

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

February 22, 2001

8:02 a.m.

MEMBERS PRESENT

Representative John Coghill, Chair
Representative Jeannette James
Representative Hugh Fate
Representative Gary Stevens
Representative Peggy Wilson
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 8 (MLV)

"An Act relating to supporting polling places at military installations."

- MOVED HCS CSSJR 8 (MLV) FROM COMMITTEE

HOUSE BILL NO. 123

"An Act relating to the use of frequent flyer miles or another bonus earned on travel paid for by the state."

- HEARD AND HELD

PREVIOUS ACTION

BILL: SJR 8

SHORT TITLE: VOTING SITES AT MILITARY INSTALLATIONS

Jrn-Date	Jrn-Page		Action
01/25/01	0171	(S)	READ THE FIRST TIME - REFERRALS
01/25/01	0171	(S)	STA
02/01/01		(S)	STA AT 3:30 PM BELTZ 211
02/01/01		(S)	Moved CS(STA) Out of Committee MINUTE(STA)
02/02/01	0255	(S)	STA RPT CS 4DP NEW TITLE

02/02/01	0255	(S)	DP: THERRIAULT, PHILLIPS, HALFORD,
02/02/01	0255	(S)	DAVIS
02/02/01	0255	(S)	FN1: ZERO(S.STA)
02/05/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
02/05/01		(S)	Moved Out of Committee
02/05/01		(S)	MINUTE(RLS)
02/05/01	0268	(S)	RULES TO CALENDAR 2/5/01
02/05/01	0276	(S)	READ THE SECOND TIME
02/05/01	0276	(S)	STA CS ADOPTED UNAN CONSENT
02/05/01	0276	(S)	ADVANCED TO THIRD READING UNAN CONSENT
02/05/01	0276	(S)	READ THE THIRD TIME CSSJR 8(STA)
02/05/01	0277	(S)	PASSED Y20 N-
02/05/01	0278	(S)	TRANSMITTED TO (H)
02/07/01	0254	(H)	READ THE FIRST TIME - REFERRALS
02/07/01	0254	(H)	MLV, STA
02/07/01	0269	(H)	CROSS SPONSOR(S): MURKOWSKI
02/13/01		(H)	MLV AT 3:30 PM CAPITOL 120
02/13/01		(H)	Moved HCS CSSJR 8(MLV) Out of Committee MINUTE(MLV)
02/14/01	0315	(H)	MLV RPT HCS(MLV) 6DP
02/14/01	0315	(H)	DP: MURKOWSKI, HAYES, GREEN, CHENAULT,
02/14/01	0315	(H)	MASEK, KOTT
02/14/01	0315	(H)	FN1: ZERO(S.STA)
02/14/01	0315	(H)	REFERRED TO STATE AFFAIRS
02/14/01	0329	(H)	CROSS SPONSOR(S): COGHILL, MASEK,
02/14/01	0329	(H)	FOSTER
02/22/01		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 123

SHORT TITLE:USE OF BONUSES EARNED ON STATE TRAVEL

Jrn-Date	Jrn-Page	Action	
02/09/01	0282	(H)	READ THE FIRST TIME - REFERRALS
02/09/01	0282	(H)	STA, FIN
02/09/01	0282	(H)	REFERRED TO STATE AFFAIRS
02/22/01		(H)	STA AT 8:00 AM CAPITOL 102

WITNESS REGISTER

SENATOR LOREN LEMAN

Alaska State Legislature
Capitol Building, Room 516
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsor of SJR 8.

SHELLEY GROWDEN, Elections Supervisor, Central Region
Division of Elections

Office of the Lieutenant Governor
675 Seventh Avenue, Suite H3
Fairbanks, Alaska 99701-4594

POSITION STATEMENT: Testified in favor of SJR 8.

REPRESENTATIVE ANDREW HALCRO

Alaska State Legislature
Capitol Building, Room 414
Juneau, Alaska 99801

POSITION STATEMENT: Testified as sponsore of HB 123.

KATHY DIETRICH, Business Agent

Alaska State Employees Association, AFSCME Local 52
315 Barnette Street, Suite 104
Fairbanks, Alaska

POSITION STATEMENT: Testified on HB 123.

KIM GARNERO, Director of Finance

Department of Administration
Post Office Box 110204
Juneau, Alaska 99811

POSITION STATEMENT: Testified on HB 123.

KARLA SCHOFIELD, Deputy Director

Administrative Services
Legislative Affairs Agency
Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 123.

DAVE STEWART, Personnel Manager

Division of Personnel
Department of Administration
Post Office Box 110201
Juneau, Alaska 99811-0201

POSITION STATEMENT: Testified on HB 123.

DON ETHERIDGE, Business Representative
Public Employees Local 71
Alaska State AFL-CIO
710 West Ninth Street
Juneau, Alaska 99801

POSITION STATEMENT: Testified in opposition to HB 123.

BRUCE LUDWIG, Business Manager
Alaska Public Employees Association/Alaska Federation of
Teachers
211 Fourth Street, Number 306
Juneau, Alaska 99801

POSITION STATEMENT: Testified in opposition to HB 123.

