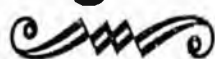


ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

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# State Training and Employment Program



*STEP: Stairway to Career Success*

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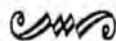
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*Compiled and written for  
Alaska Human Resource Investment Council  
by Kaylene Johnson  
Writing, Research & Graphics  
1998*

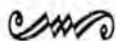
# STEP

## Stairway to Career Success

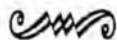
*Linda wasn't about to let circumstances get her down. She had grit, determination and fortitude. What she didn't have were the job skills she needed to get a job.*



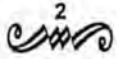
*Rose, mother of seven, shook her head over a pile of bills and wondered how her family would make it now that her husband was unemployed. There had to be something she could do besides wring her hands with worry.*



*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

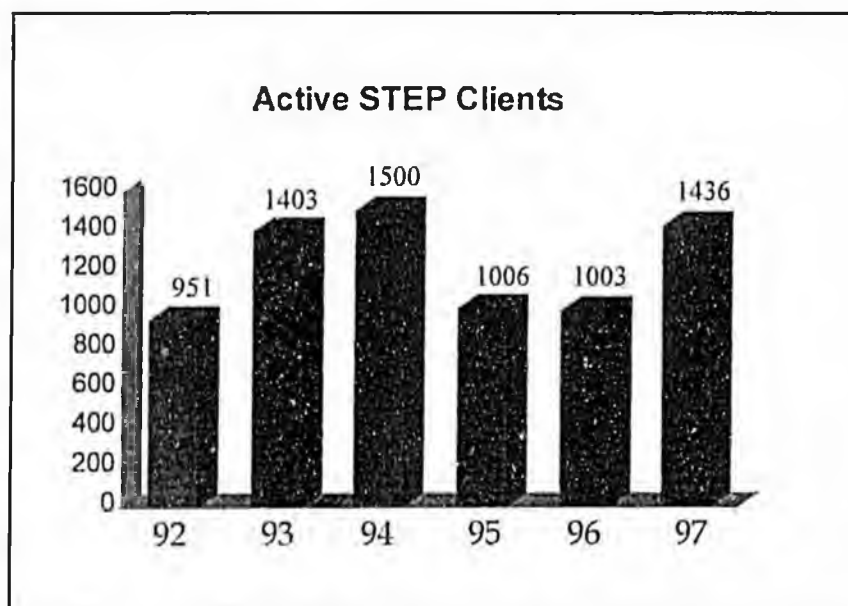
In 1996 the Legislature authorized the Alaska Human Resource Investment Council (AHRIC) with STEP program oversight and accountability. The legislature tasked AHRIC with:

- 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



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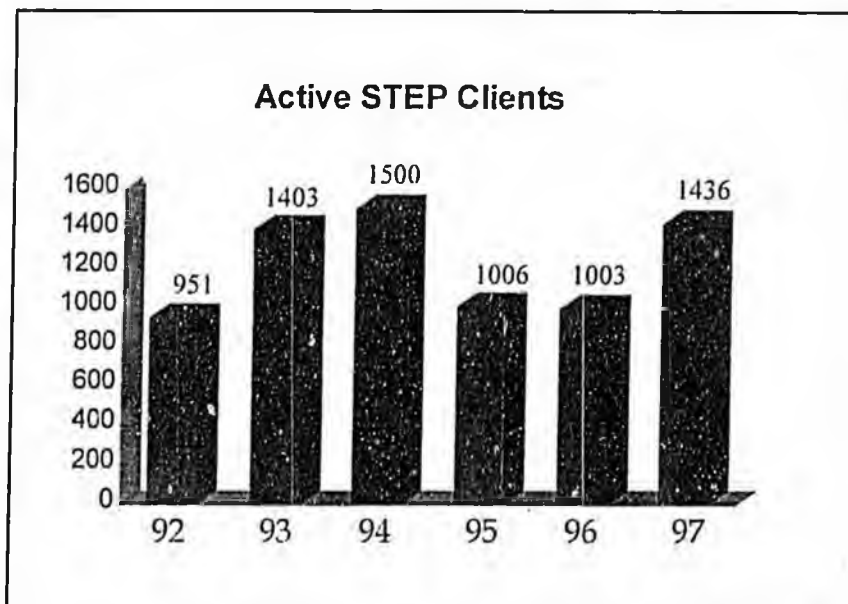
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- an increase of 433 more clients served in 1997 over 1996 with





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.

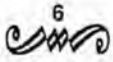
Contracts with other vendors include a variety of training and education providers such as the University of Alaska, Native Associations, voc-tech schools, and organized labor training programs.

**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.

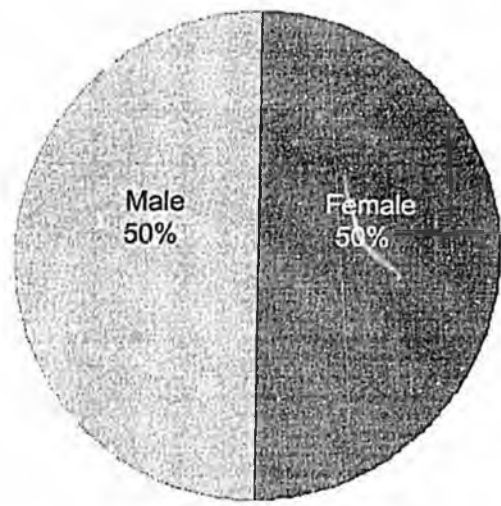
*\*The Alaska Department of Labor has recently issued a separate up-to-date report that reviews the entire STEP program and evaluates its effect on Unemployment Insurance Trust Funds in terms of reduction of claims filed and benefits paid. This report includes the most recent figures for FY95, FY96 and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



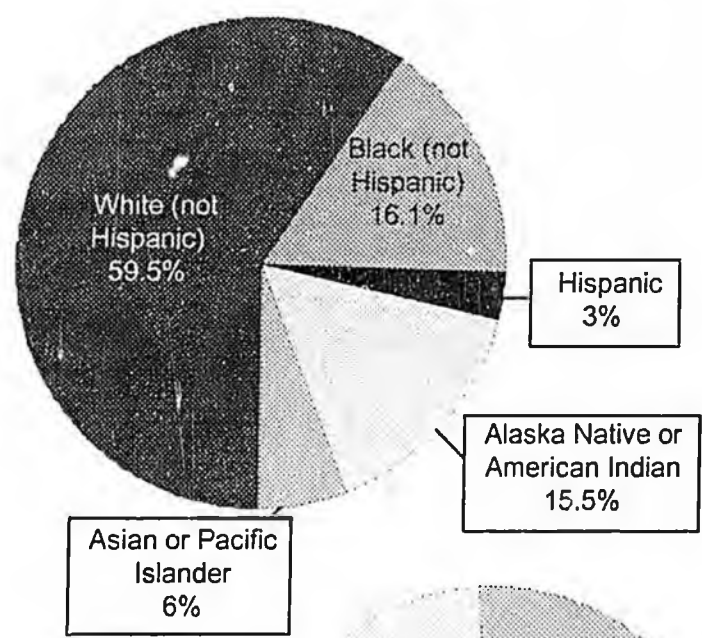
<b>STEP</b>		<b>Re-Captured by</b>
<b>Fund Year</b>	<b>Available</b>	<b>UI Fund</b>
FY93	\$2,962,335	\$512,539
FY94	\$2,983,523	\$505,140
FY95	\$3,182,940	\$836,023
FY96	\$3,128,151	\$793,434
FY97	\$3,316,900	\$306,426

