

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

March 26, 2002

8:07 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

HOUSE BILL NO. 361

"An Act relating to pilot pay programs to attract and retain exceptional state employees; and providing for an effective date."

- MOVED CSHB 361(STA) OUT OF COMMITTEE

HOUSE BILL NO. 380

"An Act relating to reimbursement for certain Medicare premium charges for persons receiving benefits from the teachers' retirement system, the judicial retirement system, the elected public officers retirement system, and the public employees' retirement system."

- HEARD AND HELD

HOUSE BILL NO. 397

"An Act exempting a person driving a snowmobile from driver licensing requirements."

- HEARD AND HELD

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 315

"An Act allowing employers that are small businesses, small nonprofit organizations, or small associations for insurance

purposes to join state employee insurance coverage as a group; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 361

SHORT TITLE:PILOT PAY PROGRAM FOR STATE EMPLOYEES

SPONSOR(S): REPRESENTATIVE(S)KOTT

Jrn-Date	Jrn-Page		Action
01/28/02	2079	(H)	READ THE FIRST TIME - REFERRALS
01/28/02	2079	(H)	STA, FIN
02/05/02		(H)	STA AT 8:00 AM CAPITOL 102
02/05/02		(H)	Heard & Held
02/05/02		(H)	MINUTE(STA)
03/26/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 380

SHORT TITLE:REIMBURSE CERTAIN RETIREE MEDICARE CHARGE

SPONSOR(S): REPRESENTATIVE(S)JAMES

Jrn-Date	Jrn-Page		Action
02/04/02	2143	(H)	READ THE FIRST TIME - REFERRALS
02/04/02	2143	(H)	STA, FIN
02/19/02	2329	(H)	COSPONSOR(S): HUDSON
02/28/02		(H)	STA AT 8:00 AM CAPITOL 102
02/28/02		(H)	Scheduled But Not Heard
03/14/02		(H)	STA AT 8:00 AM CAPITOL 102
03/14/02		(H)	Scheduled But Not Heard
03/19/02		(H)	STA AT 8:00 AM CAPITOL 102
03/19/02		(H)	Heard & Held MINUTE(STA)
03/19/02	2611	(H)	COSPONSOR(S): STEVENS, CRAWFORD
03/26/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 397

SHORT TITLE:EXEMPTIONS FROM DRIVER'S LICENSING

SPONSOR(S): TRANSPORTATION

Jrn-Date	Jrn-Page		Action
02/08/02	2183	(H)	READ THE FIRST TIME - REFERRALS

02/08/02	2183	(H)	TRA, STA
02/21/02		(H)	TRA AT 1:00 PM CAPITOL 17
02/21/02		(H)	Moved CSHB 397(TRA) Out of Committee
02/21/02		(H)	MINUTE(TRA)
02/25/02	2381	(H)	TRA RPT CS(TRA) NT 6DP
02/25/02	2381	(H)	DP: KOOKESH, KAPSNER, SCALZI, OGAN,
02/25/02	2381	(H)	MASEK, KOHRING
02/25/02	2381	(H)	FN1: ZERO(CRT)
02/25/02	2381	(H)	FN2: ZERO(DPS)
03/21/02		(H)	STA AT 8:00 AM CAPITOL 102
03/21/02		(H)	Scheduled But Not Heard
03/26/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 315

SHORT TITLE:GROUP HEALTH INSURANCE FOR PRIVATE GROUPS
SPONSOR(S): REPRESENTATIVE(S)ROKEBERG

Jrn-Date	Jrn-Page		Action
01/14/02	1957	(H)	PREFILE RELEASED 1/11/02
01/14/02	1957	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1957	(H)	STA, L&C, FIN
02/15/02	2281	(H)	SPONSOR SUBSTITUTE INTRODUCED
02/15/02	2281	(H)	READ THE FIRST TIME - REFERRALS
02/15/02	2281	(H)	STA, L&C, FIN
03/21/02		(H)	STA AT 8:00 AM CAPITOL 102
03/21/02		(H)	Scheduled But Not Heard
03/26/02		(H)	STA AT 8:00 AM CAPITOL 102

WITNESS REGISTER

LINDA SYLVESTER, Staff
to Representative Pete Kott
Alaska State Legislature
Capitol Building, Room 204
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 361 and noted the change
encompassed in Version F.

DAVE STEWART, Personnel Manager
Division of Personnel
Department of Administration
PO Box 110201
Juneau, Alaska 99811-0201

POSITION STATEMENT: Answered questions regarding HB 361.

BRUCE LUDWIG, Business Manager
Alaska Public Employees Association
and the Alaska Federation of Teachers;
Secretary/Treasurer, Alaska AFL-CIO
211 Fourth Street, Number 306
Juneau, Alaska 99801

POSITION STATEMENT: Testified in opposition to CSHB 361,
Version F.

TOM HARVEY, Executive Director
National Education Association - Alaska
114 2nd Street
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 380.

SAM TRIVETTE, President
Retired Public Employees Association of Alaska
7870 Glacier Highway
Juneau, Alaska

POSITION STATEMENT: Urged the committee to support HB 380.

REPRESENTATIVE VIC KOHRING
Alaska State Legislature
Capitol Building, Room 24
Juneau, Alaska 99801

POSITION STATEMENT: Testified as the sponsor of HB 397.

