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EXECUTIVE SUMMARY

The State Training and Employment Program (STEP) served more than 1,000 new clients in both FY95 and FY96, then saw enrollments jump more than 40% in FY97.

Costs per active client have declined steadily between FY95 and FY97, falling from \$1,981 per client to \$1,640. Given the growth in the program, total expenditures have risen from \$2.347 million in FY95 to \$2.940 million in FY97.

In the past three years of the program five of six clients left under positive circumstances. Of FY96 applicants, 25% entered newly created jobs, and one in five entered vacated ones.

In FY97, slightly more than one-half of the program's clients were eligible to participate because they were drawing unemployment insurance (UI) benefits, while an additional 13% were unemployed but had exhausted their benefits. One in four clients were still employed when they entered STEP in that year, though for many of these their job loss was imminent.

In the four quarters before entering STEP, FY95 applicants filed 538 claims for UI and collected a total of over \$1,629,000. In the four quarters after completing STEP, only 345 claims were filed with a total value of \$811,000, a cost savings of more than 50 percent. These savings were slightly more than one-third the cost of the program, for a payback period of less than three years.

Comparisons with Alaska Permanent Fund Dividend records show that 93% of STEP applicants filed for a dividend either for the year prior to entering or the year in which they entered STEP.

Total wages for FY95 clients decreased slightly from \$12.5 million for the last four complete quarters prior to entering STEP to \$11.5 million for the first four complete quarters after leaving the program. Clients' average quarterly wages while working actually rose, increasing from \$4,682 prior to entering STEP to \$4,724 after leaving the program.

Wage changes were not consistent among racial and age groups or between the sexes. Younger clients showed the greatest gains in wages, while older workers posted generally lower wages after completing STEP. The race groups Alaska Natives/American Indians and Blacks showed higher wages after completing STEP, while other racial groups saw wage declines.

In FY97 37% of STEP clients were female, compared to 48% of the state's population and 42% of its labor force as recorded in the 1990 census.

Whites comprised 54% of all STEP clients in FY97, followed by Alaska Natives/American Indians at 30%, Blacks 7%, Hispanics at 5% and Asians/Pacific Islanders at 3%. This compares to Alaska's labor force composition of 80% White, 10% Alaska Native/American Indian, 4% Black, 1% Hispanic, and 4% Asian/Pacific Islander.

In FY97 slightly over one-half of STEP clients were being served by the Statewide Service Delivery Area (SDA), one-third by the Anchorage SDA, and the remainder by the Fairbanks SDA.

INTRODUCTION

This document is a continuation of the series of reports prepared by the Alaska Department of Labor reviewing the performance of the State Training and Employment Program (STEP). Information on STEP clients was provided to the Research and Analysis Section by the Department of Community and Regional Affairs' Job Training Partnership Office. This data provides the basis for analyzing the types of clients being served by STEP and their success in completing the program.

Research and Analysis staff also collected clients' employment and earnings histories and their use of unemployment insurance benefits from databases maintained by the Department of Labor. This information was used to quantify the benefits of STEP program participation for clients.

Comparisons of a client's use of unemployment insurance prior to entering STEP and after leaving STEP give an indication as to the client's ability to find and maintain a job. Similarly, comparisons of a client's employment history and earnings pre- and post-STEP serve as an indicator of employability and value of their job skills.

SCOPE OF THIS REPORT

This report focuses on clients who entered the program during the last three complete fiscal years -- FY95 through FY97. Similar reports on the program's performance in earlier years are available for review.

Clients applying to STEP in FY96 were the most current group for which complete data was available to calculate such before-and-after performance measures. Insufficient time has elapsed to collect post-STEP employment and unemployment usage data for FY97 participants, although pre-STEP participation wages, UI usage data and clients' demographic information are available and were included in the analysis.

The reader should note that wage and unemployment insurance usage information is available only for those clients remaining in Alaska. For that reason, pre- and post-STEP results for those clients who entered or left the state within one year of STEP participation cannot be accurately compared. To get some indication as to the extent STEP participants entered and left Alaska, Permanent Fund Dividend records were used to track clients' residency.

BRIEF HISTORY AND PROGRAM OVERVIEW

STEP began serving clients in the latter half of fiscal year 1990 (FY90); the delayed start of the program meant only 138 clients received assistance that year. (See Figure 1.) By FY91 the program had seen a tenfold increase in the number of applicants. After a drop in FY92, the numbers of clients swelled to 1,500 new clients in FY94. The level of new applicants had fallen to just over 1,000 in both FY95 and FY96. Data for FY97, however, show more than 1,400 individuals applied to the STEP program.

The STEP program has three objectives as outlined in its original legislative intent language:

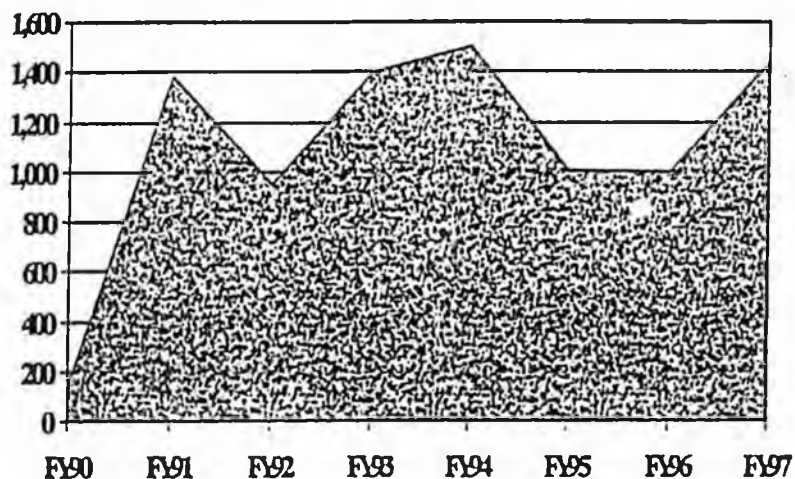
1. Help prevent future claims against unemployment benefits;
2. Foster new jobs by encouraging businesses to locate in Alaska due to the availability of a skilled labor force and lower unemployment costs;
3. Increase the training opportunities to those workers severely affected by fluctuations in the state economy or technological changes in the workplace.

In August 1996, the Alaska Human Resources Investment Council (AHRIC) and the departments of Labor and Community & Regional Affairs adopted measures to determine STEP's success in attaining the program's objectives. These measures were used in this report to evaluate the program's performance, and will be discussed more fully below.¹

ORGANIZATIONAL STRUCTURE OF THE STEP PROGRAM

Oversight of the STEP program is centered at the Alaska Human Resource Investment Council (AHRIC), while general management of the program is the responsibility of the Job Training Partnership Office (JTPO) within the Department of Community and Regional Affairs. The JTPO coordinates with three contracting agencies to provide client services to STEP participants. Currently the three contracting agencies are the Private Industry Councils covering the State's three Service Delivery Areas (SDAs).

Figure 1. STEP Applicants by Fiscal Year



¹ Applying the performance measures approved in FY97 to earlier data was done solely to provide one measure of the effectiveness of the STEP program in the years being studied. Any program's goals, and therefore the appropriate measures of success, can shift over time. Applying newly defined performance measures to prior years' results may not accurately reflect a program's actual performance, nor serve as an accurate predictor of future performance.

While the SDAs provided many services to the clients directly and were responsible for managing a client's training activities, they also contracted with other organizations to provide client services and they set up working partnerships to promote STEP activities. The diversity of types of contracting agencies was matched only by the diversity of services each agency provided. Typical contracting agencies included public and private post-secondary educational institutions, private for-profit and not-for-profit businesses, union apprenticeship and training trusts, tribal organizations, and economic development agencies. To broaden STEP's outreach programs and leverage its training resources, the SDAs often entered cooperative agreements with other agencies and associations to provide services. This helped hold down program costs while helping STEP reach more clients.

As shown in Table 1, the Statewide SDA enrolled the largest number of clients in each of the three years under review, accounting for between one-half and two-thirds of all enrollees.² All three SDAs showed marked increases in their number of applicants in FY97, with Fairbanks and the Statewide SDA leading in percentage growth rates. The reader should remember, however, that new applicants are joining clients enrolled from prior years who are continuing their STEP participation. When we look at the number of individuals being served by STEP in any given year, the numbers swell by 18 to 25 percent.

Table 1.

STEP Clients by Service Delivery Area

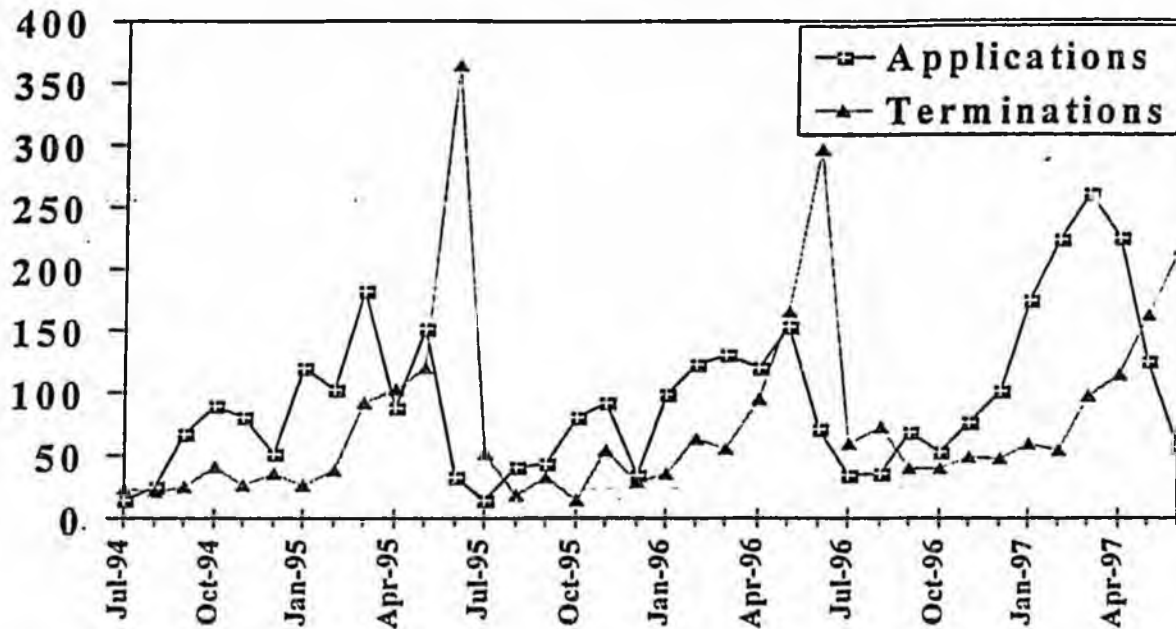
SDA	New Applicants			Total Participants		
	FY95	FY96	FY97	FY95	FY96	FY97
Statewide	688	583	804	747	686	995
Fairbanks	97	62	168	142	116	217
Anchorage	221	356	464	296	468	581
Total	1,006	1,001	1,436	1,185	1,270	1,793

Each of the SDAs shows a strong seasonal pattern in its activities, with the majority of applicants entering the program in the first four months of the calendar year. (See Figure 2.)

Unlike some other employment assistance and enhancement programs, STEP does not limit the number of times an individual may enroll in the program within a given time period. Given the broad range of the program's employment enhancement activities, it is apparent that clients can benefit from STEP participation at several different phases in their employment history. For example, a recently unemployed participant might require basic skills training in order to become employable. Later, STEP staffers could assist in finding a job, and finally additional STEP activities might be required to enhance the worker's job skills, allowing them to progress in their careers or protecting them from technological or structural changes.

² STEP clients can enroll in the program multiple times within a fiscal year. In calculating the number of enrollees and total participants, the same person can be counted multiple times. The incidents of such occurrences, however, are rare. For example, in FY95 STEP served 975 individuals, 1,173 in FY96, and 1,740 in FY97.

Figure 2. Applications & Terminations by Month



This latter type of training – skills enhancement to protect a worker from being terminated because they lack specific skills – is in fact one of the legislative objectives noted in the creation of the STEP program. This explains why one in ten STEP clients are actually employed at the time of their entrance into the program.

THE COST OF PROVIDING STEP SERVICES

Funding for the STEP program comes from employees' contributions to the Unemployment Insurance Trust Fund - 0.1% of all employees' contributions is made available to fund STEP programs. The investment of additional employment training and skills enhancement to STEP clients is intended to reduce clients' future reliance on the unemployment insurance system. In FY95, UI Trust Fund receipts were such that the STEP program was budgeted \$3.15 million, of which \$2.35 million was expended. For FY96 and FY97, expenditures were \$2.33 million and \$2.94 million, respectively.

As shown in Table 2, costs for serving an active STEP client have fallen more than 15 percent between FY95 and FY97, dropping from \$1,981 to \$1,640. Note that for this calculation we revert to the number of *active clients* in a given fiscal year to better represent the true cost of providing services.

Table 2.
STEP Expenditures by Fiscal Year

Fiscal Year	Total Expenditures in \$Millions	Active Clients	Cost Per Client
FY95	\$2.347	1,185	\$1,981
FY96	\$2.335	1,270	\$1,838
FY97	\$2.940	1,793	\$1,640

MEASURES OF THE PROGRAM'S SUCCESS

- **Reducing Future Claims Against Unemployment Insurance**

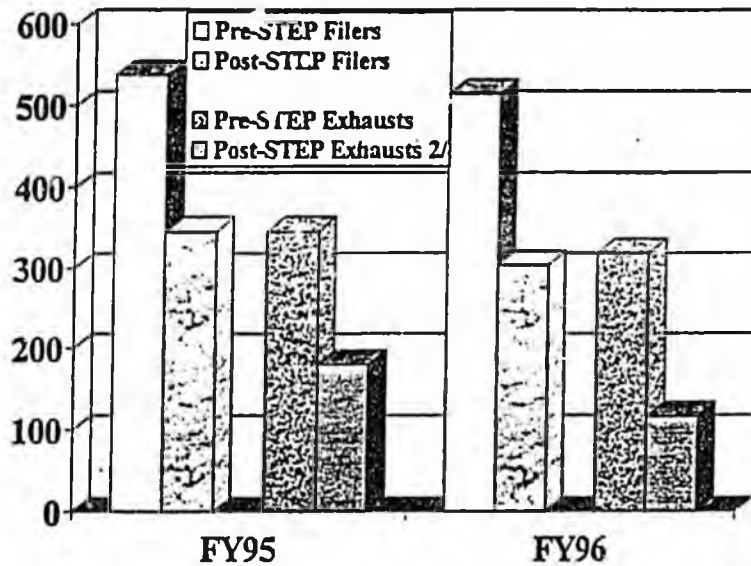
One of the stated goals of the STEP program is the reduction in future claims against unemployment benefits. For FY95 and FY96, the most recent years for which data are available³, significant drops in this measure were apparent. (See Figure 3.) UI claims for STEP participants applying in FY95 fell from 538 claims prior to their participation to 345 in the year after they completed STEP, a reduction of 36%. In FY96, a 41% reduction was experienced as claims fell from 514 to 303.

Fewer claims being filed led to fewer being exhausted, but the declines in exhausted claims was dramatic. For FY95 applicants, the number of claims exhausted following STEP participation was reduced by 48%, dropping from 345 exhausted claims prior to STEP participation to 180 for post-STEP participants. While the data for FY96 is still preliminary since not all post-STEP claims are yet closed, post-STEP claims are only 36% of their pre-STEP participation levels.

A reduction in the number of UI claims filed after completing the STEP program combined with a reduction in the amount of time STEP clients were drawing UI benefits resulted in a significant drop in costs to the Unemployment Insurance Trust Fund. As shown in Figure 4, benefits paid out of the fund in FY95 dropped from \$1.629,000 prior to clients entering STEP to \$811,000 after they had left the program, a reduction of over 50 percent. While still preliminary, the drop in FY96 currently stands at 58 percent.

³ Under the STEP performance measures, a comparison is made of UI records covering four complete quarters both before and after STEP participation. Information on the number of claims filed by FY95 and FY96 participants is complete. However, since claimants have one full calendar year to draw on a claim, two years must pass after STEP completion before a final measure of UI payments can be calculated. For this reason, data for FY96 post-STEP UI payments is preliminary, subject to an upward revision.

Figure 3. STEP Clients' UI Filings and Exhausts



Note that expenditures for STEP are recovered by the reduction in STEP clients' future dependence on unemployment insurance. If it is assumed that the skills STEP participants are provided and the work experience they acquire after leaving STEP remain with them for many years - and therefore keep them off the unemployment insurance registers - then the UI fund is fully reimbursed within three years. (See Table 3.)

Table 3.

STEP Expenditures and Savings, FY95 & FY96

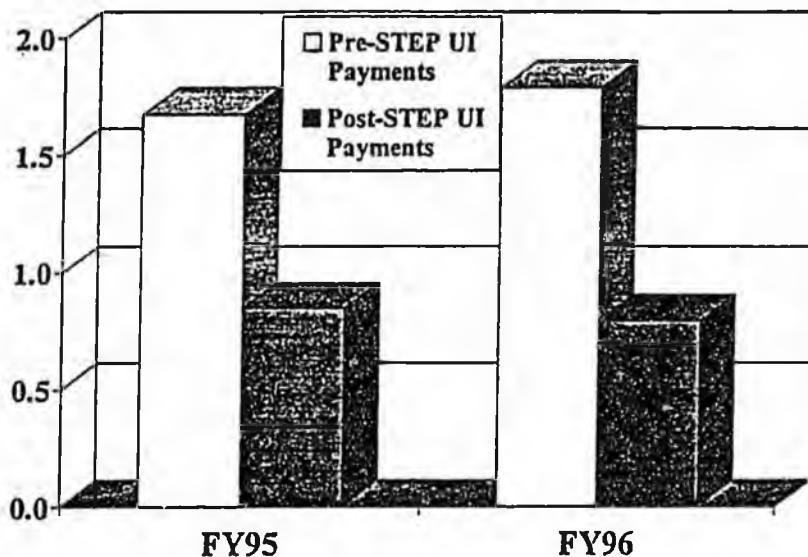
Fiscal Year	Total Expenditures in \$Millions	Single Year Reduction in UI Payments	Percentage Recovered in One Year	Years Required for Full Payback
FY95	\$2.347	\$818,301	35%	2.9
FY96**	\$2.335	\$917,561	39%	2.5

** Data for FY96 are preliminary, as some post-STEP unemployment claims are still open and being paid.

- Reducing the Share of STEP Participants Exhausting Their UI Benefits

Another goal of STEP is to reduce the percentage of clients exhausting their unemployment insurance benefits. A review of the records of STEP clients who filed unemployment claims shortly before entering the program was conducted to determine these clients' exhaustion rates. Those persons referred to STEP within 5 weeks of their initial UI claim or who filed for UI within 10 days of entering STEP were included in the analysis. If more than five weeks of benefits had already been paid to a client, the potential for STEP participation to greatly reduce a client's exhaustion probability was diminished.

