

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10457 HOUSE STATE AFFAIRS

**60L-38.003 Procedures for Coordination of Child Care Services Requests.**

(1) Agencies requesting the establishment of work-site centers shall submit a written plan to the Department for approval. This plan shall contain the results of a feasibility study showing the following:

- (a) Number and ages of preschool children identified in target area.
- (b) Number of employees indicating utilization of proposed center.
- (c) Description of proposed child care space as to location, square footage, and suitability to purpose.
- (d) Number of existing preschool centers in the target area with their licensed capacity and enrollment.
- (e) Estimated start-up and operational costs of proposed center.

(2) The Department shall respond to each agency's request by outlining its findings based on established criteria and, if the plan is approved, in accordance with Section 60L-38.004 of this chapter, recommend a step-by-step procedure for establishing a child care center.

*Specific Authority 110.151(8) FS. Law Implemented 110.151 FS. History--New 1-1-02.*

**60L-38.004 Criteria for Establishment of Child Care Centers.**

The following criteria shall be used in reviewing agency requests for the establishment of state-sponsored child care centers:

- (1) Concentration of state employees in the area equal to a population density of at least 4 employees with preschool children for each projected child care slot.
- (2) Number of employees indicating at least a 25% utilization of the center by the preschool children in the target area.
- (3) Adequate and appropriate space for child care purposes which conforms to state physical facility standards described in Chapter 65C-22, F.A.C.
- (4) Nonavailability or inadequacy of community-provided services in the area.

*Specific Authority 110.151(8) FS. Law Implemented 110.151 FS. History--New 1-1-02.*

**60L-38.005 Responsibilities of Service Providers.**

(1) The service provider shall be responsible for providing quality physical care and developmental activities appropriate to the ages of the children enrolled in the center; selecting and managing staff assigned to the center; and managing the budget and daily operations of the center.

(2) The service provider shall be responsible for enrolling children of state employees in

accordance with the enrollment policy of the sponsoring agency, pertaining to eligibility and procedures.

(3) Upon enrollment, the service provider shall furnish state employees with forms for payroll deduction. Payroll deduction shall be made in such a manner that a full month's payment is deducted for employees paid monthly or 26 payments are deducted for employees paid bi-weekly.

(4) The service provider shall ensure that parents, the public, and representatives of the using agencies have reasonable access to the center for purposes of visitation and observation.

(5) The service provider shall be responsible for requirements set forth in the request for proposal for the operation of the center.

*Specific Authority 110.151(8) FS. Law Implemented 110.151 FS. History--New 1-1-02.*

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(Florida)

## COST OF THE PILOT PROJECT

### The Original Appropriation-Fiscal Year 1985-86

The 1985 Legislature appropriated \$100,000 from the general revenue fund to establish a State Employee Child Care Revolving Trust Fund to assist in the start-up of the child care program. The law allowed moneys appropriated from the Administrative Expense Trust Fund for establishing the pilot program to be used by the Department of Administration for coordination of the pilot program.

Of the \$100,000 original appropriation, \$75,000 was spent for renovation. The remaining \$25,000 was used:

- (1) to equip the center (appliances, furniture, equipment and supplies \$15,623);
- (2) to pay consultants to design the space for child care purposes (\$2,200); and
- (3) to assist the service provider with operational start-up costs (\$7,177).

The original appropriation was inadequate to support operation of the center during the start-up phase. Until the center could become financially self-sufficient from parent fees, additional funds were necessary. The Department of Administration agreed to transfer funds to assist Big Bend 4-C with the operating cost deficit resulting from lack of full enrollment in the first few months. An additional \$11,286 was authorized to be spent on the center from Department of Administration's regular budget allocation, but only \$4,330 was spent.

### Additional Appropriation-Fiscal Year 1986 - 87

The Governor agreed to request additional funding from the 1986 Legislature to assist the center with operational costs and to enhance the quality of the pilot program by providing more adequately for the educational and developmental needs of the children. This request also provided for resources to promote and fill the center and to assist in the coordination and evaluation of the pilot project. As requested, \$100,000 was appropriated for these purposes, effective July 1, 1986. Of this 1986 - 87 appropriation, an additional \$16,000 was spent to enhance the physical environment and to add to

necessary toys, educational supplies and furnishings to serve an increased number of children. Several plumbing renovations were required by the Department of Health and Rehabilitative Services in order to comply with state health codes, and \$2,202 was used to redesign the space in the toddler room in order to serve more infants. Additional cribs, high chairs, walkers, and other infant supplies were purchased to allow for the increased number of infants. Operational subsidy to the center for the 1986 - 87 fiscal year was \$2,991 for salary subsidy and assistance in paying a large insurance payment.

Resources for coordination/evaluation of the pilot project over the two-year period cost \$30,135. A child care specialist was hired in August, 1986 to assist in the areas of promotion, program development, monitoring for program quality and operational efficiency, and evaluation of the pilot project.

The center reached financial self-sufficiency during October 1986 and reached full enrollment capacity in January 1987. A waiting list on March 21, 1987 of more than 200 names prompted a request from the service provider to expand the capacity to serve more infants. In April 1987 plans were developed to renovate an adjacent warehouse and connect the two buildings creating space to serve 20 additional infants. Architectural plans were drawn up at a cost of \$3,750. The DHSMV contributed \$15,000 toward the expansion. On June 30, 1987, funds in the Child Care Revolving Fund were certified forward for the expansion project. Of the \$50,057 certified forward, \$38,000 was allocated for renovation of the warehouse; \$6,082 for furnishing/equipping the new space and \$5,975 to pay a consultant to complete portions of the pilot project evaluation.

A total of \$14,751 remained in the Child Care Revolving Trust Fund at the time of this report December 1987. Additionally each month, the center pays to the state \$444.67 which is deposited into the Child Care Revolving Trust Fund. This payment is made up of \$167/month for rent and \$277/month to pay back a portion of the start-up funds. (The total amount of the pay-back agreement is \$5,000.)

It cost \$121,154 to furnish the space and \$37,760 to equip the center to serve 95 children. Operational assistance to subsidize the start-up for the center was \$15,119 and a total of \$30,135 was spent on coordination/evaluation of the pilot project.

The total cost per child for the two year pilot project was \$2,149. This amount includes \$317 per child for the coordination/evaluation aspects of the project which would not be

necessary in replication. Providing the space cost \$1,275 per child and to equip the center cost \$397 per child. An additional \$159 per child was expended for operational start-up assistance, with salary subsidy, liability insurance and utility costs making up the majority of that cost.

#### Estimated Cost to Replicate the Pilot Project Center

It is estimated that it would cost the state approximately \$2,166 per child to replicate the pilot center. Cost to renovate state-owned property to provide child-care services is estimated at \$1,500 per child and to adequately equip a center is estimated at \$408 per child. Start-up operational assistance to the service provider would cost about \$258 per child. The total cost to establish a state center for 80 children is estimated at \$183,250 (this includes a \$10,000 food subsidy). A minimum of 50 children are needed for a center to operate on a financially self-sufficient basis.

An analysis of the total project cost, the expenditures for each fiscal year and the estimated costs to replicate this program are presented in the following pages.

(Florida)

## EMPLOYEE NEEDS ASSESSMENT (AGENCY NAME) CHILD CARE PROJECT

### SAMPLE DOCUMENT

The Department of \_\_\_\_\_ is planning to establish a worksite childcare center to serve the state employees who work within a three-mile radius of \_\_\_\_\_ (location). If funded, an existing building will be renovated or a new facility will be built to serve \_\_\_\_\_ (number) children (6 weeks to 5 years of age) on the grounds of the (location). The center would open during fiscal year \_\_\_\_\_ (year) and would be operated by a private childcare provider who is selected by competitive bid.

The center would provide convenient and high quality childcare services for state employees in the area. The center will be open from approximately 6:00 A.M. until 6:00 P.M., Monday through Friday. The center will provide hot meals, a high-quality, developmentally-appropriate educational program, well-equipped and furnished center, qualified staff, and smaller child-to-teacher ratios. The cost of the child care service would be within the range of average market rates charged by child care centers in \_\_\_\_\_ (geographical area).

The purpose of this survey is to determine if there are enough children to support a worksite childcare center at \_\_\_\_\_ (location). Please complete the following questions and return to \_\_\_\_\_ (contact person) by \_\_\_\_\_ (date). Thank you for your cooperation.

1. How many children do you currently have in the following age groups?

- \_\_\_\_\_ Infant (less than one year of age)
- \_\_\_\_\_ One Year Old
- \_\_\_\_\_ Two Year Old
- \_\_\_\_\_ Three Year Old
- \_\_\_\_\_ Four or Five Year Old
- \_\_\_\_\_ Unborn (or planning to have a child within the next year)

2. If the center opens Fiscal Year \_\_\_\_\_ how many children would you consider enrolling? (Please indicate the ages of the child as of \_\_\_\_\_)

- \_\_\_\_\_ Infant (less than one year of age)
- \_\_\_\_\_ One Year Old
- \_\_\_\_\_ Two Year Old
- \_\_\_\_\_ Three Year Old
- \_\_\_\_\_ Four or Five Year Old
- \_\_\_\_\_ Unborn (or planning to have a child within the next year)

**THANKS FOR YOUR HELP.** If you would like to serve on a parent committee to help in the planning of the child care center, please fill in your name so we can contact you when we begin looking at specific parent needs/suggestions.

Name \_\_\_\_\_ Office Address \_\_\_\_\_ Phone \_\_\_\_\_

**From:** "Holliday, Cheri" <HollidC@dms.state.fl.us>  
**To:** "jeannettelacey@yahoo.com" <jeannettelacey@yahoo.com>  
**CC:** "Kimmons, Christine" <KimmonC@dms.state.fl.us>, "Simmons, Lori"  
<SimmonL@dms.state.fl.us>  
**Subject:** State of Florida Child Care Program  
**Date:** Mon, 25 Mar 2002 11:00:40 -0500

Per your request, listed below is the sponsoring agency contact information for the State of Florida's 2 work-site childcare centers. For information such as center start-up costs, etc., you would need to contact the Contract Manager from the two agencies.

Gwen Cherry Child Development Center  
Sponsoring State Agency: Florida Department of Education  
Contract Manager: Mr. E. Tanner Holliman @ (850)488-7003

Ina Thompson Child Care Center  
Sponsoring State Agency: Florida Department of Highway Safety and Motor Vehicles  
State Agency Contact: Ms. Betty Stemm @ (850)488-1079  
Contract Manager: Mr. Gary Ferguson @ (850)488-6778

If you will e-mail me your mailing address, I can send you some historical reports dealing with the State of Florida's Child Care Program "Pilot Project".

Thanks,  
Cheri Holliday  
HR Analyst  
Department of Management Services  
Division of Human Resource Management  
(850)414-5788 or [hollidc@dms.state.fl.us](mailto:hollidc@dms.state.fl.us)  
Visit the Human Resource Management Website at:  
<http://fcn.state.fl.us/dms/h.m/index.html>

## CHILD CARE FACILITIES IN FEDERAL AND OTHER STATES' BUILDINGS

The Office of Child Care Policy in the U.S. General Services Administration (GSA) works with federal agencies to provide and improve child care options for federal employees. Federal law requires that at least 50 percent of the children enrolled be federal employee dependents, and children of federal employees also have priority for the remaining enrollment spaces.<sup>1</sup> Approximately 88 percent of these independently operated centers are accredited by the National Association for the Education of Young Children.

In cooperation with the interagency Federal Child Care Council, the GSA sponsors two websites, [www.childcare.gov](http://www.childcare.gov), and [www.afterschool.gov](http://www.afterschool.gov). According to information accessed through these websites, child care for government employees in federal facilities include the following:

- ◆ More than 800 child development centers operate on U.S. military installations worldwide. Approximately 98 percent of these centers are accredited by the National Association for the Education of Young Children.
- ◆ More than 110 child care centers currently operate in GSA-managed federal space across 32 states and the District of Columbia, serving nearly 8,000 children.
- ◆ The Coast Guard offers on-site child care and child development programs in 13 locations around the country.
- ◆ The U.S. Department of Agriculture offers on-site or near-site child care centers in nine states.
- ◆ Veterans Affairs (VA) operates more than 50 child care centers in 23 states and the District of Columbia.

In addition, recent federal legislation permanently authorized the use of appropriated funds, including revolving funds otherwise available for salaries, by executive agencies to provide child care services for lower income federal civilian employees.<sup>2</sup> According to the GSA, at least eight federal departments and nine agencies currently offer some form of child care subsidy under this program. Recently passed federal legislation also creates a tax credit for employers that provide on-site or near-site child care centers for employees. Under this law, a 25 percent tax credit is available for employer expenses related to child care activities such as start-up costs, operating costs, and costs of training and continuing education for child care workers. A 10 percent tax credit is available for the cost of a company's contract with a child care resource and referral service. The credit is capped at \$150,000 per year.<sup>3</sup>

In regard to on-site child care services available to other state's employees, the National Conference of State Legislatures (NCSL) provided information from a state employee benefits survey conducted by Workplace Economics, Inc. The Workplace Economics survey identified 22

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<sup>1</sup> Title Amendment, 40 U.S.C. 490b.

<sup>2</sup> The child care subsidy program that Congress authorized in 1999 had to be extended every year. Public Law 107-67 makes the program, and the authority to use appropriated funds, permanent.

<sup>3</sup> Press release of U.S. Senator Herb Kohl, June 7, 2001.

states as offering on-site day care facilities in certain locations, as of January 2000.<sup>4</sup> Through information provided by the National Child Care Information Center, we identified at least one other state and several local governments providing on-site child care for public employees.<sup>5</sup>

Although on-site child care is not available for all state employees in any state, lawmakers in many states address the issues of availability and financing early education and care services. According to information from NCSL, lawmakers in at least 18 states have enacted corporate tax credits or deductions to encourage businesses to give employees more child care options. Among those are the following:

- ◆ Arkansas lawmakers established several tax incentives for companies that create or operate child care facilities. Companies can receive a corporate tax credit of 3.9 percent on the salaries of employees who work at child care facilities and are exempt from sales and use taxes for building construction and furnishings.
- ◆ California has a corporate tax credit for child care start-up costs, information and referral services, child care facility construction costs and contributions to a qualified care plan.
- ◆ Connecticut authorizes a tax credit equal to 40 percent of the cost of providing parent education classes to employees, available once the state's employer child care tax credit is exhausted. Classes must provide certain child development information and referrals.
- ◆ Florida corporations may deduct 100 percent of the start-up cost of an on-site facility.
- ◆ Maryland established a child care tax credit for employers that hire welfare recipients. The tax credit ranges from 10 – 30 percent of wages and from \$400 - \$600 in child care costs. Maryland also has expanded tax credit legislation to a broader child care market with a law that exempts certain in-home family day care providers from local personal property taxes.
- ◆ Oregon created a 50 percent tax credit for corporations that provide funds for child care services. Under the flexible tax credit plan, employees select their provider, and corporations are allowed a credit of up to \$2,500 per full-time employee.
- ◆ In Rhode Island, businesses with child care centers for employees must accept state-subsidized children in order to be eligible for the child care tax credit.<sup>6</sup>

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<sup>4</sup> States offering at least one on-site child care facility for state employees are Arizona, California, Connecticut, Delaware, Florida, Hawaii, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Oklahoma, Pennsylvania, Rhode Island, Utah, Virginia, West Virginia, and Wyoming.

<sup>5</sup> The State of Minnesota also operates on-site child care facilities for children of state employees. In addition, the State of Colorado operates a statewide child care resource and referral system, and child care providers in various locations throughout the state offer tuition discounts to state employees.

<sup>6</sup> Mary L. Culkin, Scott Groginsky, and Steve Christian, *Building Blocks: A Legislator's Guide to Child Care Policy* (Denver: National Conference of State Legislatures, December 1997), p. 13.

Legislators in Minnesota and Utah enacted tax credits for at-home parents who stay at home with infants; a 1999 Maryland law allows a tax credit for dependent care expenses up to 25 percent of the federal credit claim for families with incomes less than \$30,000; and in 2001, legislators in at least five states considered family and personal tax credit initiatives for dependent care.<sup>7</sup> Legislators in another four states considered tax credits or exemptions for facilities, non-profit providers or reallocation of collected funds.<sup>8</sup>

## PROVISIONS FOR PARENTS OF NEWBORNS

None of our child care resource contacts could provide comprehensive information on state provisions for parent of newborns, although clearly, care for newborns is more difficult to obtain and more expensive than care for older children. According to "Child Care Arrangements for Children Under Five: Variation Across States," a national survey of America's families conducted for the Urban Institute, infants and toddlers are more likely to be with relatives and in parents' care, while children at three and four years old are more likely to be in center-based care.<sup>9</sup> Even when infants are cared for by relatives or stay at home parents, however, stress for parents can be significant. Child care experts with NCSL, note the following:

By promoting policies that encourage parents to stay at home with infants, states advance the bond between parent and baby and also ease the high demand and costs for infant child care. Minnesota and Utah legislators have enacted tax credits for parents who stay at home with their infants. In 1997, Minnesota enacted a reimbursement payment for low-income, non-welfare families if a parent stays at home with a child during his or her first year. This payment represents three-fourths of the maximum child care subsidy reimbursement rate.<sup>10</sup>

The U.S. Coast Guard's Separation for Care of Newborns Program allows Coast Guard members a one-time temporary separation of up to two years to care for newborn (or adopted) children with a guaranteed return to active duty. Members are eligible to affiliate with the Coast Guard Reserve during the separation.

For parents who must or wish to work, flexible personnel policies help to alleviate stress and allow employers to retain employees with valuable training and experience that might otherwise be lost. Flexible work hours, compressed work weeks, and job-sharing can increase the amount of time parents have to spend with their children by reducing commuting time and allowing two-parent families to juggle schedules. Liberal emergency leave policies recognize the general lack and high price of care for sick children and infants.

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<sup>7</sup> Lawmakers in Hawaii, Missouri, New York, Pennsylvania, and Oregon in 2001 considered family and personal tax credits for dependent care.

<sup>8</sup> Lawmakers in Alabama, Massachusetts, New York, and North Carolina in 2001 considered tax credits or exemptions for facilities, non-profit providers or reallocation of collected funds.

<sup>9</sup> Jeffrey Capizzano, Gina Adams, and Freya Sonenstein, "Child Care Arrangements for Children Under Five: Variation Across States," National Survey of America's Families (Washington, D.C.: The Urban Institute, Series B, No. B-7, March 2000; available at [http://newfederalism.urban.org/pdf/anf\\_b7.pdf](http://newfederalism.urban.org/pdf/anf_b7.pdf)).

<sup>10</sup> Scott Groginsky, Julie Poppe, and Jenna Davis, "Financing Child Care," (Denver: National Conference of State Legislatures, June 2000), p. 13.