MIKE KRIEBER, Staff
to Representative Vic Kohring
Alaska State Legislature
Capitol Building, Room 24
Juneau, Alaska 99801

POSITION STATEMENT: Provided information in regard to Version O
of HB 397.

CHUCK HOSACK, Deputy Director
Division of Motor Vehicles
Department of Administration
3300B Fairbanks Street
Anchorage, Alaska 99503

POSITION STATEMENT: Testified in support of [HB 397].

JOHN JOHNSON, President
Fairbanks Snowtravelers
(No address provided)

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of [HB 397].

REPRESENTATIVE NORMAN ROKEBERG

Alaska State Legislature

Capitol Building, Room

Juneau, Alaska 99801

POSITION STATEMENT: Testified as the sponsor of HB 315.

ACTION NARRATIVE

TAPE 02-31, SIDE A

Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 8:07 a.m. Representatives Coghill, James, Fate, Stevens, Crawford, and Hayes were present at the call to order. Representative Wilson arrived as the meeting was in progress.

HB 361-PILOT PAY PROGRAM FOR STATE EMPLOYEES

CHAIR COGHILL announced that the first order of business would be HOUSE BILL NO. 361, "An Act relating to pilot pay programs to attract and retain exceptional state employees; and providing for an effective date."

LINDA SYLVESTER, Staff to Representative Pete Kott, Alaska State Legislature, explained that HB 361 seeks to allow the state to establish pilot pay programs to assist in the recruitment and retention of employees. She reminded the committee that it heard HB 361 in early February when the committee expressed concerns with regard to the excellence bonus. Members felt that the excellence bonus was susceptible to cronyism; the Department of Administration agreed. Therefore, the committee substitute (CS) [Version 22-LS1317\F, Cook, 3/20/02] eliminates the excellence bonus. The majority of labor's concerns are satisfied [with the CS]. However, one representative continues to oppose the bill because these programs are excluded from collective bargaining. Ms. Sylvester explained that these programs are excluded from collective bargaining because they are pilot programs. Furthermore, maintaining these programs under the purview of the Personnel Board provides tighter control in terms of targeting and record keeping. She directed attention to page 5, lines 25-27, which discuss the commissioner of administration's report on each pilot pay program. At that time, it will be determined whether or not the programs worked

and whether or not the programs should be maintained. If the programs are maintained, the programs will be included in the Personnel regulations in statute and will be included in the collective bargaining.

MS. SYLVESTER remarked that [HB 361] targets the problem of flexibility in recruitment and retainment. She directed the committee to a chart entitled, "Indicators of Recruitment and Retention Problems." This chart illustrates, by job title, the average annual vacancy rate and turn over rate. These pilot programs attempt to offer [another option to address recruitment and retention]. She discussed her husband's experience with these problems in the Division of Finance. In closing, Ms. Sylvester commented that all in the legislature are suspect of how well the state government manages its funds and personnel and thus tend to forget that these are people serving in positions such as troopers and investigators of child abuse. She hoped the members could support the bill.

REPRESENTATIVE JAMES related her understanding that this will be done "for nothing." She asked if that would be the case because [the legislature] has authorized more people to work than are currently working.

MS. SYLVESTER deferred to the Department of Administration.

Number 0821

DAVE STEWART, Personnel Manager, Division of Personnel, Department of Administration, answered that normal turnover, between 2.5-4.5 percent, is built into the budgeting system. Financing for bonuses under the pilot pay proposal in HB 361 would come from the vacant positions. Recruitment bonuses, for example, to entice people to apply would be paid for with the salaries saved from having those positions vacant. Some positions have been vacant for a year while agencies have been recruiting.

REPRESENTATIVE JAMES remarked that she wasn't sure how the legislature, when doing the budget, knows how much money these agencies have in the bank from the prior year. Therefore, she inquired as to whether there is a large amount of money available for these vacant positions.

MR. STEWART explained that the vacancy rate is built into the system. If an agency needs a specified amount, 96 percent of what the legislature appropriates is to operate the agency at a

fully staffed level. If an additional two or three positions remained vacant because of turnover or a rather lengthy recruitment, there would be an accumulation of funds such that it could pay for the advertising and recruitment bonus. It won't provide a nest egg, he said.

REPRESENTATIVE JAMES expressed her discomfort with this situation because the legislature can't change the budget once it's done. She said she was sure that the application for the budget is sufficient to cover [recruitment advertising and bonuses]. She questioned how the agencies are dealing with these vacancies. Is the work not being done or are people working over time, she asked.

MR. STEWART answered that primarily the work is done by employees working extra hours through overtime or extra work by those employees who aren't eligible for overtime. Nonpermanent employees are utilized as well. The use of nonpermanent employees and overtime is probably the most common manner in which work for vacant positions is accomplished. Mr. Stewart informed the committee that an analyst programmer position in the Division of Personnel has been vacant for about a year. This position has been advertised in state and out of state a number of times. The specific set of skills required aren't available for the current salary rates, which are already stretched. Such situations were the impetus for speaking with Representative Kott regarding this legislation, he pointed out.

REPRESENTATIVE JAMES noted that she liked this idea.

