

HOUSE FINANCE COMMITTEE  
March 06, 2003  
1:40 P.M.

TAPE HFC 03 - 30, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:40 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Eric Croft  
Representative Jim Whitaker

ALSO PRESENT

Senator Gary Stevens; Guy Bell, Director, Division of Retirement and Benefits, Department of Administration; Kevin Sweeney, Legislative Liaison, Department of Education and Early Development; Pam Varni, Executive Director, Legislative Affairs Agency.

PRESENT VIA TELECONFERENCE

John Malone, Alaska Mental Health Trust Board, Bethel.

SUMMARY

CONFIRMATION - JOHN MALONE  
Alaska Mental Health Trust (AMHT)  
PASSED - NO OBJECTION

CHANGE IN THE LONGEVITY POLICY  
PASSED - NO OBJECTION

HB 20 An Act relating to reemployment of and benefits for retired teachers and principals, including

those who participated in retirement incentive programs, and to the employment as teachers of members of the public employees' retirement system who participated in a retirement incentive program; and providing for an effective date.

CS HB 20 (STA) was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Administration dated 2/19/03.

CONFIRMATION of JOHN MALONE

Alaska Mental Health Trust (AMHT) Board

Co-Chair Williams pointed out that Committee members had received copies of Mr. Malone's resume and stated that they would vote on his confirmation to the Alaska Mental Health Trust Board of Trustees. Co-Chair Williams indicated that no one had come forward with objections regarding this appointment.

Co-Chair Harris asked how many years had Mr. Malone been on the AMHT Board of Trustees.

JOHN MALONE, (TESTIFIED VIA TELECONFERENCE), ALASKA MENTAL HEALTH BOARD OF TRUSTEE, BETHEL, noted that he had been a founding trustee member. In response to questions, Mr. Malone advised that Board spending is a public program. If the idea is that the board is a supporting public program, then they should be doing their work. If the Board does not deviate from that, the people of Alaska will continue to be the beneficiaries.

Co-Chair Harris asked if it was Mr. Malone's philosophy that AMHT be charged with fully developing lands for the benefit of their clients. Mr. Malone commented that these lands are a part of the corpus of the trust. Generating the greatest return on the corpus is the fiduciary obligation. He added that the Board does explore options regarding the use of those lands. Mr. Malone emphasized that his first responsibility would be to the Trust itself.

Representative Stoltze pointed out that the position was volunteer and thanked Mr. Malone for his many years of public-service work.

Representative Hawker observed that AMHT is an independent organization, however, they do not have a Certified Public Accountant (CPA) annual audit. Representative Hawker asked Mr. Malone if the Board would be willing to consider that, as it would increase their accountability.

Mr. Malone replied that was a level of accountability that he would support.

Representative Hawker explained that an annual audit should be a routine business matter. He added that there has been no indication that there have been problems with this organization.

Co-Chair Williams commented that if there were no objections, Mr. John Malone would be confirmed by the House Finance Committee.

There being NO OBJECTION, in accordance with AS 39.05.080, the Finance Committee reviewed the qualifications of John Malone, the Governor's appointee, and recommended that his name be forwarded to a joint session for consideration for the Mental Health Trust Authority Board of Trustees.

#### CHANGE IN THE LONGEVITY POLICY

PAM VARNI, EXECUTIVE DIRECTOR, LEGISLATIVE AFFAIRS AGENCY (LAA), explained that the Senate/House Employment policy, which has been in effect since 1988, has worked well with the exception of the longevity steps J-M. According to the policy, "Steps J-M will be granted in accordance with AS 39.27.022". AS 39.27.022(d) permits a committee of the Legislature to determine whether longevity pay increments will be granted under AS 39.27.022 to employees under the authority of that committee.

Ms. Varni stated that language does not work well because of the inclusion of the word "continuous". "Continuous" comes into play when legislative staff change position and then depending on who they are working for, their range will change contingent on budget constraints.

Ms. Varni noted that the new policy had been changed by the Senate Rules, House Rules, Legislative Counsel, Administrative Regulations Review and Senate Finance Committees. She requested that the House Finance Committee not adopt AS 39.27.022, but instead adopt the proposed policy with an effective date of January 16, 2003. That is the date that all new staff started their session, would make it equitable and fair. She thought that action would help retain long-term staff without changes.

Representative Foster MOVED that the House Finance Committee not adopt AS 39.27.022 - pay increments for longevity for State service but instead adopt their own plan which better applies to legislative service. The new policy before members would be effective January 16<sup>th</sup>, 2003.

