

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

April 30, 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  
Representative Joe Hayes

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CS FOR SENATE BILL NO. 340(FIN)(efd fld)

"An Act relating to public notice of information relating to permanent fund dividends, and to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits."

- FAILED TO MOVE HCS CSSB 340(STA)OUT OF COMMITTEE

HOUSE BILL NO. 327

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

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: SB 340

SHORT TITLE:HOLD HARMLESS PROVISIONS OF PFD PROGRAM

SPONSOR(S): RLS

Jrn-Date	Jrn-Page		Action
02/22/02	2284	(S)	READ THE FIRST TIME - REFERRALS
02/22/02	2284	(S)	FIN
03/04/02		(S)	FIN AT 9:00 AM SENATE FINANCE

			532
03/04/02		(S)	Heard & Held
03/04/02		(S)	MINUTE(FIN)
04/03/02		(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/03/02		(S)	Moved CS(FIN) Out of Committee -- Recessed to 4:00 pm --
04/03/02		(S)	MINUTE(FIN)
04/03/02		(S)	MINUTE(FIN)
04/10/02	2708	(S)	FIN RPT CS 4DP 1DNP NEW TITLE
04/10/02	2708	(S)	DP: KELLY, GREEN, WILKEN, WARD;
04/10/02	2708	(S)	DNP: HOFFMAN
04/10/02	2708	(S)	FN1: ZERO(REV); FN2: (REV)
04/10/02	2708	(S)	FN3: (HSS); FN4: (HSS); FN5: (HSS)
04/10/02	2708	(S)	FN6: (HSS); FN7: (HSS); FN8: (HSS)
04/11/02		(S)	RLS AT 10:30 AM FAHRENKAMP 203
04/11/02		(S)	MINUTE(RLS)
04/15/02	2775	(S)	READ THE SECOND TIME
04/15/02	2775	(S)	FIN CS ADOPTED UNAN CONSENT
04/15/02	2775	(S)	ADVANCE TO 3RD READING FLD Y12 N5 E1 A2
04/15/02	2775	(S)	ADVANCED TO THIRD READING 4/16 CALENDAR
04/15/02	2774	(S)	RULES TO CALENDAR 1OR 4/15/02
04/16/02	2791	(S)	READ THE THIRD TIME CSSB 340(FIN)
04/16/02	2791	(S)	PASSED Y12 N7 E1
04/16/02	2792	(S)	EFFECTIVE DATE(S) FAILED Y13 N6 E1
04/16/02	2792	(S)	ELLIS NOTICE OF RECONSIDERATION
04/17/02	2814	(S)	RECONSIDERATION NOT TAKEN UP
04/17/02	2815	(S)	TRANSMITTED TO (H)
04/17/02	2815	(S)	VERSION: CSSB 340(FIN)(EFD FLD)
04/18/02	2997	(H)	READ THE FIRST TIME - REFERRALS
04/18/02	2997	(H)	STA, FIN
04/18/02	2997	(H)	REFERRED TO STATE AFFAIRS
04/25/02		(H)	STA AT 8:00 AM CAPITOL 102
04/25/02		(H)	Heard & Held
04/25/02		(H)	MINUTE(STA)

04/27/02 (H) STA AT 10:00 AM CAPITOL 102  
 04/27/02 (H) Heard & Held  
 04/27/02 (H) MINUTE(STA)  
 04/30/02 (H) STA AT 8:00 AM CAPITOL 102

BILL: HB 327

SHORT TITLE: STATE EMPLOYEES CALLED TO MILITARY DUTY

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
01/16/02	1977	(H)	READ THE FIRST TIME - REFERRALS
01/16/02	1977	(H)	MLV, STA
01/16/02	1977	(H)	FN1: ZERO(ADM/ALL DEPTS)
01/16/02	1977	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/04/02		(H)	MLV AT 3:00 PM CAPITOL 124
04/04/02		(H)	Moved Out of Committee
04/04/02		(H)	MINUTE(MLV)
04/05/02	2814	(H)	MLV RPT 4DP 1AM
04/05/02	2814	(H)	DP: KOTT, GREEN, HAYES, CHENAULT;
04/05/02	2814	(H)	AM: MURKOWSKI
04/05/02	2815	(H)	FN1: ZERO(ADM/ALL DEPTS)
04/25/02		(H)	STA AT 8:00 AM CAPITOL 102
04/25/02		(H)	Heard & Held
04/25/02		(H)	MINUTE(STA)
04/27/02		(H)	STA AT 10:00 AM CAPITOL 102
04/27/02		(H)	Scheduled But Not Heard
04/30/02		(H)	STA AT 8:00 AM CAPITOL 102

**WITNESS REGISTER**

WENDY REDMAN, Vice President  
 University Relations  
 University of Alaska  
 PO Box 755000  
 Fairbanks, Alaska 99775

POSITION STATEMENT: Testified in support of HB 327 and answered questions.

