring requirements, b) directs the Commissioner of Labor to make a determination of the amount of work subject to a hiring preference, c) directs the Commissioner of Natural Resources to incorporate into leases and other contracts, provisions requiring compliance, and d) directs the Commissioner of Labor to maintain a file of names of qualified residents seeking employment.

Subsection 040 Reporting Provisions

This section requires employers to report to the Commissioner of Labor whatever provisions the Commissioner determines are necessary.

Subsection 050 Applicability of Chapter

This section requires an employer to submit evidence of the value of an oil and gas project, and directs the Commissioner of Labor to determine the minimum value of projects subject to the hiring preference.

Subsection 060 Regulations and Hearings

This section directs the Departments of Labor and Natural Resources to adopt regulations to prohibit discrimination in employment against residents. The Department of Labor is authorized to conduct investigations and hearings to determine compliance.

Subsection 070 Penalties

This Section establishes the penalties for noncompliance. These penalties include payment to a terminated employee or rejected applicant of three times the amount of wages lost. The decision may be appealed to the Superior Court. The Department of Natural Resources is also empowered to impose any of four penalties:

- 1) increase the rent or other compensation from the project lease by a factor of 10, up to an amount of \$100,000;
- 2) require that a project cease operations;
- 3) restrict, for a period of time, the ability of a firm to contract with the state or any municipality;
- 4) require payment to the state an amount equal to seven and one half times the number of hours not worked by residents times the going wage or salary rate for a particular job.

Sectional Analysis
HB 367
May 2, 1985

Subsection 080 Injunctive Relief

Permits the Departments of Labor and Natural Resources to seek injunctive relief, and further permits DNR to seek injunctive relief to enforce penalties.

Subsection 090 Definitions

Definitions listed in this section include:

"employer"
"resident"
"oil and gas project on state land"

Section 2

This section identifies the application of this chapter shall be for:

- 1) an oil and gas lease
- 2) a unitization agreement
- 3) a renegotiation of a lease or agreement

Section 3

The effective date of this Act will be immediately upon enactment

POSITION PAPERS

Bill No. House Bill No. 367

Date April 30, 1985

Title "An Act requiring resident hire under certain oil and gas leases and unitization agreements on state land; and providing for an effective date."

Contact: Robert W. Landau
465-2700
Eileen Plate
465-2700

House Bill 367 would establish a resident hire preference for all employment on oil and gas projects on state land:

Under the bill, the Department of Labor would be primarily responsible for: (1) establishing resident hire requirements for each oil and gas project on state land; (2) maintaining and making available a list of qualified residents seeking employment on oil and gas projects; (3) establishing and monitoring employer reporting requirements; (4) conducting investigations and holding hearings to determine compliance with resident hire requirements; (5) seeking monetary penalties and/or injunctive relief for noncompliance; and (6) promulgating requirements for oil and gas projects on state land.

Because of the beneficial impact of resident hiring on the workforce and the economy in general, the Department strongly endorses the principle that qualified Alaska residents should be given employment preference on natural resource projects on state land. This is consistent with the view that a state is entitled to give preference to its own citizens in the development of the state's natural resources.

Although the Department supports House Bill 367, the bill as presently drafted would have a significant fiscal impact. We believe this impact could be reduced through the following refinement to the bill:

Because of the substantial cost involved in establishing and maintaining a comprehensive list of all qualified residents for oil and gas employment, AS 38.45.030(d) should be amended to require that, upon the receipt of an employer job order for oil and gas employment, the Department will then screen its applicant pool for qualified residents and make the appropriate referrals. It would be very costly to maintain an updated list of all qualified residents interested in oil and gas employment.

In addition, making such a list available to employment agencies, unions, and other entities would run afoul of both state and federal confidentiality laws. Once such an "official" list of qualified applicants is circulated, the potential for abuse of that list is enormous. In its place, the Department recommends a job order/referral system similar to what is currently done on public construction projects.