According to NCSL researchers, New Jersey lawmakers have developed an employer-approach to support parents with young children by providing partial wage replacement for parental leave through the state's temporary disability insurance (TDI) program. The benefit, when combined with accumulated vacation and sick leave, can be an important source of support for working parents who need to be with their infants. Four other states—California, Rhode Island, New York, and Hawaii—also have TDI programs.<sup>11</sup>

State legislators have also formed policies designed to meet the particular needs of parents on welfare who have young children. These laws and policies include exempting welfare recipients with infants from work requirements or applying work requirements only if the parent can find affordable child care.<sup>12</sup>

According to information compiled by the Work and Family Connection, flexible work arrangements (including compressed work schedules), the possibility of telecommuting or working from home, job-sharing, and on-site child care reduce employee stress, absenteeism, and turnover and promote employee satisfaction, commitment, performance and productivity. Researchers with that organization note that many private companies have discovered the profitability of developing provisions for allowing working parents to share jobs, to work flexible schedules, to telecommute, to provide on-site care centers or back-up care, and to bring newborns (and sometimes their care providers) to work. Many private companies also subsidize extended or odd-hour child care for individuals who work on shifts or on compressed schedules. The Work and Family Connection provided the following information on a study conducted in 2000 by the Boston College Center on Work and Family:

A two-year Boston College study, "Measuring the Impact of Workplace Flexibility," is like an advanced course in what to do – and what not to do – for companies and consultants trying to make flexibility succeed. Six companies opened up to researcher: Amway, Bristol-Myers Squibb Company, Honeywell, Kraft, Lucent Technologies and Motorola. When they began this project, Boston College Center on Work & Family researchers Mindy Fried and Leon Litchfield had no stated hypotheses. Researchers conducted 59 personal interviews with both users and non-users of flexibility. They examined three kinds of arrangements. First, traditional flextime, used by 14%, allowed users to schedule different starting and quitting times around core hours. The second, called "daily flextime" by Fried and Litchfield, was used by 11% who had, to a great extent, autonomy and control over their work hours each day and could vary them as they needed to. Telecommuting (9%) was the third, with most users working from home or a satellite office just one or two days per week. Results showed the use of flex arrangements had a positive impact on productivity, work quality and retention, with daily flextime showing the best results by far of any of the three arrangements. Of employees surveyed, 87% said working one of the three options had improved both their productivity and work quality; 80% said flexibility had a beneficial impact on retention. Most said the arrangement had a positive effect on their relationship with their supervisor, and only 5% said the relationship was negatively affected. Their managers were also enthusiastic; 70% said flexibility improved productivity, 65% said it had a positive impact on the quality of work produced and 76% felt flexibility had a favorable effect on retention. Nearly all the managers believed

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<sup>11</sup> Culkln, et al., *Building Blocks*, p. 12.

<sup>12</sup> Groginsky, et al. "Financing Child Care," p. 13.

their work group's productivity and their own job performance were the same or better. Three-fourths reported no change in their own workload.

The Work and Family Connection also provided information on another study conducted in 2000 on business-supported dependent care. Findings from that study include the following:

The American Business Collaboration for Quality Dependent Care (ABC) has impacted about 1,500 projects across the U.S. A new study says those efforts have paid off in the area that means most to companies—they have improved productivity among those who have used the supported services. The study was conducted by Abt Associates, Cambridge, MA. Researchers found 63% of 1,483 employees who had used ABC-supported services in 10 communities believe their productivity improved due to those programs. More than a third (35%) were better able to concentrate at work, 30% left work early less often to deal with family matters, 27% took fewer days off and 26% were late less often. The vast majority of those surveyed worked for ABC companies and had used various kinds of childcare services (more than 90% of the group's funding has gone to childcare, but eldercare programs also had a positive impact on productivity).<sup>13</sup>

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

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<sup>13</sup> The Work and Family Connection website address is <http://www.workfamily.com>.

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**Abstract:** On-site daycare for the children of employees has proven popular with a number of companies, which have discovered that on-site daycare can assist greatly with recruitment and retention; help to reduce absenteeism; and give a big boost to worker morale, job performance, and a company's public image. However, given the lingering uncertainty about the economic benefit that on-site daycare offers, the large up-front costs that are involved, and the particular difficulties that on-site daycare poses for small firms, many companies are reluctant to become involved. The on-site daycare centers of a number of organizations are discussed, and a sidebar presents information on the work of Bright Horizons, the biggest vendor for childcare services in the U.S.

**SUBJECT(S)**

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Day care centers -- Location.  
Day care -- Quality of care.  
Day care -- Costs.

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## The growth of work-site daycare.

**Author:** McIntyre, Lee. **Source:** Federal Reserve Bank of Boston Regional Review v. 10 no3 (2000) p. 8-15 ISSN: 1062-1865  
**Number:** BBPI00089002 **Copyright:** The magazine publisher is the copyright holder of this article and it is reproduced with permission. Further reproduction of this article in violation of the copyright is prohibited.

When Stride Rite Corporation opened its on-site daycare center in Roxbury, Massachusetts, in 1971, it was a pioneering achievement. As a leading manufacturer of children's footwear, Stride Rite was already used to thinking about the needs of families, and the concept of on-site daycare seemed a natural fit. In the beginning, Stride Rite did not see its center primarily as an employee benefit, but rather as a philanthropic mission that would serve Greater Boston. The company set aside one-quarter of its daycare slots for low-income families from the surrounding community. Today, at its new Lexington, Massachusetts, location, it employs a sliding scale for daycare tuition that is available to the community and Stride Rite employees alike.

In the intervening years, Stride Rite -- and the companies that followed -- have discovered the potential benefits that on-site daycare can offer: It can assist greatly with recruitment and retention, it helps to cut absenteeism, and it can give a big boost to worker morale, job performance, and a company's public image. In short, on-site daycare creates an environment in which the worker can focus on work, because he or she knows that his or her child is being well cared for by a competent professional, just a few floors away.

Why isn't on-site daycare more prevalent? The answer, unfortunately, is that quality daycare is expensive. And, although there are many firms that could potentially benefit from on-site daycare once they offer it, they must first be willing to commit a substantial amount of cash -- and be convinced that they will earn it back -- before they are willing to take the plunge.

**THE SILENT REVOLUTION** Although it is often considered to be a modern phenomenon, Sandra Burud, of Burud and Associates, a childcare benefits research and consulting firm in Los Angeles, California, has found evidence that employer-supported childcare extends at least as far back as the Civil War, when women who sewed soldiers' clothing were offered work-site childcare. Eighty years later, during World War II, work-site childcare was made available to women who worked in the shipyards of Portland, Oregon, although these centers quickly closed once the war was over.

As women with young children began to join the labor force en masse in the 1970s, the concept of on-site daycare grew and spread to hospitals, government, and private companies. Since then, the face of America's workforce has continued to diversify. In 1975, only 34 percent of married couples with children under six sent both parents into the workforce; today the figure is almost 60 percent. In addition, today nearly 20 percent of employed parents are single and raising their children alone.

Yet, on-site daycare has not grown by nearly as much as one might expect. According to a recent survey of over 1,000 American companies, the Families and Work Institute (FWI) found that only 9 percent of companies with 100 or more employees have on-site daycare. Although this number has increased dramatically from the 200 or so available in 1982 (of which the vast majority were in hospitals, with only 42 in private firms), to the approximately 8,000 that exist today, this still lags far behind the potential demand created by the approximately 9 million families with children under six years old that are in the workforce today.

In families where both -- or the only -- parent works, a range of childcare options is employed (see table). Nearly one-quarter arrange their work schedules so that the children are cared for only by their parents. Another quarter rely on the help of family members or make other informal arrangements. Looking at the choices that parents actually make, however, may not indicate the depth of the childcare problem in this country or the dissatisfaction that many parents feel with their current options. In a recent survey conducted by the University of Massachusetts at Boston, one out of every six parents reported ending a childcare arrangement within the past year, most often because of inadequate quality. In a separate study, conducted by Yale University, 86 percent of U.S. childcare centers were found to provide "poor to mediocre" care. No wonder that 82 percent of on-site daycare centers -- which are usually high in quality -- have waiting lists, averaging 50 percent of capacity.

According to the Families and Work Institute, on-site daycare is more prevalent at those companies that are large (over 1,000

employees), that provide services (such as healthcare and financial services), and that have a high percentage of their top executive positions filled by women (see table). Indeed, 19 percent of those firms with half or more of their top spots filled by women offer daycare. One also finds on-site daycare more often in large metro areas, much less commonly in rural ones. And these days, according to Sandra Burud, it is growing fastest in fields like high-tech, which have employees who are hard to recruit.

But because a company has on-site daycare, however, doesn't mean that it is available at all its sites or to all its employees. Indeed, the FWI survey found that as the number of a company's work sites increased, the percentage of sites offering daycare declined. Given the tendency for large firms to have multiple work-sites, counting the percentage of firms that offer on-site care may significantly overestimate the number of employees who actually have access to it. On the other hand, since nearly half of all employment in the United States is at companies with more than 500 employees, which are most likely to offer on-site daycare, one might wonder whether employee access has instead been underestimated.

Those companies that offer on-site daycare usually swear by it and are convinced that it has saved them money, mostly from reduced absenteeism and improved recruitment and retention. "There is no doubt in my mind that the childcare center has saved us money," reports Marcia Hebert, the director of John Hancock Financial Services' childcare center in Boston, Massachusetts.

But, there is surprisingly little documentation of such savings and sparse academic research on the topic. One of the more careful studies of the return on investment for on-site daycare was conducted by Sandra Burud in 1987 for Union Bank at its 1,200-employee operations center in Monterey, California. Burud found a 2.2 percent turnover rate for employees who used the center in its first year of operation, compared to a 9.5 percent rate for parents who used other arrangements. With the cost of hiring and training new workers estimated at between three-quarters to one and one-half times an employee's annual salary, this reduction accounted for the most significant cost savings. Absenteeism too was affected, with participants missing 1.7 fewer days of work than parents who did not use the center, also saving the company money. Still another savings was in reduced maternity leave. Since the center accommodated infants, Burud found that maternity leaves were 1.2 weeks shorter for mothers who used the center than for those who did not. And, 61 percent of those who were considering job offers from the bank said that the childcare center would be a factor in their decision. In the current era of tight labor markets, such an advantage could be substantial. All in all, the center saved more than it cost.

While the financial consequence of offering on-site daycare will depend heavily upon the unique situation of a particular company, it is probably safe to conclude that some of those that do not offer on-site daycare could benefit from it. What can we learn from the experience of those companies that already have on-site care?

**QUALITY IS JOB ONE** Like many companies, Lotus Corporation first considered work-site daycare when a number of its employees who were interested in family issues approached management. But if Lotus was going to do this it wouldn't be easy. The first item on the agenda had to be quality. High quality was necessary to attract and satisfy parents; there was no point in such an undertaking if their employees weren't going to be happy with the result. The daycare center would also reflect on their corporate image. As Marcia Lewis, director of the Lotus Childcare Center, put it, "Lotus strives to do things well. If we were going to do this, we were going to do it right."

At the time they opened, in 1990, few outside vendors were available to run an on-site daycare center and Lotus decided to run their center on their own, as a separate department of the 2,500-employee company. This allowed them to keep quality control in-house. But it also meant that they had to become expert in a new business, far outside their normal expertise of designing software. To help, Lotus hired professional staff who were experts in early childhood education.

In their quest for quality, Lotus focused on small classes, a low student/teacher ratio, and a highly educated staff, with low turnover. Today, in its 7,000-square-foot Childcare Center, 68 children are cared for by 25 staff members. About 90 percent of the teachers are college graduates and many have a master's degree in early childhood education. And the average tenure of the staff is seven years, in an occupation where average annual turnover is close to 40 percent. All this has paid off in one of the most tangible measures of quality within the industry: accreditation by the National Association for the Education of Young Children (NAEYC). While 36 percent of all work-site daycare centers are accredited, the national average for all childcare centers is only 5 percent.

A similar picture is found at John Hancock, which houses one of the largest -- and arguably the most lavish -- on-site daycare centers in New England. Hancock's daycare center is a showplace: palm trees and a rock garden greet the visitor on the ground floor; just beyond, a full-time chef prepares meals for the children in a sunken kitchen with a large open passthrough -- sushi bar style -- so that the children can watch him cook; toilets are available in five different heights; each classroom (here called a "home base") is small enough for the children not to feel intimidated by a 40,000-square-foot center that serves 200 children; and a separate "get well" center is available for mildly ill children, with two nurses and a separate ventilation system. Each home base has no more than nine kids and the student/teacher ratio is about 3 to 1. This low ratio facilitates great flexibility; if a teacher is out sick, he or she need not be replaced for that day and the children do not need to be exposed to an unfamiliar provider. Like Lotus, Hancock's center is accredited by the NAEYC.

Hancock's commitment to high quality has made its on-site daycare center a visible part of the 3,000-employee firm's "family friendly" image. Page Palmer, vice president of human resources at Hancock, has estimated that her company's work-life benefits package as a whole (which includes a host of other "family friendly" programs to reduce the stress on busy families, such as one that offers hot take-home dinners for purchase at the end of the day) saves the company \$700,000 a year, approximately one-fifth of 1 percent of their net operating income.

The center also helps with recruitment. According to Kathy Hazzard, manager of work-life programs, a number of Hancock employees have rejected job offers from other companies, citing their own firm's work-life benefits. Lotus, too, has found that on-site care is a valuable tool for recruiting high-tech workers in today's white-hot labor market, and for retaining them against the onslaught of headhunters. "Without our childcare center, we just wouldn't be able to compete in this market," says Paul Labelle, director of communications at Lotus.

**COST AND AFFORDABILITY**All this quality comes at a cost. And one of the first is space. A quality daycare center requires approximately 60 to 100 square feet of indoor play space, and 75 to 100 square feet of outdoor play space, per child (in Massachusetts the state minimum is 35 square feet indoors and 75 square feet outdoors). This means that if a center expects to accommodate 75 kids, it will need approximately 4,500 square feet of indoor play space (plus more for a kitchen, staff offices, and other necessities) and 5,600 square feet of outdoor space. If it is to house infants, most state fire regulations require it to be built on the first or second floor. In some instances, a company just doesn't have such space available. In others, it is ferociously expensive, particularly in large urban centers such as Boston, where rental rates for Class A office space are now \$50 to \$70 per square foot. Second, construction costs can run between \$65 and \$150 a square foot, depending on the physical layout. Equipment costs average about \$2,500 per child. In short, even for a small center, we are talking about a substantial initial investment -- anywhere from 1.5 to 2.5 million dollars, according to Kerry Malczewski, a daycare development consultant for Americare. At more elaborate centers like those at Hancock or Lotus, the costs can be much higher.

Operating costs normally run between \$7,500 to \$13,000 per child per year. Staff salaries can account for up to 90 percent of operations at work-site centers, where the pay is normally much higher than in the typical stand-alone center. The average national full-time pay for daycare workers is about \$12,000 a year. At many high-quality work-site centers, the pay can reach \$25,000 to \$30,000 a year.

Such high costs raise the issue of what parents can afford to pay, which is the *bête noire* of corporate childcare and the flip side to high quality. Most companies cover construction and other up-front costs, and don't expect to be paid back. Many also provide an ongoing subsidy to cover operations such as maintenance, utilities, and liability insurance. The remaining costs can still be so high, however, that some employees cannot afford to pay them. Companies have different policies for dealing with this problem. Some simply charge the going rate in the community -- which can approach \$325 a week for infants and \$260 a week for toddlers in Boston -- and boost their subsidy to cover the increased operating costs (such as higher staff salaries) that are necessary to achieve the higher level of quality that they provide. Lotus, for instance, has adopted this approach.

Other companies offer a sliding scale and subsidize the difference. At Hancock, the tuition at the childcare center is based on an employee's annual salary, with price breaks beginning at incomes under \$80,000 a year, and more significant discounts available for those who earn less than \$30,000. But, depending on the size of the discounts and the number of low-income employees who use them, sliding scales can vastly increase the annual subsidy paid by a firm. Lotus once offered a sliding scale but was forced to drop it as too costly. Today, they face the poignant fact that many of the administrative assistants, receptionists, and even some of the childcare teachers themselves -- despite their better-than-average salaries -- cannot afford to send their own children to the childcare center. Even so, Lotus has no shortage of demand for its childcare services, with up to a one year waiting list.

While subsidies and sliding scales can solve the problem of affordability, they can raise other difficulties. For one, firms must deal with potential resentment. If a firm offers assistance to workers with lower salaries, it can cause problems both among higher-salaried employees and also among those with similar salaries who do not use the benefit (and wonder why they can't get help with eldercare or special healthcare expenses instead). Potential resentment may also arise from childless employees -- or those who prefer other childcare arrangements -- to the subsidization of a childcare center at all. "It's hard to gauge resentment," says Elinor Burkett, author of the recent book *The Baby Boon: How Family-Friendly America Cheats the Childless*. But, as childcare in the workplace becomes more common, Burkett argues, concerns about inequity are bound to surface. "If you were working in a workplace that gave a \$5,000 fertility benefit to the person sitting next to you, how would you feel?"

There is also the sensitive political issue of what to do if a senior executive or a hot new hire needs a slot that is occupied by a low-salaried worker. And, there is the problem of how an employee of a company that offers onsite care feels when it is not at his or her own work-site or when the waiting list is too long. Caught between the potential resentment of employees who don't receive benefit and the high cost of making it available to all workers, some companies may simply retreat.

And some workers may just prefer the cash. Back in 1971, when Stride Rite first opened its daycare center, then CEO and leading force behind the center, Arnold Hiatt, remembers a conversation with a union leader who said, "If you can spend so much money on the daycare center, why can't we get a raise?"

Most companies, however, report few visible signs of resentment. Hancock, for instance, says that while only a small percentage of its employees actually use the center, there have been few if any complaints. Managers appreciate the center's flexibility, which is open 11 hours a day to accommodate employees who use flex time or simply work long hours. And, despite warnings of a growing backlash, this kind of acceptance does not seem to be unusual. A 1996 Gallup poll asked workers how they would respond if their employer asked them to contribute a percentage of their income to on-site childcare. Almost 60 percent said that they would contribute, with one in ten offering a full 10 percent of their pay. Of course, 10 percent of the average employee's pay would hardly cover the costs of full-time daycare, if they had children. Still, perhaps the most surprising result of the survey was that it did not break down according to whether the respondents were parents, with 54 percent of childless employees saying that they would be willing to contribute some portion of their income.

**THE SMALL WORKPLACE** Although larger companies may face problems with waiting lists and fairness, smaller companies or work-sites have to solve the problem of scale. According to Ilene Hoffer, of Bright Horizons, if an employer has fewer than 800 to 1,000 employees at one work-site -- or expects to enroll fewer than 50 or so kids in its center -- special challenges can arise. If a company has relatively few employees, even a slight dip in childbearing rates can cause a significant loss of revenue. Although in general a company can expect between five and eight children to enroll for every 100 employees, experts counsel that employee surveys alone are a poor way to project demand, because some expected enrollments just never materialize.

Some parents may prefer not to use on-site daycare because they are put off by the idea of having to commute with a child, especially if the employer is located downtown and they would have to use public transportation. Unless both parents work at the same place, on-site care also would seem to put all of the pickup and drop-off responsibility on one parent. Some may find it more convenient to use childcare in their own neighborhood. And, if a family has more than two children, it may be more economical to hire a nanny. Owens Corning closed one of its brand-new corporate daycare centers only a few years ago because of just such a miscalculation of demand.

Distribution of demand is another consideration; if one expects to run a full-service center -- with separate space and teachers for infants, toddlers, and preschoolers -- one is in effect running several different centers at once. Without a steady pipeline, unbalanced demand can cause a center to run at less than full capacity.

Overhead, too, can be a problem at smaller centers. Although some operating costs may vary smoothly with enrollment, other costs like construction and equipment, that must be paid up front, can be prohibitive. As Hoffer points out, however, this all depends on the company and the need it is trying to fill. Some companies have empty space that can easily be converted. Others hire such highly valuable employees that they will go to practically any lengths to retain them. Bright Horizons manages some work-site daycare centers with as few as 28 kids.

Hill, Holliday, Connors, Cosmopolos, Inc., an advertising firm with 250 employees at its Boston site, has had on-site daycare since 1985, accommodating 36 kids, infants through kindergarten. Hill, Holliday solved the problem of small size by opening vacant spots to the outside community, who pay full freight. "We never need to advertise a vacancy," recounts Sandy McGauley, the center's director, who juggles the delicate balance between the company's mission and the community's needs. "Children from the community can be bumped with 30 days' notice if someone from Hill, Holliday needs the slot, but we've rarely had to do it."