Figure 4. UI Funds Paid to STEP Clients, Pre- and Post-STEP Participation, in \$ Millions



For FY95 applicants only a small percentage filed for UI within this narrow time frame – 111 clients or roughly 11 percent of all clients. Of these 111 clients, 61 exhausted their benefits. This represents a 55% exhaustion rate. This compares favorably to the exhaustion rates of pre-STEP participants not receiving early intervention, where 64% of all claims filed were exhausted. Exhaustion rates for these early intervention clients more closely matched the exhaustion rates of all UI

claimants in calendar year 1995. In that year, 41.6% of all claimants exhausted their benefits, which was the lowest exhaustion rate since 1981. The reader should note that STEP clients do not represent a random sample of the population and most face significant barriers to gaining employment. For this reason, the difference in exhaustion rates between STEP clients and the overall population is not unexpected. The barriers to employment faced by STEP clients are addressed in the section “Eligibility Criteria of STEP Clients” below.

- **Providing Skilled Workers and Lowering UI Costs to Attract New Businesses**

Another goal of the STEP program is to “foster new jobs by encouraging businesses to locate in Alaska due to the availability of a skilled labor force and minimized unemployment costs.” Reductions in unemployment insurance payments to STEP participants – which lead to reduced UI tax rates – were shown above. Additionally, administrative records show that of the 857 FY95 STEP applicants who successfully completed the program, 251 or 29% of them entered a newly created job (as opposed to filling a previously created but vacated position.) Results were even more impressive for FY96 applicants, where 353 or 48% of the 728 successful completers entered newly created jobs.

- **Increasing Resident Employment by Training Alaskans for Shortage Occupations**

The STEP performance measures approved in August 1996 identified additional measures of program success. These measures are to be applied to FY97 STEP participants, and place new emphasis on focusing training activities to meet specific needs in Alaska’s economy. For example, the Department of Labor now provides the JTPO with a listing of “shortage occupations,” or occupations where a large share of nonresidents are being employed. Being a new measure of program success, there is incomplete information on the number of STEP clients who entered such

occupations prior to FY97. In FY97, however, 774 STEP clients received occupational training and of these 276 found employment in shortage occupations.

By matching STEP clients' Social Security numbers to Alaska Permanent Fund records it was possible to determine their residency. For FY95 and FY96 applicants, 93% received a PFD check for the year prior to entering the program or the year in which they applied. (Such an analysis is not yet possible for FY97 applicants.)

- **Helping Workers Adapt to Technological or Economic Change**

Finally, the August 1996 performance measures set as a goal to "increase the training opportunities to those workers severely affected by fluctuations in the state economy or technological changes in the workplace." While this is in large part a measure of STEP's ability to recruit from a targeted population, such workers were well represented in the program in the past. Of FY95 applicants who successfully completed the program, over 35 percent had indicated this as one of their reasons for entering STEP. In FY96 the percentage dropped to 25%. Of those FY97 applicants who have completed the program, the share having suffered from economic fluctuations or technological change is again about 35%, slightly below the 40% goal set in the performance measures.

WAGE RECOVERY OF CLIENTS AFTER STEP PARTICIPATION

Another measure of STEP's success is "wage recovery," or the ability of STEP clients to earn comparable wages after finishing the program as compared to what they were able to earn prior to entering STEP. Clients entering the program often have been displaced from jobs that they held for some time and bring with them relatively stable incomes. In such cases, it is usually impossible to find a job at the same level of pay requiring the same skills with a different employer, and it is reasonable to expect their average incomes to decline. In both FY94 and FY95, approximately 45% of STEP clients worked in all four quarters prior to entering STEP, and the percentage increased slightly after participation.

As shown in Table 4, total wages earned for all STEP applicants did decline after their participation. In FY95 the decline was a particularly marked one, exacerbated by the closing of a large Anchorage employer which paid high wages. As expected, the decline was less for those STEP clients who successfully completed the program, and those clients who entered STEP with a job were able to maintain their incomes after leaving the program. Analysis was also performed to determine the average wage received by a STEP client when they were working, shown in Table 4 as the "Average Quarterly Wage." In both years, the average quarterly wage increased after a client finished STEP compared to their pre-STEP earnings.

Table 4.

Wages Earned & Quarters Worked by STEP Clients, Pre- & Post-STEP

	FY94		FY95	
	Pre-STEP Wages	Post-STEP Wages	Pre-STEP Wages	Post-STEP Wages
Total Wages Earned				
All Entrants	\$17,743,820	\$17,154,769	\$12,541,832	\$11,493,494
Entrants w/ Positive Terminations	\$16,387,301	\$16,014,448	\$11,381,408	\$10,785,159
Entrants Employed When Applying	\$1,958,057	\$2,066,485	\$1,197,622	\$1,185,756
Average Quarters Worked				
All Entrants	2.75	2.61	2.72	2.47
Entrants w/ Positive Terminations	2.80	2.68	2.72	2.56
Entrants Employed When Applying	2.79	2.69	2.42	2.59
Average Quarterly Wage				
All Entrants	\$4,340	\$4,418	\$4,681	\$4,724
Entrants w/ Positive Terminations	\$4,387	\$4,479	\$4,849	\$4,882
Entrants Employed When Applying	\$4,557	\$4,988	\$4,999	\$4,624

Wage changes were not evenly distributed among different demographic groups. (See Table 5.) Overall, women's wages declined more than men's after participating in STEP, while for racial groups Alaska Natives, American Indians, and Blacks experienced wage increases after STEP.

The most dramatic difference in earnings change was noted by the age of the client. Younger participants showed marked increases in their wages after completing STEP. As the age of the client increased, post-STEP earnings declined sharply. Closer examination of the clients' characteristics show that the vast majority of older clients entered STEP either receiving or having exhausted their UI benefits. These persons likely had longer tenures with an employer than did younger clients, and were receiving higher pay. By contrast, many of the younger clients entered STEP not eligible for UI and with little work history.

Table 5.

Wages Earned by STEP Client Characteristics, FY95

	Pre-STEP Wages	Post-STEP Wages	Percentage Change
Males	\$8,904,721	\$8,218,177	-7.7%
Females	\$3,637,110	\$3,275,316	-9.9%
Whites	\$12,123,458	\$11,350,840	-6.4%
Alaska Natives/Amer. Indians	\$4,003,749	\$4,347,033	8.6%
Blacks	\$546,564	\$591,650	8.2%
Hispanics	\$495,696	\$328,573	-33.7%
Asians/Pacific Islanders	\$574,352	\$536,672	-6.6%
Less than 25 years old	\$1,003,918	\$1,580,684	57.5%
25 to 34	\$3,706,741	\$3,933,645	6.1%
35 to 44	\$4,111,940	\$3,644,653	-11.4%
45 to 54	\$2,834,095	\$1,767,069	-37.6%
55 years old and over	\$885,134	\$567,440	-35.9%

ELIGIBILITY CRITERIA OF STEP CLIENTS

STEP clients must meet certain criteria to be admitted into the program. The criteria reflect the participant's labor force status, and most STEP participants were eligible for the program because they were receiving UI benefits. Clients who had exhausted their UI benefits or who were working part-time jobs and not eligible for benefits represented the bulk of remaining STEP participants. Table 6 shows the eligibility reasons for entrants for fiscal years 1995 through 1997.

Table 6.
STEP Eligibility Criteria by Fiscal Year

Eligibility Reason	FY95	FY96	FY97
Unemployed, Receiving Benefits	557	602	749
Not UI Eligible - Part Time Employment	133	116	220
Unemployed, Exhausted Benefits	148	117	194
Employed, Job Loss Likely	26	26	96
Not UI Eligible - Insufficient Wages	35	34	76
Employed, Job Skills Change Required	73	10	57
Not UI Eligible - Trainee	20	52	25
Unknown/Other	14	44	19

In many cases STEP clients face additional hardships in addition to their basic eligibility criteria. The program keeps records on additional barriers faced by clients in finding employment. Table 7 shows a partial listing of these problems and the numbers of clients suffering from them. Since these are not exclusive categories, many clients enter STEP facing several of these problems simultaneously.

Table 7.
Additional Client Characteristics

	FY95	FY96	FY97
Below Poverty-level Income	206	241	525
Household on Food Stamps	100	62	182
Household on AFDC/ATAP	71	40	120
Long-term AFDC/ATAP recipient	10	9	28
Homeless	4	8	26
Household receiving General Assistance	21	10	16
Household receiving Supt'l Security Income	11	12	17
Handicapped			
Substantial	15	28	41
Yes, but not a barrier	20	19	68
Criminal Offender			
Felon	13	18	51
Misdemeanor	30	33	110

DEMOGRAPHIC CHARACTERISTICS OF STEP CLIENTS

Further analysis of the information provided by STEP clients show that in FY97 Whites comprised 54% of the client population, followed by Alaska Natives/American Indians at 30%. (See Table 8.)

These racial breakouts of STEP clients are in contrast to the state's racial mix as reported in the 1990 census of 75% White, 16% Alaska Natives/American Indians, and slightly over 4% each for Blacks and Asian and Pacific Islanders.⁴ Differences in labor force participation rates among the groups exacerbate these differences. In the overall labor force, Whites account for 80% and Alaska Natives/American Indians only 10% of all participants.

Like the racial composition of STEP clients, the ratio of male to female clients being served by STEP differs from the overall population as recorded in the 1990 census. While females represent about 48 percent of the state's total population, their STEP representation is more indicative of their labor force participation rates than are the breakouts by race. In 1990, 42 percent of the labor force was female, which more closely reflects the percentage of women being served by the STEP program.

Table 8.

Demographic Characteristics of STEP Applicants by Fiscal Year

	FY95		FY96		FY97		1990 Census
	Count	Percent	Count	Percent	Count	Percent	Percent**
Males	632	63%	674	67%	902	63%	53%
Females	374	37%	329	33%	534	37%	47%
Whites	551	55%	582	58%	781	54%	76%
AK Natives/Amer. Indians	376	37%	324	32%	437	30%	16%
Blacks	34	3%	44	4%	101	7%	4%
Hispanics	29	3%	26	3%	78	5%	3%
Asians/Pacific Islanders	16	2%	27	3%	39	3%	4%
19 to 25 years old	176	17%	175	17%	203	14%	13%
25 to 34 years old	326	32%	323	32%	433	30%	31%
35 to 44 years old	291	29%	335	33%	451	31%	27%
45 to 54 years old	170	17%	128	13%	282	20%	14%
55 years old and over	43	4%	42	4%	67	5%	15%

** Comparable percent of Alaska's population from the 1990 census. Note that in the 1990 census, "Hispanic Origin" was not a racial group so 1990 census race totals do not add to 100%.

⁴ 1990 Census of Population, Social and Economic Characteristics. Alaska. U.S. Department of Commerce. Bureau of the Census.

Except for two notable exceptions, the age of STEP applicants closely follows that of the overall population. The exceptions occur at the last two older aged categories, where clients between 45 and 54 years of age are much more prominent in the STEP program than they are in the population as a whole, and in the 55 and over age groups, from which STEP draws few applicants.

SEPARATING FROM STEP - HOW CLIENTS LEFT THE PROGRAM

As would be expected, STEP clients terminated their participation in the program for a variety of reasons. Some entered newly created jobs, others filled vacated ones, and some clients had never been without a job during their participation in STEP. All of these persons were considered to have terminated their association with the STEP program in a positive manner. More than four out of five clients were in this category. The rest left the program for a variety of reasons, which are listed in Table 9.

Table 9.

Clients' Termination by Year

Termination Reason	FY95	FY96	FY97
Entered Vacated Job**	98	180	267
Protected against Economic/Technical Change**	288	214	248
Entered New Job**	379	212	216
Entered Employment**	10	51	94
Cannot Locate	9	15	27
Refused to Continue	4	15	15
Moved from Area	2	7	14
UI Clients Received Employment Assistance**	82	71	13
Health/Medical Problems	6	6	6
All Other Terminations	93	94	36
TOTAL TERMINATIONS	971	865	936
Percent Positive Terminations:	88.3%	84.2%	89.5%
Percent of Clients Not Yet Terminated:	0.4%	6.8%	30.1%

** Denotes a Positive Termination as defined by the STEP program objectives.

A review of the termination reasons based on the client's sex, race or age showed only slight - and somewhat expected - differences among groups. For example, younger workers were more likely to enter the program unemployed than were older ones. This meant a larger share of younger workers left the program entering a new or recently vacated job. Older workers, on the other hand, were more likely to use STEP training to enhance their job skills so that they could maintain their current employment and protect against technological and economic fluctuations.

There was also little difference among the SDAs in the overall percentage of positive terminations, but there were greater differences in the types of these terminations. Overall around 85 percent of clients left the program for positive reasons. In the Anchorage/Mat-Su SDA, the vast majority left to enter newly created jobs, while in the Fairbanks SDA a large majority of clients were training to

better weather changes in the economy. (See Table 10.) The Statewide SDA saw equal shares of its clients in these two categories, but saw much larger shares entering vacated jobs than the other areas. Given the more rapid employment growth in urban Alaska when compared to rural Alaska, such regional differences in the types of job placements should be expected.

Table 10.

Clients' Termination Reasons by SDA, FY96

Termination Reason	Statewide	Fairbanks	Anchorage
Entered Vacated Job**	88	6	86
Protected against Economic/Technical Change**	128	24	62
Entered New Job**	98		109
Entered Employment**	50	5	1
Cannot Locate Client	10	1	4
Refused to Continue	6	1	8
Moved from Area	1	2	4
UI Clients Received Employment Assistance**	70	1	
Health/Medical Problems	1		5
All Other Terminations	50	5	35
TOTAL TERMINATIONS	502	45	314
Percent Positive Terminations:	86.5%	80.0%	82.2%

** Denotes a Positive Termination as defined by the STEP program objectives.

State Training and Employment Program

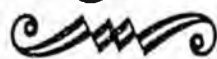


STEP: Stairway to Career Success



Written and compiled for
Alaska Human Resource Investment Council
February, 1998

State Training and Employment Program

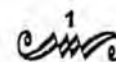


STEP: Stairway to Career Success

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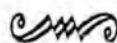
*Compiled and written for
Alaska Human Resource Investment Council
by Kaylene Johnson
Writing, Research & Graphics
1998*



STEP

Stairway to Career Success

Linda wasn't about to let circumstances get her down. She had grit, determination and fortitude. What she didn't have were the job skills she needed to get a job.



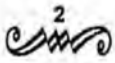
Rose, mother of seven, shook her head over a pile of bills and wondered how her family would make it now that her husband was unemployed. There had to be something she could do besides wring her hands with worry.



When flames threatened hundreds of homes in the Big Lake area, officials made a nationwide plea for trained firefighters. The lives and property of an entire community were at stake. Twenty five young Alaskans arrived on the scene trained and ready to help.



These real-life scenarios have one thing in common. The State Training and Employment Program (STEP) provided the training and skills for each individual to go to work. The individuals are all Alaskans hired for the needs of the local job market. Along with their stories, this report offers an overview of the program and a glimpse into how STEP benefits individuals, businesses and the State of Alaska.



What is STEP?

The State Training and Employment Program is a unique and flexible program that offers Alaska workers the help they need to become or remain employed.

STEP was created in 1989 and has been reauthorized every two years by the Legislature. Goals for the program are to:

- Reduce demand on the Unemployment Insurance Trust Fund by helping to reduce claims for future unemployment benefits.
- Foster new jobs by encouraging businesses to locate in Alaska due to the availability of a skilled labor force and minimize unemployment insurance costs.
- Increase training opportunities for workers severely affected by fluctuations in the economy or technological changes in the workplace.

Prior to the creation of STEP, Alaska was one of only a handful of states that did not contribute state resources to workforce development.

Funding for the program comes from 1/10 of one percent of employee tax contributions into the State's Unemployment Insurance Trust Fund. These funds are administered by the Alaska Department of Labor, Employment Security Division.

Through the STEP program, many participants have moved away from dependence on public assistance. Direct beneficiaries of STEP training include Alaska residents who are 1) unemployed and either receiving Unemployment Insurance (UI) benefits or who have exhausted UI benefits; 2) employed but likely to become unemployed within six months due to a reduction in force, elimination of a current job, or a change in conditions of employment requiring different skills in order to remain employed; or 3) ineligible for UI due to seasonal, temporary, part-time or marginal employment, insufficient qualifying wages or underemployment due to a need for additional training.

Other program beneficiaries include employers, Alaska workers, businesses

"Programs under STEP promote local hire and retrain Alaska workers for new and emerging technologies and industries in our state. The STEP program represents Alaska's commitment to addressing unemployment. The statistics speak to the difference STEP has made in the lives of many Alaskans."

*Yvonne Chase, Director
Department of Community and
Regional Affairs
Division of Community and Rural
Development*

and other state residents. Employers and workers alike benefit from lower UI costs accruing from a reduced demand on the Trust Fund. Businesses benefit from the availability of a skilled workforce and subsidized workforce development. All residents of the state benefit from a stable, more productive workforce, and the decrease of social problems stemming from the stress of unemployment and poverty on families.