CAROL CARROLL, Director  
 Central Office  
 Administrative Services Division  
 Department of Military & Veterans Affairs  
 400 Willoughby Avenue, Suite 500  
 Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 327.

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

POSITION STATEMENT: Answered questions on HB 327.

**ACTION NARRATIVE**

TAPE 02-50, 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 Hayes were present at the call to order. Representative Crawford arrived as the meeting was in progress.

SB 340 - HOLD HARMLESS PROVISIONS OF PFD PROGRAM

CHAIR COGHILL announced that the first order of business would be CS FOR SENATE BILL NO. 340(FIN)(efd fld), "An Act relating to public notice of information relating to permanent fund dividends, and to treatment of permanent fund dividends for purposes of determining eligibility for certain benefits." [A proposed House committee substitute (HCS), version P, 22-LS1361\P, Cook, 4/24/02, was adopted as the work draft on 4/27/02.]

Number 0102

REPRESENTATIVE FATE commented that this bill has been characterized as mean-tempered, but it's really not. Something needs to be done about the spending in the state of Alaska. This was just a method to try to find a solution by placing some of the responsibility on the people that sometimes need the most help and by trying to spread the burden of those who predominantly need that help. He stated that he doesn't think it is mean spirited; it is simply something that signals the fact that expenses in the state need to be looked at [to see] how they can be absorbed. This may not be the mechanism, but the Finance Committee will scrutinize it.

Number 0230

REPRESENTATIVE FATE moved to report [HCS CSSB 340, version 22-LS1361\P, Cook, 4/14/02] out of committee with individual recommendations and the accompanying fiscal notes.

Number 0262

REPRESENTATIVE HAYES objected. He said that this bill takes away the whole spirit of the permanent fund. Unless he is mistaken, he said he thought the whole point of the permanent fund was to make sure everybody was on equal footing. Now people will be told that the system has been changed for welfare reform, that they're getting a hand up, and then they're told that they're not worthy of something that everybody gets, including the millionaire and everyone else. He said he thought that was problematic.

REPRESENTATIVE HAYES referred to comments that this bill should just go to the Finance Committee to be scrutinized. He said that he understood that the purview of the House State Affairs Standing Committee is to look at statewide policy issues. If it is a policy issue that the committee doesn't think should be made at this time, it should be dealt with right here. He said he thought this is a bad statement.

REPRESENTATIVE HAYES told the members that he came from a poor family who had been on welfare, and he couldn't imagine them driving to Alaska from Baltimore to get [a permanent fund] check. He doesn't know of any poor people who could have done that. Some of the premises of people coming up here to receive this check is not very true. It might happen in some cases, but he doesn't think there are a lot of folks moving up because of a permanent fund check. A good job has been done on welfare reform: giving people a hand up not a handout. He expressed discomfort with this legislation and will vote against it.

Number 0460

REPRESENTATIVE JAMES said she will allow this bill to move, but this issue is problematic from the general public's concern. She stated that there are those who have come to Alaska specifically because of the benefits. The permanent fund dividend is a draw to the state. She isn't saying that is good or bad. She indicated that people should come to Alaska and bring their money to invest in the state and create jobs so the state won't funnel itself into some kind of a pit.

Number 0565

REPRESENTATIVE JAMES admitted that she likes her permanent fund dividend; most everybody does. But something has to be done about it; the state cannot go forward with the size and calculation of the permanent fund today. Any leftover money of the earnings reserve cannot be used until the way the dividend is calculated is changed. It's based on the percentage of the income or half of the earnings reserve, which ever is smaller. She stated that there needs to be a rational way of doing the permanent fund dividend. This issue is not going to go away. If it isn't taken care of here, it's going to come back up again. She would rather deal with the permanent fund first in the fiscal issue; that is what has caused this issue. She emphasized that the state cannot tax itself enough. Another part of the issue is that the 18 to 44 year olds are leaving the state.

