

MINUTES
SENATE FINANCE COMMITTEE
March 13, 2001
10:02 AM

TAPES

SFC-01 # 36, Side A
SFC 01 # 36, Side B

CALL TO ORDER

Co-Chair Dave Donley convened the meeting at approximately 10:02 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson
Senator Loren Leman

Also Attending: SENATOR RANDY PHILLIPS; SENATOR GENE THERRIAULT; DARWIN PETERSON, staff to Senator Torgerson; NEIL SLOTNIC, Deputy Commissioner, Department of Revenue; LEE LIVERMORE, Chief Investment Officer, Department of Revenue, Treasury Division, Department of Revenue;

Attending via Teleconference: From Anchorage: MARK MYERS, Director, Division of Oil and Gas; JIM STOUFFER; DAN SULLIVAN, Development Director, Arctic Winter Games Team Alaska.

SUMMARY INFORMATION

SB 77-NET PROFIT SHARE UNDER/OVERPAYMENTS

The Committee heard from the sponsor and the Department of Natural Resources. The bill was reported from Committee.

SB 65-PAY EQUITY FOR STATE EMPLOYEES

The Committee heard from the sponsor. A committee substitute was adopted and three amendments were considered and adopted. The bill was reported from Committee.

SB 58-ADD PHYSICIAN ASST TO STATE MEDICAL BOARD

The Committee heard from the sponsor and moved the bill from Committee.

SB 93-ARCTIC WINTER GAMES TEAM ALASKA TRUST

The Committee heard from the sponsor, the Special Olympics World Winter Games and the Department of Revenue. The bill was held in Committee.

SB 102-SOCIAL SECURITY # & DRIVER'S LICENSES

The Committee heard from the sponsor, considered and adopted an amendment and reported the bill from Committee.

#SB77

SENATE BILL NO. 77

"An Act repealing the exception that applies to collection and payment of interest of \$150 or less on royalty or net profit share underpayments and overpayments; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

DARWIN PETERSON, staff to Senator Torgerson, sponsor of the bill, read the sponsor statement into the record as follows.

In 1998, the legislature enacted AS 38.05.135 (g), exempting the Department of Natural Resources from calculating interest on small over or under payments of royalty if the interest is \$150 or less. The cost of calculating these small over/underpayments was more than the interest received or credit applied. Prior to 1998, Department of Natural Resources was calculating these small payments manually. For the 12 months prior to October 31, 2000, the State processed 1716 royalty filings where interest amounts were between a negative \$150 and a positive \$150. The net amount of these under/overpayments was a positive \$4,096.

The effort of calculating, processing and tracking interest

for small under/overpayments was not cost effective for the oil companies or the State. With the advent of the State's new Oil and Gas Royalty Accounting System, all interest is calculated electronically. Also, most royalty payers are using mainframe computer systems and sending their royalty reports electronically. The failure to repeal AS 38.05.135 (g) would require the Department and royalty payers to reprogram their computer systems to not compute under or overpayments of less than \$150.

The sophisticated computer systems used by the royalty payers and the State are now able to quickly compute the interest owed on even the smallest under or overpayment. All the royalty payments are automatically summed together and one wire transfer is used for payment. The repeal of AS 38.05.135 (g) will solve the problem of the administrative burden on the part of the royalty payers and the State to manually track very small amounts of interest. It is an unnecessary expense to reprogram computer systems to handle separate interest calculations for these small interest amounts, especially when a much easier option is available.

Senator Olson requested the amount of overpayments and underpayments.

Mr. Peterson replied that the amount of money in question is minimal. He detailed that for the 12 months prior to October 31, 2000, the state processed 1,716 royalty filings where the interest amounts were between a negative \$150 and a positive \$150. He stated that the net amount results in a positive \$4,096 for the state.

MARK MYERS, Director, Division of Oil and Gas, testified via teleconference from Anchorage in strong support of the legislation. He noted that the existing statute has been made obsolete by the department's modernized and automated royalty accounting system. He stated that adopting of this legislation would result in a more accurate accounting procedure and would simplify practices for both the state and the producers. He surmised that the producers also support the bill. He pointed out that no opposition had been raised to the bill and that it has no fiscal impact on the state or the producers.

JIM STOUFFER testified via teleconference from Anchorage to reiterate Mr. Meyer's statements.

Co-Chair Kelly chaired the remainder of the meeting.

Co-Chair Donley offered a motion to report SB 77, 22-LS0519\A, from

Committee with accompanying zero fiscal note from the Department of Natural Resources, Oil and Gas Development Budget Request Item (BRU). There was no objection and the bill MOVED from Committee.