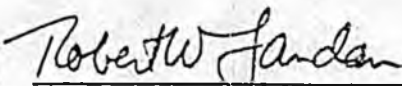
The Department also recommends additional amendments as follows:

1. Additional legislative findings be added to Sec. 38.45.020 to emphasize the particular problems caused by non-resident hire in Alaska.
2. The scope of the bill be expanded to include mineral and timber resource projects in addition to oil and gas leases.

3. An additional provision be added to Sec. 38.45.030(c) to require that companies, who contract with contractors or subcontractors who operate on state land, incorporate, in any contract entered into after the effective date of the bill, a provision requiring the contractor or subcontractor to comply with the provisions of chapter 38.45.
4. The monetary threshold under 38.45.050(b) be eliminated, making the Department responsible for establishing resident hire requirements for each covered project.
5. In Sec. 38.45.060(b), specify that applicants who have been rejected or employees who have been terminated from employment have 30 days to request a hearing, and that the Department be given 20 days, instead of 10, to hold a hearing after a request is received. This will allow the Department sufficient time to investigate a complaint and prepare for a hearing.
6. Under 38.45.070(b)(3), the maximum period for debarment from public construction projects be established as three years for violating companies.
7. A new subsection be added to 38.45.070 to specify that the penalties of having to pay increased rent or having to cease operations could apply only if the employer in violation is a lessee under lease of a state agency, or is a subsidiary or affiliate of the lessee. For example, these penalties would not be applied when a company is in compliance with this chapter, but a contractor or subcontractor is not unless the company has failed to incorporate, in any contract with the violator entered into after the effective date of this chapter, a provision requiring the contractor or subcontractor to comply with the provisions of this chapter.
8. A definition of "qualified resident" be included in 38.45.090.
9. Clarification be made in Sec. 2 of the bill that only those renegotiations of contracts that involve major changes to duties of the parties will require incorporation of the resident hire provisions.

Attached are line-by-line amendments which would incorporate the Department's recommendations.

APPROVED:


for Jim Robison, Commissioner
Department of Labor

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

APR 29 1985

DEPARTMENT OF NATURAL RESOURCES

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

April 26, 1985

The Honorable Mike Navarre
Alaska State House
Pouch V
Juneau, AK 99811

Dear Representative Navarre:

The Department of Natural Resources defers to the Department of Labor and the Department of Law concerning the constitutionality and applicability of House Bill No. 367. We would, however, point out some of the difficulties that may be incurred when implementing this legislation.

Determining whether a project is subject to local hire requirements could be a problem in cases where part of an oil and gas development project is a shore based facility on a state land lease; or where part of a project is on an oil and gas lease held by another company; or where part of a project is on federal or private land. The regulations developed to implement HB 367 could probably define more specifically the application of local hire requirements under these situations.

To avoid possible difficulties associated with requiring the incorporation of a local hire clause when minor changes are made in existing leases or unit agreements, we suggest the following changes to line 17, page 3: Add the word "new" before the word "unitization" and replace "renegotiation" with "major change". I have enclosed information related to unit agreements to clarify the need for these changes.

As you may know, there have been a number of different resident hire stipulations included in state oil and gas leases over the last decade, and several of the most recent are presented below:

In 1980, the stipulation read:

Lessees shall comply with all valid and applicable laws and regulations with regard to the hiring of Alaska residents. Lessee will not discriminate against Alaska residents, as prohibited by applicable laws and regulations of the State of Alaska. Lessee will furnish the Alaska Department of Labor a quarterly

April 26, 1985

report regarding the employment of Alaska residents on the leased area in compliance with regulations adopted by the Commissioner of Labor.