Vice-Chair Meyer inquired if a lot of people had been impacted by the previous legislation. Ms. Varni responded that at present time, there are about 10 staff members in that area. She indicated that if action is not taken, there will be more staff 'down the road' that would not be treated equally.

Representative Joule pointed out that the concern only addresses the longevity issue and he encouraged the benefit of retention of all good staff.

There being NO OBJECTION to the change, the motion was passed.

#HB20

HOUSE BILL NO. 20

An Act relating to reemployment of and benefits for retired teachers and principals, including those who participated in retirement incentive programs, and to the employment as teachers of members of the public employees' retirement system who participated in a retirement incentive program; and providing for an effective date.

SENATOR GARY STEVENS commented that Alaska, like the rest of the nation is experiencing a severe shortage of qualified teachers and principals. Research has shown that a qualified teacher in the classroom is the single most important school-based factor in a student's success. It is incumbent upon the Legislature to provide additional tools to Alaskan school districts to ameliorate the current teacher shortage to assist school districts in their efforts to improve student learning.

HB 20 would allow schools experiencing a shortage of education professionals to reemploy teachers and principals who had retired under a Retirement Incentive Program (RIP). The bill would not require any school district to reemploy any particular retired individual; it would only give them the 'option' to do so.

Senator Stevens continued, school districts would be required to certify that they are experiencing a shortage in order to reemploy a RIP-retired teacher or principal. Those reemployed under the provision would not be required to pay back their retirement incentive and could elect to either continue receiving their retirement benefits or to accrue new Teacher Retirement System (TRS) credited service during that re-hire period. The Department of Education would also be able to hire RIP-retired teachers and principals for Alyeska Central School, Mt. Edgecumbe, the Alaska State School for the Deaf and Hard of Hearing and the Alaska Vocational Technical Center.

Statute allowing school districts to hire any retired personnel without penalty sunsets on July 1, 2005; school districts would not be able to reemploy any additional retirees after that date.

Co-Chair Harris asked what would happen in a district where there was not a shortage of teachers.

Senator Stevens emphasized that the district would have to indicate that there was a 'shortage'. The inability to find a teacher with the specific criterion needed for that position in that school district would have to be present.

Co-Chair Harris wanted to guarantee that the legislation would only fill areas where there just were not enough teachers. He pointed out that there are new teachers coming up and that the proposed hires had gone through the RIP program and had benefited from it. He stressed that he would not want to see an advantage for the retired employees coming back, over and above the new teachers coming in.

Senator Stevens suggested that the Department remark regarding that concern.

Representative Joule commented that the legislation attempted to reach an element of 'quality'. Those teachers that 'ripped' were often very valuable. He reiterated that it is important to guarantee that the children have quality in their classrooms, particularly in rural areas, where quality teachers are seriously needed.

Co-Chair Williams interjected that the Committee's time be used for questions rather than debate.

Representative Chenault observed that there has been concern voiced regarding the 105% retirement benefit pay back. He asked if these hired back teachers would continue to build retirement benefits.

Senator Stevens explained that under present law, a teacher who ripped can return to employment at 105% of the benefits they received. They would come back into the system as a full tenured teachers and would continue to accrue time in the retirement system. The advantage of the proposed legislation is that it would allow the district to hire someone if there was a need. That person would have no tenure and no guarantee of a job in the future. They would have the option of returning to teach and getting back 105% from the retirement system, or under HB 20, they could continue to receive their retirement and benefits, negotiating a deal with the school district for salary without tenure or insurance. From the district's standpoint, there would be financial advantages.

Representative Hawker referenced language 'adopt a policy', which would allow the school district to adopt the policy that permits the employment of retired teachers. He asked if there was any information on that policy that could provide guidance in defining 'shortage'. Senator Stevens understood that language would be found in the Department's regulations.

GUY BELL, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, noted that the Department had submitted a zero fiscal note because the full cost of the retirement incentive program was paid at the time that the teacher retired.

Mr. Bell spoke to the declaration of shortage. The law allows that the declaration of shortage be self-policing and that each school district makes their own determination regarding shortage. They will need to notify the Division and then the school district would hire the retired teacher under that provision. Regarding the statistical information, only 80 of the 4,000 teachers have returned to teaching under these provision waivers. There has been a fairly limited use and it has been used judiciously when there is a shortage. He did not foresee a need to go beyond that self-policing arrangement.