AT EASE 10:07 AM / 10:07 AM

#SB65

SENATE BILL NO. 65

"An Act requiring a study to determine if gender is a determinant in state employee compensation."

[Note: A committee substitute was distributed to the Committee. The two-page committee substitute inadvertently included the first page of 22-LS0060\J and the second page of 22-LS0060\L. All references to the version "J" committee substitute during the hearing pertain to this J/L combination. A copy of this is on file.]

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Donley, sponsor of the bill, spoke to a proposed committee substitute that develops additional background information to clarify that the intent of the legislation is to ensure that the state is in compliance with current federal and state laws requiring equal pay for equal work.

Co-Chair Donley called members' attention to a memorandum from his office detailing the requirements of the study. He noted this includes defining the differences between equal pay for same work, equal pay for comparable work, and equal pay for equal work. He also referenced a section analysis for the committee substitute. [Copies on file.]

Co-Chair Donley moved for adoption of CS SB 65, 22-LS0060\J, 3\5\01 [See note above.] It was adopted without objection.

Co-Chair Donley continued addressing the committee substitute. He described the difference between equal pay for equal work and equal pay for comparable work. He defined this as making sure that identical jobs as well as jobs that are substantially equal in terms of composite skill, effort, responsibility, work conditions and other material aspects, are paid equally and not paid different amounts based upon domination by a particular gender.

Co-Chair Donley stressed that Alaska has a superior classification method compared to most states, and that he believed no significant

discrimination would be found. However, he emphasized that until a study is done, no one could be absolutely sure. He noted earlier litigation over nursing classifications, which he said have been addressed and the need to ensure there are no other instances.

He understood the concerns raised at the previous hearing regarding how complicated a comparable work-study could be. In recognition of this, he said he endeavored to clarify the study to ensure the study addresses equal pay for equal work rather than comparable work.

Co-Chair Kelly stated that the nurses versus physician assistants issue is a good example of equal work and asked Co-Chair Donley to elaborate.

Co-Chair Donley detailed that the Human Rights Commission found that the classification of nurses was gender dominated by females and the classification of physician assistants was gender dominated by males, but that both were performing the same work and should have been paid equally. However, he pointed out that the physician assistants were paid more than the nurses. He continued that the Commission's findings were appealed up to the Supreme Court and that the court found that there were some duties performed by the physician assistants that were different from those performed by the nurses. Therefore, the court determined that there was no improper discrimination under the equal pay for equal work laws.

Co-Chair Donley stated that as a result of this case, adjustments have been made to eliminate the perceived problem. He gave a hypothetical example of two employees doing the same job, but one is classified as a janitor and the other as a maintenance technician, and receives higher pay. In this instance, he said, if most of the janitors are women and most of the maintenance technicians are men, the equal pay for equal work rules are violated.

Senator Olson clarified that the nurses in question were actually nurse practitioners.

Co-Chair Donley was unsure, noting that the case was handled ten years prior and was resolved by the Supreme Court, which found in favor of the state. He spoke to his knowledge of the nursing profession, citing that his mother was a nurse. However, he maintained that he found the different classifications of nursing confusing because of the different educational requirements for each classification.

Senator Leman appreciated Co-Chair Donley's efforts to clarify the

issue. Senator Leman stated he had been concerned that attempting to determine the worth of a worker, "against the marketplace" was unwise. However, he stated that he has always supported equal pay for equal work. He requested the bill be held in Committee to allow him to further "tighten" the language.

AT EASE 10:15 AM / 10:20 AM

Amendment #1: This amendment makes a title change to the committee substitute as follows.

Page 1, lines 1 and 2:

Delete:

An Act requiring a study to determine if gender is a determinant in state employee compensation.

Insert:

An Act requiring a study regarding equal pay for equal work.

Co-Chair Donley moved for adoption.

Senator Hoffman asked if the intent is to continue to limit the study to state employees.

Co-Chair Donley replied that is the intent, noting that language within the bill provides such.

Senator Hoffman pointed out that the title would leave open the possibility to expand the study while the House of Representatives considered the bill.

Co-Chair Donley AMENDED his motion as follows.

Page 1, lines 1 and 2:

Delete:

An Act requiring a study to determine if gender is a determinant in state employee compensation.

Insert:

An Act requiring a study regarding equal pay for equal work for certain state employees.

The amendment was ADOPTED without objection.

Amendment #2: This amendment inserts, "in compliance with equal pay for equal work laws" following "employees" on page 2, line 11 of the committee substitute. The amended language reads as follows.