ACTION NARRATIVE

TAPE 01-15, SIDE A
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 8:02 a.m. Representatives Coghill, Stevens, Wilson, Crawford, and Hayes were present at the call to order. Representatives James and Fate arrived as the meeting was in progress.

SJR 8 - VOTING SITES AT MILITARY INSTALLATIONS

Number 0099

CHAIR COGHILL announced the first order of business as CS FOR SENATE JOINT RESOLUTION NO. 8(STA), Relating to supporting polling places at military installations.

Number 0215

SENATOR LOREN LEMAN, Alaska State Legislature, testified as sponsor of SJR 8. He introduced himself as the state senator representing Elmendorf Air Force Base as well as parts of northwest Anchorage and east Anchorage. He said SJR 8 addresses the prospect of changing what has been a consistent policy of [Alaska's] Division of Elections, to allow voters on military installations to vote on their posts and bases.

SENATOR LEMAN explained that in December 1999, the United States Department of Defense issued a directive advising installation commanders not to allow their facilities to be used for polling or voting. If that directive were to be followed, the military

voters could no longer vote in their neighborhoods. Congress took action and [Alaska's United States] Senator [Ted] Stevens authored an amendment to an appropriations bill that postponed the effective date of the Department of Defense directive.

SENATOR LEMAN further explained that the issue has now come to the fore in Anchorage, which holds local elections in April. Election officials are working right now with the municipality on setting up the election sites for the municipal elections. They are faced with uncertainty about whether the facilities at Fort Richardson and Elmendorf AFB will be available as they historically have been for the municipal elections.

SENATOR LEMAN said there are two ways to remedy the impacts of the Department of Defense directive. The first is to have the Department of Defense rescind its directive. The second is to take Congressional action. Congress is working on the second remedy; HJR 8 addresses the first one. Congress last year was considering a House resolution that dealt with this issue and he understands that the same issue is being taken up again in this Congress. It is his belief that military men and women, like other voters, should be allowed to vote in their neighborhoods. He noted that AS 15.15.090 requires a polling place to be located within a precinct unless a location more suitable or more convenient to the voter is identified.

SENATOR LEMAN said the committee would hear testimony from election officials that the places they have identified on the bases and posts are, indeed, suitable; they're close to the people who vote, they're adequate; and, therefore, they should continue to be used as polling places. In closing, Senator Leman commended the Division of Elections for doing an outstanding job of running elections and making the opportunity to vote available to all Alaskans.

Number 0631

SHELLEY GROWDEN, Elections Supervisor, Central Region, Division of Elections, Office of the Lieutenant Governor, testified via teleconference that her jurisdiction includes both Fort Wainwright and Eielson Air Force Base. She said the Division of Elections is very supportive of SJR 8, as there was a problem before the 2000 primary election getting confirmation from the military bases regarding whether or not the Division of Elections was going to be allowed [to have polling places] on base for the elections.

MS. GROWDEN testified that about a month before the primary in July, she received official notification from Eielson AFB that the Division of Elections could not have a polling place on base. She also was denied permission to use the school, which is a state-owned facility on Eielson AFB. Election officials worked with Senator Stevens' office, "and finally the President signed the appropriations bill and I notified Eielson AFB of that," she said. "But it came down to about 30 days before the election, so it caused a lot of concern on [the Division of] Elections part not knowing if we were going to be allowed to have a polling place on base."

MS. GROWDEN estimated that there are more than 6,000 registered voters on Eielson AFB, and, "If we move a polling place, we're required under the Federal Voting Rights Act to receive pre-clearance from the United States Department of Justice, which is a 60-day process, and then Alaska law requires us to notify each registered voter"

MS. GROWDEN said she would like to see more participation by military voters in local and state elections, not just in the presidential elections. "If we locate polling places off base, we are going to be affecting the voter turnout for our military voters, which is already ... very low" She added, "As Senator Leman stated, we all in Alaska enjoy the privilege of being able to vote right in our neighborhoods, and this would not be the case for military voters."

Number 0828

MS. GROWDEN explained that in the case of Eielson AFB, she would have to move the polling place to Moose Creek or North Pole, and for Fort Wainwright, she would have to find a place that's not already currently used that could handle that many voters. "It definitely is going to be difficult on both elections administration and the voters if we start having to make that many voters go off base and have to find transportation to a polling place outside of their neighborhood," she said. "So I definitely support [HJR 8] and I hope we can get the Department of Defense or Congress to rescind the directive for good."

REPRESENTATIVE STEVENS asked if the Kodiak Coast Guard Base is in the Central Region.

MS. GROWDEN said it in a different region.

REPRESENTATIVE STEVENS described a similar situation affecting 2,500 people on the Kodiak Island Coast Guard Base who have no polling place there.

CHAIR COGHILL noted that Representative James had joined the committee meeting.

CHAIR COGHILL mentioned that Fort Wainwright is in the middle of his district and takes up a big chunk of it, so he has a "tremendous interest" and is very supportive [of SJR 8].

REPRESENTATIVE CRAWFORD commended Senator Leman on SJR 8, saying, "Anything that helps get people out to the polls I think is a good thing"

REPRESENTATIVE STEVENS asked about voter registration on military bases, citing an example of permission being denied to do so on the Coast Guard base in Kodiak. He suggested that Senator Leman look into that, too.