Number 1139

CHAIR COGHILL related his understanding that the Personnel Board would create a priority system with regard to the greatest need. He inquired as to how Mr. Stewart envisioned such a system.

MR. STEWART explained that he envisioned the Division of Personnel inviting comments [with regard to the needs]. He specified that department commissioners and division directors would nominate a job class that has experienced an outstanding vacancy for a lengthy period. If there was statistical analysis that there would be large turnover of an occupational group, that job class would be nominated as well. The Division of Personnel would review the effectiveness of past recruitment efforts and thus a list of job classes or job class series could be created for those eligible for a recruitment bonus. For example, the two largest competitors for employees in the state

are the federal government and the hospital system in Anchorage. Both of those employers offer recruitment bonuses and other retention bonuses to their employees. It's difficult to compete in a limited employee market with those two alone, he said. Mr. Stewart specified that the personnel board would prioritize on the basis of need. He envisioned nurses being near the top.

Number 1300

CHAIR COGHILL pointed out that there may be underfunded positions in one area while not in other areas. Chair Coghill inquired as to how the board would view that.

MR. STEWART said that would probably be one of the factors in prioritization.

REPRESENTATIVE JAMES asked if there is an incentive to encourage employees to consider new methods of doing things or even eliminate tasks.

MR. STEWART agreed that reviewing business processes is always a way of determining whether a position needs to be filled. However, on a weekly basis the state spends thousands of dollars on newspaper advertisements for positions that receive little or no response. Therefore, money and time could be saved by placing an enticing ad rather than a simple notice of vacancy. He mentioned that looking at the process is something that is incumbent on the managers [of the] positions.

REPRESENTATIVE JAMES clarified that she was asking if those doing the job were reviewing ways in which to make changes to the job.

MR. STEWART said he supposed that would have to be built into the review system.

REPRESENTATIVE JAMES opined that those actually doing the work would have the best ideas what to change. However, [employees], particularly those in union organizations, are usually resistant to put forth any effort that would eliminate a position. Therefore, she expressed the need for everyone to see the benefit for finding cost and work savings. She agreed with Mr. Stewart's comment that [employees] be polled.

CHAIR COGHILL remarked that such would be useful in regard to recruitment.

Number 1575

REPRESENTATIVE STEVENS commented that he thought this was a wonderful opportunity to solve the recruitment and retention problems the state is facing. However, he understands that now the legislation merely addresses recruitment. He asked if there are other ways to assist in the retention of personnel.

MR. STEWART clarified that the retention and recruitment portions of the legislation remain, but the individual excellence award was removed. Therefore, class-based retention awards remain. He reiterated that there had been concern surrounding the potential abuse with individual [excellence] awards and thus it was eliminated in the CS.

CHAIR COGHILL specified for the record that it's not promotion for time in the job. Therefore, there would be some criteria used for awarding a retention bonus. He surmised that there would be some avenue to discuss the value of an individual in that retention bonus process.

MR. STEWART said that retention bonuses would be based on class specifics, defined skill sets, rather than individual skills.

Number 1673

REPRESENTATIVE FATE referred to the "Indicators of Recruitment and Retention Problems" chart, which illustrates that some of the [percentage of] recruitment attempts [that didn't result in a hire] are extremely high. He inquired as to the reason for these high percentages.

MR. STEWART replied that in some cases there is no knowledge as to why recruitments don't result in a hire. He explained that the Division of Personnel reviews the minimum qualifications for its job specifications when percentages such as these are reviewed. This review is done in order to ensure that capable individuals aren't being unfairly excluded with the stringent minimum qualifications (MQ).

REPRESENTATIVE FATE continued to refer to the aforementioned chart and pointed out that some positions that aren't entry level have high turnover rates. For example, the Accounting Technician II position has a turnover rate of 65 percent. He inquired as to the reason for that.

MR. STEWART pointed out that large groups of those people promote to higher level positions when the highest level incumbents in the job class series retire. There is a progression based on skill and time. Many of the administrative support positions have had a high level of turnover because people have moved on to other job classes. He noted that the state hasn't done much research to determine why some of these turnover rates are so high. In fact, only the recent acquisition of data from the payroll system provided these numbers, which have been found to be so high. He noted that [the division has] recognized that some of the job classes, such as with the public health nurse and nurse series and the social worker series, have positions that remain vacant for a lengthy period of time. Such vacancy endangers the provision of services and thus this legislation has been introduced.

REPRESENTATIVE FATE asked if the bonus would increase the retention rate or create a vicious cycle in which a bonus is paid every two years because no one can be retained. Representative Fate offered that there could be a systemic reason for nonretention rather than the pay itself. Therefore, the money spent to retain individuals would be accelerated by the bonuses.

MR. STEWART said that the reason to try this proposal is to determine whether it'll work or not. Furthermore, that's the reason to keep the proposal on a limited scale as a pilot project. Therefore, the project could be turned off when it's obvious that it's not working. Although the division doesn't know whether these problems are the result of a systemic problem or a competitive pressure, there are a great deal of state employees who become federal employees. He noted that the federal government is paying a 25 percent tax free cost of living allowance (COLA) with which the state government can't compete. Furthermore, [there are states] such as Missouri where \$40,000 bonuses were being paid for analyst programmers who would work anywhere in the state. Mr. Stewart said that [the division] would like to determine whether these problems are systemic or competitive.