GENDER PAY EQUITY SURVEY. The Department of

Administration shall conduct a study to determine whether gender is a determinant in setting compensation for state employees in compliance with equal pay for equal work laws..

[See above note regarding the committee substitute. This change impacts language contained in the "L" version, page two of which was distributed along with page one of version "J". This combination is referred to in Committee action as version "J".]

Co-Chair Donley moved for adoption.

AT EASE 10:23 AM / 10:24 AM

The amendment was adopted without objection.

Co-Chair Donley offered a motion to report from Committee, CS SB 65, 1-LS0060\J, as amended with accompanying Department of Administration, Centralized Administrative Services BRU fiscal note for \$50,000. [See above note.] There was no objection and the bill MOVED from Committee.

#SB58

SENATE BILL NO. 58

"An Act relating to the membership and quorum requirements of the State Medical Board."

This was the first hearing for this bill in the Senate Finance Committee.

Senator Olson, sponsor of the bill, stated that this legislation adds a physician assistant (PA) to the membership to the State Medical Board. He noted that currently, there are seven members on the Board, but that only physicians and public members with no financial connection to the health care industry may serve in these positions. He relayed that there are 250 physician assistants in the state providing a wide variety of medical services in Alaska. He stressed that the PAs are an important part of the Alaskan health care delivery system and on average, account for 50,000 patient-provider contacts per month. He added that in rural settings, they are often the only health care practitioner available to respond to emergencies and life-threatening situations.

Senator Olson informed the Committee that the State Medical Board is responsible for administering the certification examination for physician assistants. In addition to setting licensing

qualification, he noted the Board determines the scope and nature of the medical services that a PA is authorized to perform. He continued that the Board also sets the supervision requirements of the supervising physician. He stressed that the effectiveness of the PA is dependent upon the working relationship with the supervising physician.

Senator Olson summarized that because of the aforementioned statements a PA position should be added to the Board's membership. He surmised that this change would increase the Board's effectiveness in maintaining the quality of health care delivery.

Co-Chair Kelly noted that the new membership would be an even number of members. He referred to testimony given in the Senate Labor and Commerce Committee and asked Senator Olson to relay the outcome of the discussion.

Senator Olson responded that the additional seat would increase the number of members on the Board to eight. As a result, he stated the quorum would increase from four to five members. He predicted that this would cause no significant disruption to the process, given that the meetings are often one member short due to conflicting obligations. He noted that tie votes would be rare since actual meeting attendance would often be less than the full eight-person membership.

Co-Chair Donley offered a motion to report from Committee, SB 58, 22-LS0452\C with accompanying \$3,000 fiscal note from the Department of Community and Economic Development, Occupational Licensing BRU. The bill MOVED from Committee with no objection.

AT EASE 10:30 AM / 10:32 AM

#SB93

SENATE BILL NO. 93

"An Act relating to the Arctic Winter Games Team Alaska trust; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Senator Phillips, sponsor, noted that the Department of Revenue had technical suggestions. He spoke to the bill, giving the 30-year history of the Arctic Winter Games, established by the Commissioners of the Yukon and Northwest Territories of Canada, and Governor Hickel of Alaska.

Senator Phillips shared that funding for Alaska's participation in the Games must be secured annually, and that there have sometimes been difficulties. He said he therefore introduced this legislation, which establishes a trust similar to the Alaska Children's Fund and would be called The Arctic Winter Games Team Alaska endowment. He assured that once the endowment is established, there would be no further annual requests for funding the Games. He explained that the interest from the endowment would fund Team Alaska and the Games themselves when hosted in Alaska. He noted that the Games are next scheduled for Alaska in 2006.

DAN SULLIVAN, Development Director, Arctic Winter Games Team Alaska testified via teleconference from Anchorage about his involvement, both as an athlete and as an organizer and board member. He relayed past difficulties in receiving funding. He stated that the goal of this legislation is to provide a manner in which the group could remain viable long into the future without continuous state funding. He gave the history and participation of Alaska in the games. He thought that establishing the trust account, similar to the Alaska Children's Fund, would benefit the Games.

Mr. Sullivan spoke to the importance of preserving the cultural aspect of the many sports included in the games. He stated that this one-time investment would allow state funding in the future to be allocated to other uses.

