

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

March 7, 2002

8:05 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Joe Hayes

COMMITTEE CALENDAR

HOUSE BILL NO. 498

"An Act expressing legislative intent regarding privately operated correctional facility space and services; relating to the development and financing of privately operated correctional facility space and services; authorizing the Department of Corrections to enter into an agreement for the confinement and care of prisoners in privately operated correctional facility space; and providing for an effective date."

- MOVED HB 498 OUT OF COMMITTEE

HOUSE BILL NO. 303

"An Act relating to the levy and collection of a sales tax; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 248

"An Act relating to retirement contributions and benefits under the public employees' retirement system of certain juvenile detention employees and juvenile correctional institution employees."

- MOVED HB 248 OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 498

SHORT TITLE:WHITTIER PRIVATE PRISON

SPONSOR(S): FINANCE

Jrn-Date	Jrn-Page		Action
02/20/02	2342	(H)	READ THE FIRST TIME - REFERRALS
02/20/02	2342	(H)	STA, FIN
02/28/02		(H)	STA AT 8:00 AM CAPITOL 102
02/28/02		(H)	Heard & Held MINUTE(STA)
03/05/02		(H)	STA AT 8:00 AM CAPITOL 102
03/05/02		(H)	Heard & Held MINUTE(STA)
03/07/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 303

SHORT TITLE:STATEWIDE SALES TAX

SPONSOR(S): REPRESENTATIVE(S)WHITAKER

Jrn-Date	Jrn-Page		Action
01/14/02	1954	(H)	PREFILE RELEASED 1/4/02
01/14/02	1954	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1954	(H)	STA, FIN
01/16/02	1992	(H)	COSPONSOR(S): FATE
02/04/02	2152	(H)	COSPONSOR(S): LANCASTER
02/12/02		(H)	STA AT 8:00 AM BUTROVICH 205
02/12/02		(H)	Heard & Held
02/12/02		(H)	MINUTE(STA)
02/26/02		(H)	STA AT 8:00 AM CAPITOL 102
02/26/02		(H)	Heard & Held
02/26/02		(H)	MINUTE(STA)
03/07/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 248

SHORT TITLE:PERS BENEFITS FOR JUV INSTIT EMPLOYEES

SPONSOR(S): REPRESENTATIVE(S)WILLIAMS

Jrn-Date	Jrn-Page		Action
04/20/01	1096	(H)	READ THE FIRST TIME - REFERRALS
04/20/01	1096	(H)	STA, FIN
02/12/02		(H)	STA AT 8:00 AM BUTROVICH 205
02/12/02		(H)	<Bill Postponed to 2/19/02> - - Location Change --
02/19/02		(H)	STA AT 8:00 AM CAPITOL 102

02/19/02 (H) Heard & Held
MINUTE(STA)
03/07/02 (H) STA AT 8:00 AM CAPITOL 102

WITNESS REGISTER

LARRY PERSILY, Deputy Commissioner
Office of the Commissioner
Department of Revenue
P.O. Box 110400
Juneau, Alaska 99811-0400

POSITION STATEMENT: Answered questions regarding HB 303,
Version O.

RYNNIEVA MOSS, Staff
to Representative John Coghill
Alaska State Legislature
Capitol Building, Room 102
Juneau, Alaska 99801

POSITION STATEMENT: As the committee aide, clarified language
for proposed conceptual Amendment 2 to HB 303, Version O.

GUY BELL, Director
Division of Retirement & Benefits
Department of Administration
P.O. Box 110203
Juneau, Alaska 99811-0203

POSITION STATEMENT: Answered questions regarding HB 248.

ACTION NARRATIVE

TAPE 02-24, SIDE A
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing
Committee meeting to order at 8:05 a.m. Representatives
Coghill, James, Fate, Stevens, Wilson, and Crawford were present
at the call to order.

HB 498-WHITTIER PRIVATE PRISON

Number 0220

CHAIR COGHILL announced the first order of business, HOUSE BILL
NO. 498, "An Act expressing legislative intent regarding
privately operated correctional facility space and services;
relating to the development and financing of privately operated

correctional facility space and services; authorizing the Department of Corrections to enter into an agreement for the confinement and care of prisoners in privately operated correctional facility space; and providing for an effective date."

CHAIR COGHILL explained that public testimony was closed and that the discussion would take place among committee members. He then mentioned two considerations regarding HB 498: "sole sourcing at Whittier," and "private versus public." He also referred to similar [bills] by the administration and Senator Lyda Green; he offered his understanding that the scope of the bill proposed by the Senate would include prisons in various communities across the state, which is similar to the plan by the administration.

Number 0375

REPRESENTATIVE JAMES asked whether [HB 498] would simply authorize the state to negotiate this issue.

CHAIR COGHILL replied that it is permissive, but is also a directive because it says the legislature expects the Department of Corrections to contract with the City of Whittier.

REPRESENTATIVE JAMES remarked that she sees a similarity between [HB 498] and her own HB 244, which had drawn complaints that it was "sole source." She said that wasn't the case because a right-of-way doesn't involve a state RFP [request for proposals]. She also said the sole-source issue [for HB 498] isn't an issue, from her perspective, because the "sole source" was the request put out by the City of Whittier. This legislation would just authorize negotiation between the state and Whittier to "see whether they would sell bonds to finance this issue." She added that there would have to be a contract.

REPRESENTATIVE JAMES also offered her suspicion that "there is some little glimmer in there that if the state wanted to enter into a contract with anybody, they probably could - but, knowing how the government works, they never would." She said it seems that whether or not a private prison is the thing to do, the "City of Whittier folks have done their due diligence" and are asking for this [legislation]. She mentioned "the Delta idea" and "the Kenai idea" as previous [recipients of legislative support].

REPRESENTATIVE JAMES brought up the issue of private versus state-operated prisons. Personally, she said, she would like to see private prisons succeed, though she doesn't know if they can or will, because what exists now is not currently working as she would like to see it work. Representative James compared the issue to that of the public schools: should every child be made to go to public school, or should there be options? Regarding prisons, she mentioned her preference for an option that would work better, be less expensive, and reduce recidivism.

Number 0749

REPRESENTATIVE WILSON noted that the council on state government fiscal affairs committee had done extensive study regarding private prisons. Reading that, she said, brought to her attention that many times problems are in regard to the contract between the state and the prison. She suggested the state has to be diligent with what it oversees and puts in the contract. She mentioned concerns that [prisoners] will be treated fairly and that rehabilitation efforts will be made. Recalling that Representative Fate had perhaps mentioned that "Fairbanks was interested," she asked whether that meant he would be [offering] an amendment. She said she would like to move out [HB 498].