# Fairbanks STEP Clients FY97\*

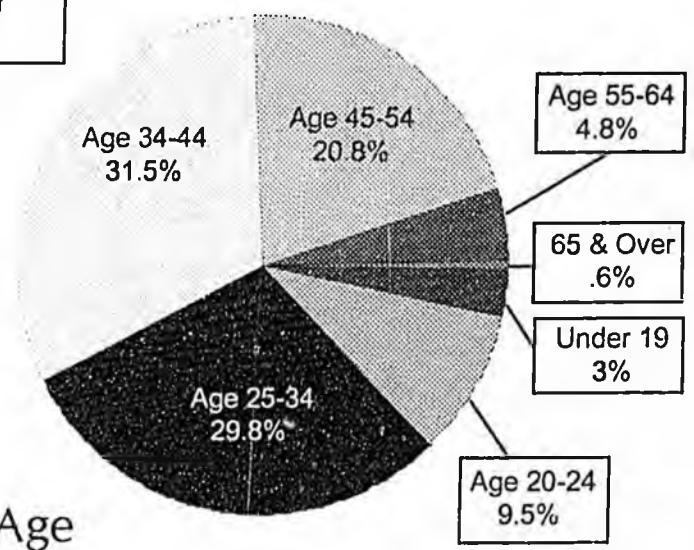
Gender



Race



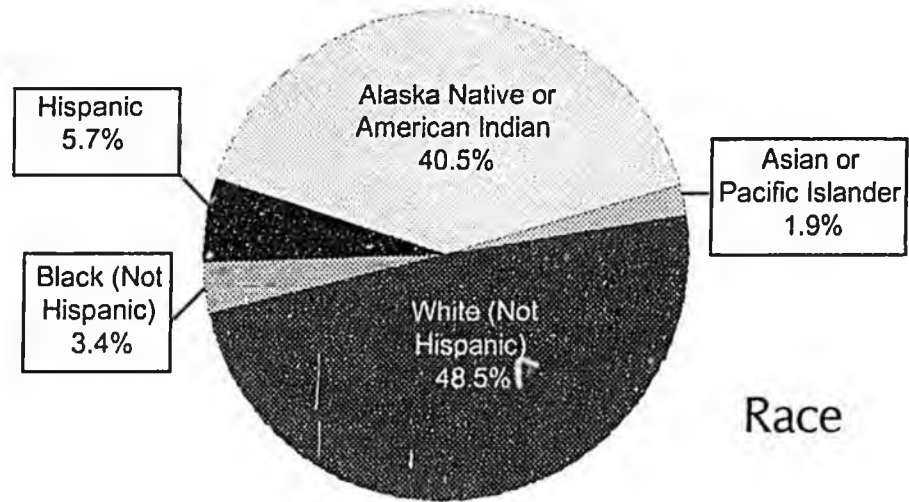
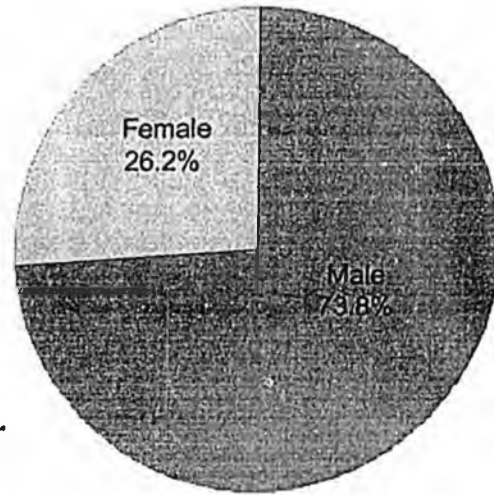
Age



\*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.

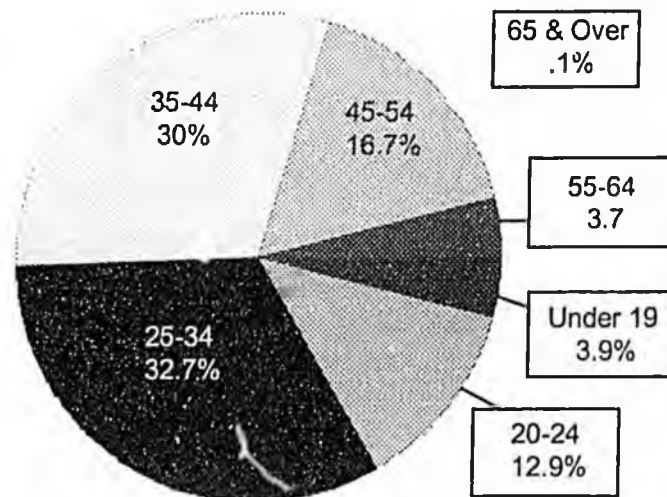
# Statewide STEP Clients FY97\*

Gender



Race

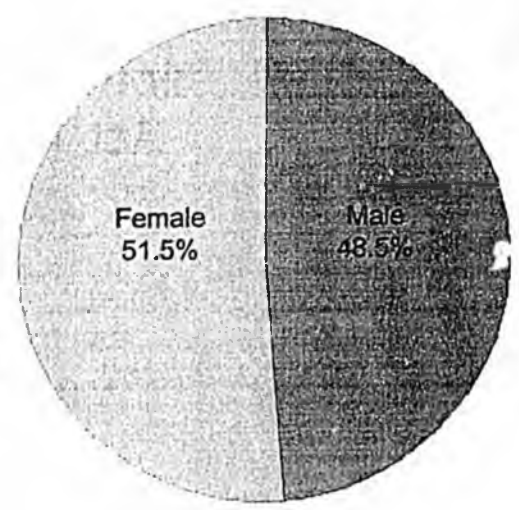
Age



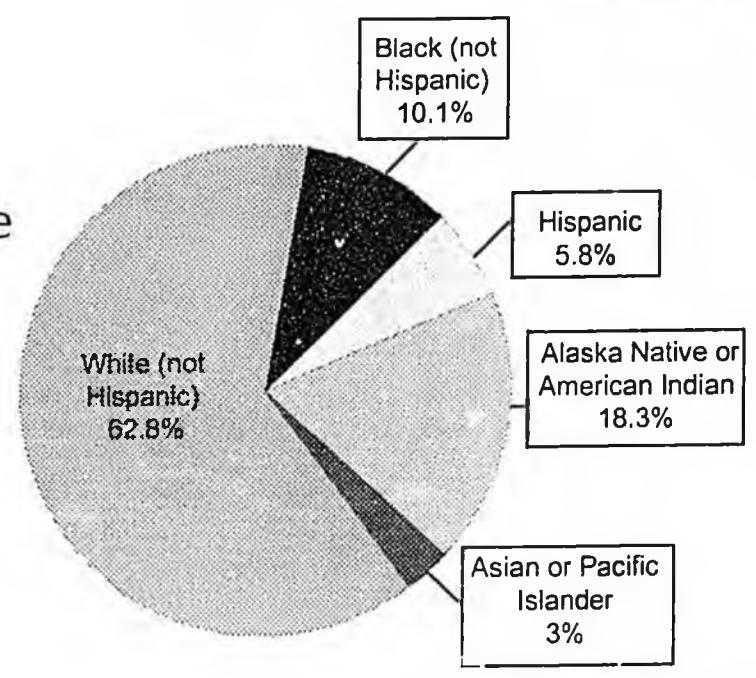
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# Anch/Matsu STEP Clients FY97\*