SENATOR LEMAN observed that the Coast Guard is under the jurisdiction of the Department of Transportation rather than the Department of Defense, so the situation may be a little different. In his district, at Elmendorf AFB, there is a person called a "voting officer" who coordinates such efforts. He understands that they allow voter registration on the base at Elmendorf. He agreed that voter registration on bases should be encouraged and any inconvenience remedied.

Number 1100

CHAIR COGHILL asked Ms. Growden if the Elections Division conducts registration drives at Eielson AFB or Fort Wainwright.

MS. GROWDEN said for all the election cycles, she works with the unit voting officers. This past year, in 2000, there was a very proactive unit voting officer at Fort Wainwright. The Division of Elections worked with that officer to sponsor several registration drives. Her staff has been invited to participate in registration drives at Fort Wainwright as well. She assured the committee that the military regularly sponsors voter registration drives.

REPRESENTATIVE HAYES asked Senator Leman if any resolutions to address this issue have been introduced in this Congress.

SENATOR LEMAN said he thinks it has not been introduced this session, but he believes that both the president and the secretary of defense are trying to approach it administratively, and that legislation may not be necessary. However, Senator Leman thinks it probably should be dealt with by legislation so this doesn't become an issue in the future.

REPRESENTATIVE HAYES asked Ms. Growden if there is a backup plan if no solution comes [from the federal level].

MS. GROWDEN said the Elections Division will have to locate those polling places off base, and has been looking for the best locations. She is hoping that Fort Wainwright will continue to allow voting on base. She explained:

I just could not be in a military-owned facility, so I moved to the school from the post library, and that seemed to appease the military personnel for Fort Wainwright. That was not the case for Eielson [AFB], however. When I offered to move to the school, it was still an issue of, "No, you can't be on base." And so for Eielson, my first choice would be to go to the Moose Creek fire station. I've talked to the fire chief out there. They were a little concerned because I already have a polling place in that facility, but they would in a pinch allow us to use that facility. Beyond that, those voters would have to go to North Pole ...[and] I just could not allow voters to have to travel that far to go cast their vote.

So I'm hoping that Fort Wainwright will continue to allow me to use a state-owned facility, the school there, and if not, we would have to look at Tanana Junior High School, if the school district would allow us to use that facility. Again though, a very large precinct is already using this school and the school is overcrowded, so we're still just not exactly sure if Fort Wainwright doesn't allow us on where we would end up going.

Number 1440

REPRESENTATIVE WILSON moved to report HCS CSSJR 8 (MLV) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSJR 8 (MLV) was reported out of the House State Affairs Standing Committee.

CHAIR COGHILL announced a brief at-ease.

HB 123 - USE OF BONUSES EARNED ON STATE TRAVEL

Number 1499

CHAIR COGHILL announced the next item of business, HOUSE BILL NO. 123, "an Act relating to the use of frequent flyer miles or another bonus earned on travel paid for by the state."

Number 1534

REPRESENTATIVE ANDREW HALCRO came forward to speak as sponsor of HB 123. He noted that he had introduced a similar bill in the last session and that he did not intend any negative commentary on state travel or those who travel on state business. He recognized that state employees who travel make a sacrifice. However, he said the subject of HB 123 is a legitimate topic on which discussion is merited. Frequent flyer miles earned on travel paid for by the state constitute a legitimate state asset. Other states, including Oregon and California, strictly prohibit the use of bonuses earned while on state paid travel to be redeemed. The federal government also prohibits it, and he thinks at a time when the state is struggling [financially], the projected savings of HB 123 could be funneled back into much needed programs that the legislature is currently underfunding.

REPRESENTATIVE HALCRO said he was "absolutely shocked and amazed by these fiscal notes." According to HB 123, any subsequent use of travel benefits gained on state-paid travel would be an ethics violation. "It requires absolutely no oversight, no accounting, and no supervision," he said. "According to these fiscal notes, it is going to cost the State of Alaska an average of \$200,000 a year to do nothing."

REPRESENTATIVE HALCRO noted that he is in the travel business, and said he has had many conversations with travel agents and agency owners about how participation in frequent flyer programs tends to dictate travel choices. He expressed concern about government travelers choosing not the lowest-priced carrier, but the one awarding frequent flyer miles. Some states, including California, have negotiated contract airfares with carriers in exchange for the promise that frequent flyer miles will not be redeemed.

REPRESENTATIVE HALCRO described HB 123 as very simple and straightforward. "It simply states that if you travel on state

business, paid for by the state, you cannot redeem those frequent flyer miles earned for personal benefit," he said. He pointed out that the state does not let employees take computers or other state assets that may be part of their jobs. Those assets stay with the state, and so should frequent flyer miles.

Number 1788

REPRESENTATIVE HALCRO noted that the issue predates his arrival in the legislature, going back to 1988. He said frequent-flyer miles are not part of collective bargaining agreements, are not claimed as compensation on employees' federal income tax returns, and that salaried employees are not eligible for overtime. He doubted that anyone takes a job with the state simply because he/she is going to get frequent flyer miles. Travel is part of most jobs, including his.

REPRESENTATIVE HALCRO hoped HB 123 would foster a more frugal approach to travel, including more extensive use of alternatives such as teleconferencing and video conferencing. A state employee might be less likely to travel and would not have the option of choosing a more expensive carrier because of the incentive of frequent flyer miles.