Number 0927

CHAIR COGHILL suggested the finance questions would be difficult to answer. He asked members to consider whether Whittier should be allowed the opportunity, now that it has come forward with the bid. Noting that the words of a previous testifier had made him question the size of [the facility], he told members he would be open to discussing that topic.

Number 0984

REPRESENTATIVE FATE clarified that his own discussion had been in regard to the specific demands in the bill that the City of Whittier be the location [for the prison]. He read two examples [from page 1, lines 11-12, and page 2, lines 21-22]. He noted that other areas are interested in [having a prison]. He mentioned prior testimony regarding lack of infrastructure, high construction costs, tsunami and avalanche safety issues, and the "cultural aspect." Recalling testimony from the Alaska Native Brotherhood (ANB) about social reinforcement, he emphasized that it is really the family, as much as the facility itself, that "heals these people and gets them over the hump - gets them back into society." He said although he believes the ANB has a camp

in Anchorage, its main thrust is in Southeast Alaska. He noted that there had been no other mention of cultural activity with any other Native group. He remarked, "I think that this ... is an absolute necessity in a medium-security institution." He indicated the length of the trip [to Whittier] for visitation would be difficult from all over the state, even from Anchorage.

REPRESENTATIVE FATE allowed that Whittier had "stepped up to the plate," but said that alone didn't make it the right place [for a prison]. He conceded that the people of Whittier have done a good job and need the [economic stimulus], and that the tunnel is in need of [use]; however, Representative Fate said he isn't sure this [legislation] is the way to achieve those aims. He concluded, "Mr. Chairman, if you want to move this out and have a vote on it, that's fine, but I think you're making a mistake."

Number 1285

CHAIR COGHILL indicated that after visiting some prisons in Idaho and Arizona, he'd thought [a prison in Whittier] would be as accessible from Anchorage as [those prisons] are from major cities. He said he appreciated the rest of Representative Fate's comments.

Number 1306

REPRESENTATIVE STEVENS noted that this has been a difficult issue for everyone. He said thinks the overriding issue is that [Alaska] has 800 prisoners in Arizona and is spending enormous amounts of money [to keep them there]. He mentioned having read a study done several years ago on privatization, which touted looking at ways to privatize various areas of government to save money; he said this made sense. He noted that [HB 498] gives the opportunity of looking at that, and said he thinks it is important to do that. He remarked that the bill would authorize the state to begin negotiations.

REPRESENTATIVE STEVENS told members he was impressed with the testimony [at the previous hearing] from [Mr. Katzeek] of the ANB regarding the importance of returning prisoners to Alaska to be closer to their relatives. He highlighted the easy access [of Whittier] to Anchorage, and noted that [prisoners] can be taken to Whittier at less expense than flying them to Arizona.

REPRESENTATIVE STEVENS offered that the location is key. He noted that neither Delta nor Kenai had worked out, but that Whittier is willing to have [the prison] in its community. He

said he thinks the impact on the community could be enormous in terms of jobs and construction. He said it makes sense to continue this discussion, but in the House Finance Committee. He spoke in favor of moving HB 498 out of committee.

Number 1460

REPRESENTATIVE CRAWFORD told members he believes a 1,200-bed prison is a mistake for a number of reasons. Foremost is that regional prisons and jail space are needed across Alaska, and building a facility in Whittier would preclude building any other jail or prison space. He said, "They've testified numerous times that ... you don't have the economies of scale with a smaller, regional prison, but there are other factors that we need to consider, [such as] when people have to be tried in the area that they were charged in." He said he thinks regional prisons are needed in places such as Bethel and Southeast Alaska.

REPRESENTATIVE CRAWFORD referred to [page 2, lines 8-9, regarding the average per diem rate] and read, "should be approximately \$89 to \$91 in current dollars." He said it is vague and perhaps was written that way on purpose. He also suggested page 2, lines 19-21, is vague; it read, "for profit or nonprofit third-party contractors construct and operate the facility by providing for custody, care, and discipline services for persons committed to the custody of the commissioner of corrections under authority of state law." He explained, "Under that, I believe that they could actually bring prisoners from out of state to a private prison, to make sure that that facility was full." He said he had many questions about [HB 498] and didn't see the great hurry in moving it onward.

Number 1634

REPRESENTATIVE JAMES noted that when figuring the cost of having a prisoner, the operating cost is counted rather than the capital cost. In this particular case of having a private prison, the amount charged has to include the capital costs, however, because "people have to pay for what they did." Clarifying that she wasn't saying "privately is the best way to do things," Representative James suggested the need to weigh the cost with the achievements. She said she'd like to see better prison management and ideas to reform people. Prison is not entirely punitive, she added, emphasizing that making any big change in government is difficult.

REPRESENTATIVE JAMES mentioned trying to match revenues with expenses. She said there are huge needs, such as prisons and schools, that have gone unmet for a considerable time. Noting that she is embarrassed by some of the schools that children have to go to, she remarked, "If we're ever going to reduce the people in prison, we need to do better at the other end." Representative James said she isn't really interested in issuing bonds to build more prisons, but would rather have a contract [that sets a price] so it doesn't grow exponentially over the years. She noted the big argument over "private versus public," and said she comes down "a bit on the private side." She reiterated that this bill just allows the prison to happen, rather than making it happen.

Number 1859

REPRESENTATIVE JAMES moved to report HB 498 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE FATE objected.

A roll call vote was taken. Representatives James, Stevens, Wilson, and Coghill voted to move HB 498 from committee. Representatives Crawford and Fate voted against it. Therefore, HB 498 was moved out of the House State Affairs Standing Committee by a vote of 4-2.

HB 303-STATEWIDE SALES TAX

Number 1907

CHAIR COGHILL announced the next order of business, HOUSE BILL NO. 303, "An Act relating to the levy and collection of a sales tax; and providing for an effective date." Chair Coghill explained that he'd had Version 0, the new proposed committee substitute (CS), drafted following discussion of the constitutionality of [Section 3], the "conditional effect" section.

Number 1955

REPRESENTATIVE JAMES moved to adopt version 22-LS1206\0, Kurtz, 3/4/02, as the working document. There being no objection, Version 0 was before the committee.

CHAIR COGHILL referred to page 3 [Section 3] and explained the change in regard to the conditional effect, which he said he feels strongly about: there will be a "no-growth" operating budget, "to show that we have downward pressure on the budget."

CHAIR COGHILL called an at-ease at 8:33 a.m. so members could read the new language in Version O. He called the meeting back to order at 8:34 a.m.