Number 0793

REPRESENTATIVE JAMES said once people get that money, it is difficult to take it away. People gear up to get that money. She said she sees people who have Christmas presents that she can't afford to buy. Because of the permanent fund, there are people who wouldn't have the money to buy those things for Christmas. She said she doesn't wish they didn't have Christmas presents, but she wishes that they would be able to pay their bills, pay other things, take better care of themselves, and eat better. She reiterated that a rational solution needs to be found or the state will never solve the fiscal issue.

Number 0880

REPRESENTATIVE CRAWFORD said he remembers when the debate first started on whether the permanent fund dividend would be means tested. It was decided that every man, woman, and child who was an Alaskan would get a permanent fund dividend. It gives everybody a leg up whether they're rich or poor. He takes exception to a lot of the things that have been said about how poor people are going to Hawaii or getting Christmas presents that they shouldn't. It irritates him when he hears about "those people." He said he is sure that there are always exceptions. There are people who don't use their permanent fund dividend wisely, but [the permanent fund dividend] has given lots of people chances that they would have never had otherwise. He expressed opposition to this bill and said it shouldn't go any further than right here.

Number 0970

REPRESENTATIVE JAMES said Alaskans getting this huge dividend causes a mentality of not earning their own way. When K-12 education, the university, and getting permits in the Department of Natural Resources (DNR), and things that grow the state can't be funded, then this is the wrong politics.

Number 1020

REPRESENTATIVE HAYES said he understood what Representative James is saying, but this bill would take \$11 out of everyone's permanent fund check to have 7,000 parents and 10,000 children not receive this check. He said that \$11 is a miniscule amount of money to afflict that type of damage to the poorest of the population. Even though it was said that K-12, the university, and DNR can't be funded, a bill in the House was just passed that is going to give away \$41 million a year that could do those things.

Number 1088

REPRESENTATIVE WILSON agreed that some decisions have to be made in this state. The fiscal mess needs to be dealt with. However, this bill affects 66 people in her district, and she said she is concerned about that. She indicated that she will probably vote "no recommendation."

Number 1243

CHAIR COGHILL said this does not affect the permanent fund dividend in any way. The people on temporary assistance and food stamps still get the permanent fund dividend, it's just that it's counted as income. Everybody has to count it as income. This takes care of the safety net issue for those on SSI [Supplemental Security Income] and APA [Adult Public Assistance]. It does not disqualify people from the Alaska Temporary Assistance Program, except for the months when they have income. That would be true if they got a job. He recognized that these are hard times. He said he thinks that counting the permanent fund dividend as income is appropriate, except for "in the true safety net issues."

Number 1350

A roll call vote was taken. Representatives Fate, James, and Coghill voted in favor of moving the bill. Representatives

Crawford, Hayes, Stevens, and Wilson voted against it. Therefore, HCS CSSB 340(STA) failed to move out of the House State Affairs Standing Committee by a vote of 3-4.

[Representative Wilson later reconsidered her vote.]

HB 327 - STATE EMPLOYEES CALLED TO MILITARY DUTY

Number 1440

CHAIR COGHILL announced that the final order of business would be HOUSE BILL NO. 327, "An Act relating to state employees who are called to active duty as reserve or auxiliary members of the armed forces of the United States; and providing for an effective date."

Number 1439

REPRESENTATIVE FATE commented that the issue is whether or not university employees are state employees. In the past there have been times when the university has been accepted by the executive branch of government as an agency of the state. Actually it is not; it is a constitutionally authorized corporate body, and it is run by a board of regents, also authorized by the constitution. It is separate.

Number 1505

WENDY REDMAN, Vice President, University Relations, University of Alaska, testified in support of HB 327. She explained that the university is in an ambiguous situation relative to being state employees. It is clearly an entity of the state; it is part of the executive branch, but university employees are not considered state employees. They are not covered by the state Personnel Act. Whenever a statute refers to state employees, unless it specifically delineates that it includes the university or not, it gets into a situation. She told the committee that the intention of the governor's office is that it not cover the university because it talks about the issuance of administrative orders from the governor. The governor doesn't normally issue administrative orders to the university; the board of regents sets policy and is defined in law and in the constitution as the body that sets policy.

MS. REDMAN indicated that the pending amendment is sufficient to clarify that the governor will issue the administrative orders to state employees of the executive branch offices and

departments. That clearly delineates what is intended and does not include the university, the railroad, and the judicial branch.

Number 1630

REPRESENTATIVE STEVENS noted that this is not a bill about who is a state employee, this is a bill about allowing some benefits to people in the reserves. His question is how the university is covered, not whether it should be. He asked if university employees are treated in a similar fashion as state employees in this bill.