REPRESENTATIVE HALCRO pointed out that HB 123 does not call for any supervision or oversight. He called attention to fiscal notes from the Legislative Affairs Agency and from the administration. He said the fiscal note from the administration is for \$265,000 "to implement a law that doesn't require them to do anything."

REPRESENTATIVE HALCRO said the state spends an average of \$15.7 million a year on travel. He thought the possible state savings were between \$500,000 to \$2 million based on redeemed frequent flyer tickets. There is no way to pinpoint an exact savings, but even one ticket used for future state travel is a saving.

REPRESENTATIVE HALCRO observed that not every state employee travels, so why should those who travel receive a benefit that other employees do not get. If frequent flyer miles are perceived as a benefit of employment, that benefit should be included in collective bargaining agreements.

CHAIR COGHILL told Representative Halcro that the chair's intention was not to act on HB 123 that day, but only to have the first hearing. He concurred that he had reservations about the fiscal notes, which were received just before the meeting

and required more scrutiny than the committee could give them in the next hour.

Number 2127

REPRESENTATIVE STEVENS voiced concern that HB 123 "might be creating some traps for ethics violations." He asked if a state employee would be given a separate frequent flyer card to use when flying on state business. He wondered if he would be risking an ethics violation by using his own card when traveling on behalf of several different state agencies.

REPRESENTATIVE HALCRO explained that HB 123 is based on the honor system, and there is no intent on his part to create an ethics trap. There are no reporting requirements. The federal government encourages employees to establish a separate frequent flyer account for government travel, but that is not mandated.

REPRESENTATIVE WILSON commented that she has to pay out of her own pocket for airfare required to travel throughout her district, and that it would be nice to be able to use frequent flyer miles to cover some of those costs.

REPRESENTATIVE HALCRO said she could do so. He thought a person should keep frequent flyer miles earned on personal travel, but that miles earned on state travel belong to the state. He added that Representative Wilson was traveling because she had need, not because she wanted frequent flyer miles.

REPRESENTATIVE FATE declared a potential conflict of interest because a member of his immediate family is on the board of directors of Alaska Airlines. He then asked Representative Halcro if he had asked any airlines about the impact HB 123 might have on their costs and bookkeeping. He also wanted to know if frequent flyer miles are redeemable to the state, and if so, what the state would do with that credit.

REPRESENTATIVE HALCRO said that several years ago, the state had approached Alaska Airlines about accruing mileage credit based on employees' travel. The airline at that time said it was not set up to handle that. He didn't know if that airline or any other had been approached since then. Two weeks ago in an overview, the administrations procurement people talked about how they were trying to consolidate travel onto a credit card and reported that Alaska Airlines had taken notice of the amount of money that the state spends on air travel with that carrier, and that the administration thought it might be in a position to

negotiate better airfares. Representative Halcro thought it might help in negotiating better airfares if mileage credits earned on state travel were not going to be redeemed.

REPRESENTATIVE HALCRO cited a 1983 opinion from an assistant attorney general that it would be "wholly defensible" if the state were to require that frequent flyer miles accrued through state travel be used for subsequent state travel.

Number 2661

CHAIR COGHILL wanted to know more about how the federal government handles frequent flyer miles. He understood that an Internal Revenue Service (IRS) ruling had prompted the statement of federal government policy.

REPRESENTATIVE HALCRO explained that frequent flyer mileage has come under IRS scrutiny for years because it is a tangible benefit that could be considered income. He thought in order to protect itself, the federal government had simply stated that it didn't want to get involved with frequent flyer mileage. A number of states in order to remove themselves from the legal question have said, like the federal government, that if an travels on state business, that employee is prohibited from using the consequent mileage credit for personal travel because "that represents income which is thereby required to be claimed to the IRS."

REPRESENTATIVE HALCRO pointed out that in Oregon and California, which have these policies in effect, every one of the communities is accessible by road as contrasted with Alaska, which has [many] communities that can only be reached by air.

CHAIR COGHILL requested clarification about the \$15.7 million Representative Halcro had mentioned. Was that for overall travel or just for airfare?

REPRESENTATIVE HALCRO said the \$15.7 million spent in FY 2000 was for air travel only, and that the figure did not include [travel by] the University or the Alaska Industrial Development and Export Authority (AIDEA), divisions which have separate accounting.

REPRESENTATIVE CRAWFORD believed frequent flyer miles to be an implicit benefit, comparable to coffee breaks. Although not specifically mentioned in collective bargaining contracts that is where it the issue should be addressed if the state decides

it wants to save money by taking away an implicit benefit that state employees have enjoyed for a number of years. He thought the state should be prepared to offer the employees something in return.

Number 2838

CHAIR COGHILL thought the points Representative Crawford was raising were among those that should be brought up in later discussion by the committee. He wanted to keep confine the current discussion to questions and answers.

REPRESENTATIVE HALCRO thought Representative Crawford had raised a question. He noted that the Anchorage Police Department allows its officers to take patrol cars home. The car take-home program is valuable because it increases the feeling of safety in the community, but an officer who retires from the force does not get to keep the car. In addition, he thinks it will be hard to convince the public that a commissioner who makes upwards of \$80,000 a year needs to be compensated "because we took away one of their vacations achieved by claiming frequent flyer miles on travel paid for by the state," he said. "I think we'd all have a hard time selling that to our constituents."

