

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON MILITARY AND  
VETERANS' AFFAIRS**

April 4, 2002  
3:20 p.m.

**MEMBERS PRESENT**

Representative Mike Chenault, Chair  
Representative Lisa Murkowski  
Representative Joe Green  
Representative Pete Kott  
Representative Joe Hayes

**MEMBERS ABSENT**

Representative Beverly Masek  
Representative Sharon Cissna

**OTHER LEGISLATORS PRESENT**

Representative John Coghill

**COMMITTEE CALENDAR**

HOUSE BILL NO. 323

"An Act relating to emergency and disaster relief forces as state employees for purposes of workers' compensation benefits; relating to the Emergency Management Assistance Compact and the implementation of the compact; and providing for an effective date."

- MOVED HB 323 OUT OF COMMITTEE

HOUSE BILL NO. 327

"An Act relating to state employees who are called to active duty as reserve or auxiliary members of the armed forces of the United States; and providing for an effective date."

- MOVED HB 327 OUT OF COMMITTEE

HOUSE BILL NO. 371

"An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date."

- MOVED HB 371 OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 323

SHORT TITLE:EMERGENCY MANAGEMENT ASSISTANCE COMPACT

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
01/16/02	1970	(H)	READ THE FIRST TIME - REFERRALS
01/16/02	1970	(H)	MLV, STA, L&C
01/16/02	1970	(H)	FN1: ZERO(MVA)
01/16/02	1970	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/04/02		(H)	MLV AT 3:00 PM CAPITOL 124

BILL: HB 327

SHORT TITLE:STATE EMPLOYEES CALLED TO MILITARY DUTY

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
01/16/02	1977	(H)	READ THE FIRST TIME - REFERRALS
01/16/02	1977	(H)	MLV, STA
01/16/02	1977	(H)	FN1: ZERO(ADM/ALL DEPTS)
01/16/02	1977	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/04/02		(H)	MLV AT 3:00 PM CAPITOL 124

BILL: HB 371

SHORT TITLE:ALASKA VETERANS' MEM.ENDOWMENT FUND

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
02/01/02	2119	(H)	READ THE FIRST TIME - REFERRALS
02/01/02	2119	(H)	MLV, STA, FIN
02/01/02	2119	(H)	FN1: INDETERMINATE(CED)
02/01/02	2119	(H)	FN2: INDETERMINATE(REV)
02/01/02	2119	(H)	FN3: (MVA)
02/01/02	2119	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/05/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/05/02		(H)	Heard & Held
03/05/02		(H)	MINUTE(MLV)
03/14/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/14/02		(H)	Scheduled But Not Heard
03/26/02		(H)	MLV AT 3:00 PM CAPITOL 124
03/26/02		(H)	Scheduled But Not Heard

04/04/02

(H)

MLV AT 3:00 PM CAPITOL 124

**WITNESS REGISTER**

DAVE LIEBERSBACH, Director  
Division of Emergency Services  
Department of Military and Veterans' Affairs  
P.O. Box 5750  
Fort Richardson, Alaska 99505-5750  
POSITION STATEMENT: Presented HB 323 and answered questions.

CAROL CARROLL, Director  
Administrative Services Division  
Department of Military and Veterans' Affairs  
400 Willoughby, Suite 500  
Juneau, Alaska 99811  
POSITION STATEMENT: Answered questions relating to HB 323;  
offered a recap of some pertinent details of HB 371 and answered  
questions.

DAVE STEWART, Personnel Manager  
Division of Personnel  
Department of Administration  
P.O. Box 110201  
Juneau, Alaska 99811-0201  
POSITION STATEMENT: Presented HB 327 and answered questions.

DEBRA GERRISH  
9202 Emily Way  
Juneau, Alaska 99801  
POSITION STATEMENT: During hearing on HB 327, testified as the  
wife of an Army officer in the national guard about the need for  
medical coverage for dependents, in particular; answered  
questions.

CHUCK HARLAMERT, Juneau Section Chief  
Central Office  
Tax Division  
Department of Revenue  
P.O. Box 110420  
Juneau, Alaska 99811-0420  
POSITION STATEMENT: Answered questions relating to HB 371.