Number 2030

REPRESENTATIVE STEVENS moved to adopt Version 22-LS1317\F, Cook, 3/20/02, as the working document. There being no objection, Version F was before the committee.

MR. STEWART, in response to Representative Stevens, pointed out that on page 4, line 19, the definition of excellence bonus was deleted. Language referring to excellence bonus on page 4, line 1, was also deleted. The language, "The pilot pay program must be based on criteria derived from and based on qualifications for a job class rather than on the qualifications of a particular employee." was inserted on page 4, lines 4-6, of Version F. All these changes are included in Version F.

Number 2174

CHAIR COGHILL surmised that this bill will provide an additional tool in the realm of recruitment. However, Chair Coghill inquired as to the retention tools currently utilized. He asked whether HB 361 would enhance the current retention program or change it entirely.

MR. STEWART said that under the law there is no opportunity to do anything financial for retention purposes. The retention awards built into the system involve one's career path, one's opportunity to promote or be considered for promotion, and movement in and around the state system. "There's no provision currently in state pay plan or in the definition or application of the merit system that allows for, other than (indisc.-coughing) of effort either at ceremony or not at ceremony," he specified.

CHAIR COGHILL related his understanding that [the state] looks in-house first for [open] positions. He identified that as a retention gain.

MR. STEWART said that the idea of promotion from within is probably the only method of recognition other than sectional/divisional certificates of achievement. In further response to Chair Coghill, Mr. Stewart remarked that he would love to be able to return to the legislature in a couple of years and report that turnover rates are [the result of] retirements and planned progressions and that the retention rates have dropped. Therefore, the skill sets could work through the workforce, he said.

Number 2341

REPRESENTATIVE JAMES referred to page 13 of a document entitled, "Recruitment, Retention, and Promotion of Employees in the Biological Sciences 2001" by the Division of Administration, Alaska Department of Fish and Game (ADF&G). Page 13 discusses

the effect of inflation on state employee pay since 1985. Representative James said that off the top of her head she would suggest that [the state] hasn't kept pace with inflation. However, she wondered how the 1985 rates compared to the private sector then and now. Still, she said she feels that the state pay is under the private sector. Although Representative James noted her agreement that the state is underpaying its employees, she said she didn't believe it's to the extent specified.

MR. STEWART pointed out that the last major salary study was done in December 2000, which he offered to provide Representative James.

REPRESENTATIVE JAMES related her belief that when private sector rates were high, the state was parallel to those or slightly higher. Then, when the private sector rates went down, the state's didn't. The [change in rate] hasn't occurred on an annual basis, and she wasn't sure it could be done annually because the state can't [merely follow the private sector].

Number 2431

CHAIR COGHILL mentioned the need to realize [the possibility] of creating a situation in which certain job classes would have continual recruitment bonuses and other job classes would experience stacking.

MR. STEWART explained that there was the suggestion that programs adopted under this language be exempt from collective bargaining in order to avoid the stratification. Therefore, it would avoid having one plan for supervisors and one plan for worker bees [while both] being in the same job class. However, he noted that there may be supervisory/managerial job classes that require their own recruitment and retention program.

CHAIR COGHILL interjected, "We're going to bump up against the edge of that, though. And that's something that probably should be looked out whenever the report is brought out."

Number 2542

REPRESENTATIVE FATE inquired as to the state of the current vacancy and turnover rate as compared to those presented in the aforementioned document.

MR. STEWART said that the division is in the process of reducing the data for 2001. Although there hasn't been a comparison yet, he expected the numbers to be fairly similar.

REPRESENTATIVE FATE asked what has been done to mitigate, improve, the turnover rate.

MR. STEWART explained that the Division of Personnel has met with agency staff and has developed a number of recruitment flexibilities. For example, agencies have been allowed to recruit for a job class rather than a specific position. The division has also allowed for continuous recruitment for job classes that are of a higher turnover rate or their advertisement response rates are low. He offered to provide Representative Fate with a list of things that are being done to address this problem.

CHAIR COGHILL announced that he would be recommending discussion and insertion of language [requiring] an intermediary report in 2004.

Number 2680

BRUCE LUDWIG, Business Manager, Alaska Public Employees Association (APEA) and the Alaska Federation of Teachers (AFT); Secretary/Treasurer, Alaska AFL-CIO (American Federation of Labor and Congress of Industrial Organizations), provided the following testimony:

While the bill isn't as offensive as it was - we appreciate taking out the personal bonuses - we're still opposed to it. We believe that we do have a serious recruitment problem. We don't believe that we're competitive. We believe we pay lower than standard wages. Our retirement system is no longer a magnet. And we pay more in health insurance than most of the competition. You know, we've known this for a long time. And we've ... cut back - ways to save money for the state - and we've thrown it on the backs of the employees. And when people are looking at jobs, they look at those things.

We have a state of the art recruitment system right now with Workplace Alaska Hiring System. And how that got in place was through a pilot project negotiated with our union And I .. would suggest here is a similar pilot project, but do it through collective

bargaining, do it through labor management committees. If you get the worker bees involved, you're going to find what works and what doesn't work. ... So, I would like to recommend that ... you change it to go through a labor management process. I'd also like to suggest that you make this bonus compensation for retirement purposes. ...