The impact of the program has been far-reaching. According to a Department of Labor Program Review FY 95, audits show that the STEP program is meeting its legislative intent and is cost effective in the savings it generates by reducing claims on the UI Trust Fund.

AHRIC's Role

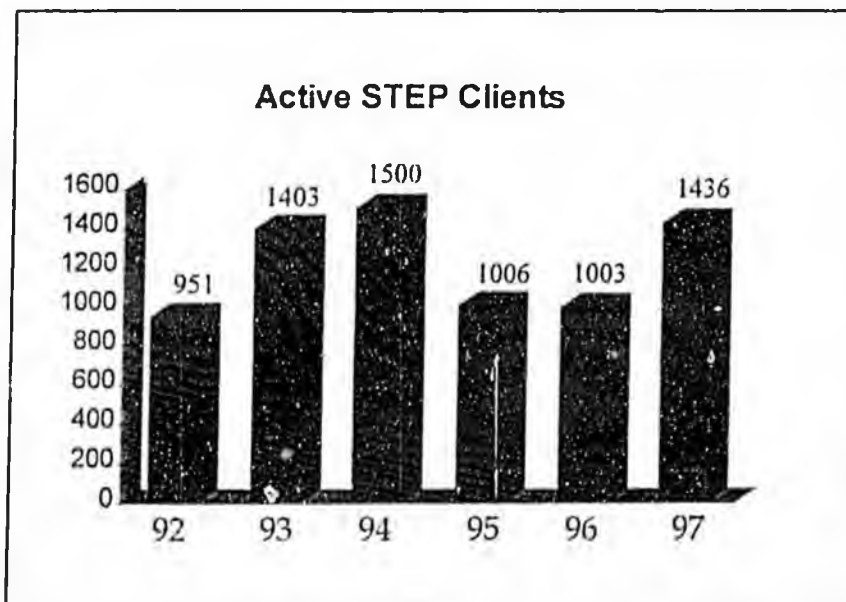
In 1996 the Legislature authorized the Alaska Human Resource Investment Council (AHRIC) with STEP program oversight and accountability. The legislature tasked AHRIC with:

- making STEP more accountable in program reporting and increasing the use of available funds,
- holding down STEP administrative costs to twenty percent,
- reemphasizing that training should be delivered to clients in occupations in which high percentages of nonresidents are employed.

AHRIC distributes STEP funds through the Department of Community & Regional Affairs, Division of Community and Rural Development to the State Private Industry Councils in Alaska's three Service Delivery Areas (SDAs).

Fiscal Year 1997 in particular was a year of positive changes following AHRIC's authorization for program oversight and accountability. Through partnerships with the PICs that provided STEP services, the program saw:

- an increase of 433 more clients served in 1997 over 1996 with





approximately the same level of funding. This is a substantial increase in service delivery and represents the most Alaskans ever served by STEP.

- a 61% improvement in fund utilization. STEP funds not utilized are returned to the Trust. Funds recaptured were down from \$793,434 in 1996 to \$306,426 in 1997, a difference of over \$480,000, and the lowest recapture amount in STEP history.
- administrative costs to operate STEP were held to less than 20%, the lowest percentage in STEP history.

The numbers reflect a program that is growing in its impact on the lives of Alaskans, their families and businesses across the state.

"The STEP program has proven to be an incredibly flexible and responsive resource to help meet the workforce development needs of Alaska employers, while providing the incentives for the incumbent workforce to reinvest in relevant training and education. This helps Alaskans remain competitive in a tough global economy. I wish our federal programs gave us this much flexibility and effective focus."

*Mark Mickelson
Program Manager
Alaska Statewide Service
Delivery Area*

How the Program Works

With oversight from the Alaska Human Resource Investment Council the STEP program is administered by the Department of Community and Regional Affairs, Division of Community and Rural Development. Funds are then distributed through the Private Industry Councils (PICs) of three Service Delivery Areas (SDAs): Anchorage/MatSu, Fairbanks and Statewide.

The PICs provide services in three ways:

- Individual client services and contracts
- Grants awarded to training institutions, employers who give training, post-secondary schools, and non-profits
- In-house client services.

Client services and contracts

Most clients are served on an individual basis, applying directly to the SDA for employment training and services. The client

works with an employment coordinator to develop a customized plan for training and employment services.

The employment coordinator meets with the client to document eligibility and to assess academic and occupational skills. The client and employment coordinator determine career goals, assess the job market and identify education and training required to meet that goal. Together they develop a training plan, select a training provider, and identify other services needed to complete the plan.

Grants awarded to training institutions, employers who give training, post-secondary schools, and non-profits

Occasionally a client's career goal can be met by a training provider that is already under contract with the SDA to offer classes in a particular area. The client is then referred to the contractor. For example, the Yukon-Kuskokwim Health Corporation is under contract with the Statewide SDA to provide Certified Nurses Aide (CNA) training. CNAs are then employed by the corporation to provide health care services to elders in Native villages.

In some cases, the client can be matched with an employer willing to provide specific training on the job. The employment coordinator executes an on-the-job training contract and the SDA reimburses the employer for half the clients' wages during training.

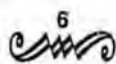
Contracts with other vendors include a variety of training and education providers such as the University of Alaska, Native Associations, voc-tech schools, and organized labor training programs.

In-house client services

Clients are required to maintain contact with their employment coordinator at least monthly while in training. This allows the SDA to address problems that might hinder the client from completing their training. During this period the SDA can provide, as needed, services such as:

"The STEP program demonstrates the state's commitment to developing a well-trained local workforce. The addition of these state resources to the federal funds already available for training and employment programs greatly expands opportunities for Alaskans. STEP allows us to offer assistance not just to people who are trying to reenter the job market, but to workers who need to increase or upgrade their skills, making them more valuable and productive employees for business and industry."

*Lynn Taylor
Program Manager
Anchorage/MatSu Service
Delivery Area*



- personal and financial counseling
- academic tutoring
- emergency assistance, including transportation, child care, housing, medical, dental, vision care, food, clothing
- books, supplies, and equipment required for training
- fees for testing, certification or licensing
- uniforms and tools.

Once a client has completed training, the SDA can provide training in resume preparation, job search techniques and effective interviewing skills.

Who are STEP clients?

STEP clients are people who have been displaced in the workforce, or are facing layoffs unless they receive the training they need to secure or keep their jobs. It especially targets individuals who may have barriers to employment. The biggest barrier to employment is simply inadequate training or job skills. Other barriers can include disabilities, prior prison terms, homelessness, or limited English proficiency. Because of STEP's flexibility, it can address many of the employment obstacles facing its clients.

For example, one STEP client's most prominent barrier to employment was her appearance. She had no teeth. She also needed job skills training. Through STEP training and several phone calls to local dentists by her employment coordinator, the woman received dentures and got a job as an office assistant.

Another STEP client had the skills, but no money to buy uniforms for the well-paying job he knew he could secure. With assistance from the program, he purchased uniforms and has been employed ever since.

Every STEP client has a unique circumstance. One of the advantages of the program is its flexibility to meet the needs of its clients.

Step Training and Employment Program Eligibility Criteria

To be eligible for STEP participation, Alaska residents

1. Are **UNEMPLOYED** and:
 - a) receiving unemployment insurance benefits; or
 - b) have exhausted the right to unemployment insurance benefits within the past three years;

OR

2. Are **EMPLOYED** but likely to be displaced within the next six months because of:

- a) reduction of overall employment within a business;
- b) elimination of the worker's current job; or
- c) a change in conditions of employment requiring the employee to learn substantially different skills than they currently possess in order to remain employed;

OR

- 3. Worked in a position covered by AS 23.20 (Alaska Employment Security Act) within the past three years, but are INELIGIBLE FOR UNEMPLOYMENT BENEFITS because:
 - a) employment has been seasonal, temporary, part-time, or marginal;
 - b) qualifying wages are insufficient because of limited job opportunity; or
 - c) they are underemployed and in need of employment assistance and training to obtain full employment.

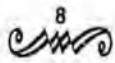
"Considering current welfare legislation, without STEP you would have a larger base of unemployment. STEP is helping the state of Alaska turn out a superior workforce. It is an invaluable tool."

*Kay G. Hoch, Chair
Fairbanks Private Industry Council
Business Owner: Matrix Jewelers*

Priority for Service

Participants should meet one of more of the following criteria to be considered for priority service:

- 1. Individuals currently on Unemployment;
- 2. Women, minorities, and rural Alaskans;
- 3. Persons enrolled in the Unemployed Parent Program under AFDC;
- 4. Persons responsible for court-ordered child support payments;
- 5. Persons lacking skills or whose skills have been outdated by technological change;
- 6. Individuals whose annual earned income is less than the Alaska Annual Average Wage, as determined by the Alaska Department of Labor for the calendar year preceding application.



A Penny Saved...

Only a fraction of every penny paid by employees into the Unemployment Insurance (UI) Trust Fund is designated to workforce development through the STEP program. Not only do individuals and businesses benefit from the program, it generates significant savings to the state by reducing unemployment claims on the Fund.

The Department of Labor, Division of Research and Analysis reports that in FY96, 480 new applicants filed 514 UI claims in the year prior to STEP enrollment. Following participation in STEP, 293 participants filed 303 claims. In the year prior to enrollment, FY96 STEP participants received an average of 19.4 weeks of benefits totaling \$1,592,960. After completing STEP, participants averaged only 14 weeks of benefits worth \$675,399.*

Over time, this translates to savings in the millions. In FY96 alone, the reduction of benefits drawn from the Trust following STEP participation totaled \$917,561.

Following the first year of Alaska Human Resource Investment Council's authority for oversight of the program, FY97 showed a marked increase in enrollment and a decrease in funds recaptured by the UI. An increase of 433 additional clients were served in 1997 over 1996 with approximately the same level of funding. At the same time, funds recaptured by the UI Trust Fund were reduced by more than \$480,000 over the previous year, a 61% improvement of fund utilization. Administrative costs to operate STEP were held to less than 20% as required by the legislature; the lowest percentage of administration cost in STEP history.

In many cases wage earnings of STEP participants increased substantially. The Anchorage/MatSu SDA reported a 36% increase in wages of clients for FY97. The average pre-program wage for clients was \$9.46/hour. The average post-program wage was \$12.82/hour. The Statewide SDA reported that the average wage for participants who completed training in FY96 was \$14.77 per hour. The average wage for clients in Fairbanks was \$12.98, up from \$8.65 before STEP training. It is difficult to measure the benefit on local economies as workers increase their potential earning power and purchase the goods and services they previously could not afford.

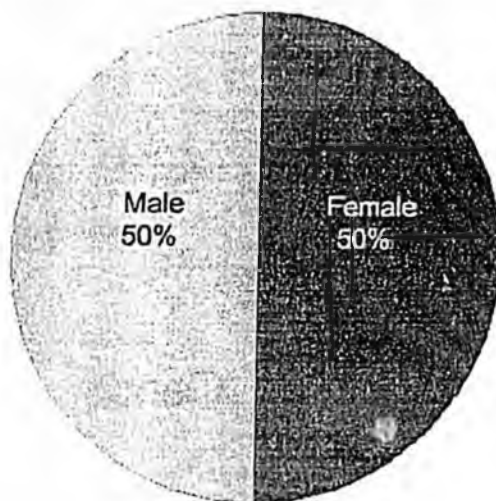
**The Alaska Department of Labor has recently issued a separate up-to-date report that reviews the entire STEP program and evaluates its effect on Unemployment Insurance Trust Funds in terms of reduction of claims filed and benefits paid. This report includes the most recent figures for FY95, FY96 and FY97.*

<u>STEP</u>		<u>Re-Captured by</u>
<u>Fund Year</u>	<u>Available</u>	<u>UI Fund</u>
FY93	\$2,962,335	\$512,539
FY94	\$2,983,523	\$505,140
FY95	\$3,182,940	\$836,023
FY96	\$3,128,151	\$793,434
FY97	\$3,316,900	\$306,426

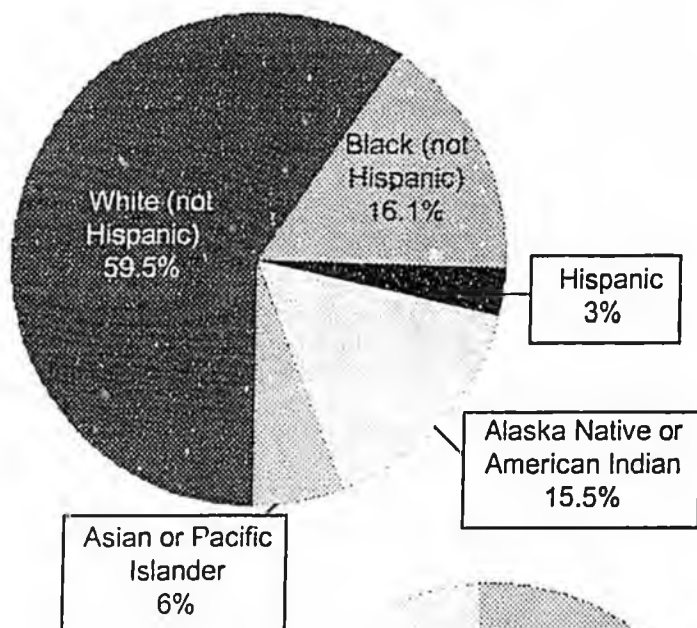


Fairbanks STEP Clients FY97*

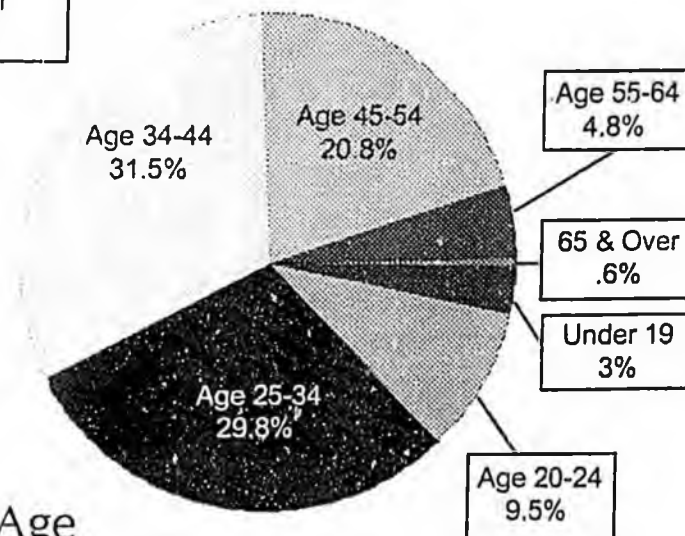
Gender



Race



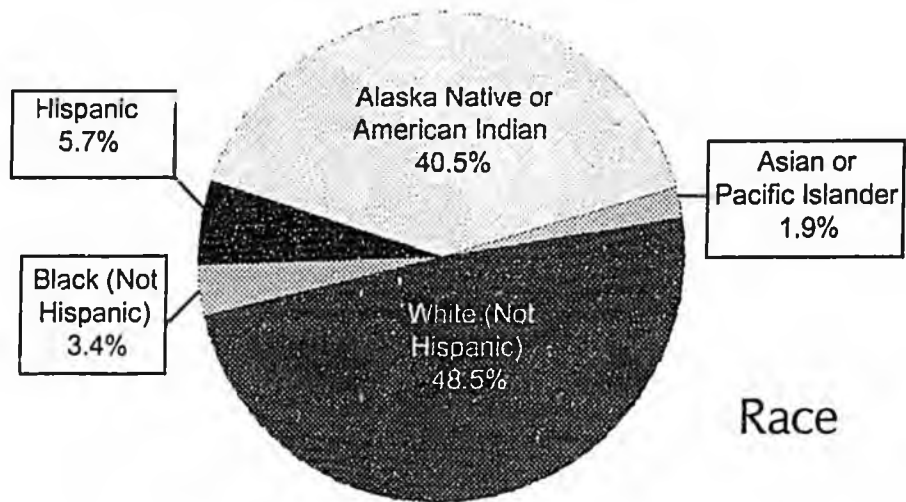
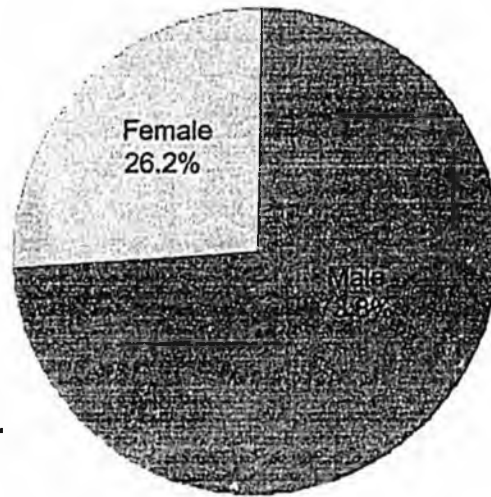
Age



*These figures provided by the Department of Labor reflect only new applicants for the program year. Clients whose services overlapped from the previous year are not counted here. SDA figures are slightly higher since SDA reports all clients served for the program year.