Mr. Sullivan asserted that sports are an effective deterrent against teen smoking. He suggested that the legislature consider allocating approximately one-percent of the tobacco settlement funds to the Games, which keep young people involved in athletics. He also noted that the athletes represent Alaska and the entire United States as well, as Alaska is the only state that participates. Unlike other countries, he stressed that Alaska's athletes themselves pay approximately one-third of the cost of participating in the bi-annual games. He noted that each athlete would be charged approximately \$1000 to participate in the upcoming Games held in Greenland if the current funding level remains unchanged. He surmised that many rural athletes would be unable to participate due to the cost.

Senator Lemman referred the \$5 million appropriation from the state. However, he noted large financial participation from business and individuals for the Special Olympic Games. He asked if the witness thought the Arctic Winter Games could generate similar enthusiasm and if the \$5 million could come from private and corporate donations.

Mr. Sullivan replied that while there would be some private input, it would not equal the amount obtained by the Special Olympics World Games, held in Alaska during the current year. This he said is due to the lower profile of the Arctic Winter Games. He pointed out that the Special Olympics involved 80 countries, obtained approximately \$8 million in federal funding, and had large exposure from US Senator Ted Stevens. He qualified that when the Arctic Winter Games are held in Alaska, their profile does increase, but when the Games are held elsewhere, corporations do not see the publicity benefits.

Senator Olson asked the sponsor how many athletes and personnel are involved in the Games.

Senator Phillips replied that approximately 2,000 athletes and 1,500 to 2,000 personnel are expected to participate in the upcoming Greenland Games. He noted that Alaska has the largest contingency, with 328 athletes. He stressed that the Games are the 2nd largest winter sporting event in the world.

Mr. Sullivan reiterated that Alaska has approximately 330 athletes, plus 30 to 40 coaches and support staff, from 40 to 50 communities, travel to the Games.

Senator Phillips added that the prior Games, held in Eagle River, Alaska cost approximately \$2 million of which 60 percent were privately raised funds.

Mr. Sullivan affirmed.

Senator Phillips noted that when the Games were held in Chugiak in 1996, the Municipality of Anchorage donation of \$100,000 was paid back.

Senator Austerman asked for an explanation of how the trust would operate. He wanted assurance that only the interest earnings of the trust would be used. He also wanted to know when and where the \$5 million is accounted since it is not included in the fiscal note.

LEE LIVERMORE, Chief Investment Officer, Department of Revenue, Treasury Division, Department of Revenue, explained that the trust is set up with a \$5 million endowment. He said that the funds would be invested with long-term goals. He clarified that the interest payments are not actually used to annually fund the Games, but rather the market value is calculated, and the trust has the ability to pay out up to five percent of that value each year. He noted that the trust would hopefully grow enough to allow a larger pay out in the years the Games are held in Alaska.

Mr. Livermore described two ways to handle the trust, one that focuses on short-term goals, such as income. However, he recommended that because of the long-term needs of the Games, the trust should be managed so that the market value grows. He explained that by establishing this trust to focus on market value, more funds would be invested in the stock market and with a focus to appreciate over time. This, he said, protects the trust from inflation as well as providing an annual appropriation.

Ms. Livermore expressed that the funds would be invested similarly to how pension funds are invested. He stated that if the goal were to achieve a 5.25 percent real rate of return, the same as the pension fund, the trust would invest 50 percent in US stock, 20 percent in international stock, with the remainder invested in the bond market.

Senator Austerman referred to a Department of Revenue spreadsheet with an assumed 8.495 percent each year in total returns, with five percent used to fund the Games. [Copy on file.] He asked if the projected earnings were based on an average rate of return and what would happen if the annual rate dropped below 8.495 percent.

Mr. Livermore replied that the figures are based on a three-year average on the market value of the fund. He explained that this takes into account volatility in the return, particularly in the stock market. He pointed out that while the previous year was poor, it followed five high years and therefore the average was not affected as dramatically.

Co-Chair Kelly asked if the proposed changes from the Department of Revenue were included in the committee substitute.

Senator Phillips replied they were not.

Co-Chair Kelly requested that a new committee substitute be drafted to address the changes.

Senator Austerman repeated his question as to the source and date of the \$5 million appropriation.

Senator Phillips responded that a special appropriation would be necessary to establish the fund. He reiterated that this trust would employ the same method as the establishment of the Alaska Children's Fund.

Senator Green read from page 1, of the bill, starting on line 12, "The commissioner of revenue shall manage the trust as an

endowment, with the goal of ensuring that the purchasing power of the trust will not diminish over time without regard to additional contributions that may be made to the trust." She wanted to know if this is standard language.