JOHN JENKS, Chief Investment Officer  
Treasury Division  
Department of Revenue  
P.O. Box 110405

Juneau, Alaska 99811-0405

POSITION STATEMENT: Answered questions relating to HB 371.

**ACTION NARRATIVE**

TAPE 02-19, SIDE A

Number 0001

CHAIR MIKE CHENAULT called the House Special Committee on Military and Veterans' Affairs meeting to order at 3:20 p.m. Representatives Chenault, Murkowski, Green, and Hayes were present at the call to order. Representative Kott arrived as the meeting was in progress.

HB 323-EMERGENCY MANAGEMENT ASSISTANCE COMPACT

CHAIR CHENAULT announced that the first order of business would be HOUSE BILL NO. 323, "An Act relating to emergency and disaster relief forces as state employees for purposes of workers' compensation benefits; relating to the Emergency Management Assistance Compact and the implementation of the compact; and providing for an effective date." [The bill was sponsored by the House Rules Standing Committee by request of the governor.]

Number 0146

DAVE LIEBERSBACH, Director, Division of Emergency Services, Department of Military and Veterans' Affairs (DMVA), explained that HB 323 relates to joining the nationwide Emergency Management Assistance Compact (EMAC), which provides a framework to rapidly exchange emergency resources, including both personnel and equipment, between states. Although resources can be moved currently, that first requires making agreements between the receiving state and the sending state as to who will pay for what, coverage for workers' compensation, and so forth. By being a member of EMAC, the state already would have pre-agreed to the details. The requesting state pays for those resources it receives. Mr. Liebersbach said there is no financial requirement up front unless there is a disaster for which Alaska requests resources and then pays for them. He offered his belief that 45 states already are EMAC members, and cited Hawaii, Alaska, and California as three that aren't.

Number 0381

REPRESENTATIVE GREEN referred to exchanges of "fire jumpers" between Alaska and other states. He asked whether this is prearranged, with costs already determined.

MR. LIEBERSBACH answered that it's a national program through the "wildland fire services," and that financial agreements are in place when fire-related resources are sent from Alaska to the Lower 48. The lead was taken by the U.S. Department of Agriculture, U.S. Forest Service, as well as various agencies of the U.S. Department of the Interior, to provide for that. He explained that EMAC is an attempt by states to fill a vacuum - never filled by a federal agency - for all other types of disasters, called "all-risk" or "all-hazard." Hence this probably wouldn't affect wildland fire resources, but it would affect all others, which have no existing agreements. He noted that many years ago there was frustration with trying to get a federal agency - primarily, the Federal Emergency Management Agency (FEMA) - to take the lead, but that didn't happen. The compact then began in southeastern states and expanded over the last three or four years to include most states in the nation.

Number 0545

REPRESENTATIVE GREEN requested examples of personnel who would be gained in an earthquake, for instance. He asked about medical personnel.

MR. LIEBERSBACH agreed there is a possibility of medical personnel. He added that for a federally declared disaster, there is an option of going through FEMA and other federal agencies. However, some state-specific things cannot be obtained through the federal agencies. A couple of years ago, for example, expertise was brought in from Missouri and Iowa under an agreement with those states. He explained, "I didn't really need a federal person here, because we were negotiating with the federal government on these issues, and I needed some people who understood it from a state perspective."

MR. LIEBERSBACH went on to say this also provides some assistance - not as much for Alaska as for other states - in moving national guard resources such as helicopters from state to state without having to "federalize the national guard." He indicated that if Alaska had been a member of EMAC, assistance to New York City could have happened more rapidly [following the terrorist attacks of September 11, 2001].

Number 0750

REPRESENTATIVE GREEN asked whether the plan is to have some sort of person or group pre-negotiate services, or whether negotiations will be done after the fact.

MR. LIEBERSBACH said costs are set up in the structure of EMAC; they are pre-negotiated and just require concurrence, or refusal to concur, for either sending or receiving.

Number 0866

REPRESENTATIVE MURKOWSKI observed that the compact makes a lot of sense for neighboring states in the Lower 48. She asked when Alaska has called upon other states for assistance other than for firefighting.