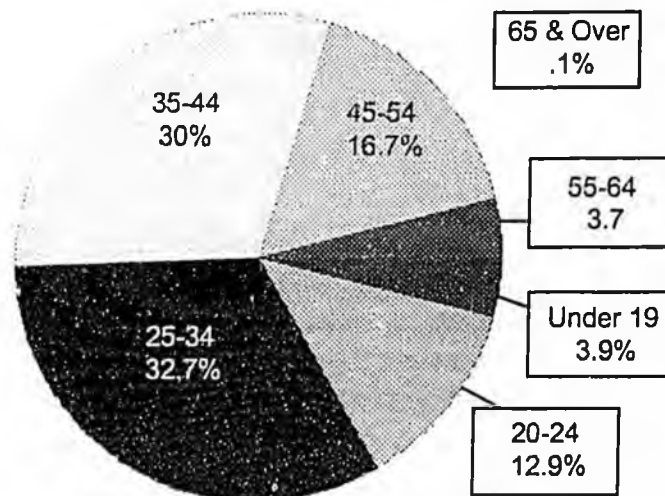
Statewide STEP Clients FY97*

Gender



Race

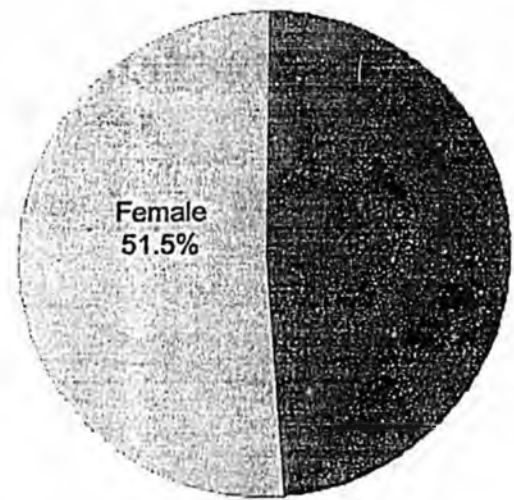
Age



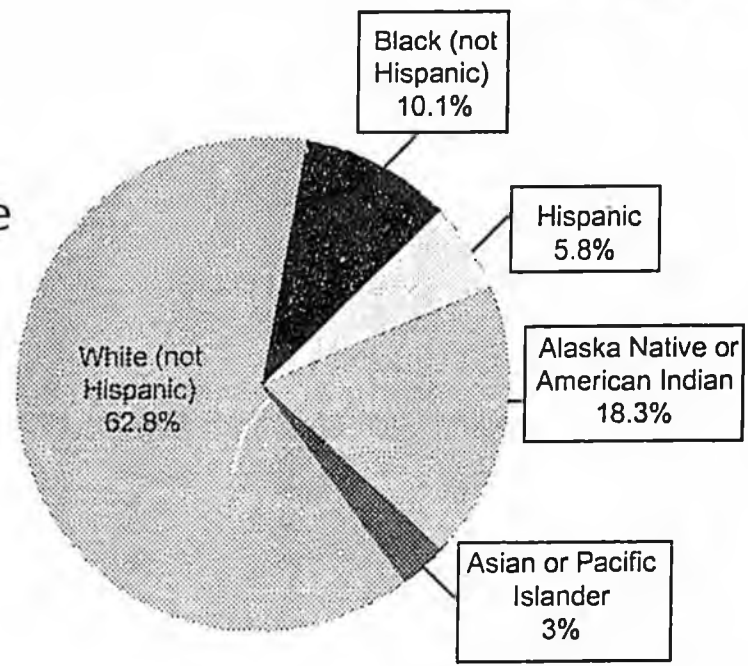
*These figures provided by the Department of Labor reflect only new applicants for the program year. Clients whose services overlapped from the previous year are not counted here. SDA figures are slightly higher since SDA reports all clients served for the program year.

Anch/Matsu STEP Clients FY97*

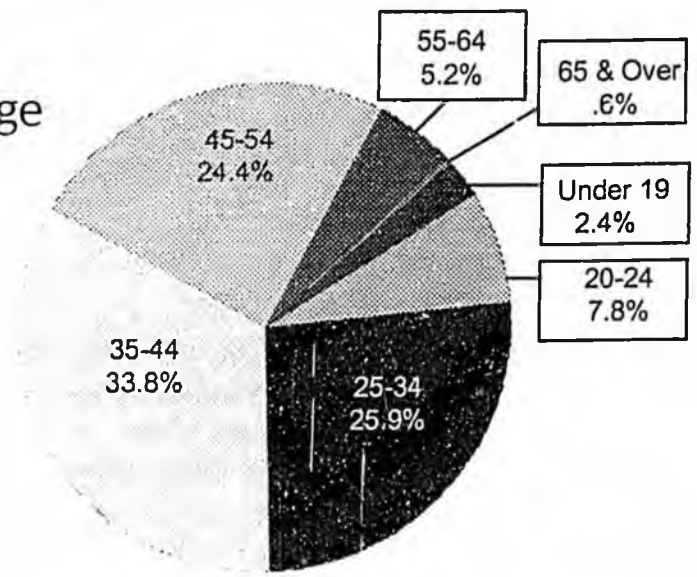
Gender



Race

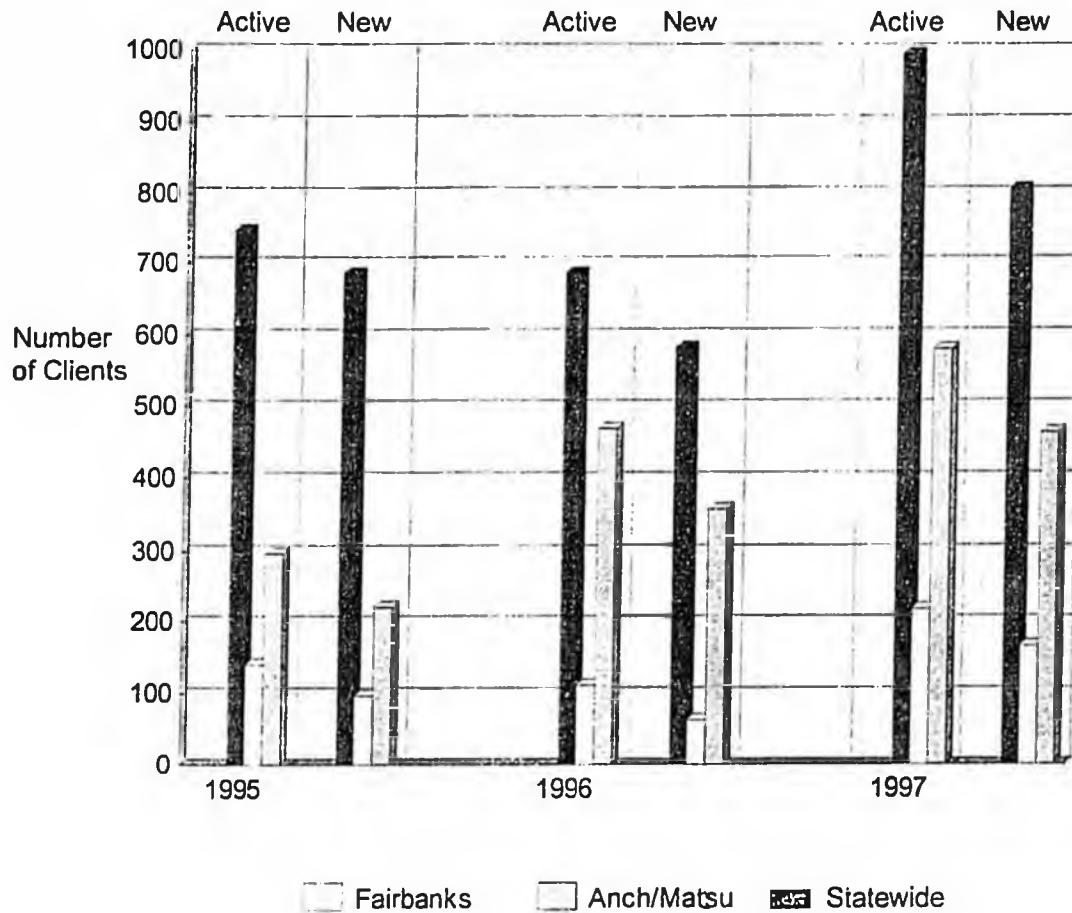


Age



*These figures provided by the Department of Labor reflect only new applicants for the program year. Clients whose services overlapped from the previous year are not counted here. SDA figures are slightly higher since SDA reports all clients served for the program year.

Distinction Between New and Active Clients



	1995		1996		1997	
	Active	New	Active	New	Active	New
Statewide	747	688	686	583	995	804
Fairbanks	142	97	113	62	217	168
Anch/Mats	296	221	468	356	581	464

*** The figure for active clients includes new applications as well as clients whose services overlapped from the previous year. The figure for new clients includes only new applications for that year. All figures provided by the Department of Labor.**

Faces Behind the Facts:

Motivation to Move Mountains

Linda Donovan used to move two tons of lumber a day, feeding pieces of wood into a rip saw at a lumber mill. Now instead of handling wood, she gently handles patients in a quiet doctor's office that overlooks the Chugach mountains. As a medical assistant, she has made a fresh start in her career; one that she is confident will keep her in the workforce permanently.

Her career change and subsequent employment were made possible in part by the STEP program.

"This was my second chance," Donovan says. "It's a program that keeps people from falling between the cracks."

After 16 years working at a mill, Donovan discovered that her work skills from the mill did not translate into jobs available in the community.

Donovan faced a common problem. She could either go back to school to train for a higher paying job, or get a minimum-wage position as a checkout clerk. The school option seemed impossible. The cost was prohibitive, and took time away from the long hours of minimum wage work that she needed to support the family.

Then she visited the Anchorage/MatSu Private Industry Council who offered help through the STEP program. After an interview with Employment Coordinator Suzanne Brown, Donovan decided on a career as a medical assistant. Donovan had prior schooling as a medical technician and had been the First Aid person at the mill where she worked. A training slot at the Career Academy was open, and STEP helped pay for tuition.

The training involved all day at school and four hours of study at home. Since the family only had one vehicle, Donovan rode the bus to school. Her classmates teased her about her serious study habits; she often arrived early on the bus to get a head start on the day. She did not miss a single hour of class in six months. Her determination paid off. Donovan graduated from the program as valedictorian of her class, and she scored in the 90th percentile on the certification test. She is currently studying for the next level of certification.



Linda Donovan works with a patient at Dr. Sandra Denton's office in Anchorage.

"I would not have had a job without this program," Donovan says. She cites STEP with allowing her to attend school full-time, by paying the tuition.

With her new career providing a sustainable income, she bought a car so that she doesn't have to ride the bus to work. She is hoping to buy a house sometime soon. The future looks promising on all fronts.

But Donovan is not one to rest on today's sense of security. Her goal is to remain viable in an ever-changing job market. Besides honing her skills, she intends to learn Spanish medical terms so that she can converse with Spanish-speaking patients. She prefers not to face unemployment again.

"I want to have salable skills that apply anywhere in the workplace. As long as I have that, I will be needed. And I will have a job."

Faces Behind the Facts:

At Home in the Village

Rose Long, who lives in Hooper Bay, a coastal village that looks out across the Bering Sea, knows that her job makes a difference in the lives of many people. As a Certified Nurses Aide (CNA), she helps to support her seven children and a husband who is currently unemployed. With the skills provided through a STEP training program, she also allows elders the opportunity to stay in the village rather than be moved to urban areas for skilled nursing care.

Elders are considered the roots of their Native communities. They are the teachers and storytellers who pass on traditional ways of life to new generations. Elders who require nursing services in order to remain safely in their homes must often seek institutional placement far away from their villages. Many elders, some of whom do not speak English, do not survive institutional care where they are cut off from family, friends and their Native culture. Thanks to CNAs like Rose Long, elders can remain in their homes and provide their communities with wisdom and the roots to a rich traditional lifestyle.

Long was a displaced worker, formerly a substitute teacher at the Hooper Bay Head Start program. She saw a job opening advertised at the post office and applied. STEP funds helped her receive the training she needed. She traveled to St. Mary's, taking classes and bunking at the old mission school for three weeks. It wasn't easy, but she came home with a new career and a job. Employed by the Yukon-Kuskokwim Health Corporation Home Care Services, she regularly cares for five clients. Four of her patients are elders; one is a disabled person.

"I take care of my clients," she says. "I wash their faces, fix their hair, cook and do light housekeeping. I take their vital signs and talk with them, sometimes in Yup'ik. Several of them don't speak English."

Long says the most rewarding part of her job is simply caring for people.

She likes to know she has provided a good meal and made her patients clean and comfortable. She also has the medical training to provide limited skilled nursing.

When Long arrives home, she has the satisfaction of knowing that her job helps to put a meal on her family's table. As she cares for her own household, a word she has heard many times from her clients during the day rings in her ears. "Quyana." The word in Yup'ik means "Thank you."



RoyCorral Photography

Elders are considered the roots of their Native communities. Thanks to STEP training, Certified Nurses Aides help keep elders in their villages.

Faces Behind the Facts:



Trained Hotshots Battle Big Lake Blaze

No sooner had the latest crew of Tazlina Hotshot trainees finished learning how to fight wildfires that come into town, than they were called out to fight the granddaddy of all "urban interface" fires in Alaska, the June 1996 Big Lake Fire.

With 80 hours of training completed, these 25 hardy young men were fully ready to get their feet warm fighting a blaze that consumed 37,800 acres of forest and 250 homes. They fought the fire for 18 days, came out for a day's rest, and went back in for mop-up operations. That made a total of 42 days of actual firefighting.

The Copper Valley Economic Development Council (CVEDC) sponsored the Hotshots' training. Chitina Traditional Village Council collaborated, the Department of Natural Resources and Alaska Fire Service provided the trainers, and STEP funded the training.



"This is a special group of guys," said Donna Tollman, executive director of CVEDC. "They're big, healthy and strong and love what they do. They think nothing of sleeping in tents for weeks. They do a lot of community work, march in the Fourth of July parade and are an inspiration to young kids, who look up to them. There's a certain charisma that goes with this. During the fire they even got themselves on CNN."

The fire fighter trainees come from all across Alaska. Usually about half are

Natives. For many of them, whose homes don't have running water or electricity, the \$15,000 a year they earn fighting fires in the fire season, combined with subsistence, enables them to get by nicely. Though it doesn't match some definition of full employment, firefighting is a major source of income for many communities.

A number of the fire crewmen have also become qualified to teach segments of the training. Qualified individual crewmen are called out to head fire crews in the lower 48, or to serve as crew members.

The Alaska fire season normally ends early in July before the lower 48 fire season begins, giving Alaska firefighters a longer working season. In 1996, the unusual number and intensity of wildfires in the lower 48 has brought them plenty of work.

1996 was the second year STEP funded the training for the Type I firefighters, who receive a full 80 hours of training. Another grant in 1997 funded training for more firefighters.



Text and photos from the 13th Annual Report, Alaska Statewide Service Delivery Area, Year Ending June 30, 1996. Photos by Ed Ohlweiler.

Alaskans Climb Aboard Maritime Careers

When Adam DesRosiers sails the high seas aboard an Alaska merchant marine ship, he will be heading for a new career and a bright future. Thanks to innovative job partnerships and the STEP program, DesRosiers, a Juneau resident, is currently training at the Seafarers International Union's (SIU) educational facility in Piney Point, Maryland. After three months of intensive training, DesRosiers will return to the Pacific Northwest for three months of on-the-job training aboard a U.S. flag vessel serving Alaska ports of call. He will then return to Piney Point for final course work, Coast Guard certification and induction into the SIU.

"The ocean has always been part of my life," DesRosiers says. "I'm well suited to this. Still, I don't know if I could have done it without the financial assistance that the STEP program provided."

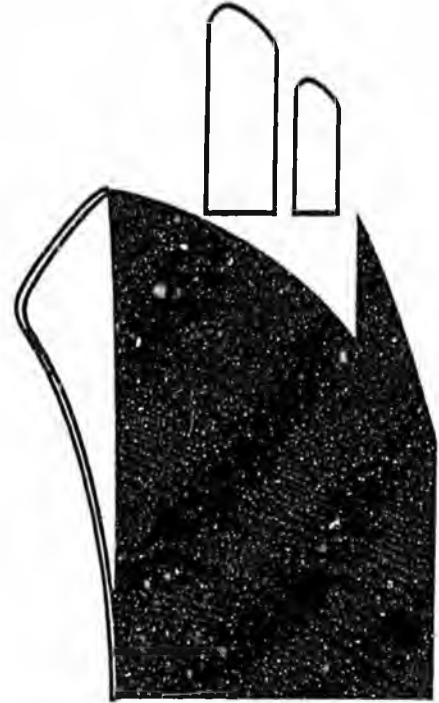
Not only is the 21-year-old well suited for life at sea, he is a born leader. He has already been promoted to the second highest ranking cadet in the school. His ambition is to someday become the captain of a seafaring vessel.

"The school director has called to say how impressed they are with the caliber of Alaskan recruits," says Lin Davis, Community Development Specialist for the Department of Community and Regional Affairs, Division of Community and Rural Development in Juneau. "We've taken them by storm and people are really jazzed."

Excitement over Alaskans gaining more jobs in the merchant marine is shared by the state's congressional delegation. Congressman Don Young, who has been instrumental in initiating partnerships and getting the word out, says, "the STEP jobs program

is providing a direct, and in some cases much needed, benefit to young Alaskans seeking to begin or further their careers in the merchant marine by financing their transportation costs to and from the Alaska Cadet Training Program."

It has been difficult over the years for Alaskans to land jobs on the ships that



"I could list many benefits of the STEP Jobs Program as well as the Alaska Cadet Training Program, but what is most important is the endless opportunities both programs present the residents of our state."

Congressman Don Young

operate here, mostly because there has been little recruiting within the state. New hires were dispatched out of the union hall in Tacoma. Now the Seafarers International Union (SIU) has opened an Alaska office and an apprentice training program targeted at providing employment opportunities for Alaskans. SIU collaborates with the three Service Delivery Areas (SDAs) to assist as many as 36 Alaskans each year to enter their training program. The SDAs provide funds to cover costs associated with physical examinations and drug screening, transportation costs to Piney Point, Maryland, and support services including clothing and uniforms necessary for training. The SDAs also assist in statewide recruitment efforts for the program.

"This program would not be successful if it weren't for the STEP program," says Harold Holton, union representative for the local SIU. "I could not be happier with the partnerships that have been formed. They've gone above and beyond the call of duty in terms of financing, transportation and uniforms for our recruits. I can't thank them enough."

DesRosiers is thankful for this career opening as well. When he finishes training, his entry-level salary will be \$30,000, working rotations of four months on ship and two months off. The opportunities for success are as boundless as the sea on which DesRosiers will soon set sail.