Number 1994

CHAIR COGHILL referred to the new language in Section 3, which read in part, "This Act takes effect only if the appropriations summarized by the Legislative Finance Division of the Alaska State Legislature in the general fund section of the 'operating' portion..." In response to Representative James, he indicated it goes to the total adjusted operating budget, but not supplemental budgets, because of issues regarding forest fires and emergencies, for example. He remarked, "I am very well aware of what I'm asking here. But it's also true that if we pass a sales tax out, we're asking people to do with that much less of their own operating capital, if you will, and I think that it's only prudent of us ... to have this kind of language in there."

CHAIR COGHILL reported that he hadn't changed any other language in Version O. He added, however, that Version O is different from the original version in that the sales tax is 3 percent and year-round, rather than seasonal. He told members, "Throughout the course of the discussion, we've taken the alcohol out as an exemption, and I think that's all the exemptions that we want to entertain as a committee, unless there's further discussion."

Number 2148

REPRESENTATIVE CRAWFORD began discussion of what would become proposed conceptual Amendment 1. He reminded members that during discussion of exemptions, he'd voiced concern about a single service that exceeds \$2,000; he didn't believe a Mercedes should be exempt, for example, when a used Chevy isn't. He proposed deleting lines 22-23 [page 2, paragraph (7)].

REPRESENTATIVE JAMES agreed.

CHAIR COGHILL asked whether Representative Crawford wanted to offer the foregoing as a conceptual amendment, with the following paragraphs to be renumbered accordingly.

REPRESENTATIVE CRAWFORD said yes.

CHAIR COGHILL noted that any item sold, then, whether for \$80,000 or \$2,000, would be included.

Number 2220

REPRESENTATIVE WILSON expressed concern that it would allow "a dangerous situation" for businesses that sell washers and dryers or cars, for example, because people wouldn't buy those items where there is a high sales tax. She cited Juneau [with its existing 5 percent sales tax] as an example of an area where it might present a problem.

CHAIR COGHILL asked whether the concern was about taking the limit totally off. He then asked whether Representative Wilson would adjust the \$2,000 limit.

REPRESENTATIVE WILSON replied, "It's hard for me to say because I'm against the sales tax, period, anyway."

Number 2283

REPRESENTATIVE STEVENS said he didn't believe he was in favor of taking this exemption out. As it reads, a person who buys a new car would pay sales tax on the first \$2,000, which would be \$60 regardless of the price, but removing the exemption would raise the tax to hundreds of dollars more. He agreed with Representative Wilson that it would be a great disincentive to business and acknowledged Representative Crawford's point that those at the lower end of the economic scale would have to spend more of their disposable income. He said charging \$750 [in tax] for an expensive car would be a disincentive to businesses, which doesn't make sense to him.

Number 2372

REPRESENTATIVE JAMES clarified that she doesn't like the 3 percent tax, either, and has said she'd support something at 2 percent. Regarding whether to tax people on income or consumption, she offered her opinion that if there are to be taxes, there should be both a small income tax and a small sales tax, "because you're never going to balance things otherwise." She said the argument that lower-income people are more impacted by a tax of any kind is a reality; she added that there are exemptions in an income tax "that take off the bottom part."

Representative James explained her philosophical objection to having [an exemption for purchases over \$2,000]:

If we're going to tax everybody either on their income or on their consumption, and we're assuming that it is more fair if we ... tax them on their consumption, then why limit the consumption? It doesn't make a lot of sense to me to stop it someplace.

REPRESENTATIVE JAMES indicated most people would buy a reasonably priced car rather than a Mercedes, as mentioned by Representative Crawford. She emphasized, "If we're going to tax consumption, let's tax consumption"; she indicated, however, that she would be amenable to exempting "food and drugs and all those things that are really not 'choice' decisions." She said she'd like to remove the [\$2,000 cap] because she didn't believe it made sense.

REPRESENTATIVE JAMES, noting that she likely wouldn't support the bill on the House floor, said she understands Representative Wilson's concern, and that her own reason for not wanting the tax higher than 2 percent is that many municipalities in Alaska have sales tax already and thus adding a large tax burden would be problematic for them. She concluded by saying a 2 percent tax is the amount she'd be "willing to give, just in order to let municipalities piggyback on, so they don't have to set it up [on] their own, and they can say, 'Well, take 2 [percent] for me, too.'"

Number 2520

REPRESENTATIVE CRAWFORD remarked, "I should have said Buick." He referred to 3 percent of the selling price of a 1989 Chevy compared to a \$20,000 Buick; he emphasized that \$60 is not 3 percent of a \$20,000 Buick. He remarked, "If we're going to have a sales tax that's based on ... taxing everybody at the same rate, those people that pay more for more expensive cars should pay more for their tax as well."

Number 2559

REPRESENTATIVE FATE noted that the exemption says the tax levy doesn't apply to anything that exceeds \$2,000, whether it is a washing machine, a Chevy, or a Mercedes. He agreed that removing the exemption will hurt businesses because people will make large purchases elsewhere. He voiced support for leaving [the exemption] in as a safeguard.

REPRESENTATIVE JAMES pointed out that it is a sales-and-use tax, and that she presumes and hopes someone who buys a car Outside and then licenses it to use in Alaska will have to pay the tax.

CHAIR COGHILL said that is an excellent point.

REPRESENTATIVE STEVENS agreed, but said he'd like to hear from the state regarding enforcement. He then noted that his community has a 6 percent sales tax but a \$15 [maximum] on large-ticket items. He asked whether the state can collect taxes for a local community that has standards - such as the \$15 maximum on expensive items - that differ from the state standards - in this case, a \$60 maximum [if there is a \$2,000 cap]. He asked how it would work and what the cost would be to communities that have an additional sales tax.

Number 2710

LARRY PERSILY, Deputy Commissioner, Office of the Commissioner, Department of Revenue, came forward to answer members' questions. He noted that Version 0 talks about sales and use in Section 1, but only referencing Title 29, which refers to municipal sales-and-use tax. Section 2 refers to the state retail sales tax. As drafted now, the bill has no requirement to pay the tax when crossing the border with goods.

REPRESENTATIVE JAMES said she didn't like this bill, then.

REPRESENTATIVE STEVENS asked what process would be used to collect a sales-and-use tax.

Number 2750

MR. PERSILY clarified that although Version 0 wouldn't require payment of the state sales tax when crossing the border, Section 1 would require the state to collect the sales-and-use tax if the municipality so requested. For example, Mr. Persily explained, if the City & Borough of Juneau said, "We want the state to collect the sales-and-use tax," then [the department would probably ask that this be amended to include, in the motor vehicle statutes, the provision that someone can't register a vehicle in Alaska until that person has paid any appropriate sales-and-use ... tax prior to registration, "because you'd have to have that enforcement tool for the Department of Revenue to enforce the use ... tax aspect of the municipal sales tax."