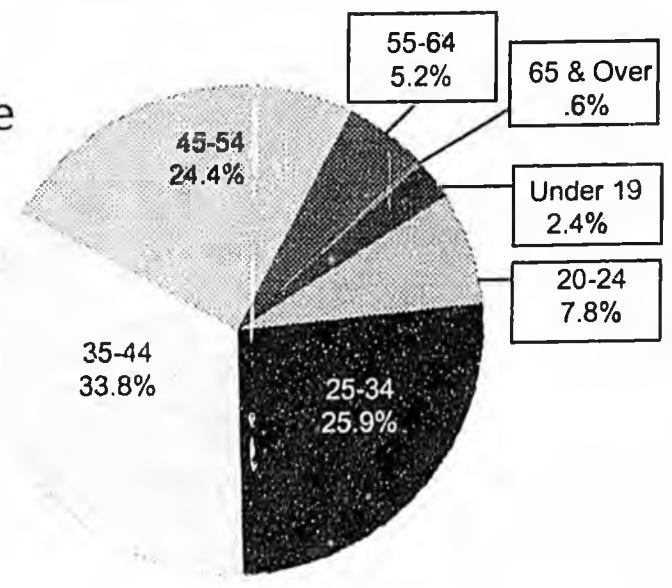
Gender



Race

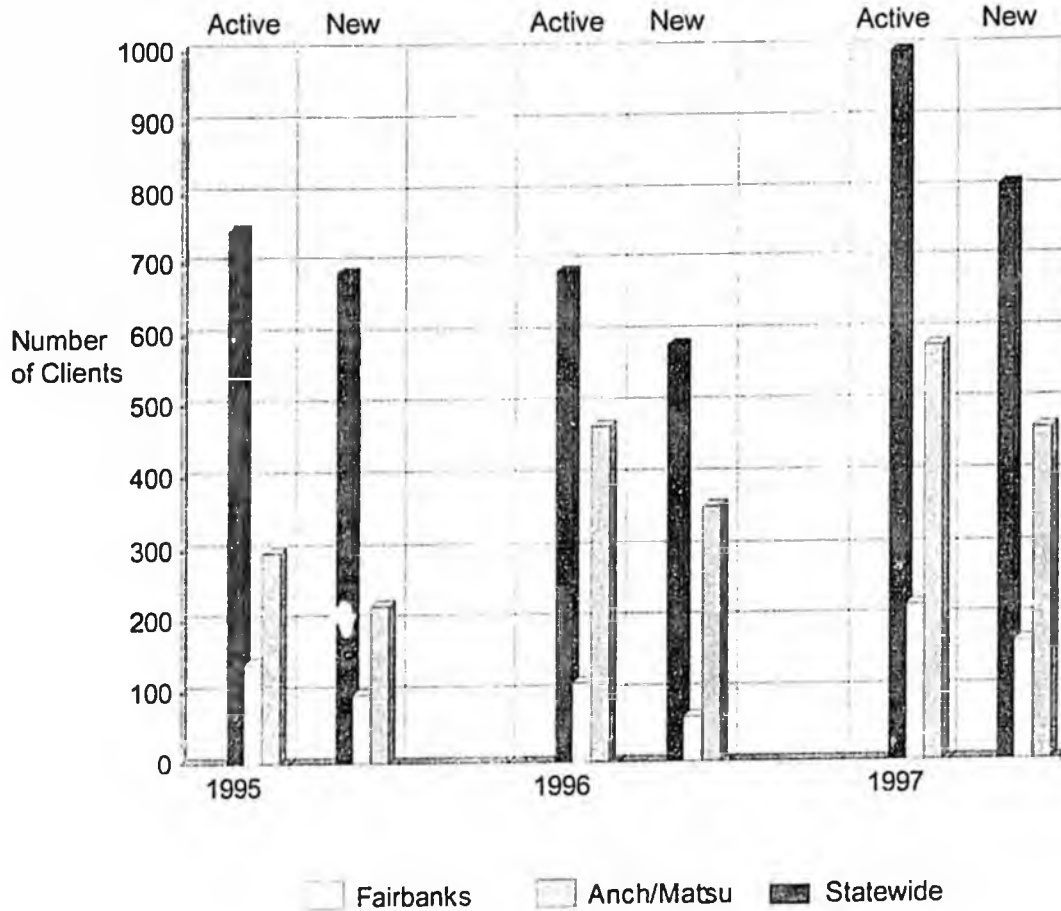


Age



\*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 reelected. 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."



Roy Corral 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."

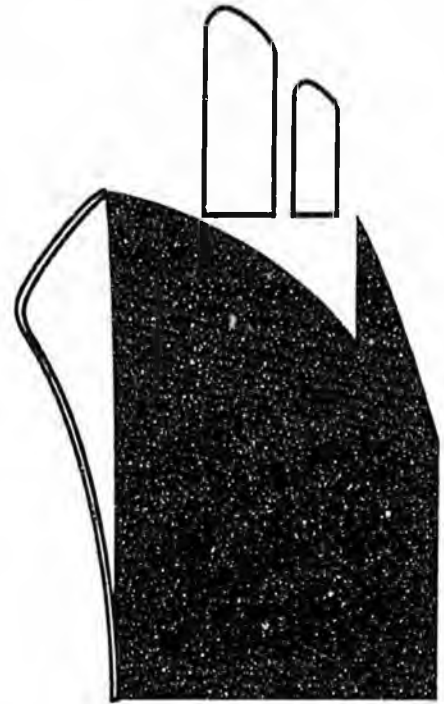
Not only is the 21-year-old well suited for life at sea, he is a born leader. He has already been promoted to the second highest ranking cadet in the school. His ambition is to someday become the captain of a seafaring vessel.

"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*

TONY KNOWLES  
GOVERNOR



P.O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500  
Fax (907) 465-3532

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

SB 245

January 12, 1998

The Honorable Mike Miller  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Miller:

The state training and employment program (STEP) has demonstrated its value as one means to help Alaskans achieve worthwhile employment. I transmit this bill to continue this vital program, now due to sunset on June 30, and maintain it in permanent law to ensure it will be available to Alaskans in the future.

The STEP was enacted in 1989 as a temporary, two-year pilot program. Its success led to the Legislature extending its existence three more times in subsequent years. With its last extension, in 1996, the STEP became a permanent program, but remains subject to a sunset provision. Since its last extension, the STEP has made great strides in addressing legislative concerns with the program.

This program is financed with a 0.1 percent contribution from employees' share of unemployment insurance. The STEP job training provided with this small contribution to the unemployment fund results in more working Alaskans and a decreased need to pay out unemployment insurance benefits. The program also assists Alaskans who need to upgrade their job skills in order to maintain their employability.

In fiscal year 1997, more than 1,500 individuals were enrolled in the STEP, an increase of 500 enrollees over the previous year. In one year, STEP clients have reduced claims for unemployment insurance resulting in about a \$1.5 million saving to the unemployment insurance trust fund. Along with the increased use of the program, the STEP administrators were successful in reducing federal recapture of unemployment insurance trust funds by 60 percent while holding administrative costs below 20 percent.

The Honorable Mike Miller  
January 12, 1998  
Page 2

It makes good sense to ensure the future existence of the STEP. The program enjoys widespread support from both labor and industry because it offers a vital component of a healthy economy -- preparing Alaskans for good jobs.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Knowles".

Tony Knowles  
Governor

**SB**

**254**

Revision Date: February 11, 1998 Dept. Affected: Revenue  
 Title: Levy of Permanent Fund Dividends BRU: Revenue Operations  
 Component: Permanent Fund Dividend  
 Sponsor: (S) L&C  
 Requestor: (S) JUD COMPONENT SERIAL NO. 981

Expenditures/Revenues:		(Thousands of Dollars)					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	
<b>OPERATING EXPENDITURES</b>							
PERSONAL SERVICES							
TRAVEL							
CONTRACTUAL							
SUPPLIES							
EQUIPMENT							
LAND & STRUCTURES							
GRANTS, CLAIMS							
MISCELLANEOUS							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>CHANGE IN REVENUES ( )</b>							

FUND SOURCE		(Thousands of Dollars)					
	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1001 CBRF							
1048 University of AK receipts							
Other							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Estimate of any current year cost \$ \_\_\_\_\_

**POSITIONS:**

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

**ANALYSIS: (Attach a separate page if necessary)**

This amended bill reduces the exemption allowed on an individual's Permanent Fund Dividend (PFD) that was protected from levy execution, garnishment, attachment, or any other remedy for the collection of debt, from 45% to 30%. Cumbersome wording regarding the timing of payment is also eliminated. Section two of the bill removes the authority for PFD to charge an administrative fee for claims on PFD's. Section three is a new section added to impose a 5% administrative fee to be collected and deposited in the general fund to cover the administrative costs incurred by the department, the court system, and other state agencies for processing a claim on a PFD.

There are no fiscal effects on the Permanent Fund Dividend program.

Prepared by: Nanci A. Jones, Director Phone: (907) 465-2323  
 Division: Permanent Fund Dividend Date: February 11, 1998  
 Approved by Commissioner: Wilson L. Condon Date: February 11, 1998  
 Agency: Revenue

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Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Levy of Permanent Fund Dividends BRU: Revenue Operations  
 Component: Permanent Fund Dividend  
 Sponsor: (S) L&C  
 Requestor: (S) L&C COMPONENT SERIAL NO. 981

Expenditures/Revenues: (Thousands of Dollars)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
<b>OPERATING EXPENDITURES</b>						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

No fiscal effects on the PFD program.

Prepared by: Nanci A. Jones, Director  
 Division: Permanent Fund Dividend  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-2323  
 Date: January 26, 1998  
 Date: January 26, 1998

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# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 1/23/98

FURTHER: Judiciary

Date of 5-Day Notice: 1-22-98  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2-10-98

Labor and Commerce Committee considered SENATE BILL NO. 254

"An Act relating to levy, execution, garnishment, attachment, or other remedy for the collection of debt as applied to a permanent fund dividend."

and recommends:

- be replaced with CS SB 254 (LHC)
- adopt previous CS ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Tom Kelly</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<b>CHAIR:</b>		<i> Loren A. Lewan </i>			<input checked="" type="checkbox"/>

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>Revenue</i>	<i>1-26-98</i>	<input checked="" type="checkbox"/>	

*Fiscal note to come*

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

February 9, 1998

**SUBJECT:** Administrative fee for processing claims on permanent fund dividends (CSSB 254(L&C))

**TO:** Senator Loren Leman  
Attn: Annette Kreitzer

**FROM:** Tamara Brandt Cook  
Director *TBC*

Here is a draft of a bill lowering the permanent fund dividend exemption from 45 to 30 percent and changing the fee charged to administer claims on dividends to 5 percent of the dividend itself. The original proposal would not have imposed the higher administrative fee on claims on dividends for child support or for scholarship loan payments. I believe that singling out two types of debtors for favorable treatment with respect to administrative fees would create an equal protection problem for this bill.