Number 1673

MS. REDMAN said she isn't sure what the present policy is when the National Guard is called up. University employees are generally treated similarly to the state employees. They do fall under PERS [Public Employees' Retirement System] and TRS [Teachers' Retirement System], although the university also has its own defined benefit program. If this law passes and it was the position of the State of Alaska that it would pay all salary and benefits for people who are called into active duty, it is highly likely that the board of regents would take the same action. At the present time, paid leave is provided for people who are doing their guard duty.

REPRESENTATIVE STEVENS asked what would happen if someone was in a command that was called up, became a regular member of the U.S. Army, and was sent off somewhere. He wondered how the university would treat its employees in that case.

MS. REDMAN answered that she didn't know. She wasn't sure if the university has dealt with that issue yet. She said she assumes that the university would take precisely the action in this legislation to do everything it could to cover all expenses and benefits for those individuals.

MS. REDMAN told the committee that should this bill pass, she will take it to the June meeting of the board of regents and ask that it develop a policy that would be similar to what the state has done.

Number 1910

REPRESENTATIVE FATE made a motion to adopt Amendment 1, which read:

Page 1, line 10:  
Delete "state"

Page 1, line 10, after the word "employees":  
Insert "of executive branch offices and departments"

Page 2, line 14:  
Insert "(d) in this section, executive branch offices  
and departments are those listed in AS 44.17.005"

REPRESENTATIVE FATE noted that the intent of Amendment 1 is to exempt employees of the University of Alaska, The Alaska Railroad Corporation, the Judicial Branch, and the Legislature from HB 327.

Number 1915

REPRESENTATIVE WILSON objected. She said she understands the intent of the amendment is to exempt the employees mentioned, but wondered why.

REPRESENTATIVE FATE answered that it clarified the status of university employees compared to the executive branch.

Number 1946

CHAIR COGHILL explained that the university has been given constitutional authority for the board of regents to run the policy. The Alaska Railroad Corporation operates independently of the State of Alaska, and the Judiciary Branch has its own policy.

Number 1973

MS. REDMAN added that because of the constitutional establishment of the university and the railroad, the state and therefore the legislature, does not have any participation in establishment of salary or benefits for university employees. State employees are actually in statute; that's not the case for employees of the university and railroad.

MS. REDMAN explained that the university is also a separate corporate body that is set up in the constitution of the state for the governance of the university system. This legislation establishes a compensation benefit for state employees specifically by the governor's administrative order. It's the

board of regents' prerogative by law to establish and direct the pay and compensation for university employees. In that case, she said she thinks it is inappropriate and maybe not even legal for the governor to direct through administrative action what would be a significant benefit; that really is by law assigned to the board of regents.

Number 2122

REPRESENTATIVE JAMES explained to Representative Wilson that the amendment doesn't necessarily exclude the University of Alaska, the railroad, judicial branch, or legislature, it just doesn't cover them. That is the intent of the legislation.

Number 2168

REPRESENTATIVE STEVENS said he would like to know what the policies are of these exempt agencies.

Number 2228

CAROL CARROLL, Director, Central Office, Administrative Services Division, Department of Military & Veterans Affairs (DMV), testified that from the DMV's perspective, treating people of the same class differently, if that were to occur, would not be something that the committee would like either. It wouldn't be a good idea to have members of the National Guard treated differently if they worked in the executive branch or if they worked for the university or legislature. She agreed that it would be good to know the policies of the other entities.

REPRESENTATIVE JAMES said currently the legislature does give the university money. If this were to go into effect, it'd be obligated to give the university a line item for pay; the railroad doesn't get any money from the legislature, and it doesn't want to start doing that now. She said she thought if the legislature was going to tell the railroad to provide this benefit to its employees, then it should probably pay the railroad in the budget too.

Number 2272

MS. CARROLL indicated that the executive branch is leading on this concept of making sure that the state employees are held harmless when they are called to active duty. It is the department's opinion that it would be a good policy for others,

but it isn't under the purview of this bill to force that policy on those different branches of government.

REPRESENTATIVE JAMES commented that since this bill provides for people to get paid and get their benefits while they're gone, it could be a very expensive piece of legislation. She said that she would rather not go for such a deep step at the beginning. She would simply hold the position for them, but she acknowledged that would be difficult to do when many of the employees are politically appointed. If they were to come back, they might not be able to return to the same position because there may be another administration. People don't know how long they would be gone. She said she sees some problems with this legislation because right now those people would be able to continue to receive the pay and benefits until whatever time, and she wondered if this bill should be that broad.