MR. LIEBERSBACH cited two examples. First, in 1999 or 2000 he'd requested personnel from Missouri and Iowa following the avalanches, since those states were more familiar with dealing with the new federal disaster-related regulations and requirements; the goal was to resolve issues in favor of the state, rather than the federal government. Second, although it didn't come to fruition, dog teams from Washington State had been considered if the avalanches had worsened.

Number 1104

REPRESENTATIVE MURKOWSKI asked why the compact is proposed to be fully incorporated in the statute, since statutory changes will be required if there are changes to the compact.

MR. LIEBERSBACH responded that one requirement to become a member of EMAC is that the legislature fully accept or endorse its concepts "in a fairly robust way"; this is unlike many compacts Alaska enters into. As for the decision to put the actual wording in statute, he suggested asking Carol Carroll [of the DMVA]. He explained that one reason he hadn't come forward with the concept of entering EMAC for several years was the desire to watch it mature in other states and then discuss how it was working with his counterparts in those states. A lot of changes have happened with EMAC in the four years he has been the director of emergency services, he told members, suggesting that now it is a stable product and will have few changes relating to the statutory portion.

Number 1308

REPRESENTATIVE GREEN asked whether the state may opt out [later].

MR. LIEBERSBACH said he couldn't answer immediately. He offered his belief that this compact doesn't require the state to either send or request people, but lays the groundwork if the state chooses to go this route in an emergency. He also indicated his understanding that other compacts only require the state to give notice before withdrawing. He reported that the other compact in the realm in which he works in a northwestern regional emergency management compact among Alaska, Washington State, Oregon, Idaho, British Columbia, and the Yukon Territory; even after joining EMAC, Alaska will remain in that because it includes the Canadian province and territory.

Number 1516

REPRESENTATIVE GREEN asked about any priorities relating to population or severity, for example, if two or more states require simultaneous emergency medical assistance.

MR. LIEBERSBACH answered that in the operational part of EMAC, an "A team" is set up that rotates from state to state about every two years. Citing East Coast hurricanes as something affecting multiple states, he noted that EMAC broadens the resource base. Although FEMA can activate federal resources, it has no authority to activate state resources and send them to another state. Thus if Alaska and California needed medical help simultaneously, in addition to what's available through the federal government - which may well respond to California because of its population, for instance - Alaska would have access to resources through EMAC. He said he didn't know of any instance when a priority was established of one state over another based on such criteria, but suggested that immediate [danger to] life and property would take priority over everything else.

Number 1673

CHAIR CHENAULT noted that Section 2 of the bill allows the governor to establish international relationships and mutual aid. He asked whether that is envisioned as part of EMAC.

MR. LIEBERSBACH said he isn't totally familiar with it, but offered his understanding that the governor has authority, under Title 26 of current statute, to enter into compacts for mutual aid with other states; he surmised that it would include

international agreements, but said he'd have to check the statutes. He went on to say that the northwestern regional compact was entered into through the signature of the governor because of that authority; however, EMAC itself requires coming before the legislature. He suggested the bill just restates the governor's authority to enter into these compacts for emergency management purposes.

MR. LIEBERSBACH, in further reply, reported that basically the compact says that whatever the person earns in his/her home state is what the requesting state accepts for wage compensation, health and disability benefits, and so forth.

Number 1900

REPRESENTATIVE MURKOWSKI observed that Section 5 repeals the Interstate Civil Defense and Disaster Compact. She asked whether the state still operates under the terms of that compact and whether it still exists.

MR. LIEBERSBACH answered that it's on the books, but he doubts it has been used for a couple of decades. He related his understanding that EMAC replaces and takes care of everything in that compact.

Number 1961

REPRESENTATIVE MURKOWSKI asked Ms. Carroll about the reasons for fully incorporating EMAC into the statute itself, rather than adopting it by reference.

Number 2015

CAROL CARROLL, Director, Administrative Services Division, Department of Military and Veterans' Affairs, said she didn't know, though the previous one was in statute and portions remain. She added that she could ask the attorneys whether it could just be referenced.

REPRESENTATIVE MURKOWSKI observed that the bill would be referred to [the House Labor and Commerce Standing Committee], which she chairs. She requested that Ms. Carroll find out before the hearing there.

REPRESENTATIVE GREEN asked what happens under EMAC if four Alaskan experts are needed at home but are requested by another state.