Co-Chair Harris pointed out that the sponsor statement indicates that they would not be required to pay back their retirement incentive and could continue to receive those benefits or to accrue new teacher retirement system credit service during the rehire period. Mr. Bell explained that they could continue to receive the rehire service during that period but they would still be subject to the RIP penalty. The only way to avoid that penalty would be to file to elect the waiver and not accrue additional retirement credit.

Co-Chair Harris asked if the penalty was the payback. Mr. Bell advised that the penalty is a determination made by the Legislature and if that person comes back, the 110% additional benefit received, the person would lose the credit received by virtue of their ripping. The only way in which it makes sense is if the teacher was intending to work more than three years; otherwise, the teacher would be taking a 'big hit' in lost benefits.

Co-Chair Harris asked if it would be up to each individual school district to determine the level of pay for the returning teacher.

Mr. Bell noted that the bill is 'silent' regarding the pay scale. The issue of pay is subject between the bargaining agreement between the school district and its employee

union. Whatever is in place for that school district, would apply.

Co-Chair Harris asked if the teacher would be hired back with their longevity. Mr. Bell advised that could happen if it was indicated in the school's contract.

Co-Chair Harris believed that the only way that the contract would indicate that would be an inclusion stipulated in the contract about retired teachers returning to work. Mr. Bell acknowledged that he did not know about the law and how it would apply to salary scales.

Mr. Bell advised that today, a non-ripped teacher could come back under these provisions. The salary scale that they are hired back at is subject to their school district's call. They could come back at an entry-level position or with some level of seniority. He reiterated that the Department does not make that determination.

Co-Chair Harris commented that it might not be a cost savings to the district to hire them back. Mr. Bell replied that the State would no longer contribute to the retirement system on that person's behalf, creating a savings. Currently, the retirement system requires that the school district pay 12% of the salary to the retirement system, which would be waived.

Co-Chair Williams inquired about the health care costs. Mr. Bell responded that as long as the person stays as a retiree, they are subject to the retiree medical plan.

Representative Stoltze suggested that the intent should be that the teachers come in at entry-level positions. He believed that legislative intent should be added to indicate that language.

Co-Chair Williams responded that had not been used in the statewide school system information. Representative Stoltze mentioned the 'unintended consequences' of not implementing it.

KEVIN SWEENEY, LEGISLATIVE LIAISON, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, impressed upon members of the Committee that there exists a serious problem with teacher shortages in the State of Alaska. There is a chronic difficulty in attracting and retaining teachers in certain areas of the State and in certain education fields. He provided members with a handout, RETAINING QUALITY TEACHERS FOR ALASKA, written by the Institute of Social & Economic Research. (Copy on File).

Mr. Sweeney commended the Legislature in recognizing that the challenge exists. He acknowledged that there were

several bills that deal with teacher shortages. Some of the bills will help the Department and the individual districts attract and retain qualified teachers for the communities. He stressed that HB 20 is one of those bills and that the Department supports it.

Mr. Sweeney clarified that the bill as amended by the House State Affairs will assist the Department to attract qualified people to fill positions within the Division of teaching and learning support. These positions provide support and monitoring of programs throughout the State and as such, the positions require that they be certified teachers. He noted that he was speaking to about 30 positions Division-wide and that there have been high rates of turnover and positions have gone unfilled for extended periods of time.

Mr. Sweeney reiterated that HB 20 addresses areas in which shortages have been experienced and where the Department or the district can declare a shortage. He reiterated that for those reasons, the Department supports HB 20.

Co-Chair Harris reiterated his concern regarding multiple applications for certain positions and who would be chosen to fill them. Mr. Sweeney responded that multiple applications would not indicate a shortage. The bill talks about a place where shortages have been identified.

Co-Chair Harris commented that 'sometimes, politics rears its ugly head', in these types of situations. Mr. Sweeney hoped that would not happen and did not believe that was the situation experienced in many of these districts.

Co-Chair Harris stated that his concern addresses those areas where new teachers want to come and then perhaps certain people are given an advantage over the new ones. Mr. Sweeney reiterated that was not the intent of the proposed legislation.

Representative Joule inquired if there would be a quick turn around time for the people needing this certification. Mr. Sweeney did not know if the legislation would require the Department to oversee certification of the shortage.

Representative Joule asked who would verify that there was a shortage. Mr. Sweeney stated that would be addressed by each individual district. He emphasized that these shortages are 'real'; in some areas, there is a 30% turnover rate.

Representative Foster MOVED to report HB 20 (STA) out of Committee with individual recommendations and with the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

CS HB 20 (STA) was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Administration  
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ADJOURNMENT

The meeting was adjourned at 2:20 P.M.