REPRESENTATIVE JAMES suggested that [conceptual Amendment 1 be withdrawn].

REPRESENTATIVE FATE asked what would happen if a person bought a vehicle in another state, registered it there, and then brought it to Alaska to reregister it. He suggested there would be just a straight charge for the registration, with no sales tax. He said it is done commonly; otherwise, people who bring vehicles into Alaska would be charged.

MR. PERSILY pointed out that the foregoing is true because Alaska doesn't have a sales-and-use tax. He recalled that he'd sold a car to a friend who took it to Washington State, where he'd had to produce a bill of sale for the vehicle; that person then paid tax in Washington on the sales value of that vehicle. Under current statute, Alaska wouldn't impose a tax, but a law could be written to require payment of the tax before registration.

Number 2865

REPRESENTATIVE CRAWFORD suggested Washington State's sales tax is higher than [that proposed in Version O], so a person would prefer to pay 3 percent in Alaska rather than Washington's higher percentage. He also suggested that someone who registered a vehicle in Washington still would have to pay tax in Alaska later, at renewal time [if structured that way].

REPRESENTATIVE FATE remarked that this is why people go to Oregon [where there is no sales tax].

REPRESENTATIVE WILSON recalled buying a truck in North Carolina two weeks before moving to Alaska. Because of already having a residence in Alaska, she wasn't required to pay the North Carolina sales tax, and there was none in Alaska; it saved a lot of money. She pointed out that some states don't require payment of sales tax if a person has an address somewhere else.

CHAIR COGHILL asked, "[If] we amend this out, then do we go to the use part of the sales-and-use tax?" He said it is germane to the discussion, and whether to vote the amendment up or down may be contingent on "where we go with this tax." He asked whether there was further discussion on the amendment; none was offered. He asked whether there was any objection.

REPRESENTATIVE FATE and REPRESENTATIVE STEVENS objected to the motion.

TAPE 02-24, SIDE B
Number 2995

CHAIR COGHILL restated conceptual Amendment 1, on page 2, lines 22-23, to delete paragraph (7) and renumber the remaining paragraphs; thus it would delete the following: "(7) that part of the selling price of a single item or the periodic selling price of a single service that exceeds \$2,000".

A roll call vote was taken. Representatives Crawford, James, and Coghill voted for conceptual Amendment 1. Representatives Fate, Stevens, and Wilson voted against it. Therefore, conceptual Amendment 1 failed by a vote of 3-3.

Number 2890

REPRESENTATIVE JAMES again emphasized that if the state is going to tax consumption, it should do so [without a cap]. She told members that because the bill mentions collection of a sales-and-use tax, she'd thought it included a [state] use tax, which is her intention. She recalled that a client in Washington State had sold \$30,000 combines and other big equipment; the tax percentage was based on the entire price, and a person who bought a combine in Michigan for use in Washington would have to file a use-tax form with [Washington] State and pay the use tax. She indicated that is the only way it will work in adjacent states: in order to protect the tax base and not lose sales across the border, there must be a use tax.

REPRESENTATIVE JAMES stated her preference for having an income tax without a sales tax. She surmised that the state would end up with both, however, which was why she wanted to argue for what she considered fairness, without allowing people to avoid the tax by going elsewhere [for purchases]. She noted that people can pay less elsewhere for the purchase price to begin with. But, she said, allowing people to [avoid taxes by buying] outside the state should be illegal; there should be a state sales-and-use tax. Furthermore, based on Mr. Persily's testimony, she suggested the need to clarify that if the tax is going to be collected [by the state] for a municipality through a municipal ordinance, it must match the state's tax structure; otherwise, there will be large problems with collection, disbursement, and auditing.

CHAIR COGHILL suggested such a change could be made on page 1 [lines 12-13] by saying "retail sales and use tax is levied".

REPRESENTATIVE JAMES asked whether the state would be able to write regulations regarding how to implement it simply by saying "a use tax" or whether it would need to be more descriptive.

Number 2733

MR. PERSILY suggested the committee would want to change the title on line 1 [page 1], to say "Retail Sales and Use Tax", and to change line 12 "and any other place where it says 'sales'" to say "sales and use". He also suggested working with the drafters to see, in comparing other states, whether other provisions need to be in statute in order to promulgate regulations.

MR. PERSILY noted that for motor vehicles, there is an enforcement tool because registration can be denied until the tax is paid. On other items, it is up to the legislature to some extent. For example, does the legislature want to put penalties in statute for purchasing items out of state, bringing them to Alaska, and then not paying the tax? "We'd want to have, I think, some provision for the voluntary payment of tax," he added, "but would you want penalties if someone goes out and buys a vanload of furnishings for their new home and doesn't report that under the sales-and-use tax provisions?" He added that enforcement will be tough; most states do a fairly good job regarding motor vehicles, but on other items it depends on people's honesty to a great extent.

REPRESENTATIVE JAMES reiterated that she doesn't like sales taxes, but said if they exist, they need to be effective and fair.

Number 2655

REPRESENTATIVE STEVENS mentioned the option for communities to choose to collect their own local taxes as before, or to have the state collect them and then remit the portion that belongs to the community. He remarked that he likes the idea of making it contingent upon having the standards be the same. He asked Mr. Persily to comment.

MR. PERSILY responded:

The Department of Revenue's recommendation would be, if the state has a sales or sales-and-use tax, that we take over not just the collection, but the setting of

... exemptions, limits, collection standards, what have you, for the municipalities. Otherwise, you're putting businesses in the position of maintaining two code books by the register, particularly, as you think about the way this is drafted, if you have a business that operates in more than one city; ... that business could be turning in a state-only return and a Kodiak-only return in this store's location, and a combined state-Cordova return in your other location. ...

We all talk about trying to be business-friendly and not making it harder to do business in this state. Requiring businesses to keep track under different exemption rules, different collection procedures, different reporting -- this says "monthly"; a lot of municipalities are quarterly. I don't think you'd really want to put businesses through that, if you could avoid it.

On the other hand, municipalities might object to the state's setting what's exempt and what isn't, but to make it an effective tax, that would be the way to do it.

Number 2555

REPRESENTATIVE STEVENS said this in no way compels the communities to buy into the state system; they can continue to collect taxes as they do now or enter [the state's] system and, under Mr. Persily's suggestion, comply with the limits and exemptions that the legislature establishes. He suggested it would be a tremendous savings to all communities not to have to have a staff [for this function] and do sales tax. He asked how it would work in regard to charging communities for that collection.