REPRESENTATIVE JAMES noted her agreement with Mr. Ludwig's comments. She inquired as to Mr. Ludwig's opinion with regard to how much of this opportunity [to make changes in job positions] comes from the people at the lower level versus those in management. She related her notion that it seems people would be reluctant to recommend changes that would eliminate a fellow employee's job.

MR. LUDWIG informed the committee that although there was once an incentive program that gave part of the money saved in some process to the employee involved in creating the savings, it was never fully implemented. Mr. Ludwig pointed out that none of the options discussed with regard to recruitment and retention have involved talking with the workers to determine what would entice an employee to a job and make that employee want to stay. The labor management process provides that employee input.

CHAIR COGHILL remarked that although the bill may not demand [the input from the employee], there is certainly the intention [for the employees] to be included in the discussion.

MR. LUDWIG specified that his opportunity, as a bargaining agent, is through his ability to testify on the regulations before the Personnel Board. Any member of the public has the right to do so.

CHAIR COGHILL related his understanding that the Personnel Board will designate these bonuses, which they will discuss with [people] such as Mr. Ludwig.

MR. LUDWIG said that he didn't see [such language]. There is no requirement to have any interface with the bargaining units. "In here, we're giving the administration the right to unilaterally set wages and do it out of their budget, the way they want to do it. ... I don't see where this, politically, is a win-win situation for anybody," he remarked.

Number 2963

REPRESENTATIVE JAMES acknowledged Mr. Ludwig's frustration. She noted her own frustration with the APEA union because this union negotiates with an administration that has no ability to pay. The legislature is involved ...

TAPE 02-31, SIDE B

MR. LUDWIG, in response to Representative James, related his belief that the more that is taken from bargaining and the less interaction there is with the employees, the more top down the management structure.

CHAIR COGHILL characterized that as part of the public policy call. "If we want the state to do the recruiting, then we need to give them the authority. If we wanted information as to how the employees viewed that, I think we would go then to the collective bargaining," he said. He highlighted that the legislature is giving the administration not the collective bargaining unit the responsibility for employment, retention, and recruitment. Still, he agreed that those most impacted should be heard.

Number 2883

REPRESENTATIVE JAMES opined the importance of having this bottom-up suggestion process. "I could probably go where you want to go today on this issue, except I think I'm probably willing to go ahead with this if we had that part of the agreement that there would be this interaction to figure out how not only to do the job better but to do it for less ..., and the how the responsibility of that is part of this whole issue of retention," she said. She pointed out that the issue of retention can be found everywhere, [especially] with the heavy reduction in 18-44 year olds [in the state]. This situation will continue until the state builds some economic activity, she predicted. She said she didn't think putting "that" in this bill would be that helpful.

CHAIR COGHILL requested that Mr. Stewart respond to [Mr. Ludwig's suggestion]. Chair Coghill reiterated his view that this legislation provides the administration with a responsibility. However, he related his belief that those in the collective bargaining units should have an engaged voice as an interested party. He invited Mr. Stewart to comment.

MR. STEWART agreed to involve the management and the employees of the collective bargaining unit in regard to the formation of

and consideration of the priority lists presented to the Personnel Board. In fact, in a meeting with the representatives of the collective bargaining [unit], [the division] mentioned [that it would be happy to have them involved] at that point. "We believe that once the regulatory process takes place and ... the Personnel Board adopts the program, the narrowest possible control will provide us with the opportunity to come back and say whether it's worked or not," he explained.

CHAIR COGHILL expressed agreement in that if the legislature is going to require the [division] to provide the final answer, then it should have the final say. However, in the regulation and board process he expected those in the collective bargaining management positions to help with the prioritization and the discussion of the regulatory scheme.

Number 2717

CHAIR COGHILL suggested that there be a report on this in 2004. Therefore, he offered the following conceptual [Amendment 1] on [page 5], line 26, that there be a report [on the progress of this pilot project] to the legislature during the 2004 legislative session.

REPRESENTATIVE HAYES said that it seems like this is a no-win situation. On the one hand, there is the knowledge that there is a problem with recruiting and retaining state employees. On the other hand, legislation freezing the hiring of state employees is moving through the Senate. He questioned the message being sent to employers and potential employees.

REPRESENTATIVE JAMES agreed that Representative Hayes' scenario is concerning. However, she pointed out that the Senate Bill isn't before the committee.

CHAIR COGHILL asked if there is any objection to conceptual Amendment 1. There being none, conceptual Amendment 1 was adopted.

Number 2550

REPRESENTATIVE FATE remarked that he has seen recruitment bonuses do well. The retention bonuses that he has seen work are based on efficiency and productivity. He related his skepticism with regard to giving bonuses merely to retain people. Although Representative Fate viewed the recruitment

[portion of the bill] as being on the right track, he had concerns [with regard to the other provisions of the bill].

Number 2495

REPRESENTATIVE CRAWFORD recalled Representative James' comment regarding the public-private sector in Alaska. He informed the committee that over the years, the building trade has graduated a number of apprentices. However, Alaska isn't able to retain them due to losses to the West Coast states. Moreover, Alaska's private sector wages haven't kept pace with other states either. Last year, there was a shortage of ironworkers, pipefitters, and other trades people in the state. Representative Crawford related his belief that throughout Alaska there is a systemic problem because Alaska's wages haven't kept pace over the last several years. Therefore, he expressed the need to make stronger structural changes than merely receiving bonuses from within the department's budget.