NEIL SLOTNIC, Deputy Commissioner, Department of Revenue, replied, "that is consistent with modern endowment theory - how endowments for universities, for hospitals, for large institutions are managed." He explained that the intent is to manage for "real rate of return," or adjusting for inflation, and to protect the purchasing power of the endowment itself so it does not diminish over time. He stated that this is to let the beneficiaries of the endowment know the consistent payout would be from year to year.

Senator Green commented if she were an Arctic Winter Games' proponent, she would not want the state closely tied to the management of the trust as proposed in the legislation. She noted the Department of Revenue would collect a four or five percent administration fee and suggested that the fund could be managed privately.

Mr. Sullivan responded that because the state founded the Games, "maintaining that tie was probably appropriate." He stressed that the governments of the different regions all participate, with Lieutenant Governor Fran Ulmer serving as Alaska's representative to the Games. He added that the international committee that governs the Games, work closely with all pertinent government entities.

Mr. Sullivan shared that it was initially considered whether the trust should be independently managed, but it was decided that, given the 30-year history, the state should continue to be involved. He stated that the trust could be managed either way, but warned that if the trust were managed privately, there would be similar management fees from the private manager as well.

Senator Green understood Mr. Sullivan's explanation but questioned why the state should be involved when the organization could establish its own board of trustees, charter and other measures to ensure independence from the state.

Co-Chair Kelly ordered the bill HELD in Committee.

#SB102

SENATE BILL NO. 102

"An Act relating to the information required in an application for, and to display of social security numbers on, certain

licenses and instructional permits; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

SENATOR THERRIAULT, sponsor, testified to this Senate version of a bill introduced by Representative John Coghill, Jr. Senator Therriault stated that both bills propose to protect the printing of social security numbers (SSN) on drivers' licenses. He assured that the SSN would still be required on the applications for licenses, but would no longer appear on the licenses themselves. He shared that current regulation stipulates that an individual could request the omission of the SSN, but emphasized that most Alaskans are unaware of this option. He expressed that he would like the suppression of the SSN to be a default.

Senator Therriault continued that this legislation also inserts in statute, a current regulatory policy providing that if an individual does not have a SSN, the license applicant could complete a sworn affidavit indicating that fact. He noted that past regulations prohibited the issuance of a driver's license to those individuals who do not have a SSN, but stated that this practice has stopped.

SFC 01 # 36, Side B 10:56 AM

Senator Therriault relayed a story of a person who lost his wallet and experienced credit problems that arose from another person who assumed his identity after obtaining his SSN from his commercial driver's license and then using that information to receive financing.

Senator Therriault commented that when this legislation was originally drafted, he thought that the appearance of SSNs on commercial drivers' licenses was a federal requirement. He since learned that the federal government does not require this. As a result, he prepared an amendment that would expand the bill to include all types of drivers' licenses.

Senator Therriault spoke to the use of SSNs and the heightened sensitivity of printing them on drivers' licenses due to the technological advances in the "modern computer age." He opined that ten years ago, it was difficult to track information on individuals. However, he stressed, the Internet, modern database

and search technology, has increased the vulnerability of individuals if their SSN "falls into the wrong hands."

Senator Green stated that she "very much approved of this" and that she hoped to become a co-sponsor of the legislation. However, she requested the sponsor review the history behind the Division of Motor Vehicles requiring SSNs. She remembered being told, "never to give that number to anyone," which she said evolved to the practice of allowing the state to request SSNs "for anything."

Senator Therriault understood that the change was a federal mandate, citing that "money comes with strings attached" as the reason behind the state's involvement. He gave commercial drivers' licenses as an example of a license issued by the state, but possibly used for driving in other states. He said the federal government needed a method of tracking individuals for vehicle citations, whichever state the citation was issued.

Senator Green clarified that Alaska did not initiate the practice of including SSNs on drivers' licenses.

Senator Therriault affirmed.

Amendment #1: This amendment inserts a new bill section on page 2, following line 20 of the committee substitute to read as follows.

Sec. 3. AS 28.33.100(b) is amended to read:

(b) In addition to the information required under AS 28.15.111, a commercial driver's license shall include information determined by the United States Secretary of Transportation to be appropriate to identify the licensee [, INCLUDING THE LICENSEE'S SOCIAL SECURITY NUMBER.]

[DELETED TEXT BRACKETED]

Senator Wilken referred to the bill sponsor's testimony on this matter and moved for adoption.

Without objection, the amendment was ADOPTED.

Co-Chair Donley offered a motion to report SB 102, 22-LS0556\C, as amended from Committee with accompanying zero fiscal note from the Department of Administration, Motor Vehicles BRU. There was no objection that the bill MOVED from Committee.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 11:02 AM.