MR. PERSILY answered that the bill allows the businesses to retain 1 percent. He added:

I would think that would probably be something that would be discussed in the fiscal note. If we said, "This is how much this is going to cost to collect a state-city sales tax," [the House Finance Committee] might say, "Well, gee, how much of your time is being spent on municipal collections? Since the municipalities can lay off their ... sales-tax staff and save money, maybe the legislature would want the

state to charge the cities for their collections, which poses another political battle.

REPRESENTATIVE STEVENS remarked that nothing in the bill allows the state to recover from municipalities the amount of money it costs to collect those taxes [on their behalf].

MR. PERSILY concurred.

REPRESENTATIVE JAMES remarked, "This is good. Everybody's getting the point - why I don't like sales tax."

Number 2484

REPRESENTATIVE WILSON offered conceptual Amendment 2, on page 2, after line 28, to add a new exemption, paragraph (13), which says municipalities that already have a sales tax of 3 percent or more are exempt.

REPRESENTATIVE WILSON explained that her community [Wrangell] has a 7 percent sales tax in order to fund services, which has been necessary because of the loss of the timber industry, for example. Adding 3 percent [in state tax] will raise the total to 10 percent, making things much worse for residents. She asked that it be thought of as a problem in many areas [besides Wrangell]. She suggested that either there should be no sales tax or the tax should be fair to municipalities that already have a tax.

CHAIR COGHILL noted that lines 3-4 say "does not apply to". He suggested that conceptual Amendment 2 therefore would add a new paragraph (13) that reads, "municipalities that have a municipal sales tax of 3 percent or more".

REPRESENTATIVE JAMES suggested saying "purchases" because it is talking about what purchases or services are exempt.

Number 2340

RYNNIEVA MOSS, Staff to Representative John Coghill, Alaska State Legislature, speaking as the committee aide, clarified that it would read [beginning on line 3 and then jumping to the proposed paragraph (13) after line 28]: "The tax levied under AS 43.44.010 does not apply to ... municipalities that have a municipal sales tax [of 3 percent or more]".

REPRESENTATIVE JAMES objected. She said it's a matter of being unfair to communities that have to pay to the state. She pointed out that the money goes to the state rather than the locality. She said she doesn't believe it is [fair] to exempt those people, which is why she doesn't like a sales tax at all.

REPRESENTATIVE STEVENS also voiced opposition to conceptual Amendment 2. He related his belief that communities decide how to pay for the services they provide, whether through property tax or sales tax. If the goal were to ensure that every community had a 3 percent sales tax, [conceptual Amendment 2] would do it immediately.

Number 2207

REPRESENTATIVE WILSON pointed out that under an income tax, communities with property taxes can deduct the property tax from the income tax. Therefore, she asked whether it could be a deduction.

CHAIR COGHILL said the state income tax would have to be implemented in order for it to be a deduction, which he announced he wasn't willing to do.

REPRESENTATIVE WILSON questioned why there couldn't be deductions for areas with sales tax, when there are exemptions for areas with property taxes.

CHAIR COGHILL specified that the question is whether there will be a consumption tax or a production tax.

A roll call vote was taken. Representative Wilson voted for conceptual Amendment 2. Representatives Crawford, Fate, James, Stevens, and Coghill voted against it. Therefore, conceptual Amendment 2 failed by a vote of 1-5.

Number 2085

CHAIR COGHILL asked whether 30 days should be specified. He also asked whether the communities could align with that.

MR. PERSILY informed the committee that if the legislature imposed a sales tax, the department would favor making that tax code mandatory in municipalities. Mr. Persily surmised that the municipalities' right to have a sales tax code would be taken away, and "we would impose whatever right they tell us and collect it under our rules." Regardless, the department would

favor having the same payment requirements of 30 days as in this bill. Administratively, the [30-day requirement] would be easier for businesses because there would be only one return, rather than two separate returns.

MR. PERSILY pointed out that a sales tax is not the business's money. The philosophical question is whether the desire is for the business to keep and use the money for 90 days under quarterly reporting or to require 30-day reporting/payment to the state. Mr. Persily agreed with Representative James's assertion that businesses can get into trouble under quarterly reporting when the sales tax money in the bank is viewed as a free loan.

CHAIR COGHILL voiced continued concern with regard to the alignment [of the 30-day requirement], saying he didn't want to create another "tier of things to do."

MR. PERSILY pointed out that the alcohol and tobacco taxes are paid monthly. He confirmed that the unemployment tax is different from excise taxes on alcohol and tobacco.

CHAIR COGHILL remarked that 30-day reporting seems appropriate because it might lessen the temptation [of the business owner] to use [the sales tax money].

Number 1920

REPRESENTATIVE STEVENS began discussion of what would become conceptual Amendment 3. He expressed the need for an amendment to Section 1 specifying that the state's ability to collect the municipality's sales tax is an option for municipalities; that there should be a charge for that collection; and that if the state collects the municipal sales tax, the municipality's limits and exemptions must match the state's.

REPRESENTATIVE JAMES responded that she understood Mr. Persily's concerns, and that if this were to be done, it would make sense to take away [the municipality's] right to have a sales tax. She said, however, that she wasn't willing to do that either.

Number 1776

CHAIR COGHILL, after conferring with his staff, offered possible language, on page 1, line 6, to insert "(a)" [after "**state.**"] It would also insert, following line 9, a new subsection (b) to read something like the following:

A municipality requesting the Department of Revenue [to collect taxes] would be required to have a municipal sales tax ordinance consistent with AS 43.40. ... The Department of Revenue may retain 1 percent of the amount collected for a municipality.

CHAIR COGHILL remarked, "We're also allowing that to the businesses - 1 percent of the amount collected. So it's a diminishing amount as we go up, and I don't know how we'd figure a fiscal note on that." Chair Coghill then restated the new proposed subsection (b), with a few changes:

(b) A municipality requesting to collect taxes under (a) of this subsection would ... be required to have a municipal sales tax ordinance consistent with AS 43.40.

CHAIR COGHILL added, "So we would be mandating, at that point, an alignment." He suggested an effective date would be required on that.

Number 1650

REPRESENTATIVE JAMES suggested having it "come in" at the beginning of each calendar year, on January 1, rather than throughout the year.

CHAIR COGHILL surmised that Section 1 would require an effective date just for that, because it would have to be different from the implementation of AS 43.40 in Section 2 of the bill. He continued with the amendment [offering what was later clarified to be subsection (c)]:

The Department of Revenue may retain 1 percent of the amount collected for a municipality.