CHAIR COGHILL commented that the systemic issue on the societal level is that Alaska has drifted into a service-based industry rather than a production-based industry.

REPRESENTATIVE JAMES acknowledged that many people are leaving the state because there aren't opportunities in the state [for them]. However, there are many people who would stay regardless of the wages. Therefore, she felt that there will be a fight with regard to who gets the employees and thus [this legislation] might help with retention and [recruitment]. Although the retirement and insurance situations in the state have changed, it's much better than what's in the private sector. Therefore, addressing the wages, even at a lower level, could result in people staying.

Number 2302

REPRESENTATIVE JAMES moved to report CSHB 361, Version 22-LS1317\F, Cook, 3/20/02, as amended out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 361(STA) was reported from the House State Affairs Standing Committee.

The committee took a brief at-ease.

HB 380-REIMBURSE CERTAIN RETIREE MEDICARE CHARGE

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 380, "An Act relating to reimbursement for certain Medicare premium charges for persons receiving benefits from the teachers' retirement system, the judicial retirement system, the elected public officers retirement system, and the public employees' retirement system." He informed members that only testimony would be taken today.

Number 2199

TOM HARVEY, Executive Director, National Education Association - Alaska (NEA-AK), related Mr. Jerry Patterson's regret that he couldn't change his schedule to be present today. Mr. Harvey recalled that Mr. Patterson, at the prior hearing on HB 380, was addressing the fiscal note. The \$274 million fiscal note over nine years amounts to approximately \$30.4 million a year. However, NEA-AK believes there are some factors that the committee should take into consideration. First, the \$30.4 million a year means that approximately \$23.8 million more is being collected than necessary to fund the measure. Therefore, over the nine years, the Division of Retirement & Benefits would collect about \$200 million more than necessary [to fund the measure]. The compounded interest rate of 8.25 percent on that [\$200 million] would result in \$284 million that would be invested. Only \$6.62 [million] of that would be necessary [to fund the measure]. According to the [\$274 million] fiscal note there would be more than enough money [for this project]. Therefore, NEA-AK believes that the fiscal note could be reduced. To date, the actual return of 11.48 percent over the past 20 years sums well over \$300 million.

MR. HARVEY turned to the fairness issue for the retirees. The savings to the division for those younger than 65 is \$754 a month in premium payments. When the individual is over 65 and accesses Medicare, the state's premium drops to \$287 a month and thus there are over \$467 a month in premium savings to the state. Therefore, [NEA-AK] believes that \$57 of that savings should be spent to pay for the Medicare Part B premium. Another state agency does so as a cost-savings measure. The Medicare/Medicaid program in Alaska pays that monthly premium because of the recognition of the massive savings to the state. Mr. Harvey said: "We believe it's an equity issue. The ratio of the savings to premium is 8.5:1. So if you take that unfunded liability of \$274 million, then the savings on that amount of money is \$2.3 billion." Therefore, the savings experienced by the state should also be experienced by the retiree covered by the program.

MR. HARVEY moved on to the cost factor. He specified that passing HB 380 doesn't cost general fund (GF) money. Furthermore, this legislation wouldn't cost municipalities or school districts because these are all retirement monies. He informed the committee that last year when the legislature passed legislation lowering the age requirement for retiring and maintaining medical converge, there was a fiscal note with a cost to employers and a statement of unfunded liability. He pointed out that the contribution rate fell last year by 1 percent for the employers, which is because of the annual excess earnings in the retirement system. The fund needs a return of 8.25 percent in order to maintain the earlier mentioned funding ratio. As mentioned earlier, over the past 20 years the fund's return has been 11.48 percent. Even with a down market, the five-year return ending June 30, 2001, averaged 9.37 percent, which places the fund well over the 8.25 percent necessary. The excess earnings in the Teachers' Retirement System (TRS) since 1994 has been nearly \$900 million and for the Public Employees Retirement System, the excess earnings has been \$1.6 billion. Those excess earnings have been placed toward improving the funding ratio of the system. In 1996 the funding ratio was 55 percent and although that is healthy by many standards, it could be improved upon. On June 30, 2000, the funding ratio was 99.7 percent, which has now declined to 95 percent. Therefore, 1 percent of the \$12 billion in excess earnings would [amount to] \$120 million. He reminded everyone that the annual cost is \$30.4 million. "Really it's only \$6.6 million. We don't have to put that other money in the bank," he explained. Therefore, this is one-fourth of 1 percent of the excess earnings. In conclusion, Mr. Harvey specified that the fiscal note, although necessary, wouldn't impact GF money or the viability of the retirement system. The fiscal note adds to the excess earnings of the retirement system.

Number 1653

SAM TRIVETTE, President, Retired Public Employees Association of Alaska (RPEA), turned to the question - asked at the last hearing - regarding whether the state actually committed in writing to cover medical expenses for employees. The pending lawsuit has already moved through the Superior Court. Mr. Trivette provided the committee with 14 pages of court findings, which he felt clearly [demonstrates] that the state did make such a commitment in writing.