Number 2931

KATHY DIETRICH, Business Agent, Alaska State Employees Association (ASEA), AFSCME Local 52, testified by teleconference. She expressed concern that HB 123 was impractical, would create inefficiencies in state government, and was unreasonable to place on employees. She explained that the Alaska State Employees Association represents the general government unit, the largest unit of state employees with 7200-7500 members.

MS. DIETRICH referred to the sponsor's statement re utilizing travel awards.

TAPE 01-15, SIDE B

MS. DIETRICH pointed out that the state already has control over directing employees to choose travel that is in the state's best interest. This bill is not necessary to address that problem if it really is a problem. In California and Oregon, there a many airlines from which to choose, so it's a very different situation.

MS. DIETRICH observed that Alaska Airlines had developed a frequent flyer program to create loyalty among travelers, not for paying for the travel, but for the actual travel. "That's why you can actually receive mileage in two ways, ... [by] paying for it and for traveling," she said. Two-thirds of ASEA members travel once a year. At that rate, it would take them 20 years before they would raise enough mileage to actually secure a trip. "I think it's [an] unreasonable burden to ... expect them to track that mileage for 20 years in order to redeem it to the state."

MS. DIETRICH said the ASEA members who are more frequent travelers travel not for meetings that could be resolved through videoconferencing. They travel because they're providing services all over the state. They include public health nurses, environmental specialists, and social workers. They're away from their families and homes, often traveling in very difficult circumstances; they're wasting their own time waiting in airports.

Number 2773

REPRESENTATIVE HALCRO argued, "You do get the miles for paying for the travel. You don't get miles when you redeem frequent flyer awards and take a free trip. You get miles on tickets that are purchased."

MS. DIETRICH understood what he was saying but thinks he misinterpreted what she said.

REPRESENTATIVE HALCRO again referred to conversations he has had with travel agents and agency owners [who said] they thought on a number of occasions, travel choices were based on those carriers in which a traveler has a vested (frequent flyer) interest. Back in the early 1980s when Mark Air's rates were half that of Alaska Airlines, he heard that Mark Air "couldn't get anybody to travel on their planes because everybody was a member of the Alaska Airlines mileage program."

CHAIR COGHILL directed discussion to the fiscal note issue.

Number 2663

KIM GARNERO, Director of Finance, Department of Administration, came forward to testify. She addressed the impact HB 123 would have on the executive branch of state government. The bill requires that mileage earned on state travel be used for

subsequent state travel. Obtaining any net benefit from HB 123 is problematic for several reasons.

Number 2633

MS. GARNERO testified:

First, no pooling of miles is allowed. This means that before any benefit could be had, an individual would need to make 18 round trips between Juneau and Anchorage. Only then could that traveler redeem 20,000 miles for a free ticket for their own subsequent state travel. Only a small percentage of state employees would ever qualify for free travel.

Second, mileage seats are controlled capacity inventory, and state travel needs do not necessarily mesh with the available supply at the individual traveler level.

Third, turning frequent flyer miles into a state asset requires stewardship. This means implementing a consistent tracking function that can be independently verified. The information could only be gathered in each department where the travel authorization is processed to reimburse the traveler. This means additional workload at the individual agency level. The workload for the travel clerk includes tracking mileage earned by each traveler, monitoring the balance for usage, and initiating routine compliance procedures. We anticipate the need for substantial compliance and enforcement efforts over the first few years of implementation. Depending on the level of effort, much of the responsibility would fall to supervisors, management personnel, and human resource professionals. All of this would be counterproductive to an effective work environment.

State policies already ensure maximum benefit for our travel expenditures. The lowest available fares are a requirement. This proposed legislation would provide little additional benefit to the state in the way of free travel and would substantially increase the need for oversight and enforcement.

CHAIR COGHILL noted that she had provided a degree of understanding about how the administration arrived at the fiscal

note. He then apologized to Ms. Dietrich for inadvertently cutting off her testimony, and asked if there was more she wished to say.

MS. DIETRICH wanted to make another point, and Chair Coghill promised to give her the opportunity shortly.

Number 2485

REPRESENTATIVE STEVENS thought for the state employees, it would be far preferable not to use their own frequent flyer numbers. It would be better if the state would get the ticket and use its frequent flyer number and all credit would go onto the state's.

MS. GARNERO said she had spoken two days ago with the operations manager for the Alaska Airlines mileage plan. He said they are not allowing pooling for any of their customers ... [and] to his knowledge, none of their customers are setting up a separate travel account to capture their business mileage credits separately from their personal mileage credits.

MS. GARNERO pointed out that Representative Halcro had emphasized that mileage credits are a state asset. Management has a responsibility to safeguard assets. "We do that for the computers and the trucks and everything," she said, "and if the miles became a state asset, we would have that responsibility. That's where the independent verification of the records comes from. There's nothing in the bill that speaks to an honor system. It says that the Department of Administration would be responsible for adopting regulations to implement the bill."

REPRESENTATIVE STEVENS understood that if 18 legislators travel to Juneau there would be no benefit to the state. The only benefit to the state is if one legislator traveled 18 times. "You've got really a nightmare of bookkeeping to try to keep track of it..."