REPRESENTATIVE JAMES offered an example from the Fairbanks North Star Borough; she said this would be a total of 2 percent the municipality wouldn't get, including the 1 percent for collection.

Number 1581

MR. PERSILY offered his understanding that it would say, therefore, that a municipality that asks the state to collect a sales tax would have to match the sales tax in Sec. 43.44.010

[Section 2 of the bill]. He noted that many municipalities have a bed tax, alcohol tax, tobacco tax, or charitable gaming tax. And Cold Bay, for example, has a fuel transfer tax. He said:

Would you want the state to collect those in addition, but yet they don't exactly match [Sec. 43.44].010. So if you wanted the state to collect those, you'd have to include that in here. If you didn't want the state to collect those, that's fine, but ... I know in Juneau, for example, when you turn in your sales tax, the same form, the same reporting mechanism is used for the bed tax, the alcohol tax, and the sales tax. So you could end up with the state collecting the sales tax, but the municipalities still having to maintain their own operations for bed tax, alcohol tax, tobacco tax, fuel transfer tax.

CHAIR COGHILL suggested that would be part of the problem with having a mandate at this point.

MR. PERSILY, in response to Representative James, affirmed that state statute currently says municipalities cannot impose an alcohol tax unless there is an existing sales tax.

Number 1459

REPRESENTATIVE STEVENS said this doesn't mandate anything. On [page 1] line 7, for example, it says "may collect". He said it allows communities to continue doing business exactly as they are now. This is an option if a community wants the state to collect the taxes on its behalf and sees the fee as being reasonable. He asked Mr. Persily whether 1 percent is a reasonable amount for collecting taxes for a municipality. Suggesting it is a lot of money, he specified that instead he wanted to charge communities a "reasonable amount".

MR. PERSILY responded that he'd been thinking about that, but wasn't sure he had a good answer. He noted that Wrangell, Representative Wilson's hometown, collected \$1.8 million in sales tax last year; 1 percent would be \$18,000. He agreed there would be economies of scale if there were a state tax that [the municipal collection] piggybacked on. He said he doesn't know how much staff time Wrangell assesses for its sales tax collection efforts. If [1 percent] seems to be more than the state needs, he suggested the bill could say "an amount not to exceed", for example, "and then trust us not to exceed it." [There was laughter.] Mr. Persily said it would depend on the

complexity. If the state collected the straight sales tax but the municipality retained [collection of] the bed tax, alcohol tax, tobacco tax, and rental car tax in Anchorage, for instance, then [the municipality] would still need to maintain a sales tax office.

Number 1301

REPRESENTATIVE STEVENS [moved to adopt the foregoing as conceptual Amendment 3].

REPRESENTATIVE JAMES asked whether an amendment is needed such that an application would have to be effective on the first [day] of any given year.

CHAIR COGHILL agreed an effective date might be required on that. Referring to earlier discussion, he noted that conceptual Amendment 3 also would have a subsection (c): "The Department of Revenue may retain 1 percent of the amount collected from a municipality." He asked whether it should be "1 percent" or "up to 1 percent" or "not to exceed 1 percent". [Members' responses were indiscernible.] Chair Coghill then announced it would remain "1 percent".

Number 1134

REPRESENTATIVE CRAWFORD referred to Mr. Persily's mention that there could be "a reasonable amount up to 1 percent." Representative Crawford indicated his preference for that language, noting that it may not cost the state 1 percent. He said he'd prefer that the money go back to Wrangell, for example, if it doesn't need to go to the state [to cover the state's costs].

REPRESENTATIVE STEVENS offered his understanding that because the language [proposed as subsection (c)] says "may", it gives the option to the state to go up to 1 percent. If the costs are lower than that, he added, "they ... don't have to charge the 1 percent; so I think 'may' gives it that wiggle-room...."

Number 1067

REPRESENTATIVE JAMES expressed concern about the department's figuring out how much this is going to cost; it seems arbitrary in some ways. She said a municipality would only want to do this if it would save money. She suggested although municipalities might know how much the collection costs them,

she wasn't sure their determinations would be accurate because personnel do more than one thing, for example, and don't necessarily record how much time is spent on particular tasks. She offered that perhaps .5 percent would be reasonable for [municipalities] that collect a lot; that would be the case if Anchorage had a sales tax, for example. She suggested it wouldn't require any more time to do the work for Anchorage than for Wrangell, because the businesses do the actual collection and [the state] would just receive the money and issue back a check, which shouldn't cost much. She mentioned perhaps specifying it in statute or by regulation. She conveyed concern about trying to figure out the precise cost of doing things unless there is one [staff] person who does nothing else.

Number 0922

MR. PERSILY responded that to some extent it would depend on how many municipalities opted in, and how difficult it got. If only a small number opt in and the department must assign staff time, it is more expensive than if half of the hundred municipalities opt in. It also depends on how big the tax is: the department would need to charge a higher percentage of a small sales tax. For example, [Version 0] has a 3 percent sales tax. If it were amended to 1 percent, it would cost the department as much to collect as it would for even a 5 percent tax. He offered that one method could be to let the "market" decide and just say that [the department] may recover a fee from municipalities. He explained:

If this were passed and we said to municipalities, after looking at the bill and seeing how many opt in, "This is how much we want to charge," and they figure it out: "Gee, we can do it for less than that; we don't want to opt in." And if we can do it cheaper, through economies and savings of scale, and they opt in and the municipalities save money, well, that's good. So it sort of lets a private-sector market decide who opts in and who doesn't.

Number 0824

REPRESENTATIVE WILSON concurred with the earlier thought that it won't cost any more to collect Anchorage's money than Wrangell's. She said it is too huge to leave it at 1 percent.

Number 0742

REPRESENTATIVE JAMES proposed amending the amendment to leave the 1 percent out.

CHAIR COGHILL suggested, "The Department of Revenue may retain an amount to be determined." He then said no.

REPRESENTATIVE JAMES mentioned "the cost of", which would leave it fairly open.

CHAIR COGHILL called upon his staff and then offered, "The department may retain a reasonable fee, as negotiated with the municipality, of the amount ... of tax collected."

CHAIR COGHILL asked whether there was any objection to the foregoing amendment to conceptual Amendment 3. There being no objection, the amendment to conceptual Amendment 3 was adopted.

CHAIR COGHILL asked whether there was any objection to conceptual Amendment 3 [as amended]. There being no objection, conceptual Amendment 3 was adopted. Chair Coghill indicated he would make a new CS available to the committee for review.

Number 0595

REPRESENTATIVE FATE referred to the "conditional effect" section, Section 3. He said although he applauded the effort to hold down costs, holding them flat and indexing them to the previous year doesn't take into consideration the potential for development in the state. He requested confirmation from Mr. Persily that some constitutional language relates to inflation in population as a measure of "increase."