MS. CARROLL replied that Alaska always would have the option to either agree to send them or else to say, "No, we need these people at home."

Number 2109

REPRESENTATIVE KOTT concurred with Representative Murkowski's line of questioning. He offered his belief that this [compact] could be adopted by reference, but said he'd wait until a future committee of referral to offer it as an amendment.

Number 2139

REPRESENTATIVE MURKOWSKI moved to report HB 323 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HB 323 was reported from the House Special Committee on Military and Veterans' Affairs.

The committee took an at-ease from 3:50 p.m. to 3:53 p.m.

HB 327-STATE EMPLOYEES CALLED TO MILITARY DUTY

CHAIR CHENAULT announced that the next order of business would be HOUSE BILL NO. 327, "An Act relating to state employees who are called to active duty as reserve or auxiliary members of the armed forces of the United States; and providing for an effective date." [The bill was sponsored by the House Rules Standing Committee by request of the governor.]

Number 2186

DAVE STEWART, Personnel Manager, Division of Personnel, Department of Administration, informed members that HB 327 allows Alaska to offer a supplemental wage-and-benefit structure to state employees called to active military duty. The federal [Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)] allows certain benefits, both in job security and wage-and-benefit security, for employees called to active service by the President of the United States; however, that protection doesn't exist for state employees activated by a call of the governor. Hence this legislation allows the governor to issue an administrative order declaring an emergency of a particular nature and invoking the [provisions] in HB 327 that allow state agencies to supplement military income to the level of state income in order to prevent hardship on employees called to active service and their dependents. It also allows

continuation of benefits and the same protection as under federal activation, he told members.

Number 2303

REPRESENTATIVE MURKOWSKI surmised that there is no particular time period associated with the call to active duty, and posed a situation in which a person is only on active duty for 60 days.

MR. STEWART answered that as the bill is written, it is just "active duty". He added, "The presumption would be, in the administrative order that activated a contingent of workers, there would be the specification of duration." He said for most of the lengthier periods of activation, it is believed that those would be at the federal level; thus federal legislation would kick in for absences up to five years under USERRA. However, HB 327 is nonspecific regarding length because the nature of the emergencies that would call upon this activation authority are believed to have a duration of two or three months; those include fire, flood, or catastrophic damage.

Number 2399

REPRESENTATIVE MURKOWSKI brought attention to the zero fiscal note and asked how the state would accommodate paying both the person called to active duty and that person's temporary replacement.

MR. STEWART answered that the zero fiscal note presumes fairly limited use of this administrative authority. Noting that someone from the chair's office had requested information subsequent to preparation of the fiscal note, Mr. Stewart said those figures are being pulled together and that he could provide ballpark figures. With respect to the zero fiscal note, he indicated the department is just now looking at the number of people activated since [the terrorist attacks of September 11, 2001, on the East Coast], and surmised that the fiscal note might be amended as the bill moves through the process.

MR. STEWART, in further response, said 220-225 employees possibly may be activated into the national guard; of those, 30 are currently activated and an additional 23 have been called to some period of active duty since September 11, 2001, some for as little as one day.

Number 2509

REPRESENTATIVE MURKOWSKI reported receipt of an e-mail from someone who appears to be in the active military, rather than in the reserves; it references the Municipality of Anchorage and the state as providers of benefits and compensation. She asked whether there is anything going on with the municipality, or whether this e-mail doesn't cite the facts correctly.

MR. STEWART offered his understanding that the Municipality of Anchorage doesn't offer a plan extending benefits. He said that at one point, when this legislation was first introduced, it was thought it could apply broadly "to public service in Alaska." He said the idea behind the legislation was that the State of Alaska would be a demonstration to set the pace for other public employers. However, the administrative-order authority wouldn't affect municipalities or other public employers.

Number 2575

REPRESENTATIVE GREEN asked whether any areas of government have both union and non-union personnel who could be activated by order of the governor.

REPRESENTATIVE GREEN referred to Section 2, the applicability section of the bill, and observed that it says until a collective bargaining agreement expires, people would only be covered by this Act [if that agreement is modified to accept the provisions of this Act]. He expressed concern about that happening for people who [work side by side].