Opening a corporate daycare center to the outside community is not uncommon and creates a way to offer childcare at companies that might otherwise be too small to afford it. Without the extra revenue, many smaller on-site daycare centers like Hill, Holliday would struggle to survive. With it they can thrive, offering a high-quality program and even a sliding scale for employee tuition.

Many even smaller companies, however, couldn't begin to afford to do this. Given that 37 percent of all American workers are at firms with fewer than 100 employees (while 55 percent of all employees work at sites this small), on-site daycare seems out of reach for many. And even some sites as large as Hill, Holliday or larger might have problems if they were located in less urban areas where there was not so much demand in the neighboring community. Although companies could share a center, this is rare, according to Hoffer. More common is for a small firm to buy the number of slots that it needs at a local daycare center.

Another strategy -- employed both by small companies and those larger ones that are reluctant to commit to full-time on-site childcare -- is to opt for the safer alternative of backup childcare. With backup care, several companies band together to sponsor a center, each one paying for a fixed number of slots that it can then ration for its employees to use throughout the year. When the nanny calls in sick, or school is unexpectedly cancelled, a parent doesn't have to miss a day of work. ChildrenFirst, one of the leaders in the backup childcare industry, sells its slots to corporations for about \$32,000 a year. The companies may thus offer childcare benefits to their employees and be spared the worry and headache of having to build and run a childcare center themselves. And the savings are a dream: ChildrenFirst cites an estimate by WFD Consulting that the typical return averages \$3 for every \$1 that a company invests.

Yet another recent trend has been "sick childcare," where companies contract with freestanding centers, sometimes affiliated with local hospitals, to provide daycare for mildly ill children, so that their parents can go to work. While some parents may not like this benefit, for fear that it may be used to pressure them to come into work when they would choose to do otherwise, others do

appreciate it. In companies that are beholden to their "billable hours" -- or in any company where an employee absence might be especially costly -- such a benefit might recover a substantial portion of the savings from reduced absenteeism, without incurring the full expense of offering on-site daycare.

**OLDING THE FUTURE** On-site daycare is not for every company. Given lingering uncertainty over the economic benefit it offers, the large up-front costs, and the difficulties for small firms, many companies have remained reluctant to take the plunge.

Not surprisingly, most places that offer on-site daycare don't make the initial decision based strictly on dollars and cents. As Lotus's Marcia Lewis put it, "We don't do this to break even." Even after they have instituted on-site care, few companies bother to try to quantify the benefits, convinced that some of the greatest savings are in such things as morale and performance, which are hardest to measure. Thus, opening a corporate daycare center remains something of a "leap of faith." And, most companies cite a moral dimension to their mission. They do it not just for the economics, but because it is "the right thing to do."

Will on-site daycare someday become as commonplace as health insurance or 401(k) plans in the menu of employee benefits? Even if it does not, the relatively small percentage of companies that offer childcare have already had an outsized effect on the national debate about the standard of quality that can be met in daycare and the importance of providing good care for our children. As one watches the smiling toddlers walk past Lotus's Director Marcia Lewis, each spontaneously giving her a hug on the legs as they go outside to play, one becomes convinced that every child's future deserves to look something like this.

Added material.

Photographs by Kelier and Keller.

#### CHILDCARE CHOICES.

Primary childcare arrangements for children under five with employed mothers.

(TABLE) Daycare center (workplace and community) 32% Parent care (FN\*) 24 Other family member 23 Family daycare 16 Nanny or babysitter 6.

**FOOTNOTE\*** Mother and father work alternate schedules; father stays home to care for the child; parent cares for the child at work; self-employed parent cares for the child at home.

SOURCE: THE URBAN INSTITUTE, 2000.

#### PORTRAIT OF A DAYCARE PROVIDER.

(TABLE) EMPLOYER PERCENT THAT PROVIDE CHARACTERISTICS ON-SITE CHILDCARE All companies 9 BY NUMBER OF EMPLOYEES fewer than 250 7 250-999 5 1,000 or more 18 BY INDUSTRY Professional services 15 Finance/Insurance/Real estate 11 Other services 0 Manufacturing/Construction/Agriculture 5 Wholesale/Retail trade 3 BY % OF EXECUTIVE POSITIONS FILLED BY WOMEN 0-24% 4 25-49% 10 50% and more 19.

SOURCE: FAMILIES AND WORK INSTITUTE, 1998.

A full-service work-site daycare center usually has separate classes for infants, toddlers, and preschoolers; some even offer full-day kindergarten.

Hancock's open-floor plan takes advantage of intimate spaces at just the right height.

An often overlooked necessity in offering work-site daycare is the availability of sufficient outdoor play space.

While their parents work elsewhere, children prove the truth of the maxim that "Play is the work of childhood."

**CHILDCARE IS THEIR BUSINESS** Despite the best of intentions, most companies face the barrier that providing on-site daycare outside their primary business expertise. In the past, firms had no choice but to hire experts to advise them as they constructed a center, designed a curriculum, and hired their own staff. In 1986, Bright Horizons arrived on the scene to help. Currently the largest vendor for childcare services in the United States, Bright Horizons manages centers for 75 of the 100 Fortune 500 companies that have them. Along with other providers such as Mulberry and KinderCare, Bright Horizons will do an initial needs assessment and demographic analysis. After this, they will oversee construction, design a curriculum, hire and train staff, and seek accreditation. They can also customize a center to match a company's image or mission. In recent years, Bright Horizons

built a center for Carnival Cruise Lines with portholes and a nautical theme, and one for Cisco Systems with toddler-height computers at every turn. For Motorola, they designed a curriculum with special emphasis on science and technology.

Timberland Corporation recently built a new on-site daycare center at its corporate headquarters in Stratham, New Hampshire. As common with most new centers -- these days only one in four choose to self-manage -- Timberland chose a vendor, in this case Bright Horizons. When Timberland's CEO Jeff Swartz appointed an employee task force to look into it, they found a genuine need for daycare, not only for their own employees but also in the surrounding area. In fact, Bright Horizons had already identified Timberland as a likely candidate for on-site daycare -- based on their size and number of employees at one worksite -- and sent them a letter. Attracted by Bright Horizons' reputation for quality and community service (they run a pro bono center for homeless kids in Boston), Timberland signed up. "Running a childcare center is definitely outside our expertise. Bright Horizons made it a lot easier for us to decide to do this," says Jackie Mitchell, senior manager of work/life programs.

When it opens this fall, Timberland's center will accommodate 102 kids from ages six weeks to six years, and it will be open to the outside community. Still, in keeping with another recent trend, they will not be able to afford to offer a sliding scale.

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Return

## Child Care Openings in Juneau March 21, 2002

	# Active Programs	Capacity	I/T openings	Preschool	Total
<i>Registered Programs</i>	70	350*	8	28	36
Licensed Family Childcare	17	136	0	5	5
Licensed Group Homes	8	96	0	0	0
Centers (not including school age programs)	7	172	0	2	2
<b>TOTAL</b>	<b>102</b>	<b>754</b>	<b>8</b>	<b>35</b>	<b>43</b>

- Registered program capacity is based on 5 slots each. Actual desired capacity may be less in some relative care programs.
- Currently registered programs may care for up to 8 children; as of May 31, approved programs may care for up to 5.
- Waiting lists at centers vary: one program has ten, one has 18, one has approximately 30. One program has 48 on the waiting list and is expanding their center with 40 additional slots as of May 1. Some of these children may be on more than one waiting list. Some of these children are moving to town, or moving from a different childcare program.

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# Employer Supports for Parents with Young Children

Dana E. Friedman

## SUMMARY

The competing interests of employers, working parents, and very young children collide in decisions over work schedules, child care arrangements, promotions, children's sicknesses, and overtime hours. With the rising number of women in the labor force, more and more employers are concerned about how their workers balance work and family priorities. This article examines the supports that employers provide to help parents with young children juggle demands on their time and attention. It reviews the availability of traditional benefits, such as vacation and health insurance, and describes family-friendly initiatives. Exciting progress is being made in this arena by leading employers, but coverage remains uneven:

- ▶ Employers say they provide family-friendly policies and programs to improve staff recruitment and retention, reduce absenteeism, and increase job satisfaction and company loyalty. Evaluations demonstrate positive impacts on each of these valued outcomes.

- ▶ Employee benefits and work/family supports seldom reach all layers of the work force, and low-income workers who need assistance the most are the least likely to receive or take advantage of it.
- ▶ Understandably, employer policies seek to maximize productive work time. However, it is often in the best interests of children for a parent to be able to set work aside to address urgent family concerns.

The author concludes that concrete work/family supports like on-site child care, paid leave, and flextime are important innovations. Ultimately, the most valuable aid to employees would be a family-friendly workplace culture, with supportive supervision and management practices.

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**E**mployers play a significant role in helping families care for their infants and toddlers through a variety of work-based policies, practices, and programs. Most employers have long provided basic benefits, such as health insurance and maternity benefits. More recent initiatives by a small but growing number of employers address parents' needs for time off and scheduling flexibility, assistance in finding or paying for child care, or access to quality services on site. Employers provide this support through internal human resource policies, philanthropic contributions, and volunteer efforts that expand or improve children's programs in the communities in which they do business.

Despite enthusiasm for these family-friendly policies and programs on the part of employees and family advocates, the extent of employer support is limited, and access by working parents is not at all equal. Support varies by the region of the country, the size of the company, and whether the employee works full time or part time. Lower-income employees who most need employer supports are the least likely to enjoy family-friendly employment.

### The Employee's Perspective

The need for employer supports is primarily a function of the increasing labor force participation of mothers. The most rapid growth in employment has occurred among mothers of very young children: 32% of mothers with children under age six worked in 1970; in 1999, some



64% of mothers with children under age six and 59% of mothers with children under age two were in the labor force.<sup>1</sup> Some 6% of the workforce is comprised of mothers who do not have the support of the child's father and are raising the children on their own.<sup>2</sup> For companies experiencing labor shortages, it is significant that 60% of labor force growth is expected to come from women.<sup>3</sup>

On the other hand, the portion of households with two employed parents has doubled since 1950, making dual-earner couples the largest group of families in the workplace. According to the U.S. Bureau of Labor Statistics, in 1996, members of dual-earner families made up 45% of the working population.<sup>4</sup> Analyses of the General Social Survey from 1973 through 1994 indicate that work hours have increased at a faster rate for dual-earner couples than for the population of workers as a whole. In 1994, working couples spent seven hours more at work each week than such couples spent in 1973.<sup>5</sup>

Although women are more likely than men to work part time, the majority of men and women have full-time jobs. While 72% of employees work daytime schedules, the remaining 28% work evenings, nights, and on rotating, split, and variable shifts.<sup>6</sup> Such schedules create challenges for those seeking a stable family life. It is not surprising that dual-earner couples have less discretionary time than breadwinner-homemaker couples, and that more and more dual-earner couples report feeling rushed, stressed, and crunched for time.<sup>7</sup>

How parents handle the dual demands of home and work influences the success they experience in each sphere of their lives. Generally, studies show that men and women tend to feel more successful at home than at work—except when a couple has young children. Women with young children feel less successful in their family lives than men.<sup>8</sup> These working mothers are not suffering from role overload, where success at work competes with success at home, but rather they report feeling that they can barely manage in either domain. Researchers suggest that the structure of work and family relationships “makes children in the home a condition in which resources are outstripped by demands, especially in terms of time.”<sup>9</sup>

Studies have examined the extent to which work spills over into the employee's personal life and vice versa. “Spillover” from home-to-job is determined by asking

**Widespread implementation of employer programs did not occur until the late 1980s, when a shrinking labor pool forced companies to compete for talent.**

respondents to indicate how much responsibilities at home reduce their ability to do their work and be available to coworkers, or increase feelings of pressure at work. Likewise, the job-to-home spillover scale asks respondents to indicate how much responsibilities at work reduce their availability to family members and friends, or leave them in a bad mood. Both national studies and individual company studies have consistently found that work is about three times more likely to have a negative effect on one's home life, than home life is to negatively affect work.<sup>10</sup>

In other words, work/life conflict is more likely to originate from work rather than from home. Therefore, employer support focusing on family problems will have limited impact on work/family conflict. Instead, corporations should focus on changes involving the corporate culture and work practices if they hope to reduce much of the stress their employees are facing.

### The Employer's Perspective

Historically, employers have supported families and child care during wartime. Employers first became involved in child care during the Civil War so that women could help in the war effort. For the same reason, child care centers proliferated during World War I and World War II (then with government assistance). In World War II, employers realized that the needs of "Rosie the Riveter" went beyond child care, and they allowed women to bring their laundry to the work site for someone else to do, and to take home a hot dinner for the family. Not until a half century later did these supports resurface.<sup>11</sup>

After World War II, employer-provided family supports virtually disappeared until the 1960s, when corporate social responsibility prompted some employers to fund local child care programs. In 1968, the Stride Rite shoe manufacturer opened a child care center in Roxbury, Massachusetts, to ease racial tensions in the community.<sup>12</sup> Such pioneering efforts and campaigns by government and community leaders to educate employers about the need for family support achieved little during the 1970s and 1980s, however. Widespread implemen-

tation of employer programs did not occur until the late 1980s, when a shrinking labor pool forced companies to compete for talent.<sup>13</sup> Employers then continued to introduce initiatives to help working families, even during the recession of the early 1990s when family-friendly policies proved to be a helpful antidote to morale problems resulting from massive downsizing. Such policies were also effective in motivating those who kept their jobs but were asked to work harder in a lean and mean environment.<sup>14</sup>

Recruitment and retention remain the primary motivations for employers to address their employees' family and personal needs. The U.S. Department of Labor reports that the U.S. labor force is growing less than 1% annually, and the number of available workers between ages 25 and 44 will shrink between now and 2006.<sup>15</sup> The need for qualified people is forcing companies to rethink their recruitment efforts, productivity incentives, benefit plans, work schedules, and work processes, since these policies were designed for a different generation of workers with different lifestyles and working conditions.

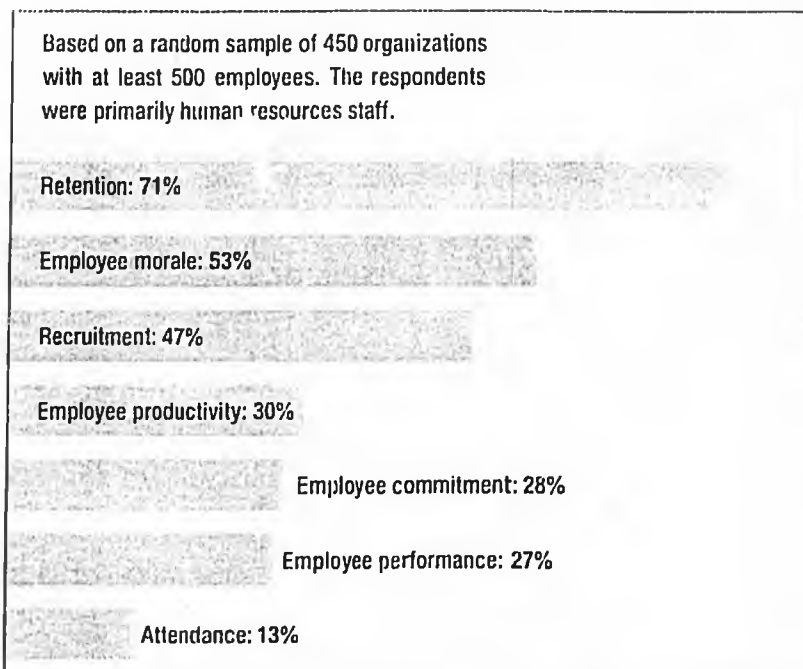
Retention of employees appears to be a more important motivation for family-friendly policies than recruitment. In 2000, Bright Horizons Family Solutions and William M. Mercer, Inc. conducted a survey of companies with more than 500 employees (the BHFS/Mercer study). The survey asked companies why they adopted a work/life focus. As Figure 1 shows, retention topped the list of objectives for 71% of responding companies, while recruitment was the primary goal of only 47%.<sup>16</sup> A 1999 survey by the Society of Human Resources Management found that 41% of human resources professionals believed employees with work/family conflicts posed a threat to their company's retention efforts.<sup>17</sup>

### Uneven Availability of Benefits

Despite the compelling reasons why companies should support the family needs of their workers, and despite the excitement about what pioneering companies have done, the majority of U.S. employers have not responded to the needs of working parents. Traditional supports

**Figure 1**  
**Most Important Objectives for a Work/Life Focus**

Stated by managers at large corporations.



Source: 2000 Survey of Work/Life Initiatives. New York: Bright Horizons Family Solutions and William M. Mercer, Inc., 2001, see p. 9. Based on a survey of companies with more than 500 employees.

like health insurance and leaves are provided by most employers, but newer efforts, such as child care supports for families with young children, are offered by only a small portion of the nation's 60 million employers.

Large companies are the leaders in providing new benefits. They have the human resource departments to investigate options and the financial resources to implement them. Smaller companies less often expand their benefit packages but are more likely than large companies to offer employees flexible work hours.<sup>18</sup> Several studies of large company benefits have found some regional differences. For instance, medical coverage for same-sex partners is offered by 35% to 37% of companies in the West and Northeast, but by only 13% to 18% of companies in the South and Midwest.<sup>19</sup> Industry differences prevail in family-friendliness, as well. Financial service providers, professional firms, and pharmaceutical companies are leaders in most areas of work/life support. Manufacturing firms and firms with many unionized workers tend to offer longer parental leaves but fewer flexible work options, because it is difficult to allow manager discretion in a grievance environment. Companies in the wholesale and retail trades offer the least generous leaves and provide fewer work/life sup-

ports to their workers, who are typically at the lower end of the income scale.<sup>20</sup>

Not surprisingly, a survey of companies with more than 100 employees (the 1998 Business Work/Life Study, conducted by the Families and Work Institute) revealed that companies with high proportions of women are more likely to offer a range of family support policies.<sup>18</sup> There are limits to this gender effect, however. The BHFS/Mercer study of companies with more than 500 employees found that companies are most likely to offer a range of family supports when women occupy between 30% and 70% of the workforce. Fewer such supports are offered in companies where more than 70% of employees are female. Many sex-segregated industries that employ women (such as retail trades) offer lower pay and seldom provide generous family supports.<sup>21</sup>

As Table 1 shows, these industry differences are confirmed in reports from employees. A study of 536 employed parents with children younger than age six, interviewed as part of the 1997 National Study of the Changing Workforce, found consistent inequities in the reach of a range of family support policies. For instance, fathers have greater access to family support policies than

Table 1

## Access to Corporate Work/Life Policies by Employees with Children Under Age Six

Percentage of Employees with Access to the Policy

Employee Group	Sample Size*	Family Health Insurance	Paid Vacation Days	Paid Holidays	Paid Leave for Sick Children	Traditional Flextime	Daily Flextime
All parents with children under age six	513-536	86%	85%	84%	49%	44%	26%
<b>Gender</b>							
Mothers	228-231	78%	78%	80%	N/A	39%	20%
Fathers	303-306	89%	89%	88%	N/A	48%	31%
<b>Work Status</b>							
Part-time	69-72	57%	57%	63%	34%	N/A	N/A
Full-time	450-462	89%	89%	87%	51%	N/A	N/A
<b>Marital Status</b>							
Single	77-79	73%	58%	71%	37%	N/A	N/A
Married/partnered	443-456	86%	89%	86%	51%	N/A	N/A
<b>Hourly Earnings</b>							
≤ \$7.70	115-122	66%	69%	67%	37%	42%	18%
\$7.71 to \$19.25	247-254	87%	88%	87%	48%	35%	19%
> \$19.25	124-126	95%	91%	93%	61%	61%	44%
<b>Family Income</b>							
< \$28,000 per year	109-116	69%	78%	74%	36%	31%	13%
\$28,000 to \$71,500	280-293	86%	86%	85%	48%	41%	22%
≥ \$71,600 per year	106-120	93%	88%	93%	66%	62%	47%

\*Sample sizes vary due to missing data on specific variables. This sample includes employed mothers and fathers with children under age six, drawn from a randomly selected national sample of 3,552 employed men and women ages 18 and older.