MR. PERSILY said he wasn't an expert on that.

REPRESENTATIVE FATE brought up the possibility of a conceptual amendment "that allows for inflation in population, not to exceed inflation in population, which keeps control of expenditures and yet provides for those areas where, because of development, there will be a population increase and there could be some impacting." Calling it a "friendly conception," he cautioned that [the language in Section 3 of Version 0] may limit development.

Number 0470

CHAIR COGHILL clarified that [Section 3] only affects this year's budget. He expanded on the reasons for the language:

We're actually cutting into the ... capital dollar that anybody has to spend. We're not taking into account any CPI [consumer price index] numbers. We're not taking into account ... any other thing. We're just saying we're going to take the consumption this much - 3 percent - and we're not going to take into account any other factors. And for us as a government, then, to say "except us" I think is unwise. And so, I wanted ... to leave this language in there for this year: there has to be [demonstrable] evidence ... that we're not going to excuse ourselves, as a state government, while going to them without any consideration for their ability ... to grow.

REPRESENTATIVE FATE expressed concern that although the language refers specifically to [fiscal year] 2003 as compared to the 2002 budget, there will be exploration in 2002, there will be an impact on certain areas of the state with regard to population, and there will be an impact because of new business "that could be coming along in the state." He again spoke in favor of indexing it to inflation and to the population increase that may occur in areas of the state where development might occur.

CHAIR COGHILL offered his understanding that under the conditional effect [section], "the operating portion then would be allowed to grow by CPI and population growth of this last year."

Number 0275

REPRESENTATIVE JAMES said she'd understood this differently and wasn't concerned at this point "because of our efforts that we have that are ongoing, which are not successful 'til the end." She added, "What I understood that you put this on here for is, if this goes through all the way through the process, gets voted on in the House and the Senate, and becomes law, and then the budget that we're doing now for fiscal [year 2003] is larger than the one we've had for 2002, then it fails. ... That's the bar."

CHAIR COGHILL responded, "I need to have that bar before I will go along with this. ... And you've characterized it exactly right."

Number 0199

REPRESENTATIVE FATE said:

I don't really mind that. But if we're going to put bars up like this, we should put those bars up for all kinds of tax. This is a tax discussion, ... basically, on sales tax. And the discussion was, in this committee, not to compare but to have an open discussion on the pros and cons of sales tax, which we've done, thanks partly to [Mr. Persily] here. But I just wanted to point out that ... this could be a killer, for example, for sales tax, for some of those people who want sales tax. And so if we're going to have that bar, I think that bar should also be applied to any other kind of tax.

CHAIR COGHILL responded:

If this passes out and it gets over that bar - this is enduring - that language goes away. So in my view ... what we're doing is establishing a base year that we're saying, "OK, it had to go over that bar to get there, and ... that intention was there." So I feel very strongly.

Number 0102

REPRESENTATIVE CRAWFORD offered his understanding, from a previous statement by Representative Mulder, that \$83 million in the budget is constitutionally mandated in new areas, and that there would have to be \$83 million in budget cuts just to keep the spending "flat." He asked, "When you said it had to be the same expenditures as 2002, you weren't taking into account that \$83 million in constitutionally and federally mandated spending, or were you?"

CHAIR COGHILL said yes, he was taking it into consideration, because he wanted "no growth, period." He added, "That means we're going to have to eat some." He spoke about money being taken out of the economy.

TAPE 02-25, SIDE A
Number 0001

CHAIR COGHILL noted that without consideration of [a municipality's] economic situation, the state would be taking 3 percent of the money spent in that economy, with a few

exceptions. He emphasized the desire to have the government demonstrate that "reduction" before asking the communities to pony up.

REPRESENTATIVE JAMES replied that she understands and would support leaving [the existing language in Version 0, Section 3] as the bill moves from committee, "knowing full well that the next time anybody looks at this bill, it will probably evaporate." She offered support for Chair Coghill's having that language in the bill which was going to move out of his committee.

CHAIR COGHILL acknowledged that as a political statement. He added that if the bill were to go to the floor without that language, he would speak heavily against it.

REPRESENTATIVE FATE said he had no amendment to make, but had wanted to bring about the discussion.

Number 0215

REPRESENTATIVE STEVENS remarked that he was comfortable with Chair Coghill's wording [in Version 0] and was willing to support it. He asked about timing.

CHAIR COGHILL offered the intention of moving the bill from committee at the next meeting, after members had a chance to review the next proposed CS and make any necessary technical amendments. [HB 303 was held over.]

HB 248-PERS BENEFITS FOR JUV INSTIT EMPLOYEES

Number 0409

CHAIR COGHILL announced the final order of business, HOUSE BILL NO. 248, "An Act relating to retirement contributions and benefits under the public employees' retirement system of certain juvenile detention employees and juvenile correctional institution employees."

CHAIR COGHILL referred to an actuarial overview presented by Guy Bell of the Department of Administration [on March 5, 2002] with regard to the idea of "the 20-year and out" [retirement] and the method by which the department figures the cost for that. He mentioned contributions by members of the juvenile detention system and the issue that "there could be some absorption within

the department," which he said was a policy call to be made in the House Finance Committee.

CHAIR COGHILL told the committee he'd allowed HB 248 to come forward because it continues a ten-year debate on the equity between juvenile corrections officers and adult corrections officers. He said, in his view, the "juvenile people" have a bigger issue than "many of the others who have "20-year and out." He mentioned a significant change in the way the state does business. Chair Coghill said he isn't a big fan of the "20-year and out," but has been persuaded this is a worthy discussion. He indicated he was seeking recommendations from members.

Number 0552

CHAIR COGHILL mentioned the following legislation: HB 170, regarding peace officer status for Alaska Department of Fish & Game employees; HB 202, regarding park rangers' getting "that same status; HB 445, regarding [Division of] Fish & Wildlife enforcement officers, which is "slightly different"; and [HB 481], regarding the forest technicians who are "asking for the same thing." Chair Coghill said he was willing to hear [HB 248] because of his belief that the juvenile [corrections] employees have the most compelling case. Conversely, he wasn't willing to hear the aforementioned bills because Alaska's present economic situation doesn't allow that.

CHAIR COGHILL brought attention to work retention. He said the juvenile detention employees have been able to persuade him that they are losing officers to the corrections officers [system] because of the pay equity issue and the retirement issue. He noted that he has held [HB 248] for a long time in order to figure out the best way to proceed. He explained that his purpose in having the actuarial described was to show the committee "the methodology," but he acknowledged that he didn't know if it had helped with the policy question.