CHAIR COGHILL asked Mr. Stewart if he considered how this amendment might affect things.

Number 2542

DAVE STEWART, Personnel Manager, Central Office, Division of Personnel, Department of Administration, told the committee that the fiscal note was prepared based on the members of the executive branch staff whose salary would have been supplemented. If the legislation goes into effect the way it's written, it is retroactive to September 11. Assuming that the governor issued an administrative order covering pay and health insurance for the 41 employees called to active duty, the fiscal note for 2002 shows \$44,000 for that.

CHAIR COGHILL asked if any employees of the university, railroad, judicial branch, or legislature had been called to active duty.

MR. STEWART replied that he didn't know.

REPRESENTATIVE WILSON removed her objection.

There being no further objection, Amendment 1 was adopted.

REPRESENTATIVE HAYES said he didn't think the committee needed to hold the bill to get further information. He said that information could be gotten before it was voted on later in the process.

CHAIR COGHILL agreed to have his staff write some letters and get an official position for the committee members.

Number 2661

REPRESENTATIVE WILSON said this is a policy under the purview of this committee, and some more facts are needed.

Number 2671

REPRESENTATIVE JAMES commented that the more she thinks about it, she isn't as comfortable with this bill. She is concerned that it is pretty broad.

Number 2750

REPRESENTATIVE STEVENS agreed that there are a lot of issues that need to be looked at carefully. The idea of holding people harmless when they are called to serve in the military is a good idea. Currently, people in the military can buy their time back at the university. He suggested maybe having people buy into the system instead of just granting it to them.

Number 2801

REPRESENTATIVE CRAWFORD indicated that this is a fairness issue for him. He said he's not sure if it's the right policy call to give this benefit to state employees when National Guard people in the private sector don't get these benefits. He said he wished all of them could get it, but he can't see making small business owners responsible for it. He said he was torn on this bill.

CHAIR COGHILL agreed. He said he thought this bill would get Finance Committee referral.

MR. STEWART responded to a question by Chair Coghill on the executive order and explained that the intent of the legislation was to allow the drafting of an administrative order that would specify a group or groups of employees either by status, department membership, or position, and the nature of the supplementation: whether they would receive just the difference in their state and military wage, - this is only for individuals whose military wage is less than their state salary - and it would specify whether there would be health insurance or retirement contributions paid, and it would specify a duration.

REPRESENTATIVE WILSON said she doesn't have a problem with what this bill does. The principal of going out and doing something for the country shouldn't set someone back financially, but no one knows know what is coming down the pike. She commented that this isn't wise just for the simple reason that there isn't a fiscal policy in place and the fact that this is so open ended.

TAPE 02-50, SIDE B  
Number 2967

REPRESENTATIVE STEVENS asked for an explanation on hold harmless.

Number 2922

MR. STEWART said that the legislation was intended to lead not to direct the other entities discussed earlier. The number of individuals called to active duty since September 11 was 41 state employees. Only 8 of those had military salaries less than their state salaries. There were 34 people who had a higher military rate of pay, so the rate of supplementation would have been zero on the fiscal note for those employees in 2002. That cost only includes the employer contribution of health insurance. In deciding whether the out-year fiscal impact could be determined, a list of all state employees who are members of the National Guard was looked at, and roughly 10 percent of those had lower state salaries than military salaries. He indicated that the supplementation equals out with the other costs.

Number 2854

REPRESENTATIVE STEVENS asked about the other benefits in compensating someone.

MR. STEWART replied that the cost of health insurance is a fixed cost. It is established either by union contract or law as far as the employer contribution. The retirement contribution is a percent of salary, and there would be a definition in the administrative order about whether the employer would pay the employer's contribution or both the employer and employee contribution. There is some protection afforded for retirement credit. If an individual, state employee or otherwise, is called by presidential order to active service, there is a distinction in the Uniformed Services Employment and Reemployment Rights Act that requires the state to provide the

service credit based on time served or absence from work and not the financial benefit.

The committee took an at-ease from 8:57 a.m. to 9:01 a.m.

Number 2718

REPRESENTATIVE FATE asked Mr. Stewart for a copy of the list of employees who are in the National Guard.

CHAIR COGHILL announced that HB 327 would be held over.

REPRESENTATIVE WILSON announced that she would like to reconsider her vote on SB 340.

**ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 9:03 a.m.