N/A indicates not available.

Source: Galinsky, E., and Bond, J.T. Supporting families as primary caregivers: The role of the workplace. In *Infants and toddlers in out-of-home care*. D. Cryer and T. Harms, eds. Baltimore, MD: Paul Brookes Publishing, 2000, pp. 309-50.

mothers, and in an even larger gap, full-time employees with young children have more access than part-timers. Single parents are less likely than those with partners to receive even the most basic family supports, such as health insurance and paid time off. Most troubling is that parents earning less than \$7.70 per hour are significantly less likely than those who earn over \$19.25 per hour to receive family health insurance, paid vacation days, paid holidays, paid leave for sick children, and flextime.<sup>22</sup> In other words, the families in greatest need have the least access to work/family support.

Even low-paid employees who are employed by family-friendly employers are less likely than higher-paid workers in the same firms to use available programs. This author's observations, based on 15 years of work/life consulting projects with nearly 50 large companies, suggest that lower-paid workers have not been intentionally excluded from the benefits offered. Instead, utilization is constrained by the structure of certain benefits or by the types of jobs employees hold. Nevertheless, companies should look at these disparities and address them directly. The BHFS/Mercer study found that nearly one-third (31%) of companies feel that low-wage popu-



© Stone/David Oliver

lutions should be specially targeted because of their unique needs, but less than one-quarter (22%) have made a special effort to address those needs.<sup>23</sup>

### Innovative Solutions

Initially, many employers thought that building an on-site child care center was the best solution for the working parents they employed. It became apparent, however, that this approach does not work for most employers, nor can it serve the majority of employees. Now, family-friendly employers offer a range of initiatives that include on-site programs like child care, time-off policies, flexible work schedules, financial assistance benefits, and information and counseling services. Moreover, companies that have created an array of initiatives have begun to realize that, while policies and programs are necessary, they are not sufficient for helping employees to achieve a work/family balance. Systemic changes in workplace culture and supervision are also needed.

Many employers, however, find themselves unprepared to select and design new solutions. They typically lack data on the demographics of the people they employ and are unfamiliar with the responses that would be

appropriate. A new industry has sprung up to help employers with this steep learning curve by providing research into employee needs, community resources, and competitor responses. It is important to remember the level of effort that is required to implement the solutions described below.


### Flexible Work Schedules

Any survey of employees' needs will reveal that one of the biggest problems confronting working parents is time, as employees work longer hours and have more responsibilities outside of work. Some parents can afford to work part time, in temporary positions, permanent part-time jobs, or job-sharing arrangements (where two people work part time performing one job). Others may adjust the start and end times for their workday, while working full time through a flextime program. Some prefer compressed workweeks and put in four 10-hour days a week, or work 80 hours in nine days over a two-week period. Finally, a form of flexibility that saves time by eliminating the commute to work is telecommuting (where employees work at home or in a satellite office).

According to the 1998 Business Work/Life Study, two-thirds of companies allow traditional flextime—which lets employees start and end their workday on an individual but consistent schedule. Only one-quarter of these companies allow the start and stop times to vary on a day-to-day basis—this is known as daily flextime. Most employers allow part-time work, but only 38% allow it in the form of job sharing. More than one-half of firms allow employees to telecommute occasionally, while one-third allow it two or three times a week.<sup>24</sup>

It is important to remember that these statistics reflect the number of companies offering each option—not the number of employees using them. In fact, in 1999, unpublished surveys of three large companies found similar patterns of employee use for each policy in all of the companies. About 20% of employees use flextime, and no more than 5% use compressed workweeks, telecommuting, or job-sharing arrangements.<sup>25</sup>

One reason for low utilization is that many companies add these flexible work options to the list of policies in their employee handbooks, but they rarely provide training for managers, or tools to help employees make scheduling choices. More importantly, the corporate culture often sanctifies "face time" by focusing evaluations on the

 Any survey of employees' needs will reveal that one of the biggest problems confronting working parents is time, as employees work longer hours and have more responsibilities outside of work.

number of hours an employee is present at work. Working parents often feel judged by their need to leave at 5:00 p.m. to avoid dollar-a-minute late charges at child care, and believe that no one looks at the quality or quantity of work they complete (which may happen, for example, only after dinner is finished, the children are in bed, and the laundry is done). These concerns make parents hesitant to request flexible schedules, fearing that prioritizing family will cause unwanted career repercussions.

#### Time-off Policies

For many parents, the issue is not working the same number of hours in a different part of the day, but being able to leave work for a few hours, days, or weeks. The Family and Medical Leave Act (FMLA) and other policies allow employees time off to be with their children or attend school functions or doctors' appointments.

The days when women were fired for being pregnant have passed, but the responses of employers still vary when women announce they are pregnant. The law requires employers with more than 50 employees to provide 12 weeks of unpaid leave for the birth or adoption of children. About one-third of employers in the 1998 Business Work/Life Study provided more than the 12 weeks of leave required by the FMLA, and 16% offered more than 12 weeks of paternity leave.<sup>26</sup> Larger employers were more likely than smaller employers to extend the leaves offered under the FMLA. Manufacturing firms and unionized companies were most likely to provide some wage replacement during the period of leave. (See the article by Asher and Lenhoff in this journal issue.)

Many companies allow (and require) that employees use vacation time, personal days, or paid sick leave as part of their 12 weeks of FMLA leave. These policies strand new parents with no vacation time or sick leave when they return to work and place their infant in someone else's care. Parents then have no recourse when the child becomes ill or child care breaks down. However, one heartening finding from the BHFS/Mercer study done in 1998, and repeated in 2000, was a dramatic increase in the number of companies offering paid parental leaves. Paid maternity leave beyond the period of disability

jumped from 16% in 1998 to 52% in 2000, the percentage offering paid paternity leave went from 10% to 41%, and those offering leaves for adoptive parents rose from 16% to 46%.<sup>27</sup>

Despite what companies may offer or the law may allow, the average amount of time that mothers take off when they have a new baby is only about 10 weeks. Men typically take far less time and tend to patch together vacation time and personal days rather than request a formal leave.<sup>28</sup> Many do what Prime Minister Tony Blair did as the father of a new baby in 2000—he took a few personal days and worked more at home, but was never more than a phone call away from his job.

An employer's time-off policies can provide employees with an informal form of flexibility. Sick leave policies have a tremendous impact on a parent's ability to be with a child in need. Many companies have "occurrence" policies that allow five days of absence, but warn the employee once three days have been used, and terminate employment after the five days are taken. Occurrence policies are often applied inconsistently. A sympathetic manager may overlook the reasons for the absence, or allow an employee to use personal sick time to care for a child. In low-wage workplaces, like call centers and retail operations, supervisors may use occurrence policies to threaten workers. Parents in such workplaces may leave a sick child at home alone, waiting for one of two daily breaks to call home. One company with multiple manufacturing plants installed more pay phones in the lobby, and notified employees more quickly about incoming calls, so that sick or worried children could be more in touch with their parents.

#### On-site Services

##### Child Care

Employer responses to the child care needs of working parents are influenced by the inadequacies of the child care market. Not only is there not enough care, but it is often below the quality parents want and not available during nontraditional work hours. Creating child care on site allows employers to design a program that conforms to work demands, with hours that can accommodate all

Table 2

## Employer Work/Life Programs Vary by Company Size

Percentage of Companies Offering the Program

Employer Program	All Companies with 100+ Employees	100 to 250 Employees	250 to 999 Employees	1,000+ Employees	Significance of Difference in Company Size
<b>On-site Services</b>					
Child care center	9%	7%	5%	18%	***
Backup child care	4%	3%	3%	8%	*
Sick child care	5%	4%	5%	9%	
<b>Financial Assistance</b>					
Family health insurance	95%	92%	96%	99%	
DCAP plan, pretax dollars for child care	50%	34%	54%	71%	***
Vouchers or direct child care subsidies	5%	3%	6%	9%	**
<b>Information &amp; Counseling</b>					
Employee assistance program	56%	40%	58%	79%	***
Child care resource and referral	36%	24%	39%	50%	***
Work/life seminars	25%	17%	22%	40%	***
<b>Broad Child Care Supports</b>					
Community contributions	9%	6%	9%	13%	*
Public/private projects	11%	16%	7%	9%	

Sample sizes vary due to missing data on specific variables.

\* A difference this size would occur by chance only 5 in 100 times.

\*\* A difference this size would occur by chance only 1 in 100 times.

\*\*\* A difference this size would occur by chance only 1 in 1,000 times.

Source: Galinsky, E. and Bond, J.T., Supporting families as primary caregivers: The role of the workplace. In *Infants and toddlers in out-of-home care*. D. Cryer and T. Harms, eds. Baltimore, MD: Paul Brookes Publishing, 2000, pp. 309-50.

shifts, and adjustable capacity to meet variable demand (for instance, when school is closed and the office is open). Most importantly, employer-sponsored child care programs are typically of much higher quality than most centers in the community. The company subsidizes the difference between what quality costs and what parents can afford to pay. The level of subsidy determines whether employees at all income levels can afford to use the center.

As Table 2 shows, the 1998 Business Work/Life Study found that 9% of all employers with more than 100 employees sponsored on- or near-site child care centers, as did 18% of companies with 1,000 or more employ-

ees.<sup>18</sup> A surprising number of companies sponsor more than one work site center: 26% of companies with a center had between two and five centers, and 15% had more than five. Companies sometimes turn to outside firms to create and manage their centers.

Increasingly, employers are not opening full-time child care centers, but backup or emergency centers that are designed to handle breakdowns in child care arrangements. With far less investment than is required by a full-time center, backup care yields a more direct return on investment. Table 2 shows that 4% of companies with more than 100 employees offer backup care, and the BHFS/Mercer study of firms with more than 500 employees found that 13% offer this

support.<sup>29</sup> For instance, J.P. Morgan Chase currently sponsors 10 backup centers for their employees around the country, and has six more in development. A novel feature of the Chase centers is that women returning from maternity leave can place their infants in the backup centers for eight weeks at a nominal cost, to ease the transition period to work and child care.

Similarly, some companies address the need for child care by focusing on mildly ill children. Table 2 shows that about 5% of companies with more than 100 employees offer this support, as do 9% of larger companies.<sup>18</sup> Companies may sponsor their own centers, create a network of family child care homes to take in sick children, contract with hospitals offering this service, or offer in-home nursing services sponsored by such agencies as the Visiting Nurse Association. Although these initiatives are intended to support parents (and keep them at work), they raise questions about what is best for parents of young children. Where do most children want to be when they are sick? Probably with a parent. Sick-child programs may not force parents to leave sick children, but they reinforce a corporate culture that says they should.

#### Other On-site Services

On-site programs, known as concierge or convenience services, help working parents by eliminating chores that would otherwise have to be done after work or on the weekends, for example, car inspections, dry cleaning, photo development, banking, or filling prescriptions. These services are most popular in the Northeast and among large companies with a high percentage of women, according to the BHFS/Mercer study.<sup>30</sup> The most popular concierge service is discount tickets for entertainment, which 46% of companies offer. About 30% offer free or subsidized meals at work, 13% provide take-home dinners, and 1% offer online grocery shopping with groceries delivered to the work site and available for pick up at the end of the workday.

Another on-site service increasingly mandated by local or state governments is lactation support. In the state of Minnesota, firms with more than 50 employees must allocate private space for new mothers to express milk and store it. Other companies have arranged for rentals of breast pumps, as well as counseling to help mothers through the breast-feeding experience.




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#### Financial Assistance

Employers also help their employees deal with the costs of having and raising children by providing financial assistance for health insurance costs, and subsidies or vouchers to help pay for child care.

A long-standing financial benefit offered by employers is access to comprehensive health insurance. For instance, employees with good health coverage can avail themselves of the latest tests to detect birth defects and other pregnancy or fetal health problems. Policies also include prenatal care and well-baby visits once the baby is born.<sup>31</sup> The majority of employers offer health coverage for the entire family but, as Table 1 showed, employees with young children who are single and low income are less likely than other parents to have such coverage. About one-third of part-time workers receive some health care benefits, and only 19% receive the same coverage as full-timers.<sup>18</sup>

Employer contributions to cover child care costs can also be critical to parents with young children, though it is less common than health insurance. A recent study of

 Originally a service to help parents find child care services, R&R has become a multimillion dollar industry offering help for a host of personal life issues, such as elder care, home mortgages, pet care, and financial planning.

child care costs in 10 cities found that the average cost for infant care was more than \$5,500 per year.<sup>32</sup> Parents pay about 75% of all U.S. dollars spent on child care, government pays about 24%, and employers cover less than 1%.<sup>33</sup> The dominant financing strategy used by employers is the Dependent Care Assistance Plan (DCAP), which allows parents to use pretax dollars to cover their child care expenses, and reduce the amount of their income that is subject to taxation. As Table 2 shows, one-half of all companies with more than 100 employees offer these plans, including fully 71% of companies with more than 1,000 employees.<sup>18</sup>

Only a handful of companies offer employer subsidies, or direct contributions, toward employees' child care expenses. Table 2 shows that vouchers are offered by about 5% of smaller employers and 9% of larger employers.<sup>18</sup> Clearly, those employers who sponsor on-site child care programs subsidize the care provided there by offsetting some of the costs of the operation that would otherwise raise parent fees. Overall, however, financial supports targeting parents of young children are limited in the extent of the assistance offered and in the number of working parents who can take advantage of them. As with most forms of employer supports, the least support is available to lower-wage-earning families.

### Information and Counseling

Simple information can also be an important support to employees as they navigate the stages of child rearing. For example, a financial assessment can suggest whether the timing is right; others may need health-related information regarding conception, prenatal care, birth, or breast-feeding. The need for parent education is ongoing as children move from one stage and age to another. Providing answers to parents' questions can reduce the stress that may interfere with their productivity or attendance. More than one-half of today's parents already believe they are not doing as good a job in rearing their children as their parents did.<sup>34</sup> Employers have been particularly helpful to many young parents by helping them to access the information they want and need.

Employee Assistance Programs (EAPs) are the most prevalent way employers offer information and counseling support to employees. Begun as a treatment program for alcoholics, EAPs now provide counseling on a range of issues including parenting, marital stress, and domestic violence. Employers with at least 1,000 employees are about twice as likely to offer EAPs as those with fewer than 250 employees (79% versus 40%).<sup>35</sup>

Employers also provide information to parents through employee handbooks and newsletters, lunchtime seminars led by experts, parent support groups and online chat rooms, and work site fairs where local service agencies distribute information. The BHFS/Mercer study found that between one-quarter and one-half of large companies offer these options.<sup>36</sup>

Resource and Referral (R&R) programs offer a more comprehensive information approach that may include the above strategies, in addition to online or telephone hotline access. About one-half of the largest companies and one quarter of the smallest companies offer R&R services.<sup>18</sup> Originally a service to help parents find child care services, R&R has become a multimillion dollar industry offering help for a host of personal life issues, such as elder care, home mortgages, pet care, and financial planning. The nonprofit, community-based R&R agencies that provide child care information to the public have, in many cases, been bypassed by these larger R&R businesses, which link the employees of their customers to information through a database and online service.

As both R&Rs and EAPs expand, many companies have begun using one vendor to provide both services. The BHFS/Mercer study found that three-quarters of large companies with both services were using one vendor. This development raises concerns that the "normal" focus of R&R agencies and their preventative approach to problems may give way to the "social work" model of treatment that is used by EAPs. For instance, a parent who seeks advice about a toddler who bites another child at the child care center should be told that this can be a typical stage in normal development, not that it may be

a symptom of a larger problem warranting therapy. These differences of focus mean that merging the two services may not be the most advantageous path for working parents.

**Workplace Practices**

Companies searching for programmatic solutions to the work/life conflicts employees face have sought to reduce or eliminate the work distractions created by family demands, for instance, by offering better child care to reduce absences or providing parenting information to reduce stress. As helpful as these supports can be, however, they cannot address the problems that are rooted in workplace attitudes and practices. Especially in a time of low unemployment, employers must do more than provide perks and services—they must also treat employees well. For instance, a recent study found that 40% of employees with unsupportive supervisors said they were likely to look for a job in the next year, while only 11% of employees who rated their supervisors' performance as excellent said they might be job hunting.<sup>37</sup>

A Canadian study found significant differences in employee responses to their managers. A supportive

manager was defined as someone who provides positive feedback, two-way communication, respect, consistency, and a focus on output rather than hours. Employees with such managers reported significantly less stress, more work/life balance, more trust in management, and greater satisfaction with the company's policies.<sup>38</sup> (See Figure 2.) Even so, very few companies address work/life issues as a part of their ongoing management training. Only about one quarter of large companies offer work/life training of any kind.<sup>39</sup>

Work/life training is critical to help managers understand how they should react to the diversity among workers today. How should managers define equity? If they give a flexible schedule to a new parent, should they give it to everyone? How can a decision be made between one parent's request to attend a school play and another parent's need to take a child to the doctor?

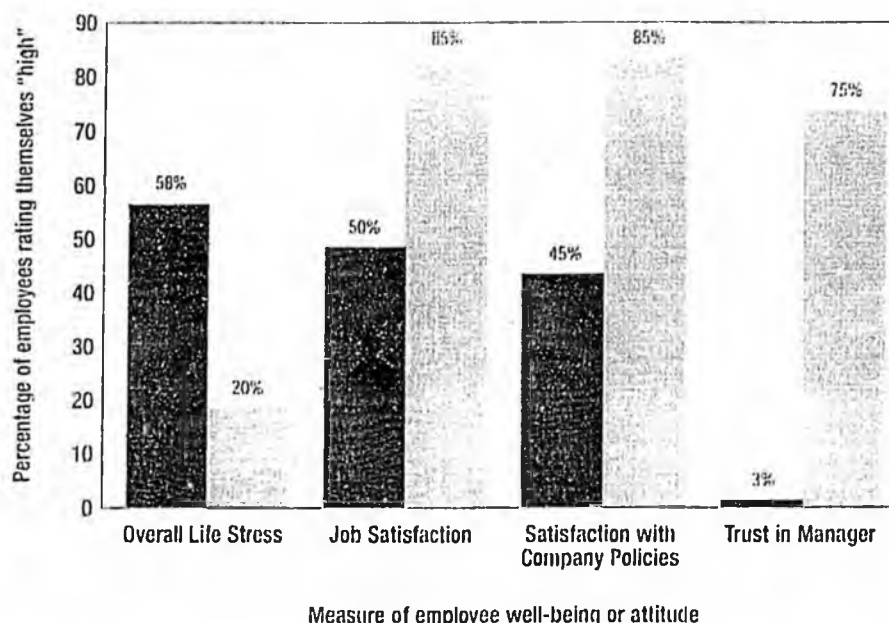
Payoffs greet those managers who take steps to be sensitive and creative. In a study of managers who supervised employees on flexible work arrangements at Chase Manhattan Bank, two-thirds felt the experience made them better managers. It took extra effort to work things out

**Figure 2**

**The Positive Impact of Manager Support**

Based on survey responses from 40,000 private-sector employees living in Canada.