For more information on the STEP program, please contact:

*Anchorage-MatSu Service Delivery Area
Lynn Taylor, Program Coordinator
P.O. Box 196650
Anchorage, AK 99519-6650
(907) 343-6560*

*Fairbanks Service Delivery Area
Cathy Persinger, Program Coordinator
500 First Avenue, Suite 3
Fairbanks, AK 99701-4725
(907) 456-5189*

*Statewide Service Delivery Area
Mark Mickelson, Program Coordinator
P.O. Box 112100
Juneau, AK 99811-2100
(907) 465-4891*



Alaska State Legislature

Please enter into the record my testimony to the Labor and Commerce committee name
 committee on HB 330 , dated (4-30-98 - will be heard)
 bill/subject

RE: HB330 reauthorization of STEP:
 Reauthorization is the subject.
 Insist this bill stand on it's own merit.

The Chart to the right was taken from the Anchorage Daily News, April 16, Business Section:

STEP employment and training programs work for Alaska Hire and are at no cost to the State.

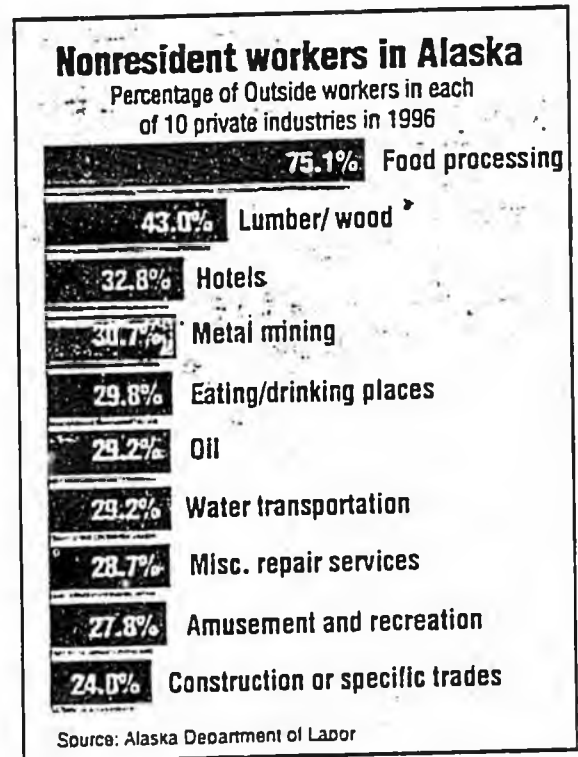
STEP is cost effective and efficient ways to reduce out of state hire.
 STEP programs work directly with employers.
 Employers are members of the local over sight councils.

STEP operates on very stringent spending guidelines and rigorous performance standards.

STEP is delivered through the SDA's for JTPA programs. JTPA/STEP serve a broad spectrum of Alaska citizens to include: those with multiple barriers-low income, UI recipients, dislocated workers, older worker, youth in areas of work experience-work readiness.

STEP works with businesses and employers at two levels: businesses are contracted with to provide on-the-job training, at completion of the training the trainee is hired. Other businesses are contracted with to provide specific services.

Signed: Jane Axberg
 Testifier: Axberg Builders
 Representing (Optional) P.O. Box 879013, Wasilla, AK 99687
 Address 373-0924
 Phone No.



RON ENGSTROM / Anchorage Daily News

improved, or modified as part of the project based on the use Cominco Alaska makes of the facilities compared to the use made by others;

(2) a toll schedule, which may include adjustments related to the price of zinc, is established for use of facilities constructed, expanded, improved, or modified as part of the project that

(A) ensures full repayment of and a reasonable return on the state's entire investment in the project;

(B) ensures an additional return on AIDEA's investment made under this section that is commensurate with the return earned on the original DeLong Mountain transportation system project and the risks assumed by AIDEA;

(C) guarantees equitable access to the facilities by all users and potential users, including access to private property and access for travel necessary and related to resource exploration and development for which valid permits have been obtained and travel in support of resource exploration and development;

(3) reasonable access to the port and road is guaranteed to all users and potential users.

(c) Subsection (a) of this section constitutes the legislative approval required by AS 44.88.095(g).

Sec. 25. (a) Upon approval of the Alaska Industrial Development and Export Authority (AIDEA), AIDEA may acquire the Snettisham hydroelectric project and related assets from the Alaska Power Administration.

(b) AIDEA may issue bonds to finance the acquisition of the Snettisham hydroelectric project and related assets, or may finance the acquisition by other means available to AIDEA. The principal amount of the bonds and other financing provided by AIDEA to finance the acquisition of the Snettisham hydroelectric project may not exceed \$100,000,000.

(c) To secure bonds issued under (b) of this section, AIDEA may establish a capital reserve fund with respect to those bonds under AS 44.88.105. If AIDEA establishes a capital reserve fund as provided in this subsection, the executive director of AIDEA shall annually, no later than January 2 of each year, certify in writing to the governor and the legislature the amount, if any, required to restore the capital reserve fund to the capital reserve fund requirement as defined in AS 44.88.105(h). The legislature may appropriate to AIDEA the amount so certified by the executive director of AIDEA. AIDEA shall deposit the amounts appropriated under this subsection during a fiscal year in the capital reserve fund. Nothing in this section creates a debt or liability of the state.

(d) Subsection (b) of this section grants the legislative approval required by AS 44.88.095(g).

Sec. 26. This Act takes effect immediately under AS 01.10.070(c).

Approved: June 27, 1996
Effective: June 28, 1996

CHAPTER 116

AN ACT RELATING TO EMPLOYMENT CONTRIBUTIONS, TO THE CALCULATION OF UNEMPLOYMENT INSURANCE BENEFITS, AND TO THE STATE TRAINING AND EMPLOYMENT PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE.

(CSSB 229(L&C))

Be it enacted by the Legislature of the State of Alaska:

Section 1. FINDINGS. The legislature finds that

(1) an inadequate number of jobs exist in this state to meet the needs of those seeking employment;

(2) many Alaskans are having difficulty finding jobs, especially in trying to meet the changing technology needs in this state;

(3) employer and employee contributions paid into the unemployment insurance system are used for payment of compensation to unemployed workers and allocation of a small portion of employment contributions paid by employees would provide money to develop a state training and employment program to meet the training needs of Alaskans;

(4) a state training and employment program would

(A) help prevent future claims against unemployment benefits;

(B) foster new jobs by encouraging businesses to locate in the state due to availability of a skilled labor force and by minimizing employers' unemployment costs; and

(C) increase training opportunities to those workers severely affected by the fluctuations in the state economy or technological changes in the workplace in the state;

(5) it would be beneficial to the state for state training and employment programs funded by the state training and employment program to supplement, but not to displace, programs funded by money available to a training entity for public or private training, and not to replace, parallel, compete with, or duplicate existing federally approved, jointly administered apprenticeship and training programs;

(6) it would be beneficial to the state to make the state training and employment program a permanent state program to benefit Alaska workers, businesses, and industry.

Sections 2—5. Permanent law. See Table of Disposition of Acts.

Sec. 6. AS 23.15.620, 23.15.625, 23.15.630, 23.15.635, 23.15.640, 23.15.645, 23.15.651, and 23.15.660 are repealed June 30, 1998.

Sec. 7. Sections 3—5 of this Act apply to benefit years for unemployment insurance beginning on or after January 1, 1997.

Sec. 8. Sections 1 and 2 of this Act take effect July 1, 1996.

Sec. 9. Sections 3 — 5 and 7 of this Act take effect January 1, 1997.

Approved: June 28, 1996
Effective: Sections 1 — 2 take effect
July 1, 1996; sections 3 — 5 and 7
take effect January 1, 1997; section
6 takes effect September 26, 1996

CHAPTER 117

AN ACT MAKING APPROPRIATIONS FOR THE OPERATING AND LOAN PROGRAM EXPENSES OF STATE GOVERNMENT, FOR CERTAIN PROGRAMS, AND TO CAPITALIZE FUNDS.

(CCS HB 412(brf fld H/S)(ofd fld S))

HB

347

FISCAL NOTE

Bill Version: CSHB 347(L&C)

(H) Publish Date: 4/30/98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date (Note if correction): _____
 Title: Overtime Wage Exemption
for Mechanics
 Sponsor: Representative Cowdery
 Requestor: House Labor & Commerce

Department Affected: Labor
 BRU: Labor Standards & Safety
 Component: Wage & Hour Administration
 COMPONENT SERIAL NO. 345

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUE FUND SOURCE #						
------------------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

This bill provides a new exemption from overtime in the Wage and Hour Act for auto mechanics employed on a flat rate of pay based upon a standardized industry manual. Such mechanics would not be entitled to overtime pay even though they may work more than eight hours in a single day or 40 straight time hours per week. This legislation will have no fiscal impact on Wage and Hour Administration.

Prepared by: Alan W. Dwyer, Director *W. Dwyer for* Phone: 465-4855
 Division: Labor Standards & Safety Date: 2/12/98
 Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*
 Agency: Department of Labor Date: 2/12/98

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HOUSE COMMITTEE REPORT

(7)
Date Referred to Committee: January 23, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/29/98

The LABOR AND COMMERCE Committee considered:

HB 347

HOUSE BILL NO. 347

OVERTIME WAGE EXEMPTION FOR MECHANICS

“An Act relating to an exemption from overtime wage requirements for certain motor vehicle mechanics.”

recommends it be replaced with the following committee substitute CS HB 347(LYC) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) Labor

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>John Cooney</i>	✓			
<i>John Sanders</i>	✓			
<i>Glenn Kaber</i>			✓	
<i>Joe Kuyper</i>			✓	
<i>Bill Hudson</i>	✓			
<i>Norm J. Kelly</i>	✓			

CHAIR'S SIGNATURE

Norm Kelly

4-29-98

0-LS1390F
Cramer
4/24/98

*Moved -
no objection*

CS FOR HOUSE BILL NO. 347()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE COWDERY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to an exemption from overtime wage requirements for certain
2 motor vehicle mechanics."

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

4 * Section 1. AS 23.10.060(d) is amended by adding a new paragraph to read:

5 (17) work performed by a mechanic primarily engaged in the servicing
6 of automobiles, light trucks, and motor homes if the mechanic

7 (A) is employed as a flat-rate mechanic by a non-manufacturing
8 establishment primarily engaged in the business of selling or servicing motor
9 vehicles;

10 (B) has signed a written agreement with the employer that
11 specifies the mechanic's flat hourly rate of pay and the automotive manual or
12 manuals on which the flat rate is to be based;

13 (C) is compensated for all hours worked in any capacity for that
14 employer up to and including eight hours a day and 40 hours a week at an

1 hourly rate that is not less than the greater of

2 (i) 75 percent of the flat hourly rate of pay agreed upon
3 by the employer and employee under (B) of this paragraph; or

4 (ii) twice the state minimum wage; and

5 (D) is compensated for all hours worked in any capacity for that
6 employer in excess of eight hours day or 40 hours week at one and one-half
7 times the rate described in (C) of this paragraph. ^B in figuring the number of
8 hours that an employee worked in a day, the employee's hours shall be figured
9 on a weekly basis.

10 * Sec. 2. The amendment to AS 23.10.060(d) made by sec. 1 of this Act applies to work
11 first performed on or after the effective date of this Act.

*Moved -
no object*

Amendment #1
to CS for HB 347 version "F"

Page 2, Line 7

After "paragraph" replace ";" with "."

Delete the remainder of lines 7, 8 & 9.

Insert new subsection to read:

"(E) The minimum amount due the employee under (C) and (D) of this section shall be figured on a weekly basis."

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-
- [United States Code](#)
 - [TITLE 29 - LABOR](#)
 - [CHAPTER 8 - FAIR LABOR STANDARDS](#)

[§ 201. Short title.](#)

[§ 202. Congressional finding and declaration of policy.](#)

[§ 203. Definitions.](#)

[§ 204. Administration.](#)

[§ 205. Special industry committees for American Samoa.](#)

[§ 206. Minimum wage.](#)

[§ 207. Maximum hours.](#)

[§ 208. Wage orders in American Samoa.](#)

[§ 209. Attendance of witnesses.](#)

[§ 210. Court review of wage orders in Puerto Rico and the Virgin Islands.](#)

[§ 211. Collection of data.](#)

[§ 212. Child labor provisions.](#)

[§ 213. Exemptions.](#)

[§ 214. Employment under special certificates.](#)

[§ 215. Prohibited acts; prima facie evidence.](#)

[§ 216. Penalties.](#)

[§ 216a. Repealed.](#)

[§ 216b. Liability for overtime work performed prior to July 20, 1949.](#)

[§ 217. Injunction proceedings.](#)

[§ 218. Relation to other laws.](#)

[§ 219. Separability.](#)

A service of the [Legal Information Institute](#).

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§ 202. Congressional finding and declaration of policy

- (a) The Congress finds that the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several States; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce. That Congress further finds that the employment of persons in domestic service in households affects commerce
- (b) It is declared to be the policy of this chapter, through the exercise by Congress of its power to regulate commerce among the several States and with foreign nations, to correct and as rapidly as practicable to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power.

§ 207. Maximum hours *see page 3 of this subsection*

- (a) Employees engaged in interstate commerce; additional applicability to employees pursuant to subsequent amendatory provisions
 - (1) Except as otherwise provided in this section, no employer shall employ any of his employees who in any workweek is engaged in commerce or in the production of goods for commerce, or is employed in an enterprise engaged in commerce or in the production of goods for commerce, for a workweek longer than forty hours unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed.
 - (2) No employer shall employ any of his employees who in any workweek is engaged in commerce or in the production of goods for commerce, or is employed in an enterprise engaged in commerce or in the production of goods for commerce, and who in such workweek is brought within the purview of this subsection by the amendments made to this chapter by the Fair Labor Standards Amendments of 1966 -
 - (A) for a workweek longer than forty-four hours during the first year from the effective date of the Fair Labor Standards Amendments of 1966,
 - (B) for a workweek longer than forty-two hours during the second year from such date, or
 - (C) for a workweek longer than forty hours after the expiration of the second year from such date, unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed.
- (b) Employment pursuant to collective bargaining agreement; employment by independently owned and controlled local enterprise engaged in distribution of petroleum products No employer shall be deemed to have violated subsection (a) of this section by employing any employee for a workweek in excess of that specified in such subsection without paying the compensation for overtime employment prescribed therein if such employee is so employed -
 - (1) in pursuance of an agreement, made as a result of collective bargaining by representatives of employees certified as bona fide by the National Labor Relations Board, which provides that no employee shall be employed more than one thousand and forty hours during any period of twenty-six consecutive weeks; or
 - (2) in pursuance of an agreement, made as a result of collective bargaining by representatives of employees certified as bona fide by the National Labor Relations Board, which provides that during a specified period of fifty-two consecutive weeks the employee shall be employed not more than two thousand two hundred and forty hours and shall be guaranteed not less than one thousand eight hundred and forty-hours (or not less than forty-six weeks at the normal number of hours worked per week, but not less than thirty hours per week) and not more than two thousand and eighty hours of employment for which he shall receive compensation for all hours guaranteed or worked at rates not less than those applicable under the agreement to the work performed and for all hours in excess of the guaranty which are also in excess of the maximum workweek applicable to such employ .e under subsection (a) of this section or two thousand and eighty in such period at rates not less than one and one-half times the regular rate at which he is employed; or
 - (3) by an independently owned and controlled local enterprise (including an enterprise with more than one bulk storage establishment) engaged in the wholesale or bulk distribution of petroleum products if -
 - (A) the annual gross volume of sales of such enterprise is less than \$1,000,000 exclusive of excise taxes,
 - (B) more than 75 per centum of such enterprise's annual dollar volume of sales is made

applicable employment contract or collective-bargaining agreement, for work outside of the hours established in good faith by the contract or agreement as the basic, normal, or regular workday (not exceeding eight hours) or workweek (not exceeding the maximum workweek applicable to such employee under subsection (a) of this section, (FOOTNOTE 2) where such premium rate is not less than one and one-half times the rate established in good faith by the contract or agreement for like work performed during such workday or workweek.

(FOOTNOTE 2) So in original. The comma probably should be preceded by a closing parenthesis. (f) Employment necessitating irregular hours of work

No employer shall be deemed to have violated subsection (a) of this section by employing any employee for a workweek in excess of the maximum workweek applicable to such employee under subsection (a) of this section if such employee is employed pursuant to a bona fide individual contract, or pursuant to an agreement made as a result of collective bargaining by representatives of employees, if the duties of such employee necessitate irregular hours of work, and the contract or agreement (1) specifies a regular rate of pay of not less than the minimum hourly rate provided in subsection (a) or (b) of section 206 of this title (whichever may be applicable) and compensation at not less than one and one-half times such rate for all hours worked in excess of such maximum workweek, and (2) provides a weekly guaranty of pay for not more than sixty hours based on the rates so specified. (g) Employment at piece rates

No employer shall be deemed to have violated subsection (a) of this section by employing any employee for a workweek in excess of the maximum workweek applicable to such employee under such subsection if, pursuant to an agreement or understanding arrived at between the employer and the employee before performance of the work, the amount paid to the employee for the number of hours worked by him in such workweek in excess of the maximum workweek applicable to such employee under such subsection -

- (1) in the case of an employee employed at piece rates, is computed at piece rates not less than one and one-half times the bona fide piece rates applicable to the same work when performed during nonovertime hours; or
- (2) in the case of an employee performing two or more kinds of work for which different hourly or piece rates have been established, is computed at rates not less than one and one-half times such bona fide rates applicable to the same work when performed during nonovertime hours; or
- (3) is computed at a rate not less than one and one-half times the rate established by such agreement or understanding as the basic rate to be used in computing overtime compensation thereunder: Provided, That the rate so established shall be authorized by regulation by the Administrator as being substantially equivalent to the average hourly earnings of the employee, exclusive of overtime premiums, in the particular work over a representative period of time; and if (i) the employee's average hourly earnings for the workweek exclusive of payments described in paragraphs (1) through (7) of subsection (e) of this section are not less than the minimum hourly rate required by applicable law, and (ii) extra overtime compensation is properly computed and paid on other forms of additional pay required to be included in computing the regular rate. (h) Extra compensation creditable toward overtime compensation

Extra compensation paid as described in paragraphs (5), (6), and (7) of subsection (e) of this section shall be creditable toward overtime compensation payable pursuant to this section.