MR. STEWART answered that it most likely would occur with an appointed supervisory or managerial employee working with unionized staff. He said he hadn't had personal conversations with representatives of collective bargaining over that, but that it would be difficult for him to foresee a situation in which there wouldn't be agreement with regard to some modification of the contract.

Number 2660

REPRESENTATIVE KOTT noted that Section 3 makes the Act retroactive to September 11, 2001. He asked how many state employees have been "swept into this arena" because of the events of September 11.

MR. STEWART replied that when the bill was introduced, twenty-two employees had been activated; one potentially was affected by the legislation, and others were earning more in the military

than from state employment. Since then, thirty to thirty-five more have been activated for some period of time. "Not many," he concluded, highlighting the difficulty with the fiscal note.

Number 2754

REPRESENTATIVE MURKOWSKI read aloud from the e-mail she'd mentioned previously:

Why should the guard receive special privileges and coverage when they're called to active duty? These people are paid to be in the guard, and still have regular jobs with benefits. They're well aware that they will be paid the same pay and benefits as the active-duty service personnel if they are needed during times of crisis.

REPRESENTATIVE MURKOWSKI requested that Mr. Stewart respond. She also asked, when public employees in the reserves have been called up, whether [the state historically] has done anything for them in terms of compensation.

Number 2801

MR. STEWART replied that in the past, [the state] did nothing, although statute and regulation allow payment of up to five days of "supplemented wage pay" for state employees activated by the governor's authority.

REPRESENTATIVE MURKOWSKI asked whether that is under emergency orders.

MR. STEWART affirmed that. He said for employees who are federally activated for training purposes, collective bargaining and regulation allow about 16.5 days a year of paid time off for dealing with that. He added, "Those are the only two provisions for wage or benefit supplementation in any event of activation."

MR. STEWART informed members that there were a couple of things considered in conceiving this legislation. During the events surrounding September 11, 2001, people were activated nationwide and put into situations that hadn't occurred in the national guard setting previously. He indicated a number of states immediately passed legislation such that for periods of a year, six months, or even thirty days, wage supplementation for their employees would be set in place. He told members:

We believed, in acting as an employer, that this was a good first step to take. The scope of the legislation is intended to allow this to be broadened to active-duty military personnel activated by the President if the governor so activates that administrative process. So the two-pronged answer is: we wanted to do it because we're an employer and it was a good employer thing to do, but the legislation is also set up so that if we wanted to include all active-duty military personnel, it could be done in the context of the administrative order.

Number 2912

REPRESENTATIVE MURKOWSKI mentioned conversations in committee with Major General Oates regarding the evolving structure in the military and the heightened role of the guard in the state, who are doing a lot more now and having a lot more asked of them. She suggested that there could be situations when guard members are called up for long periods of time, which she indicated could cost the state a lot, even though it is worth it.

TAPE 02-19, SIDE B  
Number 2976

REPRESENTATIVE MURKOWSKI asked whether [this bill] is fairly comparable to what other states have adopted.

MR. STEWART replied yes, indicating he could provide a list of states and their related legislation. In reply to a question from Chair Chenault, he said roughly 13 states have enacted legislation "over and above their normal military training time"; he mentioned 22 days for national guard service or training. He went on to say 2 states already had comprehensive military-leave statutes beyond the scope of Alaska's.

Number 2896

DEBRA GERRISH, noting that she is the wife of an Army officer in the national guard, informed members that she'd done research and had some real concerns. She explained that when someone is called up for military service, dependents aren't covered [for medical insurance] unless the orders are for 180 days or more; for example, some families currently lack coverage although [the military family member] was called up the previous October. Ms. Gerrish stressed the importance of medical coverage, including coverage for preexisting conditions, which she said

the military insurance doesn't like to cover. She said she'd been told that Juneau residents are lucky because there is a medical clinic, whereas people who live in Haines, Petersburg, and Wrangell have no clinic to turn to.

MS. GERRISH requested that if committee members feel uncomfortable about the pay in the bill, they perhaps divide it in half. She said the health insurance is what the families really need. Because her husband is an officer, she indicated her family can survive financially with less money, but pointed out that a family headed by a private or sergeant won't be in the same boat, since it costs a lot to live in Alaska. Therefore, families need the military pay to be equal to what they earn at the state level, if possible, but barring that, must have the health insurance.