Under the state equal protection clause, a statute is evaluated on a sliding scale under which the goal of the legislation and the importance of the individual rights affected are considered. (*State v. Anthony*, 810 P.2d 155 (Alaska 1991)) As the importance of the individual rights affected increases, the burden increases on the state to show that the state's goal justifies the intrusion on the individual's interest in equal treatment.

In this case, charging a lower administrative fee to two classes of creditors means that they will have the benefit of a greater reduction in their indebtedness, if the entire dividend is taken, or a greater amount for themselves, if the claim is for only part of a dividend, while other creditors will not have that benefit.

An individual's interest in receiving a permanent fund dividend is accorded a low level of protection under the state equal protection clause because only an economic interest is implicated and that interest is not based on the need of the applicant. (*Underwood v. State*, 881 P.2d 322 (Alaska 1994)) However, even minimum scrutiny under the state constitution may be more demanding than under the federal constitution. (*State Department of Revenue v. Cosio*, 858 P.2d 621 (Alaska 1993)) It is possible that, in applying a minimum scrutiny equal protection test, the court would find that a sufficiently rational basis exists for treating some creditors differently from other creditors, but the basis for the distinction does not occur to me.

Senator Loren Leman

February 9, 1998

Page 2

Lastly, please note that two recent claims provisions, AS 43.23.068 - claims on defaulted public assistance overpayment, and AS 43.23.066 - claims on reimbursement for court-ordered treatment, were never added to the fee provision in AS 43.23.071. This draft corrects that apparent oversight.

TBC:glc:jr

98-064.glc

**CS FOR SENATE BILL NO. 254(L&C)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTIETH LEGISLATURE - SECOND SESSION**

**BY THE SENATE LABOR AND COMMERCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the exemption from levy, execution, garnishment, attachment,  
2 or other remedy for the collection of debt as applied to a permanent fund  
3 dividend, and to the fee for processing a claim on a dividend."

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

5 \* **Section 1.** AS 43.23.065(a) is amended to read:

6 (a) Except as provided in (b) of this section, 30 [45] percent of the annual  
7 permanent fund dividend payable to an individual is exempt from levy, execution,  
8 garnishment, attachment, or any other remedy for the collection of debt. [THIS  
9 EXEMPTION APPLIES TO AN ELIGIBLE INDIVIDUAL'S PERMANENT FUND  
10 DIVIDEND BOTH BEFORE AND AFTER PAYMENT IS MADE TO THE  
11 INDIVIDUAL.] No other exemption applies to a dividend. Notwithstanding other  
12 laws, a writ of execution upon a dividend that has not been delivered to the debtor  
13 may be served on the commissioner by certified mail, return receipt requested. Upon  
14 receipt of a writ by certified mail, return receipt requested, the commissioner shall

1 deliver that portion of the dividend executed upon to the court along with the case  
2 name and number.

3 \* Sec. 2. AS 43.23.071 is amended to read:

4 **Sec. 43.23.071. Fees for processing claims and assignments.** The department  
5 shall by regulation adopted under AS 44.62 (Administrative Procedure Act) establish  
6 fees [FOR PROCESSING CLAIMS ON DIVIDENDS RECEIVED BY THE  
7 DEPARTMENT UNDER AS 43.23.065 OR 43.23.067 AND] for processing  
8 assignments of dividends received by the department under AS 43.23.069(b). The fees  
9 shall cover the administrative expenses of the department associated with the  
10 [CLAIMS AND] assignments. Fees shall be deducted from the amount of the dividend  
11 remaining after payment of the portion [CLAIMED OR] assigned or, if the entire  
12 dividend is [CLAIMED OR] assigned, the fees shall be deducted before the dividend  
13 is paid to the [CREDITOR OR] assignee.

14 \* Sec. 3. AS 43.23.071 is amended by adding a new subsection to read:

15 (b) To cover the administrative expenses of the department, the court system,  
16 and other state agencies for processing a claim on a permanent fund dividend under  
17 AS 43.23.065 - 43.23.068, the fee for processing the claim is five percent of the  
18 dividend. The fee shall be deducted from the amount of the dividend remaining after  
19 payment of the portion claimed, or, if the entire dividend is claimed, the fee shall be  
20 deducted before the dividend is paid to the creditor. The fee shall be deposited into  
21 the general fund.



Official Business

# Alaska State Legislature

## SENATE

State Capitol  
Juneau, AK 99801-1182

### SENATE LABOR & COMMERCE COMMITTEE

#### MEMO

TO: Tam Cook, Counsel  
Legislative Legal & Research Services  
via fax: 2029 this page only

FROM: Annette Kreitzer, Aide to  
Senate Labor & Commerce Committee  
PH: X 3844 or Mike Pauley at X 3841

DATE: February 6, 1998

RE: Committee Substitute for SB 254 (L&C)

-----

The committee adopted Work Draft 0-LS1371NE dated February 4 as the working document and voted to amend that draft as follows:

Rather than allowing 100% of the annual permanent fund to be taken through levy, execution, etc., Senator Kelly moved to make that **70%**, and to assign a **5% garnishment fee for all categories except garnishments by Child Support Enforcement Division and Post-Secondary Education Division** which will retain the \$2 administrative fee allowed in AS 43.23.071 and in regulation. That \$2 continues to go to the permanent fund and continues to be administered with no change.

The new 5% garnishment fee is to come off the top of each permanent fund check when the first request (other than CSED or PSED) for garnishment is received by the Permanent Fund Division and is to be deposited in the general fund. The \$2 fee is assessed on a per request basis, while the new 5% fee will be a one-time only, off the top fee.

The committee was uncertain if these amendments have any effect on the writs language in AS 09.35, which the division apparently also must follow in garnishing PFD checks.

Please call Mike Pauley or me if we can further clarify this amendment.

## Summary of Changes, CS for Senate Bill 254

Senate Labor & Commerce Committee  
Thursday, February 5, 1998

Page & line numbers refer to work draft 0-LS1371\A

### Page 1, lines 9-10:

Delete "both before and after payment is made to the individual"

*Explanation:* The Department of Law believes this language, which is already found in existing law, is ambiguous and potentially conflicts with the \$1400 liquid assets exemption found at AS 09.38.030(b). As a practical matter, once a dividend check is deposited into a person's account and is mingled with other funds it becomes practically impossible to distinguish from other liquid assets. Also, we understand that nearly all PFD monies are garnished before the defaulter receives his or her check. Finally, there is a certain ambiguity about the meaning of the word "after." Theoretically, this could apply to every dividend check sent to a person for the past 16 years.

### Page 2, lines 3-5:

Delete "Whether payments are sought through legal actions for the collection of debts or through assignments from the debtor, the following claims:"

Insert "The following claims, including claims for which the debtor has made an assignment of the permanent fund dividend,"

*Explanation:* The Department of Law is concerned about how the words "legal actions" might affect the Alaska Commission on Postsecondary Education. When ACPE garnishes a PFD check from a person in default on his or her student loans, it is handled as an administrative matter. Since a court is not involved, this procedure technically might not meet the definition of a "legal action." The proposed amendment simply removes the words "legal actions" and restructures the sentence accordingly. Of course, PFDs can still be garnished through legal actions (see page 1, lines 7-8), but the proposed change will remove any suggestion that they can be garnished only or exclusively through legal actions.

Please contact Mike Pauley at 465-3841 if you have any questions or concerns about these amendments.

0-LS1371VE

Cook

2/4/98

**CS FOR SENATE BILL NO. 254(L&C)****IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTIETH LEGISLATURE - SECOND SESSION****BY THE SENATE LABOR AND COMMERCE COMMITTEE****Offered:****Referred:****Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to levy, execution, garnishment, attachment, or other remedy for  
2 the collection of debt as applied to a permanent fund dividend."