MR. TRIVETTE explained that RPEA is comprised of retirees from all areas of public employment. He pointed out that RPEA has a medical insurance committee that provides education with regard to medical issues. Furthermore, RPEA has performed medical surveys inquiring of the membership what is working and what isn't. Many of RPEA's members have complained about having to pay the Medicare premium of \$54 a month, which is predicted to increase in the future. This cost has a significant impact on the retirees, especially for older retirees and those in the lower pay ranges. Mr. Trivette echoed earlier testimony that there will be no cost to the GF for this reimbursement. Furthermore, the employer contribution has decreased significantly due to the financial well being of the fund. Moreover, he related that PERS is funded at 101 percent, which is superb. Mr. Trivette said, "It's only fair that since the state pays a much smaller amount of medical expenses for retirees once the retirees turn 65 that some of the savings should be shared with the retirees." In closing, Mr. Trivette encouraged the committee's support of the legislation.

REPRESENTATIVE JAMES reminded the committee that she has a conflict on this issue because she is 72 years of age, and as soon as she doesn't work she will fall into this retiree category.

HB 397 - SNOWMOBILE DRIVERS' LICENSING EXEMPTION

Number 1314

CHAIR COGHILL announced that the next order of business would be HOUSE BILL NO. 397, "An Act exempting a person driving a snowmobile from driver licensing requirements."

CHAIR COGHILL asked if there was any objection to the adoption of CSHB 397, Version 22-LS1448\0, Ford, 3/22/02, as the working document. There being no objection, Version 0 was before the committee.

Number 1286

REPRESENTATIVE VIC KOHRING, Alaska State Legislature, testifying as the sponsor of HB 397, explained that HB 397 attempts to eliminate the need for a driver's license for snowmobiles that aren't operated on the road system in Alaska. He informed the committee that last year the Department of Transportation & Public Facilities (DOT&PF) did a study entitled, "Winter Transportation Study" that revealed those operating off-road

vehicles were doing so illegally because of the requirement of a driver's license for those vehicles. Therefore, HB 397 was drafted. Representative Kohring specified that this isn't to say that individuals shouldn't have a driver's license when driving on the road. However, he said he believes that it isn't reasonable for an individual to have to study for a license that is actually geared toward driving a car on a highway when they are going to be operating a snowmobile on a trail or a boat on a lake or river.

MIKE KRIEBER, Staff to Representative Vic Kohring, Alaska State Legislature, informed the committee that the bill passed out of the House Transportation Standing Committee accomplished what Representative Kohring wanted. However, the Division of Motor Vehicles (DMV) expressed concern that there was a loophole that would allow a youngster to drive a car down the side of a road. Therefore, Mr. Kriebler said that he worked with the Department of Law and DMV in order to develop the language included in [Version O]. [Version O] still accomplishes the exemption of a driver's license requirement for any vehicle off the road. The bill would maintain the driver's license requirement for operation of a vehicle on the road and the vehicle would still be required to meet any equipment requirements. Therefore, this bill simply eliminates the driver's license requirement to operate a motor vehicle off of a road.

Number 1033

REPRESENTATIVE HAYES asked if any consideration has been given to having drivers' certification for minors. He expressed concern with not having something in place to address minors [driving vehicles off the road].

MR. KRIEBER answered that it was discussed in the House Transportation Standing Committee, which heard testimony from the director, Division of Parks, Department of Natural Resources (DNR), and from some board members of SnowTRAC (Snowmobile Trails Advisory Committee). The SnowTRAC has formed a group to address safety issues, and they will be presenting a recommendation addressing rural-urban issues in regard to whether there should be a [statewide/regional] safety certification program or training program. Mr. Kriebler noted that there are some training programs in place.

REPRESENTATIVE STEVENS recalled a constituent complaint that a child in a village was given a ticket for underage driving when the mother was trying to teach the child how to drive. He

inquired as to how this would impact an underage child living in a village with no roads.

MR. KRIEBER answered that [HB 397] would exempt such a child from the driver's license requirement.

Number 0810

CHUCK HOSACK, Deputy Director, Davison of Motor Vehicles, Department of Administration, testified via teleconference. Mr. Hosack announced that the [division] supports the bill. Furthermore, the [division] doesn't believe that it will impact highway safety. The bill merely addresses a problem in the law that was never intended to be enforced.

Number 0577

JOHN JOHNSON, President, Fairbanks Snowtravelers, testifying via teleconference, informed the committee that he is also a member of the Alaska Snowmobile Association and the past chair of SnowTRAC. Mr. Johnson announced that the Fairbanks Snowtravelers are in full support of [HB 397]. If this regulation isn't passed, a great burden will be placed on law enforcement within the state. Furthermore, without this bill a family recreational activity faces the possibility of ruin.

CHAIR COGHILL remarked that [HB 397] seems fairly straightforward. The discussion of further safety is still open in regard to off-road use.

MR. JOHNSON informed the committee that he is currently addressing the issue of developing a statewide snowmobile safety-training program. Unfortunately, Alaska is well behind any snow state in the country in regard to safety training programs for snowmobiles, not to mention a trail system. He announced the intent to have a training program that would be acceptable to the state by next year. However, there is no intent to require this for licensing but rather to merely obtain a sticker to indicate that the individual has learned how to utilize a snowmobile safely and thus enjoy the sport of "snowmobiling."