■ (i) Employment by retail or service establishment

No employer shall be deemed to have violated subsection (a) of this section by employing any employee of a retail or service establishment for a workweek in excess of the applicable workweek specified therein, if (1) the regular rate of pay of such employee is in excess of one and one-half times the minimum hourly rate applicable to him under section 206 of this title, and (2) more than half his compensation for a representative period (not less than one month) represents commissions on goods or services. In determining the proportion of compensation representing commissions, all earnings resulting from the application of a bona fide commission rate shall be deemed commissions on goods or services without regard to whether the computed commissions exceed the draw or guarantee.

■ (j) Employment in hospital or establishment engaged in care of sick, aged, or mentally ill

No employer engaged in the operation of a hospital or an establishment which is an institution primarily engaged in the care of the sick, the aged, or the mentally ill or defective who reside on the premises shall be deemed to have violated subsection (a) of this section if, pursuant to an agreement or understanding arrived at between the employer and the employee before performance of the work, a work period of fourteen consecutive days is accepted in lieu of the workweek of seven consecutive days for purposes of overtime computation and if, for his employment in excess of eight hours in any workday and in excess of eighty hours in such fourteen-day period, the employee receives compensation at a rate not less than one and one-half times the regular rate at which he is employed.

■ (k) Employment by public agency engaged in fire protection or law enforcement activities

No public agency shall be deemed to have violated subsection (a) of this section with respect to the employment of any employee in fire protection activities or any employee in law enforcement activities (including security personnel in correctional institutions) if -

- (1) in a work period of 28 consecutive days the employee receives for tours of duty which in the aggregate exceed the lesser of (A) 216 hours, or (B) the average number of hours (as determined by the Secretary pursuant to section 6(c)(3) of the Fair Labor Standards Amendments of 1974) in tours of duty of employees engaged in such activities in work periods of 28 consecutive days in calendar year 1975; or
- (2) in the case of such an employee to whom a work period of at least 7 but less than 28 days applies, in his work period the employee receives for tours of duty which in the aggregate exceed a number of hours which bears the same ratio to the number of consecutive days in his work period as 216 hours (or if lower, the number of hours referred to in clause (B) of paragraph (1)) bears to 28 days, compensation at a rate not less than one and one-half times the regular rate at which he is employed.

■ (l) Employment in domestic service in one or more households

No employer shall employ any employee in domestic service in one or more households for a workweek longer than forty hours unless such employee receives compensation for such employment in accordance with subsection (a) of this section.

■ (m) Employment in tobacco industry

For a period or periods of not more than fourteen workweeks in the aggregate in any calendar year, any employer may employ any employee for a workweek in excess of that specified in subsection (a) of this section without paying the compensation for overtime employment prescribed in such subsection, if such employee -

■ (1) is employed by such employer -

- (A) to provide services (including stripping and grading) necessary and incidental to the sale at auction of green leaf tobacco of type 11, 12, 13, 14, 21, 22, 23, 24, 31, 35, 36, or 37 (as such types are defined by the Secretary of Agriculture), or in auction sale, buying, handling, stemming, redrying, packing, and storing of such tobacco,
- (B) in auction sale, buying, handling, sorting, grading, packing, or storing green leaf tobacco of type 32 (as such type is defined by the Secretary of Agriculture), or
- (C) in auction sale, buying, handling, stripping, sorting, grading, sizing, packing, or stemming prior to packing, of perishable cigar leaf tobacco of type 41, 42, 43, 44, 45, 46, 51, 52, 53, 54, 55, 61, or 62 (as such types are defined by the Secretary of Agriculture); and

■ (2) receives for -

- (A) such employment by such employer which is in excess of ten hours in any workday, and
- (B) such employment by such employer which is in excess of forty-eight hours in any workweek, compensation at a rate not less than one and one-half times the regular rate at which he is employed. An employer who receives an exemption under this subsection shall not be eligible for any other exemption under this section.

■ (n) Employment by street, suburban, or interurban electric railway, or local trolley or motorbus carrier

In the case of an employee of an employer engaged in the business of operating a street, suburban or interurban electric railway, or local trolley or motorbus carrier (regardless of whether or not such railway or carrier is public or private or operated for profit or not for profit), in determining the hours of employment of such an employee to which the rate prescribed by subsection (a) of this section applies there shall be excluded the hours such employee was employed in charter activities by such employer if (1) the employee's employment in such activities was pursuant to an agreement or understanding with his employer arrived at before engaging in such employment, and (2) if employment in such activities is not part of such employee's regular employment.

- (B) the final regular rate received by such employee, whichever is higher (FOOTNOTE 3)

(FOOTNOTE 3) So in original. Probably should be followed by a period.

- (5) An employee of a public agency which is a State, political subdivision of a State, or an interstate governmental agency -
 - (A) who has accrued compensatory time off authorized to be provided under paragraph (1), and
 - (B) who has requested the use of such compensatory time, shall be permitted by the employee's employer to use such time within a reasonable period after making the request if the use of the compensatory time does not unduly disrupt the operations of the public agency.
- (6) The hours an employee of a public agency performs court reporting transcript preparation duties shall not be considered as hours worked for the purposes of subsection (a) of this section if -
 - (A) such employee is paid at a per-page rate which is not less than -
 - (i) the maximum rate established by State law or local ordinance for the jurisdiction of such public agency,
 - (ii) the maximum rate otherwise established by a judicial or administrative officer and in effect on July 1, 1995, or
 - (iii) the rate freely negotiated between the employee and the party requesting the transcript, other than the judge who presided over the proceedings being transcribed, and
 - (B) the hours spent performing such duties are outside of the hours such employee performs other work (including hours for which the agency requires the employee's attendance) pursuant to the employment relationship with such public agency. For purposes of this section, the amount paid such employee in accordance with subparagraph (A) for the performance of court reporting transcript preparation duties, shall not be considered in the calculation of the regular rate at which such employee is employed.
- (7) For purposes of this subsection -
 - (A) the term "overtime compensation" means the compensation required by subsection (a), and
 - (B) the terms "compensatory time" and "compensatory time off" mean hours during which an employee is not working, which are not counted as hours worked during the applicable workweek or other work period for purposes of overtime compensation, and for which the employee is compensated at the employee's regular rate.
- (p) Special detail work for fire protection and law enforcement employees; occasional or sporadic employment; substitution
 - (1) If an individual who is employed by a State, political subdivision of a State, or an interstate governmental agency in fire protection or

- (o) Compensatory time
 - (1) Employees of a public agency which is a State, a political subdivision of a State, or an interstate governmental agency may receive, in accordance with this subsection and in lieu of overtime compensation, compensatory time off at a rate not less than one and one-half hours for each hour of employment for which overtime compensation is required by this section.
 - (2) A public agency may provide compensatory time under paragraph (1) only -
 - (A) pursuant to -
 - (i) applicable provisions of a collective bargaining agreement, memorandum of understanding, or any other agreement between the public agency and representatives of such employees; or
 - (ii) in the case of employees not covered by subclause (i), an agreement or understanding arrived at between the employer and employee before the performance of the work; and
 - (B) if the employee has not accrued compensatory time in excess of the limit applicable to the employee prescribed by paragraph (3). In the case of employees described in clause (A)(ii) hired prior to April 15, 1986, the regular practice in effect on April 15, 1986, with respect to compensatory time off for such employees in lieu of the receipt of overtime compensation, shall constitute an agreement or understanding under such clause (A)(ii). Except as provided in the previous sentence, the provision of compensatory time off to such employees for hours worked after April 14, 1986, shall be in accordance with this subsection.
 - (3)(A) If the work of an employee for which compensatory time may be provided included work in a public safety activity, an emergency response activity, or a seasonal activity, the employee engaged in such work may accrue not more than 480 hours of compensatory time for hours worked after April 15, 1986. If such work was any other work, the employee engaged in such work may accrue not more than 240 hours of compensatory time for hours worked after April 15, 1986. Any such employee who, after April 15, 1986, has accrued 480 or 240 hours, as the case may be, of compensatory time off shall, for additional overtime hours of work, be paid overtime compensation.
 - (B) If compensation is paid to an employee for accrued compensatory time off, such compensation shall be paid at the regular rate earned by the employee at the time the employee receives such payment.
 - (4) An employee who has accrued compensatory time off authorized to be provided under paragraph (1) shall, upon termination of employment, be paid for the unused compensatory time at a rate of compensation not less than -
 - (A) the average regular rate received by such employee during the last 3 years of the employee's employment, or

law enforcement activities (including activities of security personnel in correctional institutions) and who, solely at such individual's option, agrees to be employed on a special detail by a separate or independent employer in fire protection, law enforcement, or related activities, the hours such individual was employed by such separate and independent employer shall be excluded by the public agency employing such individual in the calculation of the hours for which the employee is entitled to overtime compensation under this section if the public agency -

- (A) requires that its employees engaged in fire protection, law enforcement, or security activities be hired by a separate and independent employer to perform the special detail,
 - (B) facilitates the employment of such employees by a separate and independent employer, or
 - (C) otherwise affects the condition of employment of such employees by a separate and independent employer.
- (2) If an employee of a public agency which is a State, political subdivision of a State, or an interstate governmental agency undertakes, on an occasional or sporadic basis and solely at the employee's option, part-time employment for the public agency which is in a different capacity from any capacity in which the employee is regularly employed with the public agency, the hours such employee was employed in performing the different employment shall be excluded by the public agency in the calculation of the hours for which the employee is entitled to overtime compensation under this section.
 - (3) If an individual who is employed in any capacity by a public agency which is a State, political subdivision of a State, or an interstate governmental agency, agrees, with the approval of the public agency and solely at the option of such individual, to substitute during scheduled work hours for another individual who is employed by such agency in the same capacity, the hours such employee worked as a substitute shall be excluded by the public agency in the calculation of the hours for which the employee is entitled to overtime compensation under this section.
- (q) Maximum hour exemption for employees receiving remedial education

Any employer may employ any employee for a period or periods of not more than 10 hours in the aggregate in any workweek in excess of the maximum workweek specified in subsection (a) of this section without paying the compensation for overtime employment prescribed in such subsection, if during such period or periods the employee is receiving remedial education that is -

- (1) provided to employees who lack a high school diploma or educational attainment at the eighth grade level;
- (2) designed to provide reading and other basic skills at an eighth grade level or below; and
- (3) does not include job specific training.

§ 213. Exemptions

See 10(A) next page

- (a) Minimum wage and maximum hour requirements

The provisions of sections 206 (except subsection (d) in the case of paragraph (1) of this subsection) and section 207 of this title shall not apply with respect to -

- (1) any employee employed in a bona fide executive, administrative, or professional capacity (including any employee employed in the capacity of academic administrative personnel or teacher in elementary or secondary schools), or in the capacity of outside salesman (as such terms are defined and delimited from time to time by regulations of the Secretary, subject to the provisions of subchapter II of chapter 5 of title 5, except that an employee of a retail or service establishment shall not be excluded from the definition of employee employed in a bona fide executive or administrative capacity because of the number of hours in his workweek which he devotes to activities not directly or closely related to the performance of executive or administrative activities, if less than 40 per centum of his hours worked in the workweek are devoted to such activities); or
- (2) Repealed. Pub. L. 101-157, Sec. 3(c)(1), Nov. 17, 1989, 103 Stat. 939.
- (3) any employee employed by an establishment which is an amusement or recreational establishment organized camp, or religious or non-profit educational conference center, if (A) it does not operate for more than seven months in any calendar year, or (B) during the preceding calendar year, its average receipts for any six months of such year were not more than 33 1/3 per centum of its average receipts for the other six months of such year, except that the exemption from sections 206 and 207 of this title provided by this paragraph does not apply with respect to any employee of a private entity engaged in providing services or facilities (other than, in the case of the exemption from section 206 of this title, a private entity engaged in providing services and facilities directly related to skiing) in a national park or a national forest, or on land in the National Wildlife Refuge System, under a contract with the Secretary of the Interior or the Secretary of Agriculture; or
- (4) Repealed. Pub. L. 101-157, Sec. 3(c)(1), Nov. 17, 1989, 103 Stat. 939.
- (5) any employee employed in the catching, taking, propagating, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life, or in the first processing, canning or packing such marine products at sea as an incident to, or in conjunction with, such fishing operations, including the going to and returning from work and loading and unloading when performed by any such employee; or
- (6) any employee employed in agriculture (A) if such employee is employed by an employer who did not, during any calendar quarter during the preceding calendar year, use more than five hundred man-days of agricultural labor, (B) if such employee is the parent, spouse, child, or other member of his employer's immediate family, (C) if such employee (i) is employed as a hand harvest laborer and is paid on a piece rate basis in an operation which has been, and is customarily and generally recognized as having been, paid on a piece rate basis in the region of employment, (ii) commutes daily from his permanent residence to the farm on which he is so employed, and (iii) has been employed in agriculture less than thirteen weeks during the preceding calendar year, (D) if such employee (other than an employee described in clause (C) of this subsection) (i) is sixteen years of age or under and is employed as a hand harvest laborer, is paid on a piece rate basis in an operation which has been, and is customarily and generally recognized as having been, paid on a piece rate basis in the region of employment, (ii) is employed on the same farm as his parent or person standing in the place of his parent, and (iii) is paid at the same piece rate as employees over age sixteen are paid on the same farm, or (E) if such employee is principally engaged in the range production of livestock; or

- (7) any employee to the extent that such employee is exempted by regulations, order, or certificate of the Secretary issued under section 214 of this title; or
 - (8) any employee employed in connection with the publication of any weekly, semiweekly, or daily newspaper with a circulation of less than four thousand the major part of which circulation is within the county where published or counties contiguous thereto; or
 - (9) Repealed. Pub. L. 93-259, Sec. 23(a)(1), Apr. 8, 1974, 88 Stat. 69.
 - (10) any switchboard operator employed by an independently owned public telephone company which has not more than seven hundred and fifty stations; or
 - (11) Repealed. Pub. L. 93-259, Sec. 10(a), Apr. 8, 1974, 88 Stat. 63.
 - (12) any employee employed as a seaman on a vessel other than an American vessel; or
 - (13), (14) Repealed. Pub. L. 93-259, Sec. 9(b)(1), 23(b)(1), Apr. 8, 1974, 88 Stat. 63, 69.
 - (15) any employee employed on a casual basis in domestic service employment to provide babysitting services or any employee employed in domestic service employment to provide companionship services for individuals who (because of age or infirmity) are unable to care for themselves (as such terms are defined and delimited by regulations of the Secretary); or
 - (16) a criminal investigator who is paid availability pay under section 5545a of title 5.
- (b) Maximum hour requirements

The provisions of section 207 of this title shall not apply with respect to -

- (1) any employee with respect to whom the Secretary of Transportation has power to establish qualifications and maximum hours of service pursuant to the provisions of section 31502 of title 49; or
- (2) any employee of an employer engaged in the operation of a rail carrier subject to part A of subtitle IV of title 49; or
- (3) any employee of a carrier by air subject to the provisions of title II of the Railway Labor Act (45 U.S.C. 181 et seq.); or
- (4) Repealed. Pub. L. 93-259, Sec. 11(c), Apr. 8, 1974, 88 Stat. 64.
- (5) any individual employed as an outside buyer of poultry, eggs, cream, or milk, in their raw or natural state; or
- (6) any employee employed as a seaman; or
- (7) Repealed. Pub. L. 93-259, Sec. 21(b)(3), Apr. 8, 1974, 88 Stat. 68.
- (8) Repealed. Pub. L. 95-151, Sec. 14(b), Nov. 1, 1977, 91 Stat. 1252.
- (9) any employee employed as an announcer, news editor, or chief engineer by a radio or television station the major studio of which is located (A) in a city or town of one hundred thousand population or less, according to the latest available decennial census figures as compiled by the Bureau of the Census, except where such city or town is part of a standard metropolitan statistical area, as defined and designated by the Office of Management and Budget, which has a total population in excess of one hundred thousand, or (B) in a city or town of twenty-five thousand population or less, which is part of such an area but is at least 40 airline miles from the principal city in such area; or
- (10)(A) any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles, trucks, or farm implements, if he is employed by a nonmanufacturing establishment primarily engaged in the business of selling such vehicles or implements to ultimate purchasers; or
 - (B) any salesman primarily engaged in selling trailers, boats, or aircraft, if he is employed by a nonmanufacturing establishment primarily engaged in the business of selling trailers, boats, or aircraft to ultimate purchasers; or
- (11) any employee employed as a driver or driver's helper making local deliveries, who is compensated for such employment on the basis of trip rates, or other delivery payment plan, if the Secretary shall find that such plan has the general purpose and effect of reducing hours