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

4 \* Section 1. AS 43.23.065(a) is amended to read:

5 (a) Subject to [EXCEPT AS PROVIDED IN] (b) of this section, 100 [45]  
6 percent of the annual permanent fund dividend payable to an individual may be taken  
7 through [IS EXEMPT FROM] levy, execution, garnishment, attachment, or any other  
8 remedy for the collection of debt. [THIS EXEMPTION APPLIES TO AN ELIGIBLE  
9 INDIVIDUAL'S PERMANENT FUND DIVIDEND BOTH BEFORE AND AFTER  
10 PAYMENT IS MADE TO THE INDIVIDUAL.] No [OTHER] exemption applies to  
11 a dividend. Notwithstanding other laws, a writ of execution upon a dividend that has  
12 not been delivered to the debtor may be served on the commissioner by certified mail,  
13 return receipt requested. Upon receipt of a writ by certified mail, return receipt  
14 requested, the commissioner shall deliver that portion of the dividend executed upon

1 to the court along with the case name and number.

2 \* Sec. 2. AS 43.23.065(b) is amended to read:

3 (b) The following claims, including claims for which the debtor has made  
4 an assignment of the permanent fund dividend, have priority in the order listed  
5 over other claims on a permanent fund dividend: [AN EXEMPTION IS NOT  
6 AVAILABLE UNDER THIS SECTION FOR PERMANENT FUND DIVIDENDS  
7 TAKEN TO SATISFY]

8 (1) child support obligations required by court order or decision of the  
9 child support enforcement agency under AS 25.27.140 - 25.27.220;

10 (2) court ordered restitution under AS 12.55.045 - 12.55.051, 12.55.100,  
11 or AS 47.12.120(b)(4);

12 (3) claims on defaulted scholarship loans under AS 43.23.067;

13 (4) court ordered fines;

14 (5) writs of execution under AS 09.35 of a judgment that is entered

15 (A) against a minor in a civil action to recover damages and  
16 court costs;

17 (B) under AS 34.50.020 against the parent, parents, or legal  
18 guardian of an unemancipated minor;

19 (6) a debt owed by an eligible individual to an agency of the state,  
20 unless the debt is contested and an appeal is pending, or the time limit for filing an  
21 appeal has not expired;

22 (7) a debt owed to a person for a program for the rehabilitation of  
23 perpetrators of domestic violence required under AS 12.55.101, AS 18.66.100(c)(15),  
24 AS 25.20.061(3), or AS 33.16.150(f)(2).

25 \* Sec. 3. AS 09.38.015(a)(10) and AS 43.23.065(c) are repealed.

ALASKA DEPARTMENT OF REVENUE  
PERMANENT FUND DIVIDEND DIVISION  
SUMMARY OF VOLUNTARY AND INVOLUNTARY ATTACHMENTS FOR 1982 - 1997  
As of January 29, 1998

<u>YEAR</u>	<u>AMOUNT</u>
1982	27
1983	88
1984	50
1985	185
1986	17,422
1987	35,286
1988	44,990
1989	31,204
1990	38,056
1991	42,961
1992	52,499
1993	59,888
1994	69,863
1995	84,554
1996	85,059
1997	<u>94,386</u>
<b>Total:</b>	<u>656,518</u>

ALASKA DEPARTMENT OF REVENUE  
 PERMANENT FUND DIVIDEND DIVISION  
**SUMMARY OF INVOLUNTARY ATTACHMENTS FOR DIVIDEND YEARS 1997 AND 1996**

As of January 29, 1998

Agencies	1997			
	Total Claims Requested	Total Claims Paid	Amount of Claims Paid	Unpaid Claims
Bankruptcy	201	178	226,358	23
CSED	12,051	10,890	11,325,803	1,161
PSED	10,916	9061	10,763,807	1,855
State Agencies	11,769	5,259	1,850,095	6,510
IRS*	20,206	1	713	*20205
Court Ordered Restitution	65	53	62,098	12
Court Ordered Fines	15,798	7,905	2,062,671	7,893
Other Writs & Certified Services	18,717	9,733	5,321,983	8,984
<b>Totals:</b>	<b><u>89,723</u></b>	<b><u>43,080</u></b>	<b><u>31,613,528</u></b>	<b><u>26,438</u></b>

Agencies	1996			
	Total Claims Requested	Total Claims Paid	Amount of Claims Paid	Unpaid Claims
Bankruptcy	136	114	126,965	22
CSED	11,751	10,804	9,948,642	947
PSED	8,952	7,443	7,836,429	1,509
State Agencies	10,257	5,033	1,643,122	5,224
IRS*	21,418	16,452	13,874,801	4,966
Court Ordered Restitution	46	32	31,521	14
Court Ordered Fines	12,281	5,348	1,270,722	6,933
Other Writs & Certified Services	15,543	7,210	3,558,836	8,333
<b>Totals:</b>	<b><u>80,384</u></b>	<b><u>52,436</u></b>	<b><u>38,291,039</u></b>	<b><u>27,948</u></b>

\*In 1997, the IRS was experiencing difficulties with its computer system and, as a result, withdrew its attachments.

SENATE BILL NO. 254

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Introduced: 1/23/98

Referred: Labor and Commerce, Judiciary

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to levy, execution, garnishment, attachment, or other remedy for  
2 the collection of debt as applied to a permanent fund dividend."

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

4 \* Section 1. AS 43.23.065(a) is amended to read:

5 (a) Subject to [EXCEPT AS PROVIDED IN] (b) of this section, 100 [45]  
6 percent of the annual permanent fund dividend payable to an individual may be taken  
7 through [IS EXEMPT FROM] levy, execution, garnishment, attachment, or any other  
8 remedy for the collection of debt, [. THIS EXEMPTION APPLIES TO AN  
9 ELIGIBLE INDIVIDUAL'S PERMANENT FUND DIVIDEND] <sup>USE AM</sup> both before and after  
10 payment is made to the individual. No [OTHER] exemption applies to a dividend.  
11 Notwithstanding other laws, a writ of execution upon a dividend that has not been  
12 delivered to the debtor may be served on the commissioner by certified mail, return  
13 receipt requested. Upon receipt of a writ by certified mail, return receipt requested,  
14 the commissioner shall deliver that portion of the dividend executed upon to the court

1 along with the case name and number.

2 \* Sec. 2. AS 43.23.065(b) is amended to read:

3 (b) Whether payments are sought through legal actions for the collection  
 4 of debts or through assignments from the debtor, the following claims have  
 5 priority in the order listed over other claims on a permanent fund dividend: [AN  
 6 EXEMPTION IS NOT AVAILABLE UNDER THIS SECTION FOR PERMANENT  
 7 FUND DIVIDENDS TAKEN TO SATISFY]

8 (1) child support obligations required by court order or decision of the  
 9 child support enforcement agency under AS 25.27.140 - 25.27.220;

10 (2) court ordered restitution under AS 12.55.045 - 12.55.051, 12.55.100,  
 11 or AS 47.12.120(b)(4);

12 (3) claims on defaulted scholarship loans under AS 43.23.067;

13 (4) court ordered fines;

14 (5) writs of execution under AS 09.35 of a judgment that is entered

15 (A) against a minor in a civil action to recover damages and  
 16 court costs;

17 (B) under AS 34.50.020 against the parent, parents, or legal  
 18 guardian of an unemancipated minor;

19 (6) a debt owed by an eligible individual to an agency of the state,  
 20 unless the debt is contested and an appeal is pending, or the time limit for filing an  
 21 appeal has not expired;

22 (7) a debt owed to a person for a program for the rehabilitation of  
 23 perpetrators of domestic violence required under AS 12.55.101, AS 18.66.100(c)(15),  
 24 AS 25.20.061(3), or AS 33.16.150(f)(2).

25 \* Sec. 3. AS 09.38.015(a)(10) and AS 43.23.065(c) are repealed.



# SENATOR LOREN LEMAN

Northwest Anchorage

716 W 4th Ave, Suite 520, Anchorage, AK 99501 (907) 258-8189 Session: State Capitol, Juneau, AK 99801 (907) 465-2095

## Sponsor Statement - Senate Bill 254

**“An Act relating to levy, execution, garnishment, attachment, or other remedy for the collection of debt as applied to a permanent fund dividend.”**

Senate Bill 254 amends Title 43, Chapter 23 regarding the use of permanent fund dividends to satisfy debts.

The existing statute (AS 43.23.065) provides that 45 percent of an individual's permanent fund dividend is exempt from garnishment, attachment, or any other remedy to collect on outstanding debts. Therefore, debtors in Alaska can under most circumstances shield 45 percent of their dividend checks from persons or businesses seeking to collect.

There currently are some exceptions to this general rule: The 45 percent exemption does not apply to child support obligations, court ordered fines, claims on defaulted Alaska student loans, or any debt owed to an agency of the state. Under these and a few other narrowly defined circumstances, the state requires that 100 percent of the dividend be made available to meet the debtor's obligation.