MS. GERRISH provided the name of the national guard health insurance person, Michelle (ph) Schuller of Anchorage, phone number (907) 428-6483. She cited the example of her own daughter as someone who has asthma attacks. She asked members to think seriously about the bill and consider the families, and again emphasized that people who were called up in October are having a hard time making ends meet.

Number 2689

MS. GERRISH, in response to questions from Representative Murkowski and Chair Chenault, said it's only if the military orders say 180 days or more that [dependents] get any health insurance at all. "We get zero as it stands now," she added. The soldiers become covered as soon as they're called up, but dependent coverage is based on how long the soldier is called up for. If the person is a state employee with medical coverage, that coverage ends on the last day of the month during which the person is called up. When someone goes on military duty, his/her job is saved, but the person no longer is considered a state employee.

Number 2542

MS. GERRISH, addressing questions about coverage for preexisting conditions, specified that she was talking about CHAMPUS [Civilian Health and Medical Program Uniformed Service], the military insurance. If her husband is called up for 180 days or more, the family goes to military insurance, which doesn't cover her daughter's asthma or Ms. Gerrish's epilepsy. She noted that her husband right now is learning how to handle hazardous

materials because of the terrorist attacks [of September 11]; citing this four-day training as an example of extra days people are required to put in, she said her husband is covered because the time is within the 16.5-day limit discussed earlier, which is already in place in Alaska. It is when the duty goes past that amount [that coverage becomes a problem].

REPRESENTATIVE MURKOWSKI thanked Ms. Gerrish for providing real-life examples that illustrate the bill.

Number 2367

MR. STEWART, in response to a question from Representative Hayes, explained that an employee who leaves state service and becomes unpaid by the state - whether "separated" from state service or not - is covered by medical insurance for that entire [calendar] month; a person may be in leave-without-pay status on the first day of the month, however, so that no health insurance contribution is made. He noted that COBRA [Comprehensive Omnibus Budget Reform Act] insurance may be purchased in order to continue coverage, but there is no provision for paying the COBRA premium, an expensive item for families who have state coverage. He told members:

But there's certainly the liberal use of paid leave for putting people in pay status on lengthy military leave on the first day of the month, so that those premiums are made or, as ... the bill would provide under certain circumstances, the actual payment of ... the employer's [portion] of the premium throughout the period of service.

MR. STEWART, in response to questions from Chair Chenault, said there is an option [to pay] the employee's portion, too, in order to continue that person's current coverage.

Number 2262

REPRESENTATIVE MURKOWSKI noted that page 1 gives discretion to determine whether people will receive some or all of their state benefits. She asked how that would work.

MR. STEWART specified that the intent of the legislation is that the decision would be at the gubernatorial level through an administrative order. The flexibility is to decide whether to order health insurance, retirement, health insurance and retirement, or just wages.

REPRESENTATIVE MURKOWSKI highlighted Ms. Gerrish's suggestion that, above all, there should be health benefits.

MR. STEWART, in response to questions from Chair Chenault, said the administrative order would be issued for a specific incident and [the decision about what benefits to provide] would be per incident, covering the group of employees called.

Number 2157

REPRESENTATIVE MURKOWSKI pointed out the problem mentioned by Ms. Gerrish: an officer's family can get buy on an officer's salary, but really needs the health benefits because of preexisting conditions, for example, whereas a private's family may need the wages even more. Representative Murkowski said she'd like to see some flexibility, but didn't know whether such flexibility could be worked into it.

REPRESENTATIVE GREEN suggested it would be dicey for the same call-up and expressed concern about prejudicial use.

REPRESENTATIVE MURKOWSKI mentioned doing it through regulation.

CHAIR CHENAULT surmised that it would have to be done by group, rather than individually.

Number 2082

MR. STEWART clarified that this is intended to supplement the wages of people who would make less while on military duty; for that reason, a person who isn't earning less won't be dealt with [under the bill]. It is for those who would be worse off.

Number 2057

REPRESENTATIVE HAYES surmised that the fiscal note is indeterminate and asked about cost estimates.

MR. STEWART reported that the first fiscal note [calculation] was \$400 for one individual, but that he'd be embarrassed to submit a fiscal note for that amount. Saying there's almost an "incident variation" that depends upon who has been called up and the duration, he invited dialogue to deal with concerns about duration before this bill moves to another committee.