MS. GARNERO agreed.

REPRESENTATIVE STEVENS asked about her statement that a state traveler's need often does not mesh with the availability of free seats.

MS. GARNERO said that during fishing season, there are not many seats available to Southeast Alaska at the "saver" mileage rate [20,000 miles]. You can always get the "peak" mileage for 35,000 miles.

MS. DIETRICH offered an example. She was trying to make reservations five months in advance, and found she would have to travel three days earlier and come home four days after her preferred dates in order to get mileage space available, and that is why HB 123 would be very impractical and unreasonable and inefficient to expect state employees to try to plan state basis on mileage.

Number 2219

KARLA SCHOFIELD, Deputy Director, Administrative Services, Legislative Affairs Agency, Alaska State Legislature, came forward to testify. She said:

Currently we track a lot of travel for legislators. House Bill 123 would require that we'd have to add to our legislative database. Most of our employees don't travel as much as legislators, but this bill would require that we keep track of their mileage. Our employees are often in layoff. They go on and off the payroll, and they can do this over several years. This bill would require if you came back from layoff, that we would have to know how many miles you have.

I can also envision a legislator not knowing how many miles they've accumulated that belong to the state and I think it might be easier for them to call us and say, "How many miles do I have? Do I have enough miles to turn in for a free ticket so the state gets the benefit of that?" I also think even if it were strictly an honor system, that would that probably be one thing, but what could easily happen is a presiding officer might want to know which legislator had enough mileage to turn in a free ticket. I just think that we would need to know who has miles. It's further complicated because there'd be more than one mileage company. Legislators travel all over the country for business meetings, and we'd have different mileage programs and we'd have to keep track of that.

The other thing that happens in the legislative branch is we often get requests for information about various things legislators do. I think we would get requests asking how much mileage they might have acquired.

REPRESENTATIVE STEVENS asked if she was prepared to answer questions on ethics issues or if that was outside her realm of expertise.

MS. SCHOFIELD said she would not want to answer questions regarding ethics, but that she could foresee getting questions from the Ethics Committee about how much mileage a legislator might have used.

Number 2066

REPRESENTATIVE WILSON noted that it is hard to know how much mileage one has because the airlines are usually three months behind. She asked if Legislative Affairs would have the same kind of problem if somebody wanted to know.

MS. SCHOFIELD thought they would know what travel had been paid for and how many miles a legislator should have. She added that legislators have allowance accounts as well as authorized travel, and she thought they would have to be keeping track of what mileage applied to each of those separately.

REPRESENTATIVE HAYES asked if legislators could take their office account as personal monies, could mileage bought from that account also be considered personal mileage?

MS. SCHOFIELD expected that was the way it would be interpreted.

Number 1985

DAVE STEWART, Personnel Manager, Department of Administration, Division of Personnel, came forward to testify. He said the chief points he would like to make had been raised by Representative Crawford. They deal with the obligation to collectively bargain a change in benefit, real or perceived. He testified:

The legislation proposed in HB 123 creates an obligation for the State of Alaska to negotiate with the 12 executive branch unions and the unions that represent the employees in the University of Alaska system. Eleven of the current executive branch bargaining units do not contain language in their contracts that deal with the issue of frequent flyer miles; however, one collective bargaining agreement contains specific language permitting personal use of miles accrued for state-paid travel.

Under the Public Employees Relations Act, the unions have a duty to bargain for successor agreements on terms and conditions or changes in terms and conditions, but they're under no obligation to bargain changes during the life of an active contract. What that means is that {HB 123}, if it were put in place, would be immediately effective on non-covered employees, specifically, exempt employees, partially exempt employees, legislative employees, and judicial employees. One of the footnotes in the fiscal note indicates that it is likely that the unions will not bargain a change in benefit until the successor agreements are negotiated, beginning in the fall of 2003 to be effective in fiscal year 2004, which is why the fiscal note is designed the way it is.

It is our belief that if the unions do negotiate on [mileage credit], they'll negotiate an equal financial consideration to the miles accrued, and not necessarily to the miles redeemed; so that the actual financial impact of negotiating terms or changes in benefits would exceed the possible savings. We'd be paying for all the miles accrued and reaping benefit only from those miles that were redeemed.

Another point that we'd like to make is that both legislative bodies and the executive branch recognize that there are difficult-to-fill job classes in state service. One of the aims of ... programs in [both] the Department of Administration and the Division of Retirement and Benefits is to retain qualified and good public employees, and I would raise the question of the impact of this legislation on retention strategies, both in legislative bodies and [in] the executive branch

REPRESENTATIVE CRAWFORD asked if the issue of frequent flyer miles had ever come up in contract negotiations.

MR. STEWART said it arose at the table in the last round of negotiations, and consequently wound up in the supervisory bargaining contract. It arose as an issue due to legislation that had been introduced in a previous session of the legislature. He did not know if the issue had come up at any of the other tables.

Number 1743

DON ETHERIDGE, Business Representative, Public Employees Local 71, Alaska State AFL-CIO, came forward to speak in opposition to HB 123. He said:

We already have our lawyers dusting off their books for past practice and a few other little choice legal things that we were looking at that if this bill was to be enacted, we would be moving forward with.