■ Non supportive manager  
 ■ Supportive manager



Source: Adapted from Duxbury, L. and Higgins, C. *Supportive managers: What are they? Why do they matter?* Minneapolis, MN: Minnesota Center for Corporate Responsibility, 1997.



## Addressing work/life concerns can improve recruitment and retention efforts, reduce absenteeism and tardiness, and increase job satisfaction and company loyalty.

with employees and their coworkers; ultimately the manager knew more about the employee's job, improved communications, and came to have more realistic expectations for deliverables. The managers at Chase concluded that this is the way they should manage all employees, not just those with flexible schedules.<sup>40</sup>

### Impact

Employers need to see the impact of the programs they implement on the company's bottom line. Ironically, while employers who are considering work/life programs want impact data, most companies that have implemented such solutions do not want to spend more to study their programs. Instead, most are content to rely on utilization rates and anecdotal evidence of employee satisfaction with work/life programs. Nonetheless, 20 years of study have yielded a solid foundation of research that suggests that addressing work/life concerns can improve recruitment and retention efforts, reduce absenteeism and tardiness, and increase job satisfaction and company loyalty. The target and scope of impact will vary with a particular strategy and how well it has been implemented and communicated.

### Retention

Impact studies indicate that work/life initiatives are effective at reducing turnover. This is good news to employers, since the cost of replacing an employee is estimated to be 150% to 200% of an exempt employee's annual salary, and at least 75% of a nonexempt employee's salary.<sup>41</sup> Obviously, different policies will affect turnover differently.

Individual company studies have consistently shown that flexible work options increase the number of employees who intend to stay with the company, and longer parental leaves with the option to return to part-time hours increase the likelihood that new mothers will return to work. At Aetna Insurance, an increase in the amount of leave, coupled with flexible work options after the return to work, increased the retention of the highest performers from 77% to 91%.<sup>42</sup> A 1993 study found that pregnant women who were allowed flexible work

hours worked longer into their pregnancies, took shorter leaves, and were more satisfied with their jobs.<sup>28</sup> A study at Baxter Health Care found that employees who believed that their requests for flexible schedules would be turned down by their supervisors were twice as likely as others to say they expected to leave the company within the year.<sup>43</sup> And a six-company study on flexible work arrangements found that 81% of employees and 76% of managers believe that flexible work arrangements have a very positive effect on retention.<sup>44</sup>

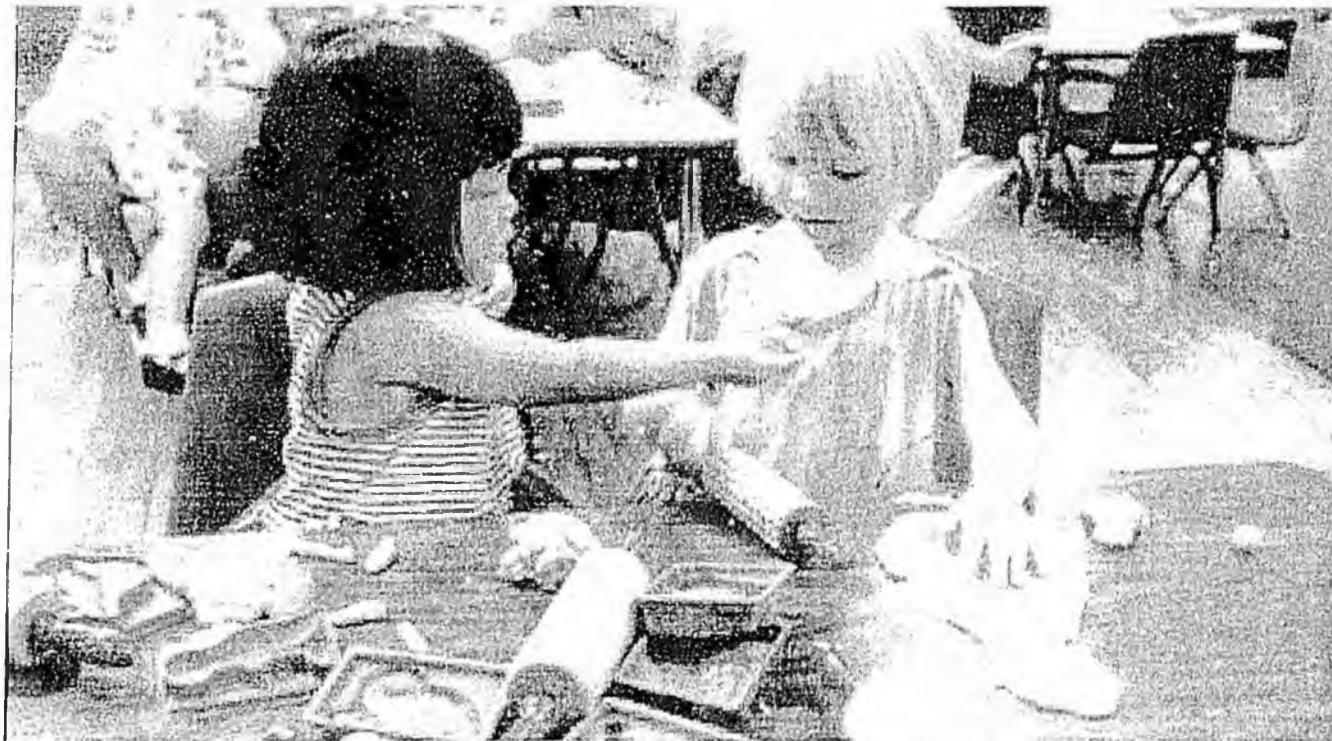
### Job Satisfaction

Research increasingly shows that job satisfaction can be improved when employees perceive their work environment to be more supportive, and work/life policies and programs can affect employee perceptions of workplace support. Most business executives can easily translate customer satisfaction into profits, but they may see a happy employee as just happy, not as a factor that generates a gain for the company. However, a seminal study of job satisfaction conducted at Sears in 1997 documented a critical link between employee satisfaction and customer satisfaction. The Sears study showed that if employee satisfaction were to improve by five points, there would be a two-point improvement in customer satisfaction, generating revenue growth of 1.6% the following quarter. One of the five critical management actions that influenced employee satisfaction was flexibility.<sup>45</sup>

### Absenteeism

Attendance at work, another outcome that matters to employers, is a function of both the desire and ability to get to work. Employees who are satisfied with their jobs and like their coworkers and bosses are more likely to go to work even when personal situations arise. Those who are dissatisfied are more likely to let problems derail their attempts to be at work. Creating a more supportive work environment can be critical to reducing absenteeism.

Child care supports offer a good example, since reliable child care can eliminate child care breakdowns and the absences that often accompany such crises. After Honeywell opened an on-site child care center, they examined attendance records for those parents who used the



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center. The group of center-using parents had missed 259 days of work in the 12 months before using the center, but they missed only 30 days in the 12 months after they began using the center.<sup>46</sup> Another study compared the users of Citibank's child care center with parents on the waiting list who used child care in the community. The on-site center users were absent 0.24 days per year, while the comparison group missed 3.48 days per year. The company estimated that their child care center saved 18,840 hours of work per year, worth \$211,077.<sup>47</sup>

Similarly, backup child care reduces the absences caused by child care breakdowns. The Prudential Insurance Company of America purchased 10 slots in a backup care center that were used by 1,700 employees. Assuming that one-half of those workers would not have found alternative arrangements and would have missed work, Prudential calculated the annual savings from 852 avoided absences at \$166,000. With operating costs of \$109,000, the return on Prudential's investment in backup child care was \$61,000.<sup>48</sup>


## Implications

Employers have made great strides in helping parents of young children to succeed at work and provide the care their children need. Even so, support remains limited,

particularly for those who need it the most. Intractable workplace practices can also undermine the effectiveness of work/life initiatives that are offered.

Given recent trends, it is likely that more companies will adopt work/family supports in the future, especially large companies in healthy industry sectors located in the Northeast and the West. Flexible work options are likely to expand in companies of all sizes—often spurred by issues of traffic, environment, and technology. National organizations and community activists have made special efforts to devise group strategies to help small and mid-size employers offer work/life programs, and these may be effective with the most profitable organizations. However, unlike large corporations, small and mid-sized companies are seldom motivated by the pressure for political correctness or the desire to be the “employer of choice,” so they are less likely to provide child care supports for their working parents.

Low-income families are even less likely to have access to workplace supports. The supportive policies of many large companies do not trickle down to this sector of the workforce, and many employers of low-wage workers are not as committed to work/life supports. Therefore, government tax credits for companies that create child care solutions should target employers of low-wage workers. The public policy goal should not be to increase the

 Generally, business has adopted a posture of “no mandates” and lobbies against government proposals that would require companies to offer new protections to employees.

number of employers offering such support as much as to motivate employers to help those in greatest need.

In addition, more employers may offer child care help through community involvement and public-private partnerships. Employer expertise has been tapped by national and state efforts to investigate new financing structures for child care. Several corporate leaders have a long history of investment in children and family services, such as Johnson & Johnson, IBM, AT&T, Target stores, and Hewlett-Packard. Some have developed special funds dedicated to improving services for young children and families. Most notable is the American Business Collaboration for Quality Dependent Care that has invested \$125 million from 25 major corporations in efforts to expand the supply and improve the quality of child care and elder care services. More involvement on community task forces may help educate companies about the need for more targeted giving. The 1998 Business Work/Life Study found that only 13% of large companies and 6% of the smallest firms provided community support to family programs.<sup>18</sup>

The political clout of corporations is also an underused resource. Human resources staff rarely communicate with the company's government affairs staff to lobby for government policies that could support family life for employees. Generally, business has adopted a posture of “no mandates” and lobbies against government proposals that would require companies to offer new protections to employees (such as the FMLA). Even government initiatives that do not involve employer mandates, such as the earned income tax credit and funding for child care worker training or salaries, have not benefited from a supportive voice within the business community. Minimal efforts can go a long way, as was found in Florida, where a commitment made by business leaders to engage in one hour of lobbying per month on children's issues has resulted in significant improvements to child care delivery in the community.<sup>19</sup>

As this article makes clear, it is important not to put too much emphasis on one support, like child care. Instead, the contributions that companies can make to working

parents should be seen in the context of broader workplace changes. Many larger companies have renamed their efforts from work/family to work/life, as they seek to make their benefits packages equitable to a range of employees. While this trend may help more companies feel comfortable with a work/life agenda, it may diminish a special focus on the needs of families and children.

In an article in The Conference Board's *Across the Board Magazine*, the author suggests that the drive by companies to create a competitive advantage and shareholder value has placed pressures on employees—pressures that have gotten out of hand.<sup>50</sup> “. . . There is no longer any practical limitation to what a business can ask of its employees.” Even well-meaning managers who say, “I don't want you here on weekends; I don't want the phone or fax to interfere with your family time,” cannot follow through on that commitment because of the pressures at work. The article concludes, “And so we suck more and more from people's lives, and we regret that that's necessary. . . . and in response . . . we build day-care centers and . . . offer flextime and job sharing and telecommuting. . . . Then we sit back, satisfied that we've done what we can do, even though we know in our hearts that this can't be right, that the problem . . . is too deep and too real to be satisfactorily addressed by such superficial steps.”<sup>50</sup>

Work/life issues are influenced not only by personal and family factors, but by workplace factors that inhibit employees' sense of personal well-being and thereby, their full contribution to the workplace. Therefore, employers must look at the culture of the organization and the way that people are treated, valued, managed, and promoted—even though these issues are much more difficult for companies to deal with than implementing new benefits and services. The imperative is to find a work/life “fit,” or at least a peaceful coexistence, by reconciling the two spheres of life and keeping both spheres accountable. Companies must recognize that supports may be needed because of personal problems or excessive work demands. Either way, companies should anticipate these inevitabilities. Working parents, especially working mothers, are here to stay. It is time now to give them the support they need.

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# NAEYC - SEA



March 18, 2002

Representative Kerttula  
State Capitol  
Juneau, AK 99801-1182

Greetings,

Thank you for your work to increase the availability of early care and education for children of state employees. The employer sponsored child care program located in the Federal Building in Juneau is an example of how successful public and private partnerships can be for employers, workers, and their families.

All branches of the U.S. Military have been leading the nation in offering high quality, accessible, and affordable child care programs. Leaders in the military know what many large businesses are coming to realize: employees who are supported in maintaining high quality care and education for their young children are easier to recruit, maintain a stronger loyalty, and are more productive with lower absentee rates.

Our agency operates a referral program for parents, and maintains a database of all licensed and approved programs in Juneau, in addition to providing training, resources and support for child care programs. The need for additional options for parents is critical, and reaching a crisis stage. In Juneau, there are currently no openings in licensed programs for infants or toddlers, with long waiting lists for children under two and a half years old. We anticipate that the few openings remaining in approved programs for infants and toddlers will be filled by the end of May of this year. The availability of care in Anchorage is also very limited at this time.

Last year we worked with two local groups who were interested in starting much needed child care centers. Neither group was able to locate an appropriate and affordable space. The lack of care in downtown Juneau is especially low, due to the additional concerns of parking and outdoor play space.

We are available to provide any additional information you may need, and we thank you for your work toward solutions on this issue.

Sincerely,

Joy Lyon  
Executive Director

March 26, 2002

Dear Representative Kerttula,

Thank you for HB 482.

For the last few years, the State of Alaska has bemoaned the fact that high-level jobs in certain fields were proving difficult to fill and retain employees. Two fields I recall specifically are Information Technology and payroll. However, I know of several women who held such jobs (including myself) who feel they were practically forced to leave their positions because of the difficulty of juggling of work and family.

On-site daycare facilities would allow parents to be near to their little ones, and to be more inclined to stay in these hard-to-fill jobs -- saving the State money in lost work, training, hiring, and re-hiring for positions. Indeed, I know women **and** men who noted that they would stay with a job that pays less but allows them to check on their children and spend breaks and lunches with them. I know critics may say that having a child in the same building may be a distraction, but I disagree. Parents who are secure in the knowledge that their child is happy, safe, and nearby are much more likely to put in a full day of hard work.

I urge all legislators to explore this option as a way to get and keep educated, hard-working individuals in state employment. As you know, it is difficult to balance work and family; my future votes will go to those legislators who understand and support families in this struggle.

Rebecca Nurse  
Analyst/Programmer III

March 29, 2002

Dear Representative Kerttula:

This letter is in support of HB482, providing the Department of Administration to work with state agencies that request a childcare facility to approve, administer, and coordinate the establishment of child care services to state employees.

As a previous state employæ, had they offered these services while I was working for the State I would have continued working. However, with the extreme shortage of childcare in Alaska (especially for infants and toddlers) and the lack of qualified, educated childcare providers, I opted to stay home with my children. In addition, I became a licensed provider myself. My aim was to promote an early learning program, which incorporated home-based educational learning with lots of outside experiences. Field trips to the co-op gardening plot, gymnastics, the library and hiking outdoors are just a few of many experiences, which help our children grow and learn. Although I understand that these opportunities would be more difficult to fulfill in a larger center, with the administration and coordination of the establishment, similar experiences can be enjoyed by those attending the center.

I understand that there used to be a similar type of center at the University several years ago and it was shut down due to operating expenses and having to pay staff. However, with the students there utilizing the early childhood development program, couldn't they establish a student-teach program where the students could practice their skills in an actual learning environment? It would be a win-win situation for both students and the children attending the center - and save the State money at the same time.

I am very interested in assisting with the development and implementation of this bill. I have already sent out emails asking for the support of many State employees, university students and child care providers. If there is anything else I can do, please let me know.

Melissa McCormick  
Creative Learning Family Home Child Care  
[mccormixx@aci.net](mailto:mccormixx@aci.net)  
(907) 790-3949

**HB**

**483**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 483  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title An Act authorizing state procurement of group insurance for curtain private employees BRU Centralized Administration Service  
 Component Retirement & Benefits  
 Sponsor Rep. Wilson, Cissna  
 Requester House State Affairs Component No. 64

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	28.0	14.0	14.0	14.0	14.0	14.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	61.9	49.5	49.5	49.5	49.5	49.5
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>89.9</b>	<b>63.5</b>	<b>63.5</b>	<b>63.5</b>	<b>63.5</b>	<b>63.5</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>
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<b>CHANGE IN REVENUES ( )</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>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	89.9	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1017 Benefit System Receipts	0.0	63.5	63.5	63.5	63.5	63.5
<b>TOTAL</b>	<b>89.9</b>	<b>63.5</b>	<b>63.5</b>	<b>63.5</b>	<b>63.5</b>	<b>63.5</b>

Estimate of any current year (FY2002) cost: 0.0

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

**POSITIONS**

Full-time	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	1.0	1.0	1.0	1.0	1.0	1.0
Temporary	1.0	0.0	0.0	0.0	0.0	0.0

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

This bill gives authority to the Commissioner of Administration to procure a health insurance policy to be offered to child care workers, adult care workers and nonprofit entities that receive state grants to provide services.

Start up costs in the first year include surveying the potential participants, developing a plan or plans to meet the needs, writing a request for proposals to obtain an insurer or insurers to administer the plan and mass mail out to invite those eligible to participate in the plan.

We also anticipate the need for a temporary half time employee to assist with the survey and initial enrollment and a permanent half-time position will continue in the following years funded by Benefit System Receipts.

Prepared by: Guy Bell  
 Division: Retirement and Benefits  
 Approved by: Jim Duncan, Commissioner  
 Agency: Department of Administration

Phone 465-2292  
 Date/Time 3/1/02 4:36 PM  
 Date 3/1/2002



# Alaska State Legislature

Representative Peggy Wilson  
Putting Alaska's Families First

## SPONSOR STATEMENT

Sponsor: Representative Wilson

HB 483 "Authorizing State procurement of group health insurance for child and adult care workers and for employees of certain non-profit entities"

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HB 483 authorizes the Commissioner of Administration to procure group health insurance for state grantees, nonprofit organizations, foster care homes, and child and adult care providers. This insurance pooling plan will create large enough groups to achieve economies of scale and thus more affordable premiums for the participants.

The vast majority of these employees are on a lower pay scale compared to the rest of the workforce, even though their services are critical to family stability and societal well-being. They often have no way to cover health insurance costs without cutting into basic cost-of-living expenses. HB 483 provides a means to offer affordable health insurance for these employees.

Many of the agencies receiving state grants to operate are now paying extremely high insurance rates. Under this legislation their insurance costs would be lowered due to being a part of a larger group. Thus more of their dollars could be used to provide services to the public rather than paying overhead costs.

The Department of Administration's role under HB 483 is limited to procuring an insurance policy or policies from the private insurance industry, which eligible organizations may then elect to purchase from the insurance company. Premiums will be paid directly by the participant to the insurance company.

HB 483 makes two technical changes to the statute on state procurement of group insurance: it eliminates an obsolete provision (page 3, lines 26-29), and clarifies that a provision relating to state contributions for part-time employees pertains only to part-time state employees (page 4, line 5).

It also adds a provision authorizing the Commissioner of Administration to adopt regulations pertaining to the procurement of group insurance. The Commissioner has always had the implicit authority to adopt such regulations, but this bill would make the authority explicit.

HB 483 sponsor 3-13 - 02

## SECTIONAL ANALYSIS HB 483

### Section 1:

Amends AS 39.30.090(a) to give authority to the Department of Administration to purchase health insurance policies for employees of special service organizations. Payment of premiums is the responsibility of the organization/employer electing coverage under the plan.

Paragraph 6 of the existing statute is being repealed. This section allows for the payment of dividends to employers participating in the political subdivision plan. The plan has not paid a dividend to participating employers in the past 20 years. Any excess money has been retained to reduce premiums for the political subdivision plan.