Number 2004

REPRESENTATIVE MURKOWSKI asked what is shown by a handout [a side-by-side comparison of the various states, dated 12/10/01] provided by Mr. Stewart. [The three columns were headed: "Military pay augmentation"; "Health Coverage continuation, non-COBRA"; and "Other Arrangements?"]

MR. STEWART replied that the question asked of the states' "personnel people" who responded was, "What do you have in place in addition to the training leave that's commonly negotiated?" The survey went out two weeks after September 11 [2001], he noted, and there was no subsequent follow-up.

REPRESENTATIVE MURKOWSKI, still discussing the side-by-side comparison, asked whether there should be something in Alaska's blank columns, since the state allows for leave with pay for the 16-day period.

MR. STEWART said everybody has that; it was "grandparented in" through collective bargaining. He'd have put something [in the columns for Alaska] if something else were in place, he noted.

Number 1910

MS. GERRISH informed members that her family had figured out they could manage to live [on the officer's salary] but couldn't pay COBRA as well. She suggested imagining how it would be for [the family of] a private or sergeant.

REPRESENTATIVE MURKOWSKI noted that the side-by-side comparison shows that many states have a reference to COBRA. She asked whether that means that states are picking up the COBRA costs.

MR. STEWART said no. He clarified that "COBRA only" on the handout refers to the federal requirement that employee benefits be continued, but it is at the employee's expense.

CHAIR CHENAULT asked whether anyone else wished to testify; there was no response.

Number 1796

REPRESENTATIVE KOTT moved to report HB 327 out of committee with individual recommendations and the accompanying indeterminate fiscal note. There being no objection, HB 327 was reported from the House Special Committee on Military and Veterans' Affairs.

HB 371-ALASKA VETERANS' MEM.ENDOWMENT FUND

CHAIR CHENAULT announced that the final order of business would be HOUSE BILL NO. 371, "An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date." [The bill was sponsored by the House Rules Standing Committee by request of the governor.]

Number 1705

CAROL CARROLL, Director, Administrative Services Division, Department of Military and Veterans' Affairs (DMVA), explained that HB 371 creates a veterans' memorial endowment fund in the Department of Revenue. It allows a credit like the one allowed in statute already for the University of Alaska, and is limited to \$150,000. She reported that DMVA, in coordination with veterans' groups, allocates in the form of grants about 5 percent of the fund's value a year, to her belief, to maintain veterans' memorials across the state or to construct new ones. Donations of about \$125,000 have been received from private corporations, and the request [in HB 371] is for \$125,000 more. She said \$250,000 would give veterans' organizations about \$12,000 a year, which is sufficient to maintain the 78 or so memorials around the state, to the belief of those organizations. She noted that the Department of Revenue could answer more complicated questions.

Number 1592

REPRESENTATIVE GREEN referred to page 6 and requested clarification about how the credit works.

Number 1530

CHUCK HARLAMERT, Juneau Section Chief, Central Office, Tax Division, Department of Revenue, replied that the contribution can be as much as desired, but that the credit received is 50 percent of the first \$100,000 and 100 percent of the second [\$100,000]. Therefore, the credit total is [\$150,000]. In response to a question from Chair Chenault, he said it is generally on a calendar-year or tax-year basis.

Number 1500

REPRESENTATIVE MURKOWSKI surmised that the \$12,000 a year is the 5 percent "spin-off" from the \$250,000 endowment.

MS. CARROLL acknowledged that as her own calculation.

REPRESENTATIVE MURKOWSKI recalled testimony from [Pat] Carothers at a previous hearing about the shoestring budget with which memorials are maintained around the state, and offered her recollection that it was one or two thousand dollars a year. She said she wasn't suggesting it should be that low of a budget, but that \$12,000 seems more than [these organizations] would know what to do with annually, since some [memorials] are simple plaques, for example. She asked whether the full \$250,000 is necessary in the fund in order to provide the needed money on an annual basis.