- worked by such employees to, or below, the maximum workweek applicable to them under section 207(a) of this title; or
- (12) any employee employed in agriculture or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways, not owned or operated for profit, or operated on a sharecrop basis, and which are used exclusively for supply and storing of water for agricultural purposes; or
 - (13) any employee with respect to his employment in agriculture by a farmer, notwithstanding other employment of such employee in connection with livestock auction operations in which such farmer is engaged as an adjunct to the raising of livestock, either on his own account or in conjunction with other farmers, if such employee (A) is primarily employed during his workweek in agriculture by such farmer, and (B) is paid for his employment in connection with such livestock auction operations at a wage rate not less than that prescribed by section 206(a)(1) of this title; or
 - (14) any employee employed within the area of production (as defined by the Secretary) by an establishment commonly recognized as a country elevator, including such an establishment which sells products and services used in the operation of a farm, if no more than five employees are employed in the establishment in such operations; or
 - (15) any employee engaged in the processing of maple sap into sugar (other than refined sugar) or syrup; or
 - (16) any employee engaged (A) in the transportation and preparation for transportation of fruits or vegetables, whether or not performed by the farmer, from the farm to a place of first processing or first marketing within the same State, or (B) in transportation, whether or not performed by the farmer, between the farm and any point within the same State of persons employed or to be employed in the harvesting of fruits or vegetables; or
 - (17) any driver employed by an employer engaged in the business of operating taxicabs; or
 - (18), (19) Repealed. Pub. L. 93-259, Sec. 15(c), 16(b), Apr. 8, 1974, 88 Stat. 65.
 - (20) any employee of a public agency who in any workweek is employed in fire protection activities or any employee of a public agency who in any workweek is employed in law enforcement activities (including security personnel in correctional institutions), if the public agency employs during the workweek less than 5 employees in fire protection or law enforcement activities, as the case may be; or
 - (21) any employee who is employed in domestic service in a household and who resides in such household; or
 - (22) Repealed. Pub. L. 95-151, Sec. 5, Nov. 1, 1977, 91 Stat. 1249.
 - (23) Repealed. Pub. L. 93-259, Sec. 10(b)(3), Apr. 8, 1974, 88 Stat. 64.
 - (24) any employee who is employed with his spouse by a nonprofit educational institution to serve as the parents of children -
 - (A) who are orphans or one of whose natural parents is deceased, or
 - (B) who are enrolled in such institution and reside in residential facilities of the institution, while such children are in residence at such institution, if such employee and his spouse reside in such facilities, receive, without cost, board and lodging from such institution, and are together compensated, on a cash basis, at an annual rate of not less than \$10,000; or
 - (25), (26) Repealed. Pub. L. 95-151, Sec. 6(a), 7(a), Nov. 1, 1977, 91 Stat. 1249, 1250. (27) any employee employed by an establishment which is a motion picture theater; or (28) any employee employed in planting or tending trees, cruising, surveying, or felling timber, or in preparing or transporting logs or other forestry products to the mill, processing plant, railroad, or other transportation terminal, if the number of employees employed by his employer in such forestry or lumbering operations does not exceed eight; (29) any employee of an amusement or recreational establishment located in a national park or national forest or

- on land in the National Wildlife Refuge System if such employee (A) is an employee of a private entity engaged in providing services or facilities in a national park or national forest, or on land in the National Wildlife Refuge System, under a contract with the Secretary of the Interior or the Secretary of Agriculture, and (B) receives compensation for employment in excess of fifty-six hours in any workweek at a rate not less than one and one-half times the regular rate at which he is employed; or
- (30) a criminal investigator who is paid availability pay under section 5545a of title 5.
 - (c) Child labor requirements
 - (1) Except as provided in paragraph (2) or (4), the provisions of section 212 of this title relating to child labor shall not apply to any employee employed in agriculture outside of school hours for the school district where such employee is living while he is so employed, if such employee -
 - (A) is less than twelve years of age and (i) is employed by his parent, or by a person standing in the place of his parent, on a farm owned or operated by such parent or person, or (ii) is employed, with the consent of his parent or person standing in the place of his parent, on a farm, none of the employees of which are (because of subsection (a)(6)(A) of this section) required to be paid at the wage rate prescribed by section 206(a)(5) of this title,
 - (B) is twelve years or thirteen years of age and (i) such employment is with the consent of his parent or person standing in the place of his parent, or (ii) his parent or such person is employed on the same farm as such employee, or
 - (C) is fourteen years of age or older.
 - (2) The provisions of section 212 of this title relating to child labor shall apply to an employee below the age of sixteen employed in agriculture in an occupation that the Secretary of Labor finds and declares to be particularly hazardous for the employment of children below the age of sixteen, except where such employee is employed by his parent or by a person standing in the place of his parent on a farm owned or operated by such parent or person.
 - (3) The provisions of section 212 of this title relating to child labor shall not apply to any child employed as an actor or performer in motion pictures or theatrical productions, or in radio or television productions.
 - (4)(A) An employer or group of employers may apply to the Secretary for a waiver of the application of section 212 of this title to the employment for not more than eight weeks in any calendar year of individuals who are less than twelve years of age, but not less than ten years of age, as hand harvest laborers in an agricultural operation which has been, and is customarily and generally recognized as being, paid on a piece rate basis in the region in which such individuals would be employed. The Secretary may not grant such a waiver unless he finds, based on objective data submitted by the applicant, that -
 - (i) the crop to be harvested is one with a particularly short harvesting season and the application of section 212 of this title would cause severe economic disruption in the industry of the employer or group of employers applying for the waiver;
 - (ii) the employment of the individuals to whom the waiver would apply would not be deleterious to their health or well-being;
 - (iii) the level and type of pesticides and other chemicals used would not have an adverse effect on the health or well-being of the individuals to whom the waiver would apply;
 - (iv) individuals age twelve and above are not available for such employment; and
 - (v) the industry of such employer or group of employers has traditionally and substantially employed individuals under twelve years of age without displacing

substantial job opportunities for individuals over sixteen years of age.

- (B) Any waiver granted by the Secretary under subparagraph (A) shall require that -
 - (i) the individuals employed under such waiver be employed outside of school hours for the school district where they are living while so employed;
 - (ii) such individuals while so employed commute daily from their permanent residence to the farm on which they are so employed; and
 - (iii) such individuals be employed under such waiver (I) for not more than eight weeks between June 1 and October 15 of any calendar year, and (II) in accordance with such other terms and conditions as the Secretary shall prescribe for such individuals' protection.

- (d) Delivery of newspapers and wreathmaking

The provisions of sections 206, 207, and 212 of this title shall not apply with respect to any employee engaged in the delivery of newspapers to the consumer or to any homemaker engaged in the making of wreaths composed principally of natural holly, pine, cedar, or other evergreens (including the harvesting of the evergreens or other forest products used in making such wreaths).

- (e) Maximum hour requirements and minimum wage employees

The provisions of section 207 of this title shall not apply with respect to employees for whom the Secretary of Labor is authorized to establish minimum wage rates as provided in section 206(a)(3) of this title, except with respect to employees for whom such rates are in effect; and with respect to such employees the Secretary may make rules and regulations providing reasonable limitations and allowing reasonable variations, tolerances, and exemptions to and from any or all of the provisions of section 207 of this title if he shall find, after a public hearing on the matter, and taking into account the factors set forth in section 206(a)(3) of this title, that economic conditions warrant such action.

- (f) Employment in foreign countries and certain United States territories

The provisions of sections 206, 207, 211, and 212 of this title shall not apply with respect to any employee whose services during the workweek are performed in a workplace within a foreign country or within territory under the jurisdiction of the United States other than the following: a State of the United States; the District of Columbia; Puerto Rico; the Virgin Islands; outer Continental Shelf lands defined in the Outer Continental Shelf Lands Act (ch. 345, 67 Stat. 462) (43 U.S.C. 1331 et seq.); American Samoa; Guam; Wake Island; Eniwetok Atoll; Kwajalein Atoll; and Johnston Island.

- (g) Certain employment in retail or service establishments, agriculture

The exemption from section 206 of this title provided by paragraph (6) of subsection (a) of this section shall not apply with respect to any employee employed by an establishment (1) which controls, is controlled by, or is under common control with, another establishment the activities of which are not related for a common business purpose to, but materially support the activities of the establishment employing such employee; and (2) whose annual gross volume of sales made or business done, when combined with the annual gross volume of sales made or business done by each establishment which controls, is controlled by, or is under common control with, the establishment employing such employee, exceeds \$10,000,000 (exclusive of excise taxes at the retail level which are separately stated).

- (h) Maximum hour requirement: fourteen workweek limitation

The provisions of section 207 of this title shall not apply for a period or periods of not more than fourteen workweeks in the aggregate in any calendar year to any employee who -

- (1) is employed by such employer -
 - (A) exclusively to provide services necessary and incidental to the ginning of cotton in an establishment primarily engaged in the ginning of cotton;
 - (B) exclusively to provide services necessary and incidental to the receiving, handling, and storing of raw cotton and the compressing of raw cotton when performed at a cotton warehouse or compress-warehouse facility, other than one operated in conjunction with a cotton mill, primarily engaged in storing and compressing;
 - (C) exclusively to provide services necessary and incidental to the receiving, handling, storing, and processing of cottonseed in an establishment primarily engaged in the receiving, handling, storing, and processing of cottonseed; or
 - (D) exclusively to provide services necessary and incidental to the processing of sugar cane or sugar beets in an establishment primarily engaged in the processing of sugar cane or sugar beets; and
- (2) receives for -
 - (A) such employment by such employer which is in excess of ten hours in any workday, and
 - (B) such employment by such employer which is in excess of forty-eight hours in any workweek, compensation at a rate not less than one and one-half times the regular rate at which he is employed. Any employer who receives an exemption under this subsection shall not be eligible for any other exemption under this section or section 207 of this title.
 - (i) Cotton ginning

The provisions of section 207 of this title shall not apply for a period or periods of not more than fourteen workweeks in the aggregate in any period of fifty-two consecutive weeks to any employee who -

- (1) is engaged in the ginning of cotton for market in any place of employment located in a county where cotton is grown in commercial quantities; and
- (2) receives for any such employment during such workweeks -
 - (A) in excess of ten hours in any workday, and
 - (B) in excess of forty-eight hours in any workweek, compensation at a rate not less than one and one-half times the regular rate at which he is employed. No week included in any fifty-two week period for purposes of the preceding sentence may be included for such purposes in any other fifty-two week period.
- (j) Processing of sugar beets, sugar beet molasses, or sugar cane

The provisions of section 207 of this title shall not apply for a period or periods of not more than fourteen workweeks in the aggregate in any period of fifty-two consecutive weeks to any employee who -

- (1) is engaged in the processing of sugar beets, sugar beet molasses, or sugar cane into sugar (other than refined sugar) or syrup; and
- (2) receives for any such employment during such workweeks -
 - (A) in excess of ten hours in any workday, and
 - (B) in excess of forty-eight hours in any workweek, compensation at a rate not less than one and one-half times the regular rate at which he is employed. No week included in any fifty-two week period for purposes of the preceding

sentence may be included for such purposes in any other
fifty-two week period.

HB347



REPRESENTATIVE JOHN J. COWDERY

March 20, 1998

Dwight Perkins, Special Assistant
Department of Labor

Dear Mr. Perkins.

This letter is to request a status report on the negotiations with the Alaska Auto Dealers Association concerning overtime exemptions for flat-rate mechanics. I would like to know what language is being considered and how soon we may expect to hear your suggestions in committee.

I would like to resume the hearing process in the immediate future should negotiations prove unproductive.

Thanks for your help.

Yours Truly,

A handwritten signature in cursive script that reads "John J. Cowdery".

John J. Cowdery

CC: Representative Rokeberg, Chair, Labor and Commerce Committee

Sponsor Statement for House Bill 347

This legislation will bring the State of Alaska in line with Federal statutes by exempting "flat rate" mechanics from State overtime requirements. Mechanics who work on a "flat rate" basis are restricted by their employers, in most cases, from working overtime because of the complications in the interpretation of existing law.

This legislation unravels the knot in existing regulation and frees employers to allow work as the mechanic sees fit. Flat rate mechanics would be allowed to start early or work late to complete projects more efficiently and increase their own earning potential. The long-term benefit is to the consumer through reduced overhead and increased flexibility of the mechanic. By bringing Alaska statutes on par with other states, Alaskan employers will be able to compete on level ground with out-of-state businesses for qualified mechanics in a currently shorthanded industry.

This legislation is supported by both auto dealers and flat rate mechanics.

1/23/98

Representative John Cowdery
Alaska State House of Representatives
State Capital
Juneau, Alaska

Dear Representative Cowdery,

I am an automotive mechanic paid on a flat rate basis. I have been in this profession for 36 years. I am a master technician certified by Automotive Service Excellence (ASE) in all types of automotive repair.

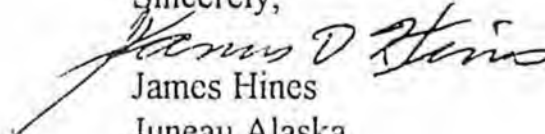
I support your proposed bill exempting flat rate mechanics from overtime. Because of the current restriction placed upon me by my employer, I must quit working on a job at the end of 8 hours. Our establishment is open additional hours before and after my shift. It would be very beneficial to me to have the ability to continue a job that might take just a short time more to complete. It is a financial hardship to "break stride" and restart the same job the next morning.

I am familiar with the State of Alaska overtime payment calculation. It is difficult for me to understand and I believe it would be a problem for my employer to pay overtime in this way. If this was just an issue of added expense to my employer, I believe it would be simpler and less expensive for them to just add another work shift.

I have worked in California and Alaska and come in contact with mechanics from a number of other states. It seems that Alaska is the only state that restricts flat rate mechanics in this way.

I ask for your support on this issue.

Sincerely,


James Hines
Juneau Alaska

1-25-98

Representative John Courdery
Alaska State House of Representatives
State Capital
Juneau Alaska

Dear Representative Courdery

I've been an automotive painter for 17 yrs.

I'm certified in Dupont PPG, & Diamond paint systems. I'm paid on a flat rate basis

I think the overtime pay calculation is excessive considering the dollar amount I've already paid. I also believe my family & I would benefit financial if aloud to work more than 8 hours a day. Many times small jobs that could be finished ^{quickly} the night. Have to wait till following day, as the law stands now.

This creates a bottleneck in our shop. As I understand it, Alaska is the only state doing this. That's why I support your Bill exempting flat rate employees. I'm hoping for your support on this issue

Sincerely

Steve Scuba



ALASKA AUTO DEALERS ASSOCIATION

P.O. Box 201305, Anchorage, Alaska 99520-1305

January 22, 1998

The Honorable John Cowdery
Alaska State Legislature
State Capital
Juneau, Alaska 99801

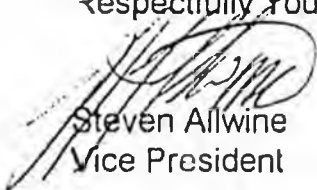
Dear Representative Cowdery,

I have been asked by your staff to provide input on how your proposed "mechanics overtime" bill might impact the consumer.

Stated simply the impact of this legislation would be positive although not necessarily obvious. This would not increase costs to the consumer. Implementation of this legislation would allow mechanics added flexibility to complete a repair. The current conditions dictate that the mechanic stop work at the end of an 8 hour day. In certain instances a repair that has been carried over to the following day would have required minimal time to complete.

The most obvious savings to the consumer would be in the area's of time and convenience. Your bill offers flexibility to the mechanic. That flexibility translates to higher income and productivity for the mechanic and savings of time and inconvenience for the consumer.

Respectfully Yours,


Steven Allwine
Vice President

From the office of . . . Representative John J. Cowdery
State Capitol Bldg., Room 416
Juneau, AK 99801
907-465-3879 phone
907-465-2069 fax

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MEMORANDUM

TO: Representative Rokeberg, Chair
House Labor and Commerce Committee

FROM: Representative Cowdery

DATE: February 19, 1998

RE: House Bill 347

CC:

Notes:

We would like to have the following people testify on House Bill 347 on Monday the 23rd.

Teleconference from Anchorage
Rick Morrison – Board Member Alaska Automobile Dealers Assc.
Auto Technician (As yet not named)

In person
Steve Allwine – Board Member Alaska Automobile Dealers Assc.
Jim Hines – Auto Technician

ARTICLE 2. MINIMUM WAGES AND OVERTIME.

Section	Section
100. Payment for overtime	102. Voluntary flexible work hour plans
101. Overtime for line haul truck drivers	105. Minimum wage

8 AAC 15.100. PAYMENT FOR OVERTIME. (a) An employee's regular rate is the basis for computing overtime. The regular rate is an hourly rate figured on a weekly basis. An employee need not actually be hired at an hourly rate. The employee may be paid by piece-rate, salary, commission, or any other basis agreeable to the employer and employee. However, the applicable compensation basis must be converted to an hourly rate when determining the regular rate for computing overtime compensation. The following provisions apply for an employee paid on a salary basis:

(1) The employment contract must set out the specific number of hours the employee is expected to work each day and each week. The contract must establish a regular hourly rate of pay with respect to the salary to be paid and the hours to be worked. Changes to the pay schedule of a salaried employee must conform to the provisions of AS 23.05.160.

(2) If a contract fails to establish a fixed number of daily and weekly hours for which the salary is intended to compensate, or if the actual hours of work deviate from the hours specified in the contract, the salary will be considered to be compensation for an eight-hour work day and 40-hour workweek, and overtime will be computed on that basis.

(b) In order to compute a regular hourly rate for the purpose of determining the overtime rate for an employee who is paid other than hourly or by salary, the following provisions of 29 C.F.R. Part 778 apply:

- (1) for a pieceworker, 29 C.F.R. 778.111;
- (2) for an employee who works at two or more hourly rates, 29 C.F.R. 778.115;
- (3) for an employee who receives wages in a form other than cash, 29 C.F.R. 778.116; or
- (4) for an employee who receives a commission, 29 C.F.R. 778.117 — 778.122.

(c) When computing an employee's hours for the purpose of determining overtime, the employer shall count all hours the employee worked during that week including periods of "on call" and "standby or waiting time" required for the convenience of the employer which were a necessary part of the employee's performance of his employment. However, if the employee is completely relieved from all duties for a certain period during which he may use the time effectively for his own purposes, then those periods need not be counted.

(d) The following are not acceptable methods of complying with the payment of overtime provisions of AS 23.10.060:

(1) guaranteed weekly pay for variable hours plan ("Belo" contracts) established under sec. 7(f) of the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 207(f) as implemented in 29 C.F.R. 778.402 — 778.414);

(2) compensatory time off in place of payment for overtime; and

(3) flex-time or flexitime plans established under 29 C.F.R. 778.114 providing a fixed salary for fluctuating hours up to a predetermined maximum number of hours in a workweek. (Eff. 12/9/78, Register 68; am 9/28/85, Register 95)

Authority: AS 23.05.060
AS 23.10.060

AS 23.10.086

AS 23.10.095

Editor's note: Copies of the federal regulations cited in 8 AAC 15.100(b) may be obtained from the office of the department's statewide wage and hour supervisor in Anchorage.

8 AAC 15.101. OVERTIME FOR LINE HAUL TRUCK DRIVERS. (a) If an employer of a line haul truck driver elects not to use the overtime rate established in AS 23.10.060(b), the employer shall establish alternate rates of overtime pay that meet the requirements of AS 23.10.060(d)(16) and this section.