In 1982, the provision was revised to read:

The lessee is encouraged to hire Alaska residents to perform work done by or for it within the State of Alaska in connection with this lease to the extent that residents are available, willing and qualified. The lessee must submit to the Director, DMEM, a program detailing the affirmative steps it will take to recruit and hire Alaska residents and the statistical indicators it will use to document the program's success. The lessee will submit these statistics annually to the Director, DMEM.

The currently used term eliminates the reporting requirement, at the request of the Department of Labor.

The lessee is encouraged to hire and employ Alaska residents and companies, to the extent that they are available and qualified, for work performed on the leased area.

Lease terms relating to the provisions in HB 367 could be inserted in oil and gas leases and agreements by existing staff and monitoring and enforcement activities could also be completed by existing staff.

If we may provide additional information about this bill or local hire requirements, please let me know.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: House Labor and Commerce
Committee members
Sponsors

MEMORANDUM

State of Alaska

Department of Natural Resources
Division of Oil and Gas

TO: Fred Vreeman, NRO

DATE: April 16, 1985

FILE NO: 4-509.2

TELEPHONE NO: 276-2653

FROM: 
Kate Fortney, Unit Manager

SUBJECT: Renegotiation of Unit
Agreements

Following is a summary of the various types of unitization activities in which the State might be construed to have the ability to negotiate or renegotiate unit agreement terms. A table listing the unitization activities for the past two years for the existing State units is also attached. If you need any further information, please advise.

SUMMARY OF UNITIZATION ACTIVITIES

1. Approval of a Unit: the creation of a voluntary unit out of separate oil and gas leases is approved pursuant to AS 38.05.180(p)&(q), AS 31.05.110, and 11 AAC 83.301 -- 11 AAC 83.395. The State has the authority to renegotiate rental, royalty, minimum royalty, drilling, and producing terms under AS 38.05.180(p) and the unitization clauses of the various leases.
2. Amendment of a Unit Agreement: bilateral amendment of the unitization contract originally approved by the State at the time of unitization. In most cases, the State does not have any control over the direction of an amendment to a unit agreement, although we can negotiate amendment (or addition) of terms we feel are important in return for amendment of other terms the unit operator wants or proposes. For example, a number of units have requested approval of amendments to their unit agreements postponing the formation of a participating area until 90 days prior to production (a change from their original terms requiring a participating area within five years of certification of a well as capable of production in paying quantities).
3. Expansion of a Unit: expansion of the unit area of an existing unit to include additional leases. We can renegotiate rental, royalty, minimum royalty, drilling, and producing terms of certain leases at the time of expansion of a unit; however, to date we have only been able to make the renegotiated terms applicable to the leases to be added to the unit. It's all a game of negotiation; if the entire unit wants the new leases to be added to the unit badly enough, we could probably make the renegotiated terms stick to the entire unit. So far, we haven't had a strong enough case to cause the terms to be added to the entire units; with the upcoming expansion of Prudhoe Bay Unit to encompass the leases in the Lisburne reservoir, we may have such a case (especially since the AOGCC Field Rules for that reservoir dictate that no production from the Lisburne may occur until the unit has been expanded to include all of the Lisburne leases).

4. Contraction of a Unit: units are required to be contracted to essentially their productive acreage within a specified time after the commencement of production. It is doubtful whether we have the ability to induce the amendment of any unit agreement terms at that time, as the language of the unit agreement usually just calls for contraction down to the participating area. Possibly we might have some room for negotiation if the working interest owners want a larger area than we feel is absolutely justified by the geology, but probably not.
5. Approval of Plans of Exploration/Development: each unit is required to present a plan of exploration or development pursuant to 11 AAC 83.341 -- 11 AAC 83.343. The State is more or less obliged to approve such plan if it meets the terms of those regulations.
6. Extension of Unit Agreement: the State has the authority to approve an extension of a unit if it has not discovered oil or gas in paying quantities by the time the original unit agreement expires (usually five years from the unit's initial approval). This happens very rarely.
7. Change in Unit Operator: the State must approve any change in the Unit Operator of a Unit. It is possible that we could tie our approval to a concurrent amendment of the unit agreement, but I think we would be on shaky grounds.
8. Misc. Approvals: the State receives many requests for approvals of miscellaneous activities that do not fall under any of the above categories (e.g. deferral of required unit work commitments, extension of time to comply with unit agreement or plan of development terms, negotiation and construction of emergency storage and field cost settlements for productive units, etc.) It is possible that we could negotiate the addition of a resident hire term as a condition of approval of certain of these approvals.