Number 0720

REPRESENTATIVE JAMES told members that her evaluation of the present statewide employment situation is grave. She mentioned that some things being done in state agencies are constitutionally mandated, and therefore must be paid for. However, she said she isn't convinced that making the "20-year and out" available will solve the problems of retention and recruitment of employees. She said she suspected that in the

next few years a different payment structure would have to be formulated to retain state employees who might leave for better jobs outside of the state [system].

REPRESENTATIVE JAMES recounted her first experience of working for the State of Oregon, in 1956: after a few months, she'd decided she didn't want to be a government employee; however, the benefits then were job security and the medical and retirement benefits, and she said people would take less salary in order to have those benefits. Now times have changed: the federal government has pulled ahead in its benefits, and the state has problems competing. Furthermore, she said, "We can't do these constitutionally mandated jobs if we don't have anybody to do it."

Number 0919

REPRESENTATIVE JAMES suggested perhaps wages would also need to be increased, for example. She opined that the 20-year retirement option is "the cheapest thing we can do," explaining that [employees] would have to buy in and put money of their own into it; therefore, if this would satisfy [those employees], she said she thinks "this is the right step to go."

CHAIR COGHILL noted that it would cost approximately \$7.2 million "over this whole spread of employees." In response to Representative James, he said the fiscal note isn't for one year.

REPRESENTATIVE JAMES added that if this wasn't enough to retain [the employees in question], then another problem would exist that would cost [the state] "a lot more."

Number 1000

REPRESENTATIVE FATE asked if the 20-year [retirement option] would encourage people to stay [in the juvenile corrections system] because, to his belief, those employees could still transfer to the other system. He concurred with [Representative James's] comments regarding the basic wage structure, which he said is another area of discussion.

REPRESENTATIVE CRAWFORD agreed with Representative James as well.

Number 1096

CHAIR COGHILL conveyed concern that allowing HB 248 to come before the committee would allow "the compelling case of the others [to] be done outside of the context of the whole workforce issue." He said that was the entire reason for his reluctance in bringing [HB 248] forward.

REPRESENTATIVE JAMES agreed with Chair Coghill.

Number 1156

CHAIR COGHILL remarked that this is like sending soldiers one at a time to take a beachhead, which would kill each one of them. He suggested keeping this bill in context, because "they would all move forward if it was a policy call of the state." Noting that he wanted the committee to discuss whether 20-year retirement is a good policy call, Chair Coghill said he'd struggled with whether a person could come into the workforce at age 20 and retire by age [40], for example; he offered his opinion that it is a bad policy call.

Number 1193

CHAIR COGHILL reiterated that the other policy call was the equity issue. He said, as he understood it, "the reason that we did it with the police ... was [that] you don't want a 55-year-old man trying to wrestle people to the ground and put them in the trooper cars, or chase them, or run and have to physically subdue people." The compelling case there, he said, was to bring in the early retirement and allow that police force to move along. He said he thinks that some of the "best and brightest" have been lost. Juvenile officers also have to handle people who are unpredictable and don't care what the consequences are, he said. Chair Coghill added that those points, combined with many of the mental health and alcohol-and-drug issues, made this an issue compelling enough to him to bring up the discussion.

Number 1299

REPRESENTATIVE JAMES noted that things have changed in the workforce; people can have several different careers in a lifetime. These are stressful times, she noted; therefore, perhaps 20 years "doing this particular job" is enough, no matter how much the employee gets paid. Perhaps these employees want to be able to go back to school and pursue other options such as management, for example. She mentioned having a measurement of why this [bill] is needed.

CHAIR COGHILL assured members, from having repeatedly visited halfway houses and jails in the Fairbanks area, that those who incarcerate youth have more difficulty, more hands-on time with the [offenders], and fewer bars and locks [than adult officers], and many times they have to actually sit on the youths. There is reason not to be there, he said, if an employee can do the same type of work in much better circumstances and get an "easier retirement" [in a different system].

Number 1460

REPRESENTATIVE STEVENS stated his belief that [HB 248] is a good bill that should be moved forward, although the arguments for [similar retirement] for other positions cannot be wished away. For example, many Alaska Department of Fish & Game officers put their lives in jeopardy; some have lost their lives. He said, "So that's another issue for another day."

REPRESENTATIVE STEVENS pointed out that just because people are offered 20-year retirement doesn't mean they necessarily retire at 20 years. He said he knows many teachers who have 20-year retirement and have worked 25 or 30 years or more. He referred to Representative James's previous comments regarding people who come back [from retirement], and he mentioned retired teachers returning to work and people coming back to part-time jobs. He concluded that he thinks that [juvenile youth counselors] are asked to perform a difficult job, and reiterated that he is in favor of moving [HB 248] forward.

Number 1530

CHAIR COGHILL again indicated he believes the other cases aren't as compelling. He noted that the retirement [in the bill] would be under PERS [Public Employees' Retirement System], and so it would be less economic to stay after that 20-year period; it would cost employees to continue to work. He surmised that that would be addressed at some point, if [this bill passes]. In response to a request for clarification, he noted that after the 20-year retirement, the employees' accrual rate changes if they continue their employment. He deferred to Mr. Bell for further clarification.

Number 1635

GUY BELL, Director, Division of Retirement & Benefits, Department of Administration, explained, "The benefit multiplier

is 2.5 percent for police and fire, from after ten years all the way through the total number of years a person stays on." Regarding a 20-year retirement, he said patterns change accordingly; for example, he thinks the average teacher retiring with a service retirement does so at between 22 and 23 [years]. He said he thinks that when the opportunity [to retire] is available, people will take it because the retirement benefit can be received while they take on other employment, thereby receiving two checks. He offered his belief that people either move on because of being burned out or because they can receive both a retirement check and a paycheck somewhere else.

Number 1700

CHAIR COGHILL said it had been represented to him by some police officers that they couldn't afford "not to retire." He said he could understand why, if their expertise could be used in another managerial position while they drew retirement.

Number 1720

REPRESENTATIVE STEVENS said he understood that; however, many people continue working long past retirement, knowing that they are accruing 2.5 percent a year; they aren't ready to retire or look for a part-time job "flipping burgers somewhere," for example. He reiterated that it seems there is an advantage for people who retire [from the state] to continue working [elsewhere].

MR. BELL agreed that a number of people do, but said there are peace officers in the system who have more than 30 years of service. He added, "The behavior is individual."

Number 1743

REPRESENTATIVE JAMES moved to report HB 248 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HB 248 was moved out of the House State Affairs Standing Committee.

ADJOURNMENT

Number 1792

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 10:06 a.m.