The rest of the section is renumbered because paragraph 6 is deleted.

### Section 2:

Amends the definition of eligible employee to include employees of participating special services organizations.

### Section 3:

Amends 39.30.090(b) to include a definition of special services organization. This legislation would extend health insurance coverage to employees in day care facilities, assisted living homes, nonprofit organizations and corporations receiving state funds to provide services if the employer elects to participate in the group plan.

### Section 4:

Gives the commissioner of the Department of Administration the authority to adopt regulations to implement AS 39.30.090-39.30.098.

### Section 5:

Gives an immediate effective date for Section 4.

P.O. Box 141689 Anchorage, AK 99514-1689  
3350 Commercial Drive, Second Floor  
Phone: (907) 563-1923 Fax: (907) 563-1959  
Email: [probinso@childcareconnection.org](mailto:probinso@childcareconnection.org)

**Resolution in Support of Health Insurance for Child Care Workers**  
2002 - 3

Whereas, the care and education of young children is a major economic sector in the state of Alaska; and

Whereas, the profession of child care employs more Alaskans than VECO, Alaska Airlines, BP, and GCI combined, with approximately 5000 workers; and

Whereas, less than one third of these workers have health insurance, and the average cost of purchased health insurance for small businesses (1-9 employees) for employee-only coverage is \$400 per month.<sup>1</sup> This is over one quarter of the average monthly income \$1456 for a child care worker.

Whereas, the lack of health insurance benefits and an average wage of \$8.40 per hour for child care workers in Alaska is the leading cause of the 40% turnover rate in the profession; and

Whereas, it is well known that stability and consistency in caregiver relationships is critical to a child's healthy development and the quality of care; and


Whereas, a strong system of high quality, affordable, and accessible child care is critical to the economic success of families, to the economy, and most importantly to the healthy development of Alaskan children; and

Whereas, the State of Alaska has an extensive group health plan that could be expanded to allow participation by Alaskan child care workers through a buy-in provision; and

Whereas, offering a buy-in program for health insurance to child care workers will contribute to the stabilization of the child care workforce, decrease the employee turnover rate, and attract professional and well trained caregiver and educators to this important field;

Therefore, be it resolved, that the Success By 6 Board strongly urges the Alaska State Departments of Administration, Health and Social Services, Education and Early Development, the Office of the Governor, and the Alaska State Legislature to work together with child care professionals to develop and implement a health care buy-in program for child care workers.

Approved at the regular meeting of the Success By 6 Governance Board on January 31, 2002.

  
Ernie Hall, Chair

<sup>1</sup> Anchorage Access to Health Care Coalition Health Insurance Benefits Survey - September 2001. Dr. Catherino Schumacher 907-272-7778.



Alaska Community Mental Health Services Association  
 3050 Fifth Avenue  
 Ketchikan, Alaska 99901

February 28, 2002

MAR 06 2002

Representative John Coghill, Chair  
 House State Affairs Committee  
 Capitol Room 102  
 Juneau, AK 99801

Dear Representative Coghill:

We urge you to schedule a hearing at your earliest convenience for HB 483, regarding procurement of group health insurance, sponsored by Representative Wilson. Our association, ACMHSA, strongly supports this legislation.

ACMHSA is a statewide association of non-profit mental health providers. Many of our members have endured three-fold increases in insurance premiums in the past few years. With our income sources remaining flat, demand for our services rising, and regulatory constraints increasing, our escalating insurance premiums need some creative remedy which we may find with passage of this legislation. We hope that a pooling structure, as would be established in the above legislation, would help us gain some control of this indispensable cost on services we provide.

We thank you in advance for your consideration of the above.

Sincerely,

Ron Adler, Chair  
 Alaska Community Mental Health Services Association

RA/kdw

cc: Representative Wilson

Ron Adler  
 Chair  
 3050 Fifth Avenue  
 Ketchikan, AK 99901  
 (907) 225-4135

Dave Mewell  
 Vice Chair  
 1675 C Street, Suite 117  
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Doug Veit  
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 Craig, AK 99921  
 (907) 826-3662

Chuck Bennett  
 Member at Large  
 P.O. Box 32839  
 Juneau, AK 99803  
 (907) 796-4123

FEB 28 2002

*Alaska Association for the Education of Young Children*

---

February 27, 2002

Representative Wilson  
State Capitol  
Juneau AK 99801-1182

Greetings,


We know that until long range fiscal solutions are in place, legislators and policy makers are facing increasing pressure to reduce spending. It is also true that investing in the care and education of young children is critical to a strong economic future for our state. We ask for your support in two creative solutions with little or no increase in state funds.

**Lift the cap on the child care grant program.** This program administered by the Department of Education and Early Development, provides federal quality initiative funds as direct support to licensed child care programs for educational supplies, materials, equipment and staff support. It also serves as an incentive for programs to accept families receiving child care assistance who have irregular schedules; facilitating many families in finding the care that enables them to move from welfare into work.

Lifting this cap will allow the Department of Education and Early Development to allocate these federal quality initiative funds as an incentive to achieving higher quality standards.

**Support a health insurance buy-in program for child care workers.** This solution to the high turnover rate of child care workers has broad support across the state. In the initial stages of a public awareness campaign, the Alaska Association for the Education of Young Children has received over 100 signed resolutions from 30 communities across the state; from Craig to Barrow. These include resolutions from the City and Borough of Juneau, United Way of Anchorage, the Anchorage School District, NASW Alaska Chapter, Chugiak Children's Services, Success By Six, Fairbanks Child Care Coalition, the Alaska Family Child Care Association, along with numerous businesses and children's programs.

Attached is a sample of the resolution in support of health insurance for child care workers. Please take a moment to review this and consider how your office can support efforts to improve the education of young children in our state.



Joy Lyon  
President

**Subject: Health Insurance**

**Date:** Thu, 21 Feb 2002 11:45:45 -0900

**From:** "Larry King - Changing Tides" <changing@mitkof.net>

**To:** <Jean\_Ellis@legis.state.ak.us>

Jean,

I am so very pleased to hear that Representative Wilson has introduced a bill to allow those of us in the treatment field to pool for insurance. I am sending a fax to you with the latest quote I received from Blue Cross to provide health insurance for my agency. Our total budget is \$161,981 which includes \$106,649 from our state grant, and the rest from fees and other grants. The quote we received for health insurance for our two full-time employees was from a high of \$1,388 per employee to a low of \$1,087 per employee per month with no prescription coverage. That is about \$33,000 per year, or 20% of our total budget. We have a total of 4 employees in the agency, two full-time and two half time.

I would be glad to talk with anyone concerning this very important issue. I can be reached at the office 907-772-3552 or at home 907-772-3141. Thank Peggy again for all her help with this issue.

Sincerely,

Larry King, CAC II, NCAC I, CCS  
Program Director Changing Tides Counseling  
Vice-President Substance Abuse Directors Association

FEB 27 2002



Sheri Feasel  
Health Core Services  
F943

August 1, 2001

ALASKA ADDICTION REHABILITATION SERVICES, INC.  
3701 PALMER-WASILLA HIGHWAY  
WASILLA, AK 99687

RE: 453341

Aetna U.S. Healthcare is pleased to provide our financial analysis of your Group Insurance Benefit Program in connection with the 10/01/2001 renewal period.

The following factors are among those taken into consideration in determining your premium rates for the coming plan year:

- volume of coverage,
- the experience results for your plan,
- your benefit plan design, and
- changes in the size of your group and the ages of the group members.

The rates for your Life insurance program are guaranteed for two years from their effective date. They will not change in the interim provided the underlying risk factors do not change by more than 15% during that time. Interim rate changes will be guaranteed for one year.

A major component of the change in your medical premium is trend. Trend is the combined impact of changes in the level of medical charges and the utilization of medical products and services. Some of the more significant causes for increases in trend include:

- advances in health care technology,
- aging population,
- increasing use of health care services,
- escalating costs of treatment for serious illnesses, and
- cost shifting of medical expense from the public to the private sector.

We have reviewed the experience results of your combined health insurance coverage and compared this experience with Aetna U.S. Healthcare's overall book of business. The weight, or credibility, given to your own experience in determining your rates is based on the size of your group and the duration of the experience used.

Based on this analysis we have determined the future costs of your health insurance coverage. The resulting changes are displayed on your enclosed rate sheets. These sheets provide a comparison of your current and renewal rates which are effective on 10/01/2001.

Benefit plan design is an integral part of controlling costs and utilization. Aetna U.S. Healthcare has a full portfolio of products and benefit options designed to help control future health care costs. Your Aetna U.S. Healthcare representative will be pleased to consult with you to evaluate your current benefit program.

Aetna U.S. Healthcare values our relationship with your company and we look forward to the continued opportunity to provide you with quality service and insurance protection.

Sincerely,

Sheri Feasel  
Financial Underwriter

Alaska Addiction Rehabilitation Services  
453341

**SUMMARY OF RATE ACTION**

**CMED**

10/01/2001

**CMED**

(1) Enrolled Employees as of 06/01/2001            14  
  
(2) Current Premium                                        \$85,053

Factor	CMED Change
Trend	1.174
Product Factor	1.000
Area Factor	1.094
Industry Factor	1.031
Case Size	1.010
Age/Gender	1.020
Total Experience Adjustment	1.120
<b>TOTAL(multiply all change factors)</b>	<b>1.527</b>

(3) Required Premium                                        \$129,884

(4) Percentage Change                                        **52.7%**



Honorable John Coghill, Chair  
House State Affairs Committee  
Alaska Capitol, Room 102-A  
Juneau, AK 99801-1182

March 15, 2002

RE: HB 483 (Wilson, Cissna) - SUPPORT

Dear Chair Coghill:

On behalf of the 112,000 members of AARP in Alaska, we urge you and your colleagues on the House State Affairs Committee to support HB 483, authored by Representative Peggy Wilson of your Committee and co-authored by Representative Sharon Cissna.

HB 483 will allow state procurement of group insurance for employees of adult day care centers as well as employees of similar centers and agencies for child care. Alaska has over 19% of our population under 65 without any health insurance at this time. HB 483 will make it easier to reduce the number of our uninsured. AARP believes that all Alaskans should have the benefit of insurance coverage and HB 483 will help move us toward that goal for these employees in the human services.

AARP recommends you and your Committee colleagues vote "AYE" when HB 483 appears before your Committee.

Should you have any questions about our position, please feel free to contact Marie Darlin (907.586.3637), Coordinator of the AARP Capitol City Task Force; Patrick Luby (907.762.3314), AARP Legislative Representative; or me (907.245.5259).

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Marguerite Stetson".

Marguerite Stetson  
AARP Alaska  
Executive Council Member for Advocacy  
3009 Northwood Street  
Anchorage, AK 99517-1871  
907.245.5259 voice  
907.245.5279 fax  
[ffmas@aurora.uaf.edu](mailto:ffmas@aurora.uaf.edu)

cc: Rep. Peggy Wilson Rep. Jeannette James Rep. Harry Crawford  
Rep. "Bud" Fate Rep. Gary Stevens Rep. Joe Hayes Rep. Sharon Cissna

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**Melissa Stone**

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**From:** Melissa Stone [mstone@seward.net]  
**Sent:** Thursday, March 14, 2002 2:45 PM  
**To:** Representative John Coghill (E-mail); Representative Norm Rokeberg (E-mail); Representative Peggy Wilson (E-mail)  
**Subject:** Health Insurance Legislation

SeaView Community Services is a non profit organization in Seward with centralized management of 12 state grant programs\*. SeaView employs about 40 staff, serves 1300 people annually (we currently have served 911 at 8 months yea.-to-date), and has a budget of about \$2.4 million.

Increases in health insurance costs are a serious threat to our ability to retain and recruit staff. Our story: SeaView was one of many Alaskan United Way agencies that were able to join the national United Way pool which provided excellent coverage and response to claims at a reasonable cost (BCBS Care First). In the fall of 2001 we were notified that all of the Alaska United Way agencies were being removed from the national plan and would have to seek new coverage. After months of search, our best alternative was 150% higher cost for the same level of coverage. After several board meeting discussions, in order for the agency and staff to afford the monthly premium the decision was made to increase employee copay from \$38 a month to \$91/month and drop prevention, prescription, substance abuse coverage, dental, and mental health coverage. As a result of the changes, the number of insured employees went from 19 under the old insurance to 10 after the change. *We are now in jeopardy of not having enough employees elected to take the insurance to qualify for the group benefit.* Ironically, now that so many people have dropped insurance, we could afford the higher cost of greater benefits.

I have absolutely no doubt that the high cost and poor coverage (we do not have dental or prescription coverage) will negatively impact our ability to retain current employees and recruit new ones. Seward is a lovely community but the cost of living is high, it is remote, and recruitment is difficult especially for professional positions. Our programs are small - some employ only one full time and one part time person. A vacancy in the full time position can render us incapable of providing service, or triaging to take only the most emergent cases, or creating wait lists, or modifying services to provide only the most basic necessities - and the clients and people of the eastern Kenai community that we serve suffers.

I am very appreciative of your attempts to create solutions for the non profit agencies to join larger pools for health care coverage. This is central to our ability to manage our budget, maintain stable personnel and do our job to provide services to the people of Seward and the Eastern Kenai Peninsula.

*\* SeaView Grants include: Community Mental Health, Infant Learning, Day Care Assistance, DFYS Family Support, Developmental Disabilities, Outpatient Substance Abuse Treatment, Alcohol Safety Action Program, Community Action Against Substance Abuse, Rural Human Services, Domestic Violence and Sexual Assault, Incest Awareness Campaign, and Emergency Food and Shelter*

Melissa Witzler Stone  
Executive Director  
SeaView Community Services  
Seward  
907-224-2960



Alaska Community Mental Health Services Association  
3050 Fifth Avenue  
Ketchikan, Alaska 99901

February 28, 2002

Representative John Coghill, Chair  
House State Affairs Committee  
Capitol Room 102  
Juneau, AK 99801

Dear Representative Coghill:

We urge you to schedule a hearing at your earliest convenience for HB 483, regarding procurement of group health insurance, sponsored by Representative Wilson. Our association, ACMHSA, strongly supports this legislation.

ACMHSA is a statewide association of non-profit mental health providers. Many of our members have endured three-fold increases in insurance premiums in the past few years. With our income sources remaining flat, demand for our services rising, and regulatory constraints increasing, our escalating insurance premiums need some creative remedy which we may find with passage of this legislation. We hope that a pooling structure, as would be established in the above legislation, would help us gain some control of this indispensable cost on services we provide.

We thank you in advance for your consideration of the above.

Sincerely,

Ron Adler, Chair  
Alaska Community Mental Health Services Association

RA/kdw

cc: Representative Wilson

Ron Adler  
Chair  
3050 Fifth Avenue  
Ketchikan, AK 99901  
(907) 225-4135

Dave Newell  
Vice Chair  
1675 C Street, Suite 117  
Anchorage, AK 99501  
(907) 274-8281

Brenda Knapp  
Secretary  
P.O. Box 22090  
Juneau, AK 99801  
(907) 463-3303

Diana Strzok  
Treasurer  
2330 Nichols Street  
Anchorage, AK 99516  
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Bill Hogan  
Member at Large  
230 East Paulson, Suite 68  
Wasilla, AK 99687  
(907) 376-2411

Doug Veit  
Member at Large  
P.O. Box 806  
Craig, AK 99921  
(907) 826-3662

Chuck Bennett  
Member at Large  
P.O. Box 32839  
Juneau, AK 99803  
(907) 796-4123

# Alaska State Legislature

Representative Peggy Wilson  
Putting Alaska's Families First

Date: March 13, 2002

To: Representative John Coghill  
Chairman House State Affairs Committee

From: Representative Peggy Wilson

Re: HB 483 "An Act authorizing state procurement of group insurance for employees of child care facilities, entities licensed as residential child care facilities, entities licensed as residential child care facilities, child placement agencies, foster homes, and maternity houses, and certain adult residential and day services provides, and for employees of certain nonprofit entities; repealing a provision of the state group insurance procurement law relating to payment of dividends and clarifying a provision of that law relating to part-time employees; authorizing the commissioner of administration to adopt regulations regarding state procurement of group insurance; and providing for an effective date."

This is a formal request to schedule HB 483 for a hearing in front of House State Affairs as soon as possible.

If you have any questions please don't hesitate to contact me.



# Alaska State Legislature

Please enter into the record my testimony to the House State Affairs  
committee name

Committee on HB 483, dated March 28, 2002  
bill # / subject

The Kenai-Soldotna Women's Resource & Crisis Center strongly supports HB 483. Health insurance costs for our agency have risen over 30% per year for the past several years. This legislation would assist non-profits in providing adequate health insurance for employees, thus ensuring that organizations remain stable and that critical services continue to be provided in the state. Please support this bill. Thank you.

Signed: Heather Arnett, Executive Director  
Testifier

Kenai-Soldotna Women's Resource & Crisis Center  
Representing (optional)

325 S. Spruce Kenai, AK 99611  
Address

(907) 283-9479  
Phone number



# Alaska State Legislature

Please enter into the record my testimony to the HSTA  
committee name

Committee on HB 483, dated 3-28-02  
bill # / subject

Signed: Heather Arnett, Executive Director  
Testifier

Kenai - Soldotna Women's Resource and Crisis Center  
Representing (optional)

325 S. Spruce St., Kenai, AK 99611  
Address

(907) 283-9479  
Phone number



State Of Alaska  
Legislative Affairs Agency  
Kenai LIO  
145 Main St Lp, Ste 217  
Kenai, AK 99611  
907-283-2030

Date: 3-26-02

Please accept the enclosed original(s) of written testimony  
for the HSTA teleconference hearing that  
was scheduled on 3-28-02.

A copy of this testimony was transmitted to your committee  
via fax on 3-26-02 13:00PM.

Thank You,

M. Byrne

**HB**

**487**

# ALASKA STATE LEGISLATURE



*Interim:*  
600 East Railroad Avenue  
Wasilla, Alaska 99654  
(907) 373-1842  
Fax -(907) 373-4729

*Session:*  
State Capitol Building, Room 24  
Juneau, Alaska 99801-1182  
(907) 465-2186  
Fax - (907) 465-3818

REPRESENTATIVE VIC KOHRING  
DISTRICT 26

## MEMORANDUM

Date: March 18, 2002

To: Rep. John Coghill, Chair  
House State Affairs Committee

From: Rep. Vic Kohring ↘

Subject: HB 487 Fireworks Regulation

Please schedule a hearing as soon as possible on HB 487, my bill to update the state's fireworks statutes. Enclosed in the bill packet are my Sponsor Statement, Sectional Analysis (written on the CS version), and letter of support.

Also included along with the original Bill is a work draft Committee Substitute which adds updates in terminology and definitions in the statute, and adds a provision under Enforcement that allows the State Fire Marshall to end restrictions or suspensions when a violation has been corrected

The CS also adds a provision for a fire safety program and establishes an account in state treasure for the safety program fees from vendors. The legislature may appropriate money from the account to the Department for costs incurred for the fire safety program.

I would request that the Committee adopt the CS as their working document.

If you have any questions, contact my staff aide, Sharron O'Dell.

Thank you very much.

# ALASKA STATE LEGISLATURE



*Interim:*  
600 East Railroad Avenue  
Wasilla, Alaska 99654  
(907) 373-1842  
Fax - (907) 373-4729

*Session:*  
State Capitol Building, Room 24  
Juneau, Alaska 99801-1182  
(907) 465-2186  
Fax - (907) 465-3818

REPRESENTATIVE VIC KOHRING  
DISTRICT 26

## SPONSOR STATEMENT

### HOUSE BILL 487

#### FIREWORKS REGULATION

The disastrous Miller's Reach Fire in 1996 was believed to have been started by the irresponsible use of fireworks during a high fire condition period. Legal and financial effects of that fire are still ongoing. This disaster brings focus to the need to update the State's fireworks statutes and regulations.