As currently structured, the PFD garnishment provisions are inequitable and contradictory. The state can seize the entire amount of a dividend to satisfy its claims, but private parties such as small businesses, credit unions, landlords, or car dealers are limited in the amount they can garnish. The message sent, whether intentional or not, is that when contractual obligations are violated, agencies of the state have a greater right than private parties to settle their outstanding claims.

When Alaska businesses are unable to collect from debtors the losses are recovered by passing the costs on to honest, law-abiding consumers. The current 45 percent exemption for dividends is essentially a “hidden tax” on the majority of financially responsible consumers. Defaulters get to keep their dividend checks, while the majority of Alaskans end up providing an involuntary subsidy for their irresponsibility by paying higher costs for goods and services.

Senate Bill 254 amends current law by eliminating the 45 percent exemption and specifying instead that 100 percent of a debtor's dividend check is available to satisfy a debt. This reform offers private parties the same opportunity as the state to seek relief, while still assigning priority for certain garnishments sought by the state, such as child support payments.



Official Business

# Alaska State Legislature


## SENATE

State Capitol  
Juneau, AK 99801-1182

### Senate Labor & Commerce Committee

MEMO

TO: Chairman Leman  
All Committee Members

FROM: A. Kreitzer, Aide to   
Senate Labor & Commerce Committee

DATE: January 29, 1998

RE: Additional material for SB 254: Levy on PFDs

---

Attached are letters of support for SB 254 to be heard today in the Senate Labor & Commerce Committee. Please add the following letters to the committee packet that was distributed to you yesterday:

Affordable Loan Company/Jackie Brock  
Cal Worthington Ford/Kenneth C. Lee II  
Cal Worthington Ford/Ulrike M. Ward  
Cal Worthington Ford/Monica I. Graziano  
John E. Low/John E. Low  
Johnson Nissan/Jeep/Eagle/ Tori Sorensen, Collections Manager  
McNall & Associates, P.C. Attorneys/H. Frank Cahill  
National Bank of Alaska/Paul Harris, Senior Vice-President, Consumer Lending  
Northland Credit Corporation/Troy R. Ferguson, Branch Manager

## AFFORDABLE LOAN COMPANY

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JAN 28 1998

Senator Loren Leman  
State Capital Room 115  
Juneau, Ak. 99801

Ref: Senate Bill number 254

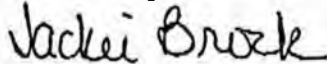
Dear Senator Lemman:

I would personally like to thank your office for the efforts you have put forth with this bill. This will give us, and any other creditor, the right to be equal in our efforts to collect a debit that is legally due and payable.

We strongly support this bill and will be trying to gather other support for this bill. Please let us know if there is any way we can be of assistance.

Again, thank you for your efforts, and mostly for your concern of fairness for everyone. The creditors in the State of Alaska will benefit from this bill greatly.

Sincerely,



Jackie Brock  
manager



# Cal Worthington Ford

Jan 28, 1998

Ref: SA 254

Dear Senator Leman,

I strongly support Senate Bill 254. This will help Alaskas small business collect on some of there bad debits on people thru the Alaska Permand Fund Dividend. It is unfair that State and Federal Government agencys can collect 100% of the Alaska PFD. Thank you for sponsoring this piece of Legislation.

Sincerely,

Kenneth C. Lee II



# Cal Worthington Ford

28 January 1998

Ref: Garnishment of PFD Checks

Dear Senator Leman,

I strongly support Senate Bill 254. Since the Alaska PFD is basically a gift, not earned money, I feel that a person or private business should be able to garnish 100% of the PFD. I believe a private party who has a judgment to collect a bad debt should have just as much right to the whole PFD as the State of Alaska or the Federal Government. In most cases the PFD is the only means of garnishment and with only 55% of the PFD a lot of debts stay at the same amount due to the accrued interest between payments. Being able to seize 100% would actually reduce some of the principal amounts of the bad debts and therefore also reduce the accrued interest.

Again, I very strongly support Senate Bill 254.

Sincerely,



Urike M. Ward



# Cal Worthington Ford

JAN 28, 1998

REF: SB 254

Dear Senator Ieman,

I am writing in support of your Senate Bill, 254. I think that creditors should be allowed to obtain 100% of an individual's dividend. Just because a business is not run by the State does not mean that they shouldn't be given the same opportunity to collect a debt owed to them. The Permanent Fund is privileged money; it is not earned wages; therefore 100% should be available for garnishment.

Sincerely,

*Monica F. Graziano*  
Monica F. Graziano

*John E. Low*  
*Post Office Box 90608*  
*Anchorage, Alaska 99509-0608*

January 28, 1998

The Honorable Loren Leman  
Chairman, Senate Labor & Commerce Committee  
State Capitol, Room 115  
Juneau, Alaska 99801

Dear Senator Leman:

I am writing to express my support for Senate Bill 254. I strongly urge you and your colleagues to vote in favor of this legislation.

My reasons for supporting this bill go back to an unpleasant experience that began in 1995. I own a four-plex apartment in Anchorage with my mother. We had one tenant living there with her dog and cat when we purchased the property in 1993.

In September of 1995 I noticed several cats in the apartment and I had received complaints of smells coming from her unit. When I asked her about the cats, she stated she owned six of them. This prompted me to give her notice of my intent to terminate our rental agreement. All of this caught me by surprise. I had only entered the apartment on two occasions, and it seemed to have been well-maintained. I should have been suspicious as she generally wouldn't answer the door and all the curtains would be closed to keep her privacy. She also put wallpaper over her back sliding door, apparently to hide the mess. She was turning the apartment into a cat sanctuary.

When I reclaimed the unit on November 1, 1995, I found eight abandoned cats. The apartment was filled with pet waste. The kitchen window had been left open for the cats to come and go as they pleased. Other damage included shredded walls from cat claws, and urine-soaked carpets along with underlying wood floors. All carpets, vinyl, even the refrigerator and oven had to be replaced because of the cat waste.

The clean-up process was time consuming and discouraging. I tried to hire house cleaners, but when one potential cleaner entered the unit her eyes began to water from the urine smell. She ended up running out, saying she could not participate. Consequently I did most of the work myself with limited help from two others and a carpenter. I worked every day of November and most every day of December to prepare for a new tenant. I used three ozone machines to eliminate the smell, talked to every possible expert and analyzed every option. I could not resolve the problem -- the smell still returns each summer. It was the most frustrating job I ever undertook, and my time for repairs totaled more than two hundred hours.

The Honorable Loren Leman  
Senate Labor & Commerce Committee  
January 28, 1998  
Page 2

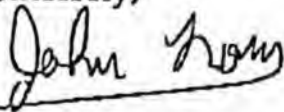
I tried to contact the former tenant responsible for the damage. She hung up on me, and I have never seen her again. Since she would not talk, I wrote a letter specifying the damage she caused. This was also ignored. Given that her security deposit had been only \$450, I began the long process of suing her. I filed a complaint and had her served. Once again, she did not respond. I estimated the damage at more than \$8,000. I asked for a judgment of \$5,000, which was the small claims limit at the time. The former tenant finally communicated via telephone at a default judgment hearing, and she admitted to the liability of \$5,000.

Then I proceeded to collect by hiring an investigator. I paid a process server the \$75 fee to seize any bank account in Anchorage held by the former tenant. She had no bank account. I then discovered I could not garnish her wages because of the generous exemptions that state law allows for debtors who have judgments against them.

It seemed my only hope was to seize her Permanent Fund dividend check, which I have done twice so far. It's a small help, but gains very little because of the exemptions that also apply to this area. Assuming that the amount of the annual dividend check remains reasonably stable, and assuming the debtor does not leave the state, it will take more than 13 years for me to collect this debt. If the Legislature eliminates the exemption on dividend checks, I could collect the debt in approximately 6 and 1/2 years.

This apartment is the only rental property my mother and I own. Because of what one irresponsible person did, we could not draw any income from it for eleven months. I trusted her not to ruin my property and she violated that trust. I urge the Legislature to change this law so that I can be justly compensated for my loss.

Sincerely,



John Low

# JOHNSON

EXPECT THE BEST

NISSANJeep  
Eagle

JAN 28 1998

January 28, 1998

Senator Loren Loman  
State Capitol Room #115  
Juneau, AK 99801

RE: Senate Bill #254

Dear Senator Loman:

I would like to extend my sincere appreciation to your office, for the effort you have put forward in regards to Senate Bill #254. This will help give us, and our fellow creditor's, the right to be equal in our efforts to collect a debt that is legally owed.