Number 1309

JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue, said he wished he could answer that question and wished that Mr. Carothers was present; he recalled hearing Mr. Carothers testify that he believed \$12,500 would allow [the veteran's organizations] to do things that haven't been possible. Mr. Jenks said the endowment proposed in HB 371 could spin off 5 percent of its value each year and effectively protect the purchasing power of the endowment over time. Every \$100,000 in the endowment will create approximately \$5,000 in base purchasing power each year, forever, to maintain those [memorials and monuments] and to build any new ones.

MS. CARROLL acknowledged that some memorials are small plaques, but indicated some of the 78 or so are more substantial. She also emphasized that in addition to maintenance, this is for construction and activities that honor veterans; she cited the "moving wall" [in honor of Vietnam War veterans] as an example. She said it doesn't seem \$12,000 is very much.

REPRESENTATIVE MURKOWSKI agreed, but contrasted it with what [veterans' organizations have operated on thus far to maintain memorials].

MS. CARROLL concurred, noting that they've done it voluntarily or through gathering bits of money to maintain some, but certainly not all [of the memorials].

CHAIR CHENAULT recalled testimony from Mr. Carothers about being able to raise a couple of thousand dollars, for example, to

provide upkeep. Chair Chenault said even though [\$12,000] may be a considerable increase, it may or may not be enough at certain times.

Number 1098

REPRESENTATIVE KOTT asked where the [\$125,000 in contributions] is maintained, and whether it earns interest.

MS. CARROLL offered her understanding that it's currently "in a nonprofit in Southcentral," a location she could find out with one phone call, but said she didn't know about the interest. In response to further questions, she indicated that if it came into the state's possession, it would go into the general fund. She said [these donations] appear to have come from about 25 private-sector sources.

REPRESENTATIVE KOTT requested confirmation that this legislation wouldn't affect the tax liability of those who'd already contributed.

MS. CARROLL noted that the bill has an immediate effective date, but pointed out that the individuals who made the donations did so knowing that there was no statute in place for them to take the credit. She again offered to find out where the current donations are being held.

Number 0905

REPRESENTATIVE MURKOWSKI asked whether it is possible to retroactively provide a tax credit, even though it now is beyond the year when the contributions were made.

REPRESENTATIVE GREEN mentioned the ability to file an amended [tax] return.

MR. HARLAMERT replied that it technically could be possible. He surmised that these contributions were made in calendar year 2001, and said an Alaska corporate tax return, for example, probably wouldn't be filed until October [2002]. He added:

You could make the argument, although I might argue against it, that ... they've made a contribution, the bill is in effect, they're filing a return after the bill became effective, and the bill doesn't state either way in particular whether they could've or not [taken] the credit. And you could argue that claiming

the credit now, on a return filed after the effective date of the bill, ... because it's for payments made for a tax year before the effective date of the bill, isn't relevant. So we might have an argument about that. I can't say ... what our position might be. It might be a good idea to clarify that in the bill, though.

Number 0758

CHAIR CHENAULT expressed curiosity about whether there have been tax implications already [relating to the \$125,000] from depositing [the contributions] into a nonprofit.

MR. HARLAMERT responded:

That may solve our problem right there, because if they've contributed already, ... then they're going to get a charitable-contribution deduction federally. But it didn't go straight into the fund; arguably, it wouldn't qualify anyway for the credit.

Number 0721

REPRESENTATIVE KOTT asked whether, if a taxpayer contributed to this endowment fund, there would be an opportunity to get a write-off for the federal tax liability, in addition to the credit proposed in the bill.

MR. HARLAMERT answered:

They will take ... a charitable-contribution deduction on their federal return. They'll also, however, have their state income-tax deduction reduced by the amount of credit. So the net ... decrease in federal taxable income would be \$50,000 on a \$200,000 contribution, for example, and they would save, say, 20 percent of that, not the entire 200 [thousand dollars].

Number 0640

REPRESENTATIVE HAYES asked how much money is brought in from veterans' license plates. He suggested that might be an avenue to gain proceeds to help with the fiscal note.

CHAIR CHENAULT responded that it's a good question and has been an item of discussion previously, but said he didn't remember the numbers.

Number 0538

REPRESENTATIVE KOTT moved to report HB 371 out of committee with individual recommendations and the accompanying fiscal note(s). There being no objection, HB 371 was reported from the House Special Committee on Military and Veterans' Affairs.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Military and Veterans' Affairs meeting was adjourned at 4:53 p.m.