Our members have looked at this for many years not so much as the benefit but a little bit of a compensation for the time they spend away from home, for traveling at night, and a lot of the folks that travel aren't paid for their travel hours, not only the exempt employees but there's a lot of the contract employees also that don't get paid for their full travel hours.

Most of the members that I represent through Local 71 travel ... once a year at most. That's to go out to Kenai for some training. So it would take nine to ten years for these guys to get a ticket on the state dime. If your account doesn't stay active, they start dumping the miles, so they would never get a free ticket off of this anyway from the state miles.

The other thing that was being talked about was not taking the cheapest airlines. Well, in most of Alaska, we don't have a choice. There's very seldom that we have a choice who we're going to fly with. It was alluded to earlier when Mark Air was trying to bring their service into Southeast Alaska. There's a lot of folks flew those flights, and many of them I've talked to said they'd never fly another one if they were given [a free] ticket [because of the poor service]....

When I was still a state employee and they were talking about this the first time around, it was my intention at that time that I wasn't going to travel on my own time anymore if that's the way we were going to play the game. I wasn't going to turn in for the miles and I wasn't going to travel on my own time, so I was going to spend an extra night if necessary or leave the meetings or the job early to fly on the company time and not my own. I know I'm not the only

one that thinks that. So I know that you'd be looking at an increase in per diem costs if [HB 123] was to be passed. We just have a problem with the fact that this is looked at as such a great benefit for the public employee. And its not such a great benefit. It's a benefit, I agree with that, but it's mighty small compensation for those that have to be away from home.

If we're going to look at saving money, let's look at saving big money instead of nickels and dimes here on travel costs that could be reimbursed by these tickets. Video conferencing: that'll stop a lot of the travel if it was available more to the state organizations. During a lot of our discussions on classification issues and everything else, we did quite a bit of that, and I think we need to do more of that. It works, and that'll save money in the long run. But there's a lot of places where we're wasting a lot more money than [can be saved with HB 123].

Number 1444

BRUCE LUDWIG, Business Manager, Alaska Public Employees Association (APEA)/Alaska Federation of Teachers (AFT), noted that he is also Secretary Treasurer of the Alaska AFL-CIO. He said APEA/AFT represents two bargaining units within state government and all four bargaining units at the University of Alaska. The largest of those bargaining units is the Supervisory Unit, which for about ten years has had a letter of agreement, reached by bargaining, stating that mileage is retained by the employee. Many of the members travel, and they incur additional [unreimbursed] expenses because of that.

MR. LUDWIG said:

I've always thought there was a conspiracy between Alaska Airlines and the administration because I know we all try to make the most out of a day's travel. Alaska Airlines has that early flight that goes up [to Anchorage] in the morning about 6:30 or 7:00 [a.m.], and you come back at 8:00 p.m.; and I kind of thought the governor talked them into doing that to get a lot more work hours out of people. [Laughter]

The point I'm making is that there's a lot of time that the state gains out of that, a lot of extra hours

that my members put in but don't get compensated for. This [individually retaining the frequent flyer mileage] is one small part of the compensation package, and we look at it this way.

Our retirement system has been degraded several times. It's no longer competitive. Our members at the City of Fairbanks bailed out of PERS [Public Employees' Retirement System] because it isn't competitive. The compensation that we pay people [isn't competitive]. We can't get biologists, we can't get programmers, we can't get engineers because we don't pay them enough.

And I'd suggest that there are two audiences. I'm sure this sticks in the craw of a lot of the public that the state's paying for a ticket and somebody's getting the mileage off of it. But there's another audience out there that we need to look at that Mr. Stewart raised, and that's attracting and retaining qualified people to do the state's business. We have to have qualified people. We have to have good people that go in and audit BP's books so that we know how much income tax we're entitled to. And if we don't, we don't get that money. We lose when we don't have qualified employees. And this is a part of it, not a big part, but it's a part of it.

Number 1230

MR. LUDWIG told of federal employees who just let their mileage credit accumulate during their working years, saving it up to use after they retire.

MR. LUDWIG underscored Ms. Garner's point that there is already an obligation on the part of employees in scheduling the travel to find the most efficient means of getting there. If someone is buying a ticket and traveling at a different time specifically to get mileage that's costing the state money, there are avenues of redress that are currently available. He is aware of an ethics complaint that was filed against a state employee for using a car-rental agency other than one offering reduced government rates.

MR. LUDWIG suggested negotiating reduced hotel rates for state employees during the summer instead of paying the high rates charged in Anchorage during the tourist season. "There's more

efficient ways of saving the state money than reducing further the compensation package for state employees," he concluded.

REPRESENTATIVE STEVENS wanted to know more about possible consequences to an employee under the Alaska's ethics laws.

MR. LUDWIG said the ultimate penalty under the ethics laws is termination of employment. "If they suspected that you did it on purpose, there's a good chance that you'd end up getting dismissed," he said.

CHAIR COGHILL added that there certainly would be a hearing over that.

MR. LUDWIG emphasized that an employee traveling in a way that costs the state more money is violating the Administrative Code and penalties for that already are in effect.

CHAIR COGHILL stated his intention to hold another hearing on HB 123.