In 1969, the Legislature passed legislation to regulate fireworks sales. Consumer use of fireworks has increased and the availability of different types of fireworks has changed over the years; however, regulations have not kept pace with the changes. HB 487 will:

- place into statute authority to the State Fire Marshal to restrict or limit sale and use of certain fireworks between April 1 and September 30;
- limit the use of all fireworks at any time of extreme fire conditions;
- completely ban the sale of bottle rockets;
- bring the definition section in line with the standard fireworks definitions set by the Consumer Products Safety Commission; and
- create a Fireworks Advisory Committee appointed by the State Fire Marshal to annually review federal regulations, national fire codes, state statutes and regulations, and to advise the State Fire Marshal of needed updates.

Passage of HB 487 will ensure fireworks regulations are kept up to date thereby increasing protection to the public by reducing fire danger caused by the irresponsible use of fireworks.

22-LS1385\L  
Bannister  
3/14/02

**CS FOR HOUSE BILL NO. 487( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVE KOHRING**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to fireworks, to a fire safety program, to a fire safety program account,**  
2 **and to certain criminal laws relating to explosives; and providing for an effective date."**

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

4 **\* Section 1.** AS 11.81.900(b)(22) is amended to read:

5 (22) "explosive" means a chemical compound, mixture, or device that  
6 is commonly used or intended for the purpose of producing a chemical reaction  
7 resulting in a substantially instantaneous release of gas and heat, including dynamite,  
8 blasting powder, nitroglycerin, blasting caps, and nitrojelly, but excluding consumer  
9 [SALABLE] fireworks as defined in AS 18.72.100 [AS 18.72.050], black powder,  
10 smokeless powder, small arms ammunition, and small arms ammunition primers;

11 **\* Sec. 2.** AS 18.72.020(a) is amended to read:

12 (a) A person holding a permit required by the fire safety code may sell or offer  
13 for sale consumer [SALABLE] fireworks [,] if the person

14 (1) [THE PERSON] has submitted to the state fire marshal a policy, or

1 a certified true copy of a policy, of public liability and products liability insurance,  
2 including both accident and occurrence coverage, provided by the wholesale company  
3 selling fireworks to the person, in the amount of at least \$200,000 for bodily injury or  
4 death and at least \$50,000 property damage and the person is named as an insured  
5 party upon the policy and the policy is continuously in force while the person is  
6 engaged in the retail sale of fireworks; [AND]

7 (2) pays an endorsement fee of \$500 [\$10 IS PAID] to the state fire  
8 marshal for an endorsement that is valid for two years or portions of two years during  
9 which the permit holder is engaged in the retail sale of fireworks; and

10 (3) pays a fire safety program fee of \$300 to the state fire marshal;  
11 the state fire marshal shall transfer the amount of the fees collected under this  
12 paragraph to the Department of Revenue for deposit in the fire safety program  
13 account created under AS 44.41.060 in the state treasury.

14 \* **Sec. 3.** AS 18.72 is amended by adding a new section to read:

15 **Sec. 18.72.035. Restrictions on certain fireworks.** (a) Notwithstanding the  
16 other provisions of this chapter, a person, whether or not licensed under this chapter,  
17 may not sell a bottle rocket in the state. In this subsection, "bottle rocket" means a  
18 device that is a smaller version of a sky rocket, that is less than 16 inches long, and  
19 that contains 50 milligrams or less of material of pyrotechnic composition.

20 (b) Notwithstanding the other provisions of this chapter, the state fire marshal  
21 may limit or restrict the sale of sky rockets and missile-type rockets from April 1 to  
22 September 30 in a region of the state as the state fire marshal determines to be  
23 appropriate to protect health and safety in that region.

24 (c) The state fire marshal may limit or restrict the use of some or all consumer  
25 fireworks in places where extreme fire conditions exist. This subsection does not  
26 affect or diminish the ability of the state to regulate the use of fireworks under other  
27 state authority, including limiting burning on forested lands.

28 \* **Sec. 4.** AS 18.72 is amended by adding a new section to read:

29 **Sec. 18.72.045. Civil penalty.** A person who recklessly violates a provision  
30 of this chapter is liable, after notice and an opportunity for a hearing, to the state for a  
31 civil penalty of \$1,000 for each violation.

1 \* **Sec. 5.** AS 18.72 is amended by adding new sections to read:

2 **Sec. 18.72.070. Enforcement.** (a) If the state fire marshal has reason to  
3 believe that a person who has a permit issued under AS 18.72.020 or 18.72.030 is  
4 violating this chapter or another law relating to health and safety in the use of the  
5 permit, the state fire marshal may, after notice and an opportunity for a hearing,  
6 suspend or take other action against the person's permit until the violation has been  
7 corrected.

8 (b) Notwithstanding (a) of this section, if a person with a permit issued under  
9 AS 18.72.020 or 18.72.030 is violating this chapter and the state fire marshal  
10 determines that the violation is causing a serious immediate threat to health or safety,  
11 the state fire marshal may restrict or suspend the sale of consumer fireworks by a  
12 person immediately without a hearing. The state fire marshal shall provide the person  
13 with a hearing on the next business day of the person's business to determine whether  
14 the restriction or suspension was justified and whether there is a reason to continue the  
15 restriction or suspension. The state fire marshal shall end the restriction or suspension  
16 as soon as the state fire marshal determines the violation is corrected.

17 (c) The Department of Public Safety shall establish by regulation the  
18 procedures to be followed under this section.

19 (d) Nothing in this section shall be construed to limit the state fire marshal's  
20 other enforcement authority under an applicable building code, the fire safety code, or  
21 other statutes.

22 **Sec. 18.72.080. Fireworks Advisory Committee.** (a) The Fireworks  
23 Advisory Committee is established in the Department of Public Safety. The  
24 committee consists of members appointed by the state fire marshal to provide a  
25 balanced representation from the rural and urban areas of the state of persons who are  
26 fire service officials and manufacturers, distributors, retailers, and users of fireworks.  
27 The state fire marshal shall establish the number of members to serve on the  
28 committee.

29 (b) Each year the committee shall familiarize itself with current federal  
30 regulations and national fire codes, thoroughly review existing state statutes and  
31 regulations, and advise the state fire marshal on any statutes and regulations that need

1 to be enacted, adopted, amended, or repealed.

2 (c) The committee shall meet at least once each year. The state fire marshal  
3 shall chair the committee.

4 (d) A member of the committee serves at the pleasure of the state fire marshal  
5 and does not receive compensation for the member's work on the committee.

6 (e) In this section, "committee" means the Fireworks Advisory Committee  
7 established by (a) of this section.

8 \* Sec. 6. AS 18.72.100(l) is amended to read:

9 (1) "dangerous fireworks" includes all fireworks that are not defined as  
10 consumer [SALABLE] fireworks;

11 \* Sec. 7. AS 18.72.100(3) is amended to read:

12 (3) "fireworks" means consumer [SALABLE] fireworks or dangerous  
13 fireworks;

14 \* Sec. 8. AS 18.72.100 is amended by adding new paragraphs to read:

15 (5) "aerial shell or mine" means a round or cylindrical paper or plastic  
16 shell that

17 (A) contains material of pyrotechnic composition and a lift  
18 charge;

19 (B) is either loaded into a paper or plastic mortar that is  
20 designed to be placed on or in the ground, or preloaded in a paper or plastic  
21 mortar that is on a plastic or wooden base; and

22 (C) upon ignition, is designed to be propelled into the sky to  
23 burst and produce visible and audible effects;

24 (6) "aerial spinner," also known as a helicopter, means a tube that is  
25 composed of paper, plastic, or both paper and plastic, that contains material of  
26 pyrotechnic composition, that has a propeller or blade attached, that is designed to be  
27 placed on a flat area of the ground or on a board, that is designed to rise into the air,  
28 and that is often followed by a visible or audible effect at or near the height of flight;

29 (7) "chaser" means a paper or cardboard tube that contains material of  
30 pyrotechnic composition or of pyrotechnic and explosive composition, that is designed  
31 to be placed on the ground, that is designed, upon ignition, to produce from the fuse

1 end of the tube a whistling effect designed to cause the tube to travel along the ground,  
2 and that may end with a report;

3 (8) "combination item" means a device that is designed to produce the  
4 effects of more than one of the devices identified in (5) - (7), (9), (11), and (21) of this  
5 section;

6 (9) "cone fountain" means a cardboard or heavy paper tube that has a  
7 cone shape, that contains material of pyrotechnic composition, that is designed to be  
8 placed on the ground, and that is designed, upon ignition, to produce effects that are  
9 the same as those of a cylindrical fountain;

10 (10) "consumer fireworks" means a device that is designed primarily to  
11 produce visible effects by combustion and that complies with the construction,  
12 chemical composition, and labeling requirements of the United States Consumer  
13 Product Safety Commission in 16 CFR 1500 and 1507; in this paragraph, "device that  
14 is designed primarily to produce visible effects by combustion" includes an aerial shell  
15 or mine, an aerial spinner, a chaser, a combination item, a cone fountain, a cylindrical  
16 fountain, a firecracker, a flitter sparkler, a ground spinner, an illuminating torch, a  
17 missile-type rocket, a roman candle, a sky rocket, a sparkler, a toy smoke device, and  
18 a wheel;

19 (11) "cylindrical fountain" means a cardboard or heavy paper tube that  
20 has a cylindrical shape, that contains material of pyrotechnic composition, that is  
21 designed to be placed on or in the ground or held in the hand, that is designed, upon  
22 ignition, to produce a shower of colored sparks and sometimes a whistling effect or  
23 smoke, and that has

24 (A) a spike for insertion into the ground, and may be known as  
25 a spike fountain;

26 (B) a wooden or plastic base for placing on the ground, and  
27 may be known as a base fountain; or

28 (C) a wooden or cardboard handle that is held by hand, and  
29 may be known as a handle fountain;

30 (12) "firecracker" means a paper-wrapped or cardboard tube that  
31 contains material of explosive composition, that is designed to be placed on the

1 ground or hung from a post or tree, and that is designed, upon ignition, to produce  
2 visible and audible effects;

3 (13) "flitter sparkler" means a paper tube that is attached to a stick or  
4 wire, that contains material of pyrotechnic composition, that is designed to be held in  
5 the hand, and that is designed, upon ignition, to produce a shower of sparks and color;

6 (14) "ground spinner" means a cardboard or heavy paper tube that has  
7 a cylindrical shape, that contains material of pyrotechnic composition, that is designed  
8 to be placed on flat ground, and that is designed, upon ignition, to produce a shower of  
9 sparks and color from a vent on the side that spins the device on the ground;

10 (15) "illuminating torch" means a cardboard or heavy paper tube that  
11 has a cylindrical shape, that contains material of pyrotechnic composition, that is  
12 designed to be placed on the ground or held in the hand, that is designed, upon  
13 ignition, to produce a colored flame, and that has

14 (A) a spike for insertion into the ground;

15 (B) a wooden or plastic base for placing on the ground; or

16 (C) a handle for holding by hand;

17 (16) "missile-type rocket" means an item that is similar to a sky rocket  
18 in size, composition, and effect, but that uses fins rather than a stick for guidance and  
19 stability;

20 (17) "roman candle," also known as a cake, means a heavy paper or  
21 cardboard tube that contains pellets of pyrotechnic composition, that is designed to be  
22 placed on or in the ground, and that is designed, upon ignition, to expel the pellets  
23 individually and to produce a visible effect, an audible effect, or visible and audible  
24 effects;

25 (18) "sky rocket" means a cylindrical tube that contains material of  
26 pyrotechnic composition, that has a wooden stick attached for guidance and stability,  
27 that is designed to be placed in a tube, that is designed, upon ignition, to fly into the  
28 air, and that, upon ignition and flight, may be followed by a visible or audible effect at  
29 or near the height of its flight;

30 (19) "sparkler" means a wire or stick that is coated with material of  
31 pyrotechnic composition, that is designed to be held in the hand, and that is designed,

1 upon ignition, to produce a shower of sparks;

2 (20) "toy smoke device" means a plastic or paper ball or tube that  
3 contains material of pyrotechnic composition, that is designed to be placed on the  
4 ground, and that is designed, upon ignition, to produce white or colored smoke;

5 (21) "wheel" means a paper or wooden item that has various shapes,  
6 including round, triangular, or square, that has an axis in the center, that has a driver  
7 that consists of a paper or cardboard tube that contains material of pyrotechnic  
8 composition, that is designed to be attached to a post or tree by a nail or string, and  
9 that is designed, upon ignition, to produce a shower of color and sparks and sometimes  
10 a whistling effect that causes the wheel to spin on the axis.

11 \* **Sec. 9.** AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

12 (AAA) receipts of fees paid to the state fire marshal and for  
13 certain inspections deposited under AS 18.72.020(a)(3) in the fire safety  
14 program account created under AS 44.41.060;

15 \* **Sec. 10.** AS 44.41 is amended by adding a new section to read:

16 **Sec. 44.41.060. Fire safety program account.** The fire safety program  
17 account is created in the state treasury. The legislature may appropriate money from  
18 the account for necessary costs incurred by the Department of Public Safety for a fire  
19 safety program to promote fire safety in the state. Nothing in this section creates a  
20 dedicated fund or dedicates the money in the account for a specific purpose.

21 \* **Sec. 11.** AS 18.72.100(4) is repealed.

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

24 **REGULATIONS.** The Department of Public Safety may adopt regulations to  
25 implement AS 18.72.070, enacted by sec. 5 of this Act. The regulations take effect under  
26 AS 44.62, but not before the effective date of sec. 5 of this Act.

27 \* **Sec. 13.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).

28 \* **Sec. 14.** Sections 1 - 11 of this Act take effect December 1, 2002.

# 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

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 15, 2002

**SUBJECT:** Sectional summary of CSHB 487( ) relating to fireworks  
(Work Order No. 22-LS1385\L)

**TO:** Representative Vic Kohring  
Attn: Sharron

**FROM:** *JB*  
Theresa L. Bannister  
Legislative Counsel

You have requested a sectional summary of the bill described above.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1.** Amends a definition in the criminal code to conform the definition to a change made in this bill and to correct an old cross-reference.

**Section 2.** Amends the subsection that identifies certain conditions that a person must meet to sell consumer fireworks. Substitutes the term "consumer fireworks" for "salable fireworks." Increases the endorsement fee to \$500. Requires that the person pay a fire safety program fee of \$300 to the state fire marshal.

**Section 3.** Adds a new section that sets restrictions on the sale of certain fireworks. Prohibits the sale of a bottle rocket in the state. Allows the state fire marshal to limit the sale of sky rockets and missile-type rockets from April 1 to September 30 in a region where the state fire marshal determines health and safety make the limit appropriate. Allows the state fire marshal to limit the use of consumer fireworks where extreme fire conditions exist.

**Section 4.** Establishes a civil penalty of \$1,000 for a person who recklessly violates a provision of AS 18.72. Requires notice and an opportunity for a hearing.

**Section 5.** Adds two new sections.

Sec. 18.72.070. Allows the state fire marshal to suspend or take other action against a person's permit where there is a reasonable belief that the person is violating this chapter or another law relating to health and safety in the use of the permit. Requires notice and

Representative Vic Kohring  
March 15, 2002  
Page 2

an opportunity for a hearing. If a violation causes a serious immediate threat to health or safety, allows the state fire marshal to immediately restrict or suspend the sale of consumer fireworks without a hearing. Requires a hearing on the next business day. Requires that the restriction or suspension be ended as soon as the violation is corrected. Directs the Department of Public Safety to establish by regulation the procedures to be followed under the section. States that the section does not limit the state fire marshal's other enforcement authority.

Sec. 18.72.080. Establishes a Fireworks Advisory Committee in the Department of Public Safety. Establishes that the state fire marshal establishes the number of members on the committee and appoints the members. Provides that the members serve at the pleasure of the state fire marshal. Requires the committee to familiarize itself with current federal regulations and national fire codes, review state statutes and regulations, and advise the state fire marshal on any statutes and regulations that need to be enacted, adopted, amended, or repealed. Establishes how frequently the committee must meet, who is to chair the committee, and that the members do not receive compensation.

**Section 6.** Amends the definition of "dangerous fireworks" to conform the definition to the use of the new term "consumer fireworks."

**Section 7.** Amends the definition of "fireworks" to conform the definition to the use of the new term "consumer fireworks."

**Section 8.** Defines the new term "consumer fireworks" and adds definitions for various types of named consumer fireworks.

**Section 9.** Adds the fire safety program fee receipts paid under AS 18.72.020(a)(3) to the list of program receipts that are accounted for separately.

**Section 10.** Creates the fire safety program account in the state treasury.

**Section 11.** Repeals the current definition of "salable fireworks."

**Section 12.** Authorizes the Department of Public Safety to adopt regulations to implement AS 18.72.070.

**Section 13.** Gives sec. 12 of this bill an immediate effective date.

**Section 14.** Gives secs. 1 - 11 of this bill an effective date of December 1, 2002.

If I may be of further assistance, please advise.

TLB:med  
02-284.med



# Gorilla Fireworks

Fireworks Make People Happy

Phone: 907-892-6557  
Toll Free: 888-Gorilla  
Toll Free: 888-467-4552  
Fax: 907-892-6566

Email: gorilla@alaska.net  
Snail Mail: P.O. Box 871906  
Wasilla, AK 99687

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March 18, 2002

Representative Vic Kohring  
State Capitol – Room 24  
Juneau, AK 99801

Representative Vic Kohring:

RE: Support HB 487

I am pleased to confirm our full support for HB 487. Taken, as a whole HB 487 is a thoughtful proactive update of Alaska's consumer fireworks statute.

The restrictions on bottle rockets and sky rockets should significantly reduce noise complaints, the possibility of personal injuries and the possibility of a wildland fire started by the misuse of a rocket. The new fire safety education program is clearly a good idea. Raising the permit fees to offset the administrative cost is a reasonable cost of doing business.

Sincerely,

A handwritten signature in black ink that reads "Robert Hall". The signature is written in a cursive, slightly slanted style.

Robert Hall

# ALASKA STATE LEGISLATURE



*Interim:*

600 East Railroad Avenue  
Wasilla, Alaska 99654  
(907) 373-1842  
Fax - (907) 373-4729

*Session:*

State Capitol Building, Room 24  
Juneau, Alaska 99801-1182  
(907) 465-2186  
Fax - (907) 465-3818

REPRESENTATIVE VIC KOHRING  
DISTRICT 26

## SPONSOR STATEMENT

### HOUSE BILL 487

#### FIREWORKS REGULATION

The disastrous Miller's Reach Fire in 1996 was believed to have been started by the irresponsible use of fireworks during a high fire condition period. Legal and financial effects of that fire are still ongoing. This disaster brings focus to the need to update the State's fireworks statutes and regulations.

In 1969, the Legislature passed legislation to regulate fireworks sales. Consumer use of fireworks has increased and the availability of different types of fireworks has changed over the years; however, regulations have not kept pace with the changes. HB 487 will:

- place into statute authority to the State Fire Marshal to restrict or limit sale and use of certain fireworks between April 1 and September 30;
- limit the use of all fireworks at any time of extreme fire conditions;
- completely ban the sale of bottle rockets;
- bring the definition section in line with the standard fireworks definitions set by the Consumer Products Safety Commission; and
- create a Fireworks Advisory Committee appointed by the State Fire Marshal to annually review federal regulations, national fire codes, state statutes and regulations, and to advise the State Fire Marshal of needed updates.