(b) An alternative rate of overtime pay may be calculated as a mileage rate, a fuel usage rate, or on some other reasonable basis; however, any formula used to calculate an alternate rate of overtime pay must take into consideration the time spent performing all of the duties of a line haul truck driver on the route for which the rate was established, including the time spent

- (1) driving;
- (2) hooking up;
- (3) fueling;
- (4) tying down;
- (5) chaining up and unchaining;
- (6) performing pre-trip and in-transit equipment and load checks;
- (7) during breakdowns;
- (8) making tire repairs;
- (9) offloading; and
- (10) completing required paperwork.

(c) If an employer averages the time spent performing the duties identified in (b) of this section over time, those averages are subject to review by the department to determine if they are accurate and reasonable. The department will, in its discretion, require the employer to validate an average used by having the employer record the actual hours currently worked by drivers operating over the route in which the average is being applied. If a department's audit of the actual hours currently worked reveals a substantial difference from

STATE OF ALASKA

DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER

Received 11:30 AM
3/31/98 *sl*

TONY KNOWLES, GOVERNOR

P.O. BOX 21149
JUNEAU, ALASKA 99802-1149
PHONE: (907) 465-2700
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March 27, 1998

The Honorable Norman Rokeberg
Chair, House Labor & Commerce Committee
Alaska State Legislature
State Capitol Room 24
Juneau, AK 99801-1182

Dear Representative Rokeberg:

Re: House Bill 347, Mechanics Bill

The Department of Labor is grateful to you and the sponsor for giving us time to work with the interested parties to address our concerns regarding HB 347. Unfortunately, after numerous meetings and several revisions and clarifications to address industry concerns, it appears that we are unable to reach a consensus. The department thought we had worked out language that addressed the primary concern of the car dealers, as had been related to us over the past two years, regarding the requirement to recalculate the technician's hourly wage rate upward when hours billed exceeds hours worked. It appears that the industry wants to have it both ways, as it were, being immune from the upward adjustment on the high end, but still able to pay minimum wage (or perhaps 50% of the flat hourly rate) when hours worked exceeds hours billed. This is not acceptable to the department.

The attached language is provided to you as our best effort at coming up with a statutory remedy to the recalculation issue. As you know, we are generally opposed to any potential diminution of worker protections under the Alaska Wage and Hour Act. However, in this case, we believe the attached language removes the disincentive for the employer to allow high production technicians to work on a flat rate due to the weekly recalculation of the hourly wage under current law, while at the same time ensuring that all work performed by a flat-rate mechanic is compensated at no less than the flat hourly rate, with an overtime premium of half of the flat rate for all hours in excess of eight per day or forty per week.

In order to ensure that there is no misunderstanding in how this language - should you find it acceptable - is interpreted in the future, I would submit the following hypothetical situations and discussion.

A mechanic and an employer agree to a flat rate arrangement. They sign a written agreement that specifies the flat rate - in this example, \$20 per hour - and the manuals from which the "book hours" for each job will be determined. The mechanic will be paid for all time worked, meaning all time on the clock, in the workweek. The minimum that the mechanic must be paid for that week is \$20 per hour for straight time hours and \$30 for all hours in excess of eight hours per day or forty hours per week. This minimum amount of pay for that week is not affected by hours billed, whether more or less than actual hours worked.

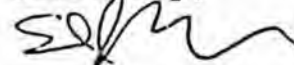
It is important to note that the minimum compensation owed to the employee is "figured on a weekly basis." There could be a situation where an employee works eight hours per day and bills eight hours per day Monday through Wednesday, then works nine hours and bills eleven on Thursday, and then works nine hours and bills seven on Friday. In this case, the minimum pay due to the employee for the week would be \$860 (forty hours @ \$20, two hours @ \$30). The compensation due under the flat-rate arrangement would be \$840 (42 book hours x \$20), so in this example the mechanic is paid \$860. The minimum due the employee under proposed 17 (B) is not figured on a daily basis (i.e., \$160 + \$160 + \$160 + \$240 + \$180 = \$900). This allows the employer to "recoup" as it were, for a day where the employee bills less hours than he works from one where he bills more hours than he works. However, the principle of daily and weekly overtime over eight hours and forty hours is still protected under this example.

One other change requested by labor and reportedly acceptable to the requestors of the bill is a limitation of the exemption to the servicing of automobiles and light duty trucks.

An amendment to HB 347 such as that attached would obviate the department's concerns and we would remove our objections to the bill. Our primary concern has been a legitimization of the existing practice in some cases of mechanics working under a flat rate with no protection other than minimum wage, if that. We can not support a bill which removes the employer liability for recalculating hourly wage without guaranteeing at least the now immutable flat rate for all hours worked to the employee.

If you have any questions, don't hesitate to contact me at 465-2700.

Sincerely,



Ed Flanagan
Deputy Commissioner

Attachment

cc: Representative John Cowder;
Al Dwyer, Director, LS&S
Randy Carr, Chief, Labor Standards, LS&S

DRAFT

AS 23.10.060(d) is amended by adding a new paragraph to read:

(17) work performed by a mechanic primarily engaged in the servicing of automobiles and light trucks if the mechanic is employed as a flat-rate mechanic by a nonmanufacturing establishment primarily engaged in the business of selling or servicing motor vehicles, provided that

(A) the mechanic has signed a written agreement with the employer which specifies the automotive manual or manuals on which the flat rate is to be based and the mechanic's flat hourly rate of pay; and

(B) the mechanic is compensated for all hours worked in any capacity for that employer up to eight hours per day and forty hours per week at the flat hourly rate, and for all hours worked in excess of eight hours per day or forty hours per week at one-and-one-half times the flat hourly rate, figured on a weekly basis. For purposes of this subsection, the flat hourly rate is the mechanic's regular rate of pay.

Post-It™ brand fax transmittal memo 7671 # of pages 1

To *Shirley Austin* From *R. CAR*

Co. Co.

Dept. Phone #

Fax # *465-2040* Fax #

*Total Overtime
Guaranteed
Rate*

*Wage
12/12/97*

W/E	ST HRS	OT HRS	TTL PAID	ST RATE	OT RATE	AMT EARNED	AMT PAID	AMT DUE	L.D.	TTL DUE
7/20/96	37.93	2.16	\$670.50	\$16.72	\$25.09	\$688.56	\$670.50	\$18.06	\$18.06	\$36.13
7/27/96	39.13	2.85	\$645.00	\$15.36	\$23.05	\$666.89	\$645.00	\$21.89	\$21.89	\$43.79
8/3/96	27.53	0.78	\$394.50	\$13.91	\$20.90	\$399.93	\$394.50	\$5.43	\$5.43	\$10.87
8/10/96	40	3.71	\$777.00	\$17.78	\$26.66	\$809.97	\$777.00	\$32.97	\$32.97	\$65.95
8/17/96	31.97	0.49	\$507.00	\$15.62	\$23.43	\$510.83	\$507.00	\$3.83	\$3.83	\$7.65
8/24/96	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8/31/96	40	3.45	\$814.50	\$18.75	\$28.12	\$846.84	\$814.50	\$32.34	\$32.34	\$64.67
9/7/96	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9/14/96	30.45	0.74	\$456.00	\$14.62	\$21.93	\$461.41	\$456.00	\$5.41	\$5.41	\$10.82
9/21/96	40.87	7.2	\$714.00	\$14.85	\$22.28	\$767.47	\$714.00	\$53.47	\$53.47	\$106.94
9/28/96	27.18	0.33	\$463.50	\$16.85	\$25.27	\$466.28	\$463.50	\$2.78	\$2.78	\$5.56
10/5/96	33.06	1.55	\$492.00	\$14.22	\$21.32	\$503.02	\$492.00	\$11.02	\$11.02	\$22.03
10/12/96	38.1	0.5	\$486.00	\$12.59	\$18.89	\$489.15	\$486.00	\$3.15	\$3.15	\$6.30
10/19/96	40	2.3	\$757.50	\$17.91	\$26.86	\$778.09	\$757.50	\$20.59	\$20.59	\$41.19
10/26/96	40	10	\$631.50	\$12.63	\$18.95	\$694.65	\$631.50	\$63.15	\$63.15	\$126.30
11/2/96	31.1	0.8	\$592.50	\$18.57	\$27.86	\$599.93	\$592.50	\$7.43	\$7.43	\$14.86
11/9/96	34.9	0.5	\$657.00	\$18.56	\$27.84	\$661.64	\$657.00	\$4.64	\$4.64	\$9.28
11/16/96	34.1	1.1	\$393.00	\$11.16	\$16.75	\$399.14	\$393.00	\$6.14	\$6.14	\$12.28
11/23/96	21.8	0.2	\$276.00	\$12.55	\$18.82	\$277.25	\$276.00	\$1.25	\$1.25	\$2.51
11/30/96	35.3	0.4	\$208.00	\$5.83	\$8.74	\$209.17	\$208.00	\$1.17	\$1.17	\$2.33
12/7/96	37.3	2	\$487.50	\$12.40	\$18.61	\$499.90	\$487.50	\$12.40	\$12.40	\$24.81
12/14/96	37.3	1.5	\$367.50	\$9.47	\$14.21	\$374.60	\$367.50	\$7.10	\$7.10	\$14.21
12/21/96	40	5.2	\$324.00	\$7.17	\$10.75	\$342.64	\$324.00	\$18.64	\$18.64	\$37.27
12/28/96	40	2.7	\$646.50	\$15.14	\$22.71	\$666.94	\$646.50	\$20.44	\$20.44	\$40.88
1/4/97	38.4	1.6	\$438.00	\$10.95	\$16.43	\$446.76	\$438.00	\$8.76	\$8.76	\$17.52
1/11/97	39.9	3.3	\$615.00	\$14.24	\$21.35	\$638.49	\$615.00	\$23.49	\$23.49	\$46.98
1/18/97	40	3.2	\$477.00	\$11.04	\$16.56	\$494.67	\$477.00	\$17.67	\$17.67	\$35.33
1/25/97	37	3.5	\$549.00	\$13.56	\$20.33	\$572.72	\$549.00	\$23.72	\$23.72	\$47.44
2/1/97	36.8	0.5	\$427.50	\$11.46	\$17.19	\$430.37	\$427.50	\$2.87	\$2.87	\$5.73
2/8/97	37.2	0.5	\$417.00	\$11.06	\$16.59	\$419.77	\$417.00	\$2.77	\$2.77	\$5.53
2/15/97	39.2	1.9	\$549.00	\$13.36	\$20.04	\$561.69	\$549.00	\$12.69	\$12.69	\$25.38
2/22/97	40	9.8	\$742.50	\$14.91	\$22.36	\$815.56	\$742.50	\$73.06	\$73.06	\$146.11

Phone (907) 276-1331

Rod Udd
President



ANCHORAGE CHRYSLER DODGE CENTER
2601 E. 5th Avenue Anchorage, Alaska 99501

History and position HB 347

Current situation as it exists:

Automotive technicians paid under the flat rate method are not exempt under Alaska labor laws from overtime calculation. State law requires that a flat rate technician who works in excess of 8 hours per day and 40 hours per week be compensated at 1 and 1/2 times his "hourly rate". The danger in this situation is that if a technician has worked 9 hours in one day and bills 11 hours at 20.00 per flat rate hour, you must divide the sum(20 billed hours) by the hours worked (9) to produce the "hourly rate"(in this instance \$24.44) the technician is due an additional payment of 1/2 time (\$12.22) for hour (or hours) of overtime worked. As you can see this situation is exasperated if overtime is utilized to varying degrees throughout the week.

History:

The regulation stems from the use of the Fair Labor Standards Act enacted in 1938 by the federal government. That law at the federal level does provide an exemption from overtime for technicians. Unfortunately, the law also permits the individual states to be more restrictive and , the State of Alaska does not provide an exemption in their labor code.

It is for these reasons that we as employers are so restrictive on allowing our technicians to work overtime.

Legislative action:

In the past ninety days the Alaska Auto Dealers Association has been working with Representative John Cowdery to enact legislation to relieve this situation. The legislation introduced is HB347. Please see attached sheet entitled "original bill".

Subsequent to the bills introduction it was assigned to the Labor and Commerce Committee. In the hearing a number of technicians and dealers testified in support of the bill, while the Department of Labor and a representative of the AFL-CIO expressed concerns. At the culmination of the hearing the committee chair Representative Norman Rokeburg held the bill in committee and requested that all parties involved attempt to meet some sort of compromise.

After numerous meetings with Joe Hayes (AADA's Lobbyist) Dwight Perkins, Ed Flanigan,(Department of Labor), and representatives of the Alaska Auto Dealers Association the potential of agreement appears to have been exhausted. In our letter to the bills sponsor Representative John Cowdery we have expressed our concerns over D.O.L's final proposal and presented the sponsor with an alternative.

The following is our position on this legislation:

We support legislation that simplifies or exempts "Flat Rate" mechanics from overtime calculations.

We do not support D.O.L.'s proposal because although it does identify a simple means to calculate a technician's overtime I return it requires that the technician be guaranteed 8 hours pay at the "rate" even if the job bills as little as 1 hour. I.e.; if a flat rate tech "milks" a 4 hour job to 8 hours you must pay them the full 8 hours. We are unwilling to relinquish the incentive nature of flat rate in this manner. Simply put this makes a flat rate technician an hourly person with a bonus

We do not support the mixing of flat rate and hourly wages.

We support the current proposal found in the letter to Representative John Cowdery which provides an exemption from overtime but allows for a safety net at twice the Alaska Minimum wage. We feel that this would be more than equitable to employer and employee and still retain the flavor of the flat rate (incentive) method of payment.

It is important that you emphasize to your legislators, and their staff that this is the single most important issue facing the Alaska Auto Dealers Association. The current status restricts the freedom of our employees, it removes almost all incentive, and it hinders the cultivation and retention of technicians.

HB 347

BY REP. COWDERY

INTRODUCED: 1/23/98
REFERRED: LABOR AND COMMERCE

"AN ACT RELATING TO AN EXEMPTION FROM OVERTIME REQUIREMENTS FOR CERTAIN MOTOR VEHICLE MECHANICS."

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

* SECTION 1. AS23.10.060(D) IS AMENDED BY ADDING A NEW PARAGRAPH TO READ:
(17) WORK PERFORMED BY A MECHANIC PRIMARILY ENGAGED IN THE SERVICING OF MOTOR VEHICLES IF THE MECHANIC IS EMPLOYED AS A FLAT RATE MECHANIC BY A NON MANUFACTURING ESTABLISHMENT PRIMARILY ENGAGED IN THE BUSINESS OF SELLING OR SERVICING MOTOR VEHICLES; IN THIS PARAGRAPH, "MOTOR VEHICLES" DOES NOT INCLUDE BOATS OR AIRCRAFT.

*SEC. 2. THE AMENDMENT TO AS 23.10.060(D) MADE BY SEC. 1 OF THIS ACT APPLIES TO WORK FIRST PERFORMED ON OR AFTER THE EFFECTIVE DATE OF THIS ACT.



ALASKA AUTO DEALERS ASSOCIATION

P.O. Box 201305, Anchorage, Alaska 99520-1305

March 31, 1998

The Honorable John Cowdery
Alaska State Legislature
State Capital
Juneau, Alaska 99801

Dear Representative Cowdery,

I am sorry to report that as of this date the Alaska Auto Dealers Association and the Department of Labor have been unable to reach an accord on the issue of flat rate mechanic overtime. After the encouragement that all parties received to "work it out or the committee would" I can honestly say that all parties participated in earnest.

Considering both organizations initial positions on this issue it would be negligent to say that no agreement was reached. I have included for your inspection a copy the final proposal received from the Department of Labor.

In the document I draw your attention to the phrase in section (B) "for all hours worked in excess of eight hours per day or forty hours per week at one-and-one half times the flat hourly rate, figured on a weekly basis.."

This is not an exemption from overtime which is what our members and employees requested. It does however drive to the heart of the matter in that it allows the employer to identify the actual dollar amount of overtime in an uncomplicated manner. We feel that this could have been an appropriate compromise. And, it is in this area that all parties seemed to agree.

The area of disagreement comes from the phrase in section(B) that states "the mechanic is compensated for all hours worked in any capacity for that employer up to eight hours per day and forty hours per week *at the flat hourly rate,*". I have highlighted the area of concern.

This phrase flies in the face of the very concept of the flat rate method of payment. It provides no incentive for the mechanic to excel in his trade and encourages mediocrity. This is because the mechanic could take a three or four hour job and "milk" it for eight hours and be guaranteed a full eight hours pay at "the flat rate". The response that we received from the Department of Labor is simply to release the mechanic from employment.

I have stated numerous times that there is a major shortage of mechanics nationwide and we must "homegrow" these people. Why simply fire people when we can provide them with an opportunity to grow and mature through incentive and encouragement? The language offered by the Department of Labor provides zero incentive. It is important to realize that current regulation does not require the employer to make this type of payment guarantee.

The testimony from the very people affected by this legislation (mechanics and their employers) is indicative that this is a freedom bill for the mechanics. When a mechanic decides to work overtime on a project he or she generally knows they will beat the flat rate hour. For example, the mechanic has a job that will pay 3 flat rate hours. They know that it will only take one and one-half hours to perform the work. This means that the mechanic is actually receiving double time for the job.

Simply stated, the attempt to combine flat rate compensation and hourly pay is problematic. All parties involved (whether they will admit it or not) become easily confused when trying to determine the outcome of this type of change. Essentially via their proposal D.O.L.'s response is to simply convert all flat rate mechanics to hourly personnel

If you feel that HB347 may be inappropriate based on the testimony offered we urge you to consider the following:

AS 23.10.060(d) is amended by adding a new paragraph to read:

work performed by a mechanic primarily engaged in the servicing of automobiles, light trucks, or motor homes, if the mechanic is employed as a flat rate mechanic by a non-manufacturing establishment primarily engaged in the business of selling or servicing motor vehicle will be exempt from overtime in weeks in which they work more than eight hours in one day or forty hours in one week if:

(a) more than one-half of their earnings are from the flat rate method of compensation; and

(b) they earn at least two (2) times the minimum wage for all hours worked during that week.