Number 0966

REPRESENTATIVE HALCRO repeated that the intent of HB 123 was not to condemn or punish anybody who travels on state business. He believes they make a sacrifice and knows what it is like. But it is important to keep the issue in the proper context. The public has a right to expect public employees to operate within the bounds of fairness. He thinks it is fair to assume that frequent flyer miles procured on state business are a legitimate state asset.

REPRESENTATIVE HALCRO said that HB 123 is designed to be on the honor system. Although it does stipulate that the Department [of Administration] should come up with regulations, it doesn't say anything about tracking. Neither California nor the federal government track mileage, he said. The fiscal note looked to him to be "[just] an attempt ... to prove that [HB 123] is completely economically unfeasible."

REPRESENTATIVE HALCRO responded to several points that had been raised in testimony. There is nothing in HB 123 that says employees have to use the mileage immediately, and there are quite few [free] seats available in Alaska in the winter.

REPRESENTATIVE HALCRO acknowledged that travel may involve some sacrifice, but that is "part of the job." Business travel also

has benefits, for example, it allows the traveler to stay on and enjoy personal time at the destination.

REPRESENTATIVE HALCRO noted that when a legislator takes up-front payment of the amount in his personal account, that money is taxed as income and the legislator is free to do whatever he/she wants with it. There are no reporting requirements.

REPRESENTATIVE HALCRO acknowledged that "this is a very difficult conversation." But he still thinks if the state paid for the ticket, the resulting mileage credits should be used for future state travel.

REPRESENTATIVE HALCRO concluded, "Once you get past what I believe is a substantially puffed-up fiscal note, there is not one ... legitimate argument against this piece of legislation."

Number 0392

CHAIR COGHILL said the committee would need to consider the implications of the fiscal note. He went on to say:

The policy call as I see it in this bill is the policy call on allowing benefits or hauling them in, and that's balanced against the commitment of the state employees to their work and our willingness to allow that commitment ... [and making] sure that whatever the state [gets the benefit for what it is paying for]....

CHAIR COGHILL wanted to clarify the intent on reporting issues, which he thought would be critical in making the policy call. He asked Representative Halcro to speak to the intent at the next hearing.

REPRESENTATIVE HAYES wanted to know how many state employees travel enough in a year to qualify for a free ticket. He noted that if it were possible to pool the miles, that would be an entirely different issue.

REPRESENTATIVE HALCRO referred to the estimate in the fiscal note that an average of ten travelers per agency earn enough miles. Even though pooling is not allowed, if the state took a position that miles earned on state travel could not be redeemed for personal use, that might put the state in a better place with the airlines to negotiate lower fares [for state travel], if that is possible.

REPRESENTATIVE HALCRO didn't think was possible to put a specific figure on what HB 123 would save. He again pointed out that the state spends \$16 million on travel, and said that suggests opportunities for savings.

TAPE 01-16, SIDE A
Number 0001

REPRESENTATIVE JAMES pointed out leaving the accounting of mileage credit to the individual does not constitute keeping track of things in a way that is auditable. In trying to listen to the whole issue, it seemed to her that the driving factor behind HB 123 was not necessarily saving money for the state, but giving some employees a benefit that other employees don't have. "In other words, it's not fair for these people [who travel on state business] to get this extra benefit." If fairness is the purpose, then the only way to satisfy that concern would be to tell individuals that they cannot take frequent flyer miles on tickets that the state pays for, and then drop the matter there. Then those miles are dead, not usable, and do not need to be accounted for, she said. She thinks the general public perceives state travel as an extra benefit.

REPRESENTATIVE HALCRO said fairness is part of the issue. Another part is a genuine belief that frequent flyer miles are state assets and should be used to reduce future travel costs. They also are a benefit, and thus a tax liability issue where the IRS is concerned.

REPRESENTATIVE JAMES said she did not support HB 123. If there were some real savings, she might be more convinced that HB 123 is a good idea. But she disagrees with Representative Halcro's belief that because the state paid for these tickets, the resulting mileage credits are a state asset. She believes the reward belongs to the flyer, not to the one who pays for the ticket. "You don't get the mileage until you get on the airplane," she pointed out. "And then you get the mileage because you're on the airplane, not because you paid for the ticket. So that's a difference in philosophy."

REPRESENTATIVE HALCRO replied, "... When you pay for a ticket and you get on the airplane and you take a flight and you accrue frequent flyer miles, that's one thing. But when you redeem those frequent flyer miles for a ticket and you get a free ticket [and go somewhere] ... they don't give you miles, but yet

you're on the plane. So, therefore, the basis for awarding the miles is buying the ticket."

REPRESENTATIVE JAMES made the point that some people do not redeem mileage for free travel, but use it as she does to upgrade to first class.

REPRESENTATIVE HALCRO noted that his company holds the state car-rental contract in Anchorage, Fairbanks, and Juneau, "so if there's one person in this building who benefits from state employees' traveling, it's me." He found it ironic that he is the one promoting legislation that he thinks would save the state money and serve a public purpose, and yet was finding very little support.

Number 0569

CHAIR COGHILL restated his intention to address the issue of reporting at the next hearing of HB 123. [HB 123 was HEARD AND HELD.]

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee was adjourned at 9:45 a.m.