Johnson Nissan / Jeep / Eagle strongly supports Senate Bill #254. We are attempting, at this time, to rally as much support as we can for this bill. If there is any way we can be of assistance to you or your office, please call me at the number below.

Thank you for your efforts, and most of all your concern for everyone involved. We at Johnson Nissan / Jeep / Eagle promote fairness to everyone involved, including the debtor. All the creditor's in the State of Alaska will benefit greatly if it's passed. Again, if there's anything we can do, please let me know.

Sincerely,



Tori Sorensen

Johnson Nissan / Jeep / Eagle  
Collections Manager  
(907) 762-5253

cc: Kim  
Juckie

**McNall & Associates, P.C.**  
**Attorneys**

William L. McNall  
H. Frank Cahill  
Sandra J. Wicks

921 West Sixth Avenue  
Suite 100  
Anchorage, Alaska 99501-2044  
Telephone (907) 276-2535  
Telecopier (907) 279-8527

Francine D. Harbour  
Of Counsel

Thomas Brown  
Legal Assistant

January 28, 1998

JAN 28 1998

VIA FAX 1-907-465-3810

Senator Loren Leman  
Attn: Annette Kreitzer  
State Capitol Room 115  
Juneau, AK 99801

Re: Senate Bill 254  
Increasing Garnishment of PFDs

Dear Senator Leman:

A significant part of this law office's practice involves representing creditors, and we levy on a large number of permanent fund dividends each year on behalf of our clients. I cannot support your proposed legislation which completely eliminates the existing exemption for 45% of an individual's permanent fund dividend. Under your bill, a creditor could levy upon 100% of a debtor's permanent fund dividend. In my view, many debtors will refuse to apply for a permanent fund dividend if they will not receive any cash from it. Notwithstanding that the debtor obtains a significant benefit by having the permanent fund dividend pay off his or her debt, I think it likely that a significant number of debtors would "cut off their nose to spite their face" by refusing to complete an application if they are confident that they will not receive any money directly. I recognize that my views are not in conformity with the majority of the opinions expressed at a meeting in your office several months ago; effective collection, I believe, requires a longer view.

Very truly yours,

MCNALL & ASSOCIATES, P.C.

By: 

H. Frank Cahill

HFC/sb

# National Bank of Alaska



Consumer Special Credit Services  
P.O. Box 102880  
Anchorage, AK 99510-2880

January 28, 1998

Senator Loren Leman's Office  
716 West 4th Avenue, Suite 520  
Anchorage, Alaska 99501

RE: Alaska Permanent Fund Dividend

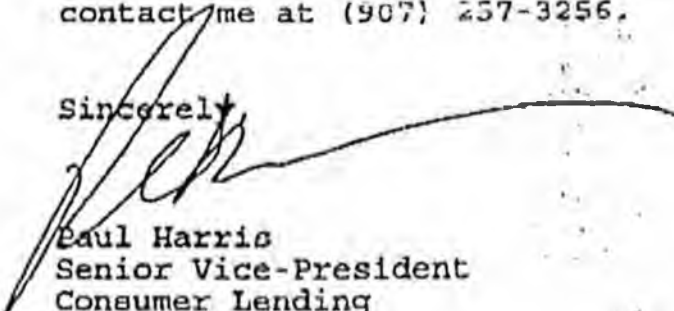
As a representative for National Bank of Alaska, I can't express enough the importance of receiving as much money as we can for unpaid loans that we have obtained a judgment on. At the present time we are only receiving 45% (garnishment) of Alaska's permanent fund dividend, for the most part, this only allows us to pay the interest due on most of our loans instead of reducing the principal balance.

If we were able to garnish 100% of the permanent fund dividend, we would be able to reduce the balance on these loans substantially and possibly pay most of them off. With individuals that are receiving the permanent fund dividend, we would not be taking anything away from them since this is "free money" that the state of Alaska is giving us. Nobody is above the law and our local business's should be treated the same as private citizens and benefit from this wonderful advantage of living or operating a business in the state of Alaska.

I feel that if you have a judgment against you, you should not have the right to a portion of the money distributed by the state of Alaska permanent fund dividend. I understand that child support and state agencies can garnish up to 100% of the permanent fund dividend and we should be given that same opportunity.

We at National Bank of Alaska fully support this bill that you are trying to pass and any assistance that we can provide, please contact me at (907) 257-3256.

Sincerely,

  
Paul Harris  
Senior Vice-President  
Consumer Lending



**NORTHLAND  
CREDIT**

---

January 28, 1998

Senator Loren Leman  
716 West 4th Avenue Ste 520  
Anchorage, Alaska 99501

Dear Senator Leman,

Northland Credit Corporation proudly supports Senate Bill 254, which would allow other entities other than those prescribed Title 43, Chapter 23 to use the permanent fund to satisfy debts on a much larger scale.

If businesses and private citizens were allowed to garnish 100% of the permanent fund, it would certainly send a message to those who choose not to pay their debts. We understand that state and federal agencies should be entitled to enforce the collection of child support payments or other obligations owed, but to allow those who may not fall under that criteria not to be subject to the same penalties is biased.

As a Branch Manager for the largest wholly-owned Alaskan consumer finance company, I feel it is imperative that some adjustment be made to this statute.

Sincerely,



Troy R. Ferguson  
Branch Manager  
Northland Credit Corporation

### Superior Financial Service Corporation

236 E. 7th Avenue

Anchorage, Alaska 99501

(907) 276-0444 • FAX (907) 238-9051

January 29, 1998

JAN 29 1998

Senator Loren Leman  
State Capitol Room #115  
Juneau, AK 99801

RE: Senate Bill #254

Dear Senator Leman:

I would like to extend my appreciation, on behalf of Superior Financial Service, Corp., for your efforts regarding SB 254.

SB 254 will give us, and other creditors, an equitable way to collect a debt that is legally due.

Superior Financial Service, Corp. strongly supports SB 254 and would like to show our support. If we can assist in any way please let us know.

Once again, thank you Senator Leman.

Sincerely,



Linda Mendenhall  
Account Representative  
Superior Financial Service, Corp.  
(907) 276-0444



Official Business

# Alaska State Legislature

## SENATE

State Capitol  
Juneau, AK 99801-1182

### Senate Labor & Commerce Committee

#### Memo

TO: Senator Mackie, Vice Chairman  
Senator Miller  
Senator Kelly  
Senator Hoffman

FROM: Senator Leman, Chairman

A handwritten signature in cursive script that reads "Lew Leman".

DATE: January 20, 1998

RE: Proposed legislation

---

I am planning to introduce the attached legislation, on behalf of the Senate Labor & Commerce Committee with your consent.

Please review the attached, proposed sponsor statement and the proposed legislation amending Title 43, relating to the use of permanent fund dividends to satisfy debts. This legislation amends current law by making 100 percent of a debtor's permanent fund dividend check available to satisfy debts. A consortium of business people including small business owners, landlords, credit unions, auto dealerships, and others who have had difficulties collecting on legitimate debts, requested this change.

Let me know by 3:30 p.m., Wednesday, January 21 if you have concerns. If a majority of the committee consents, the bill will be introduced Thursday.



Official Business

# Alaska State Legislature

## SENATE

Labor & Commerce Committee

State Capitol  
Juneau, AK 99801-1182

### Sponsor Statement – Draft Legislation on PFD Garnishment

The proposed legislation (see attached draft – 0-LS1371\A) amends Title 43, Chapter 23 relating to the use of permanent fund dividends to satisfy debts.

The existing statute (AS 43.23.065) provides that 45 percent of an individual's permanent fund dividend is exempt from garnishment, attachment, or any other remedy to collect on outstanding debts. Therefore, debtors in Alaska can under most circumstances shield 45 percent of their dividend check from persons or businesses seeking to collect.

There currently are some exceptions to this general rule: the 45 percent exemption does not apply to child support obligations, court ordered fines, claims on defaulted Alaska student loans, or any debt owed to an agency of the state. Under these and a few other narrowly defined circumstances, the state requires 100 percent of the dividend be made available to meet the debtor's obligation.

As currently structured, the PFD garnishment provisions are inequitable and contradictory. The state can seize the entire amount of a dividend to satisfy its claims, but private parties such as small businesses, credit unions, landlords, or car dealers are limited in the amount they can garnish. The message sent, whether intentional or not, is that when contractual obligations are violated, agencies of the state have a greater right than private parties to settle their outstanding claims.