2257A

cc: Kay Brown
Jim Eason
Bill Van Dyke
Pam Rogers
Renel Hall

PUBLIC TESTIMONY

ON

SB 271

April 17, 1985

Mr. Chairman, members of the Senate Labor and Commerce Committee:

My name is Dixie Hudish, Industrial Relations Officer for the International Brotherhood of Electrical Workers (IBEW), Local No. 1547, 2702 Denali Street, Anchorage, Alaska 99503. I am speaking on behalf of Jack Hull, Business Manager, of the IBEW.

First of all I would like to thank those legislators who have worked so diligently on this proposed Bill that the IBEW wholeheartedly supports SB 271.

The IBEW is most concerned with out of state firms who are awarded bids for construction and bringing their own workers from out of state.

Presently, in our Fairbanks office, where jobs are dispatched out for slope work, we have approximately 200 residents in all four classifications (Communication, Wireman, Lineman and Apprentice)

out of work. We have only 100 members (local residents) working on the slope at this time. Compared to 600 residents last year who are on Book I. Local resident members who have lived in Alaska one year and have worked a certain number of hours (2,080 hours within the past four years) in the trade are dispatched first from Book I.

We have better than 32% Alaska natives in the Apprenticeship program at Fairbanks. These apprentices are from Barrow, Nome, Kotzebue, Galena, Tanana and Fort Yukon. Yet there are 40 apprentice wireman and 120 wireman out of work from the Fairbanks dispatch area.

We have 12% Alaska Natives in the Apprenticeship program in Anchorage and there are presently 70 apprentices out of work (34 wireman, 24 lineman, and 12 communication). Most of these Alaska Native apprentices are from the Bethel area.

We know that a majority of our local people are losing their jobs, primarily from out of state firms who are hiring their own people and bringing them up here to work on the slope.

I would like to mention several oil field firms who are doing just that:

1. GSL Oil Field Service - A firm out of Corpus Christi, Texas, who is working out of the Prudhoe Bay Hotel. They have up to 50-60 workers, mostly out of state, presently hired as maintenance road crews.
2. Pingo Oil Field Service - They hire maintenance people and are of state.
3. North Oilfield Service - Out of state people.
4. Udelhoven Oil Field Service - A good portion of their workers are out of state and work at Kapuruk.

These oil field services are mostly subcontracted by either ARCO or SOHIO.

VECO is another large firm who hires a lot of out of state workers.

The IBEW has not dispatched any non-resident since September 1984.

Out of approximately 300 total electricians working on the slope -- we can fairly say 200 are not local people. The situation

appears not to be getting any better for our local workers, but worse.

We have approximately 300 local people out of work from the Anchorage Dispatch office. This is a very large amount of our members unemployed. Many of these members, I am sure are drawing unemployment.

We have seen many situations where outside firms are awarded contracts only to hire people from outside. Case in point is the Irby Construction Company from Jackson, Mississippi, who received the contract to build the Inter-tie line between Fairbanks and Anchorage. You might say one-half of the line was built by out of state people.

I could continue on with more examples, but I feel I have painted a big enough picture for all of you to realize the situation our local resident members are up against. One only needs to come up on a flight out of Los Angeles, etc. to verify the number of out of state workers heading for the North Slope. The IBEW feels this bill would favorably help the economic picture of Alaska. The oil and gas industry needs to be more responsive to the needs of resident hire and this bill would provide just that.