Passage of HB 487 will ensure fireworks regulations are kept up to date thereby increasing protection to the public by reducing fire danger caused by the irresponsible use of fireworks.

22-LS1385\L  
Bannister  
3/14/02

**CS FOR HOUSE BILL NO. 487( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE KOHRING

**A BILL**  
**FOR AN ACT ENTITLED**

1 "An Act relating to fireworks, to a fire safety program, to a fire safety program account,  
2 and to certain criminal laws relating to explosives; and providing for an effective date."

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

4 \* Section 1. AS 11.81.900(b)(22) is amended to read:

5 (22) "explosive" means a chemical compound, mixture, or device that  
6 is commonly used or intended for the purpose of producing a chemical reaction  
7 resulting in a substantially instantaneous release of gas and heat, including dynamite,  
8 blasting powder, nitroglycerin, blasting caps, and nitrojelly, but excluding consumer  
9 [SALABLE] fireworks as defined in AS 18.72.100 [AS 18.72.050], black powder,  
10 smokeless powder, small arms ammunition, and small arms ammunition primers;

11 \* Sec. 2. AS 18.72.020(a) is amended to read:

12 (a) A person holding a permit required by the fire safety code may sell or offer  
13 for sale consumer [SALABLE] fireworks [,] if the person

14 (1) [THE PERSON] has submitted to the state fire marshal a policy, or

1 a certified true copy of a policy, of public liability and products liability insurance,  
2 including both accident and occurrence coverage, provided by the wholesale company  
3 selling fireworks to the person, in the amount of at least \$200,000 for bodily injury or  
4 death and at least \$50,000 property damage and the person is named as an insured  
5 party upon the policy and the policy is continuously in force while the person is  
6 engaged in the retail sale of fireworks; [AND]

7 (2) pays an endorsement fee of \$500 [\$10 IS PAID] to the state fire  
8 marshal for an endorsement that is valid for two years or portions of two years during  
9 which the permit holder is engaged in the retail sale of fireworks; and

10 (3) pays a fire safety program fee of \$300 to the state fire marshal;  
11 the state fire marshal shall transfer the amount of the fees collected under this  
12 paragraph to the Department of Revenue for deposit in the fire safety program  
13 account created under AS 44.41.060 in the state treasury.

14 \* Sec. 3. AS 18.72 is amended by adding a new section to read:

15 Sec. 18.72.035. **Restrictions on certain fireworks.** (a) Notwithstanding the  
16 other provisions of this chapter, a person, whether or not licensed under this chapter,  
17 may not sell a bottle rocket in the state. In this subsection, "bottle rocket" means a  
18 device that is a smaller version of a sky rocket, that is less than 16 inches long, and  
19 that contains 50 milligrams or less of material of pyrotechnic composition.

20 (b) Notwithstanding the other provisions of this chapter, the state fire marshal  
21 may limit or restrict the sale of sky rockets and missile-type rockets from April 1 to  
22 September 30 in a region of the state as the state fire marshal determines to be  
23 appropriate to protect health and safety in that region.

24 (c) The state fire marshal may limit or restrict the use of some or all consumer  
25 fireworks in places where extreme fire conditions exist. This subsection does not  
26 affect or diminish the ability of the state to regulate the use of fireworks under other  
27 state authority, including limiting burning on forested lands.

28 \* Sec. 4. AS 18.72 is amended by adding a new section to read:

29 Sec. 18.72.045. **Civil penalty.** A person who recklessly violates a provision  
30 of this chapter is liable, after notice and an opportunity for a hearing, to the state for a  
31 civil penalty of \$1,000 for each violation.

1 \* Sec. 5. AS 18.72 is amended by adding new sections to read:

2           **Sec. 18.72.070. Enforcement.** (a) If the state fire marshal has reason to  
3 believe that a person who has a permit issued under AS 18.72.020 or 18.72.030 is  
4 violating this chapter or another law relating to health and safety in the use of the  
5 permit, the state fire marshal may, after notice and an opportunity for a hearing,  
6 suspend or take other action against the person's permit until the violation has been  
7 corrected.

8           (b) Notwithstanding (a) of this section, if a person with a permit issued under  
9 AS 18.72.020 or 18.72.030 is violating this chapter and the state fire marshal  
10 determines that the violation is causing a serious immediate threat to health or safety,  
11 the state fire marshal may restrict or suspend the sale of consumer fireworks by a  
12 person immediately without a hearing. The state fire marshal shall provide the person  
13 with a hearing on the next business day of the person's business to determine whether  
14 the restriction or suspension was justified and whether there is a reason to continue the  
15 restriction or suspension. The state fire marshal shall end the restriction or suspension  
16 as soon as the state fire marshal determines the violation is corrected.

17           (c) The Department of Public Safety shall establish by regulation the  
18 procedures to be followed under this section.

19           (d) Nothing in this section shall be construed to limit the state fire marshal's  
20 other enforcement authority under an applicable building code, the fire safety code, or  
21 other statutes.

22           **Sec. 18.72.080. Fireworks Advisory Committee.** (a) The Fireworks  
23 Advisory Committee is established in the Department of Public Safety. The  
24 committee consists of members appointed by the state fire marshal to provide a  
25 balanced representation from the rural and urban areas of the state of persons who are  
26 fire service officials and manufacturers, distributors, retailers, and users of fireworks.  
27 The state fire marshal shall establish the number of members to serve on the  
28 committee.

29           (b) Each year the committee shall familiarize itself with current federal  
30 regulations and national fire codes, thoroughly review existing state statutes and  
31 regulations, and advise the state fire marshal on any statutes and regulations that need

1 to be enacted, adopted, amended, or repealed.

2 (c) The committee shall meet at least once each year. The state fire marshal  
3 shall chair the committee.

4 (d) A member of the committee serves at the pleasure of the state fire marshal  
5 and does not receive compensation for the member's work on the committee.

6 (e) In this section, "committee" means the Fireworks Advisory Committee  
7 established by (a) of this section.

8 \* Sec. 6. AS 18.72.100(1) is amended to read:

9 (1) "dangerous fireworks" includes all fireworks that are not defined as  
10 consumer [SALABLE] fireworks;

11 \* Sec. 7. AS 18.72.100(3) is amended to read:

12 (3) "fireworks" means consumer [SALABLE] fireworks or dangerous  
13 fireworks;

14 \* Sec. 8. AS 18.72.100 is amended by adding new paragraphs to read:

15 (5) "aerial shell or mine" means a round or cylindrical paper or plastic  
16 shell that

17 (A) contains material of pyrotechnic composition and a lift  
18 charge;

19 (B) is either loaded into a paper or plastic mortar that is  
20 designed to be placed on or in the ground, or preloaded in a paper or plastic  
21 mortar that is on a plastic or wooden base; and

22 (C) upon ignition, is designed to be propelled into the sky to  
23 burst and produce visible and audible effects;

24 (6) "aerial spinner," also known as a helicopter, means a tube that is  
25 composed of paper, plastic, or both paper and plastic, that contains material of  
26 pyrotechnic composition, that has a propeller or blade attached, that is designed to be  
27 placed on a flat area of the ground or on a board, that is designed to rise into the air,  
28 and that is often followed by a visible or audible effect at or near the height of flight;

29 (7) "chaser" means a paper or cardboard tube that contains material of  
30 pyrotechnic composition or of pyrotechnic and explosive composition, that is designed  
31 to be placed on the ground, that is designed, upon ignition, to produce from the fuse

1 end of the tube a whistling effect designed to cause the tube to travel along the ground,  
2 and that may end with a report;

3 (8) "combination item" means a device that is designed to produce the  
4 effects of more than one of the devices identified in (5) - (7), (9), (11), and (21) of this  
5 section;

6 (9) "cone fountain" means a cardboard or heavy paper tube that has a  
7 cone shape, that contains material of pyrotechnic composition, that is designed to be  
8 placed on the ground, and that is designed, upon ignition, to produce effects that are  
9 the same as those of a cylindrical fountain;

10 (10) "consumer fireworks" means a device that is designed primarily to  
11 produce visible effects by combustion and that complies with the construction,  
12 chemical composition, and labeling requirements of the United States Consumer  
13 Product Safety Commission in 16 CFR 1500 and 1507; in this paragraph, "device that  
14 is designed primarily to produce visible effects by combustion" includes an aerial shell  
15 or mine, an aerial spinner, a chaser, a combination item, a cone fountain, a cylindrical  
16 fountain, a firecracker, a flitter sparkler, a ground spinner, an illuminating torch, a  
17 missile-type rocket, a roman candle, a sky rocket, a sparkler, a toy smoke device, and  
18 a wheel;

19 (11) "cylindrical fountain" means a cardboard or heavy paper tube that  
20 has a cylindrical shape, that contains material of pyrotechnic composition, that is  
21 designed to be placed on or in the ground or held in the hand, that is designed, upon  
22 ignition, to produce a shower of colored sparks and sometimes a whistling effect or  
23 smoke, and that has

24 (A) a spike for insertion into the ground, and may be known as  
25 a spike fountain;

26 (B) a wooden or plastic base for placing on the ground, and  
27 may be known as a base fountain; or

28 (C) a wooden or cardboard handle that is held by hand, and  
29 may be known as a handle fountain;

30 (12) "firecracker" means a paper-wrapped or cardboard tube that  
31 contains material of explosive composition, that is designed to be placed on the

1 ground or hung from a post or tree, and that is designed, upon ignition, to produce  
2 visible and audible effects;

3 (13) "flitter sparkler" means a paper tube that is attached to a stick or  
4 wire, that contains material of pyrotechnic composition, that is designed to be held in  
5 the hand, and that is designed, upon ignition, to produce a shower of sparks and color;

6 (14) "ground spinner" means a cardboard or heavy paper tube that has  
7 a cylindrical shape, that contains material of pyrotechnic composition, that is designed  
8 to be placed on flat ground, and that is designed, upon ignition, to produce a shower of  
9 sparks and color from a vent on the side that spins the device on the ground;

10 (15) "illuminating torch" means a cardboard or heavy paper tube that  
11 has a cylindrical shape, that contains material of pyrotechnic composition, that is  
12 designed to be placed on the ground or held in the hand, that is designed, upon  
13 ignition, to produce a colored flame, and that has

14 (A) a spike for insertion into the ground;

15 (B) a wooden or plastic base for placing on the ground; or

16 (C) a handle for holding by hand;

17 (16) "missile-type rocket" means an item that is similar to a sky rocket  
18 in size, composition, and effect, but that uses fins rather than a stick for guidance and  
19 stability;

20 (17) "roman candle," also known as a cake, means a heavy paper or  
21 cardboard tube that contains pellets of pyrotechnic composition, that is designed to be  
22 placed on or in the ground, and that is designed, upon ignition, to expel the pellets  
23 individually and to produce a visible effect, an audible effect, or visible and audible  
24 effects;

25 (18) "sky rocket" means a cylindrical tube that contains material of  
26 pyrotechnic composition, that has a wooden stick attached for guidance and stability,  
27 that is designed to be placed in a tube, that is designed, upon ignition, to fly into the  
28 air, and that, upon ignition and flight, may be followed by a visible or audible effect at  
29 or near the height of its flight;

30 (19) "sparkler" means a wire or stick that is coated with material of  
31 pyrotechnic composition, that is designed to be held in the hand, and that is designed,

1 upon ignition, to produce a shower of sparks;

2 (20) "toy smoke device" means a plastic or paper ball or tube that  
3 contains material of pyrotechnic composition, that is designed to be placed on the  
4 ground, and that is designed, upon ignition, to produce white or colored smoke;

5 (21) "wheel" means a paper or wooden item that has various shapes,  
6 including round, triangular, or square, that has an axis in the center, that has a driver  
7 that consists of a paper or cardboard tube that contains material of pyrotechnic  
8 composition, that is designed to be attached to a post or tree by a nail or string, and  
9 that is designed, upon ignition, to produce a shower of color and sparks and sometimes  
10 a whistling effect that causes the wheel to spin on the axis.

11 \* **Sec. 9.** AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

12 (AAA) receipts of fees paid to the state fire marshal and for  
13 certain inspections deposited under AS 18.72.020(a)(?) in the fire safety  
program account created under AS 44.41.060;

14 \* **Sec. 10.** AS 44.41 is amended by adding a new section to read:

15 **Sec. 44.41.060. Fire safety program account.** The fire safety program  
16 account is created in the state treasury. The legislature may appropriate money from  
17 the account for necessary costs incurred by the Department of Public Safety for a fire  
18 safety program to promote fire safety in the state. Nothing in this section creates a  
19 dedicated fund or dedicates the money in the account for a specific purpose.  
20

21 \* **Sec. 11.** AS 18.72.100(4) is repealed.

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

24 **REGULATIONS.** The Department of Public Safety may adopt regulations to  
25 implement AS 18.72.070, enacted by sec. 5 of this Act. The regulations take effect under  
26 AS 44.62, but not before the effective date of sec. 5 of this Act.

27 \* **Sec. 13.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).

28 \* **Sec. 14.** Sections 1 - 11 of this Act take effect December 1, 2002.

# 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

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 15, 2002

**SUBJECT:** Sectional summary of CSHB 487( ) relating to fireworks  
(Work Order No. 22-LS1385\L)

**TO:** Representative Vic Kohring  
Attn: Sharron

**FROM:** *TB*  
Theresa L. Bannister  
Legislative Counsel

You have requested a sectional summary of the bill described above.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1.** Amends a definition in the criminal code to conform the definition to a change made in this bill and to correct an old cross-reference.

**Section 2.** Amends the subsection that identifies certain conditions that a person must meet to sell consumer fireworks. Substitutes the term "consumer firework" for "salable fireworks." Increases the endorsement fee to \$500. Requires that the person pay a fire safety program fee of \$300 to the state fire marshal.

**Section 3.** Adds a new section that sets restrictions on the sale of certain fireworks. Prohibits the sale of a bottle rocket in the state. Allows the state fire marshal to limit the sale of sky rockets and missile-type rockets from April 1 to September 30 in a region where the state fire marshal determines health and safety make the limit appropriate. Allows the state fire marshal to limit the use of consumer fireworks where extreme fire conditions exist.

**Section 4.** Establishes a civil penalty of \$1,000 for a person who recklessly violates a provision of AS 18.72. Requires notice and an opportunity for a hearing.

**Section 5.** Adds two new sections.

Sec. 18.72.070. Allows the state fire marshal to suspend or take other action against a person's permit where there is a reasonable belief that the person is violating this chapter or another law relating to health and safety in the use of the permit. Requires notice and

Representative Vic Kohring  
March 15, 2002  
Page 2

an opportunity for a hearing. If a violation causes a serious immediate threat to health or safety, allows the state fire marshal to immediately restrict or suspend the sale of consumer fireworks without a hearing. Requires a hearing on the next business day. Requires that the restriction or suspension be ended as soon as the violation is corrected. Directs the Department of Public Safety to establish by regulation the procedures to be followed under the section. States that the section does not limit the state fire marshal's other enforcement authority.

Sec. 18.72.080. Establishes a Fireworks Advisory Committee in the Department of Public Safety. Establishes that the state fire marshal establishes the number of members on the committee and appoints the members. Provides that the members serve at the pleasure of the state fire marshal. Requires the committee to familiarize itself with current federal regulations and national fire codes, review state statutes and regulations, and advise the state fire marshal on any statutes and regulations that need to be enacted, adopted, amended, or repealed. Establishes how frequently the committee must meet, who is to chair the committee, and that the members do not receive compensation.

**Section 6.** Amends the definition of "dangerous fireworks" to conform the definition to the use of the new term "consumer fireworks."

**Section 7.** Amends the definition of "fireworks" to conform the definition to the use of the new term "consumer fireworks."

**Section 8.** Defines the new term "consumer fireworks" and adds definitions for various types of named consumer fireworks.

**Section 9.** Adds the fire safety program fee receipts paid under AS 18.72.020(a)(3) to the list of program receipts that are accounted for separately.

**Section 10.** Creates the fire safety program account in the state treasury.

**Section 11.** Repeals the current definition of "salable fireworks."

**Section 12.** Authorizes the Department of Public Safety to adopt regulations to implement AS 18.72.070.

**Section 13.** Gives sec. 12 of this bill an immediate effective date.

**Section 14.** Gives secs. 1 - 11 of this bill an effective date of December 1, 2002.

If I may be of further assistance, please advise.

TLB:med  
02-284.med

**HOUSE BILL NO. 487**

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

**BY REPRESENTATIVE KOHRING**

Introduced: 2/19/02

Referred:

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to fireworks; and providing for an effective date."

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

3 \* Section 1. AS 18.72.020(a) is amended to read:

4 (a) A person holding a permit required by the fire safety code may sell or offer  
5 for sale salable fireworks [,] if

6 (1) the person has submitted to the state fire marshal a policy, or a  
7 certified true copy of a policy, of public liability and products liability insurance,  
8 including both accident and occurrence coverage, provided by the wholesale company  
9 selling fireworks to the person, in the amount of at least \$200,000 for bodily injury or  
10 death and at least \$50,000 property damage and the person is named as an insured  
11 party upon the policy and the policy is continuously in force while the person is  
12 engaged in the retail sale of fireworks; and

13 (2) an endorsement fee of \$500 [\$10] is paid to the state fire marshal  
14 for an endorsement that is valid for two years or portions of two years during which  
15 the permit holder is engaged in the retail sale of fireworks.

1 \* **Sec. 2.** AS 18.72 is amended by adding a new section to read:

2           **Sec. 18.72.035. Restrictions on certain fireworks.** (a) Notwithstanding the  
3 other provisions of this chapter, a person, whether or not licensed under this chapter,  
4 may not sell a bottle rocket in the state. In this subsection, "bottle rocket" means a  
5 small cylindrical tube that contains a substance of pyrotechnic composition, that has a  
6 wooden stick attached for guidance, and that, upon ignition, flies into the air.

7           (b) Notwithstanding the other provisions of this chapter, a person holding a  
8 permit under AS 18.72.020 may not sell a non-mortar-type or non-cannon-type aerial  
9 fireworks device in the state from April 1 through September 30 of each year.

10 \* **Sec. 3.** AS 18.72 is amended by adding a new section to read:

11           **Sec. 18.72.045. Civil penalty.** A person who recklessly violates a provision  
12 of this chapter is liable, after notice and an opportunity for a hearing, to the state for a  
13 civil penalty of \$1000 for each violation.

14 \* **Sec. 4.** AS 18.72 is amended by adding new sections to read:

15           **Sec. 18.72.070. Enforcement.** (a) If the state fire marshal has reason to  
16 believe that a person who has a permit issued under AS 18.72.020 or 18.72.030 is  
17 violating this chapter or another law relating to health and safety in the use of the  
18 permit, the state fire marshal may, after notice and an opportunity for a hearing,  
19 suspend or take other action against the person's permit until the violation has been  
20 corrected.

21           (b) Notwithstanding (a) of this section, if a person with a permit issued under  
22 AS 18.72.020 or 18.72.030 is violating this chapter or another law relating to health  
23 and safety and the state fire marshal determines that there is an immediate threat to  
24 health and safety, the state fire marshal may issue the person a cease and desist order  
25 and close the business immediately without a hearing, but the state fire marshal shall  
26 provide the person with a hearing the next business day to determine whether the  
27 closure was justified and whether there is reason for continuing the closure.

28           (c) The Department of Public Safety shall establish by regulation the  
29 procedures to be followed under this section.

30           **Sec. 18.72.080. Fireworks Advisory Committee.** (a) The Fireworks  
31 Advisory Committee is established in the Department of Public Safety. The