When Alaska businesses are unable to collect from debtors the losses are recovered by passing the costs on to honest, law-abiding consumers. The current 45 percent exemption for dividends is essentially a "hidden tax" on the majority of financially responsible consumers. Debtors get to keep their dividend checks, while the majority of Alaskans end up providing an involuntary subsidy for their irresponsibility by paying higher costs for goods and services.

The proposed draft legislation would amend current law by eliminating the 45 percent exemption and specifying instead that 100 percent of a debtor's dividend check is available to satisfy a debt. This reform offers private parties the same opportunity as the state to seek relief, while still assigning priority for certain garnishments sought by the state, such as child support payments.

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Introduced:  
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to levy, execution, garnishment, attachment, or other remedy for  
2 the collection of debt as applied to a permanent fund dividend."

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

4 \* Section 1. AS 43.23.065(a) is amended to read:

5 (a) Subject to [EXCEPT AS PROVIDED IN] (b) of this section, 100 [45]  
6 percent of the annual permanent fund dividend payable to an individual may be taken  
7 through [IS EXEMPT FROM] levy, execution, garnishment, attachment, or any other  
8 remedy for the collection of debt, [. THIS EXEMPTION APPLIES TO AN  
9 ELIGIBLE INDIVIDUAL'S PERMANENT FUND DIVIDEND] both before and after  
10 payment is made to the individual. No [OTHER] exemption applies to a dividend.  
11 Notwithstanding other laws, a writ of execution upon a dividend that has not been  
12 delivered to the debtor may be served on the commissioner by certified mail, return  
13 receipt requested. Upon receipt of a writ by certified mail, return receipt requested,  
14 the commissioner shall deliver that portion of the dividend executed upon to the court

1 along with the case name and number.

2 \* Sec. 2. AS 43.23.065(b) is amended to read:

3 (b) Whether payments are sought through legal actions for the collection  
4 of debts or through assignments from the debtor, the following claims have  
5 priority in the order listed over other claims on a permanent fund dividend: [AN  
6 EXEMPTION IS NOT AVAILABLE UNDER THIS SECTION FOR PERMANENT  
7 FUND DIVIDENDS TAKEN TO SATISFY]

8 (1) child support obligations required by court order or decision of the  
9 child support enforcement agency under AS 25.27.140 - 25.27.220;

10 (2) court ordered restitution under AS 12.55.045 - 12.55.051, 12.55.100,  
11 or AS 47.12.120(b)(4);

12 (3) claims on defaulted scholarship loans under AS 43.23.067;

13 (4) court ordered fines;

14 (5) writs of execution under AS 09.35 of a judgment that is entered

15 (A) against a minor in a civil action to recover damages and  
16 court costs;

17 (B) under AS 34.50.020 against the parent, parents, or legal  
18 guardian of an unemancipated minor;

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20 unless the debt is contested and an appeal is pending, or the time limit for filing an  
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Official Business

# Alaska State Legislature

## SENATE

Labor & Commerce Committee

State Capitol  
Juneau, AK 99801-1182

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The proposed draft legislation would amend current law by eliminating the 45 percent exemption and specifying instead that 100 percent of a debtor's dividend check is available to satisfy a debt. This reform offers private parties the same opportunity as the state to seek relief, while still assigning priority for certain garnishments sought by the state, such as child support payments.

**SENATE BILL NO.**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTIETH LEGISLATURE - SECOND SESSION**

**BY THE SENATE LABOR AND COMMERCE COMMITTEE**

Introduced:

Referred:

**A BILL**

**FOR AN ACT ENTITLED**

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Official Business

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Labor & Commerce Committee

State Capitol  
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**TWENTIETH LEGISLATURE - SECOND SESSION**

**BY THE SENATE LABOR AND COMMERCE COMMITTEE**

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0-LS1371A  
Cook  
1/16/98

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Introduced:  
Referred:

A BILL

FOR AN ACT ENTITLED

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**S B**

**268**

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO.** SB 268

Revision Date (Note if correction): \_\_\_\_\_  
 Title: Wage Claim Assignments to the  
Department of Labor  
 Sponsor: Senate Labor & Commerce  
 Requestor: Senate 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>CHANGE IN REVENUE</b>						
<b>FUND SOURCE #</b>						

**FUNDING:**

(Thousands of Dollars)

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

**POSITIONS:**

FULL TIME						
PART-TIME						
TEMPORARY						

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

**ANALYSIS:** (Attach a separate page if necessary)

This bill increases the ability of the Department of Labor to assist employees with wage claims by tying the claim limit to AS 22.15.040 (small claims limit); the current limit of \$5,000 would be increased to \$7,500. This legislation will have no fiscal impact on Wage and Hour Administration.

Prepared by: Alan W. Dwyer, Director *Alan W. Dwyer* Phone: 465-4855  
 Division: Labor Standards & Safety Date: 1/29/98  
 Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*  
 Agency: Department of Labor Date: 1/29/98

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# STATE OF ALASKA

## DEPARTMENT OF LABOR

### OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 21149  
JUNEAU, ALASKA 99802-1149  
PHONE: (907) 465-2700  
FAX: (907) 465-2784

March 2, 1998

The Honorable Loren Leman, Chair  
Senate Labor & Commerce Committee  
Alaska State Legislature  
State Capitol, Room 113  
Juneau, AK 99801-11182

Dear Senator Leman:

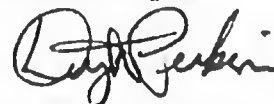
During the Department of Labor's February 24th testimony on SB 268, Senator Kelly asked if the department charged a fee for collecting wages owed to employees. The answer is "no."

AS 23.05.060(4) specifically prohibits the Department of Labor from charging employees for instituting court proceedings against an employer, and there is no authority in Chapter 23 statutes to charge a fee to the employer.

Under AS 23.05.190, the Department is required to investigate possible violations and institute actions for penalties. In addition to the actual wages collected, all civil penalties are paid to the employee.

AS 23.05.210 states, "The attorney general may prosecute a civil case arising under this chapter that is referred to the attorney general by the department for that purpose." Both the Department of Labor and the Department of Law agree that rather than tie up the Attorney General's office, Small Claims Court should be utilized whenever possible. However, AS 23.05.220(c) limits acceptable claims to \$5,000 or less. The Small Claims Court's maximum is now \$7,500; hence, this bill would allow the Department of Labor to gain the maximum, and most-cost efficient use of Small Claims Court.

Sincerely,



Dwight Perkins  
Legislative Liaison

cc: Senator Robin Taylor, Chair  
Senate Judiciary Committee

Senator Tim Kelly  
Al Dwyer, Director, LS&S

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 1/28/98

FURTHER: Judiciary

Date of 5-Day Notice: 2-19-98  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2-24-98

Labor and Commerce Committee considered SENATE BILL NO. 268

"An Act relating to the assignment to the Department of Labor of certain wage claims; and providing for an effective date."

and recommends:

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

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>					
<i>[Signature]</i>					
<b>CHAIR:</b> <i>[Signature]</i>	✓	<b>CHAIR:</b>			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
Labor	1/29	✓	

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# Alaska State Legislature

## Senate



Official Business

Senate Labor & Commerce Committee

State Capitol  
Juneau, AK. 99801-1182

### Sponsor Statement

#### SB 268: Wage Claim Assignments to Dept. of Labor

Currently, under AS 23.05.220 (c), the Department of labor is authorized to accept claims for unpaid wages in amounts up to \$5,000.00. These are claims for unpaid last paychecks, failures to pay entirely, or failure to pay amounts due by contract. Such claims are often settled administratively, but when that is not possible the department files the matter in small claims court. Attorneys will not pursue wage claims involving such small amounts of money. There is not enough involved for them to collect anything for their clients and still make a profit on the case. Opinions differ, but most attorneys in the Employment Law Section of the Bar agree that the Department of Labor limit should be increased. The proposed increase to \$7,500 would coincide with last year's increase in the small claims limit to \$7,500 (ch. 33 SLA 1997).

Individuals with claims between the \$5,000 limit in AS 23.05.220(c) and the minimum profitable amount attorneys are willing to take, fall through the cracks and can get no representation. This increase will provide representation for some of those wage earners who presently exceed the State's ability to pursue, yet don't have a large enough case to attract an attorney.

The statutory bar in As 23.05.220 exists to keep the State from infringing in the private sector legal marketplace, taking potential clients away from the Bar. The limit has not been amended in 21 years. Members of the Bar will not be adversely affected by this proposal and the Alaskan wage earner will be afforded better protection than they currently have.