REPRESENTATIVE FATE asked whether there would be any waivers for individuals who sign an affidavit attesting to the fact that they have been operating [snowmobiles] for a number of years. He said he has known people who have been "racers" and have

never had an accident; he asked whether such people would be expected to take the orientation course.

MR. JOHNSON said that the initial plan simply focuses on the design of the program, although there has been some consideration given to granting "grandfathering rights." However, [the current thought] is to grandfather in folks who have already voluntarily taken some sort of training, rather than to grandfather in folks based on how many years they have been operating snowmobiles. The number of years someone has been driving any sort of vehicle is no guarantee that he/she is a safe driver.

REPRESENTATIVE STEVENS noted that although the testimony is focusing on snowmobiles, HB 397 pertains to "off-highway" vehicles, which he assumes means any vehicle that's not on a highway. If so, does that mean a car or a truck could be considered an off-highway vehicle, he asked. If the intent is to speak to just snowmobiles, why not just say so in the legislation, he also asked.

Number 0342

MR. KRIEBER said: "Actually, with the requirement for registration of a vehicle ... a car or a truck, that would not be defined as a off-highway vehicle." The current statute discusses motor vehicles requiring a driver's license, he explained, "and what we've done here is we've carved out the off-highway category, which includes boats, wheelchairs, four-wheelers, [and] airplanes." With regard to the inclusion of wheelchairs, he said Mary Mashburn, Director, Division of Motor Vehicles (DMV), cited a particular case in Anchorage, where somebody was given a ticket for operating a wheelchair on a road and the [case] "held up in court."

REPRESENTATIVE FATE referred to aircraft that are registered under federal law, and whose owners have to, on occasion, make emergency landings on roadways or highways. Are they subject to fines under those conditions, he asked.

MR. KRIEBER explained that HB 397 focuses on the requirement, or lack of requirement, for a driver's license. He said he is unaware of whether there would be any fines associated with landing [an airplane] on a road, although under current law, in order to fly an airplane a person is required to have a driver's license anyway.

REPRESENTATIVE FATE indicated his belief that an airplane pilot is not required to have a driver's license, merely a pilot's certificate.

MR. KRIEBER clarified that according to Ms. Marshburn's testimony last year on another piece of legislation addressing airplane safety equipment, in addition to any other requirements for operating an airplane, a driver's license is also required.

REPRESENTATIVE COGHILL, after noting that there were not enough committee members present to report the bill out of committee, said he would close the public hearing and hold HB 397.

CHAIR COGHILL called an at-ease from 9:41 a.m. to 9:42 a.m.

HB 315-GROUP HEALTH INSURANCE FOR PRIVATE GROUPS

CHAIR COGHILL announced that the last order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 315, "An Act allowing employers that are small businesses, small nonprofit organizations, or small associations for insurance purposes to join state employee insurance coverage as a group; and providing for an effective date."

REPRESENTATIVE NORMAN ROKEBERG, Alaska State Legislature, testified as the sponsor of HB 315.

TAPE 02-32, SIDE A
Number 0001

REPRESENTATIVE ROKEBERG began by pointing that he has spent the last eight years working on health insurance issues in the legislature. He related his finding that the inability of the private sector market to provide affordable cost effective plans for specific businesses with higher interest rates is pricing them out of the private market.

REPRESENTATIVE ROKEBERG noted his sensitivity to the competition with the private sector. He explained his goal of establishing a climate inviting insurance underwriters into the state rather than forcing them out. "On first blush this legislation may appear to be that change in philosophy," he remarked. Representative Rokeberg commented that there's such a problem, especially knowing that Premera Blue Cross of Washington and Alaska holds over 50 percent of the entire covered lives under private health insurance in the State of Alaska. He

characterized Alaska's [health insurance market] as a contracting market.

Number 0195

REPRESENTATIVE ROKEBERG explained that originally the plan was to open the state plan such that other small businesses would be invited in. A few years ago the administration decided to allow the bargaining units to "step out on their own." He noted that the legislature was never asked about this, and he has always opposed it. He acknowledged the notion that the larger the pool, presumably the lower the rates can be adjusted. Although he recalled the belief that 300-500 people can be an adequate size for a pool, one [critical case] can result in a large annual bill. This original form of the legislation created much protest, which is the reason for the sponsor substitute that doesn't include the bargaining units. The sponsor substitute also raised the number of employees [required to comprise a] small business from 50 to 300. However, Representative Rokeberg noted he is having misgivings about that change and thus he requested that the committee consider lowering that limit back to 50 employees because that's consistent with the state definition of a small business and is less competitive with the private market.

REPRESENTATIVE ROKEBERG explained that currently the state enjoys a government exception under the Employee Retirement and Income Security Act of 1974 (ERISA). Therefore, bringing private sector people in [under ERISA] would jeopardize that and thus the bill may need to be modified. With regard to the effective date, the nonprofits have requested that [be extended]. Representative Rokeberg concluded by noting the importance of this legislation.

Number 0820

CHAIR COGHILL announced his intention to bring SSHB 315 before the committee on Thursday, March 28, 2002. Therefore, SSHB 315 was held over.

ADJOURNMENT

Number 0889

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:53 a.m.

