

HOUSE FINANCE COMMITTEE  
March 18, 2003  
1:47 P.M.

TAPE HFC 03 - 35, Side A  
TAPE HFC 03 - 35, Side B  
TAPE HFC 03 - 36, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:47 P.M.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Jim Whitaker

ALSO PRESENT

Representative Jim Holm; Representative Tom Anderson; Zach Warwick, Staff, Senator Gene Therriault; Robert Winter, Captain, Southeast Pilot, Anchorage; Pat Davidson, Director, Division of Legislative Audit; Captain Dale Collins, President, Southeast Alaska Pilot Association, Ketchikan; Kate Tesar, Alaska Yacht Services and Provisioning, Juneau; Peter Christensen, Board of Marine Pilots; Jeff White, Manager, Seadrome Marine Complex, Goldbelt Hotel, Juneau; Mike Fox, Public Safety Employees Association (PSEA), Anchorage; Mark O'Brien, Contract Officer, Commissioner's Office, Department of Transportation and Public Facilities

PRESENT VIA TELECONFERENCE

Guy Bell, Director, Division of Retirement and Benefits, Department of Administration, Anchorage; Captain Graham Hayes, Seattle; Mike Couturier, Anchorage Police Department, Anchorage; Dan Colang, Correctional Officer, Department of Corrections, Fairbanks; Mike Davidson, Anchorage Fire Department, Anchorage; Adam Benson, Alaska State Troopers, Ketchikan; Dr. Gene Sanders, Clinical Director, Police Stress Institute

SUMMARY

HB 67        An Act relating to construction of highways by the Department of Transportation and Public Facilities.

HB 67 was HEARD and HELD in Committee for further discussion.

HB 91        An Act relating to a cost-of-living allowance and medical benefits for retired peace officers after 20 years of credited service.

HB 91 was HEARD and HELD in Committee for further consideration.

CS SB 20 (FIN)

An Act relating to the Board of Marine Pilots and to marine pilotage; extending the termination date of the Board of Marine Pilots; and providing for an effective date.

CS SB 20 (FIN) was HEARD and HELD in Committee for further consideration.

#HB91

HOUSE BILL NO. 91

An Act relating to a cost-of-living allowance and medical benefits for retired peace officers after 20 years of credited service.

REPRESENTATIVE TOM ANDERSON testified that the State troopers, firemen, correctional officers, and others known as "peace officers" employed by the State of Alaska are an invaluable resource. These employees risk their health and safety in their service to the citizens of Alaska.

Until 1986, all Public Employee Retirement System (PERS) benefit recipients were eligible to receive major medical insurance benefits after becoming vested in the retirement system. In addition, peace officers were eligible to receive an Alaska Cost-of-Living-Allowance (COLA) upon retirement. In 1986, the requirements for medical benefits and COLA were modified to reduce the number of benefit recipients eligible to receive those benefits.

Currently, the participants may receive major medical insurance benefits upon their normal retirement after 30 years of service. Normal retirement for peace officers is after 20 years of service, however, current law requires peace officers to have 25 years of service before they are eligible to receive medical benefits. That system

undermines the intent of the peace officer normal retirement by withholding their medical insurance benefit until an additional 5 years of service are given.

Representative Anderson pointed out that HB 91 would correct the existing benefit delay by allowing peace officers to receive major medical insurance at their normal retirement. Alaska COLA is currently payable to non-disabled PERS benefit recipients, age 65 or older, who remain in Alaska after retirement. HB 91 would provide the COLA benefit to peace officers upon normal retirement after 20 years of service, offering an incentive to those citizens to remain in Alaska, where they may continue contributing to the public good.

The legislation would end the requirement that peace officers work beyond their normal retirement in order to obtain their medical benefits. By offering the COLA benefit upon retirement, the legislation also encourages retired peace officers to remain in the State.

Representative Anderson listed the number of bi-partisan co-sponsors for the legislation: Representative Guttenberg, Representative Gara, Representative Crawford, Representative Heinz, Representative Lynn, and Representative Dahlstrom. The bill also has the support of the Public Employees Retirement System (PERS) Board, the Anchorage Police Department, the Anchorage Fire Fighters Union, Public Safety Employees Association and numerous police officers throughout the State.

Representative Anderson acknowledged that there have been questions regarding the cost of the legislation for the City of Anchorage. That amount would be the annual PERS employer contribution increase of \$44,544 dollars.

MICHAEL FOX, PUBLIC SAFETY EMPLOYEES ASSOCIATION (PSEA), discussed the merits of the proposed legislation. He listed the people that would be affected by the legislation:

- Police officers
- Fire fighters
- Peace officers
- Public safety officers
- Chief of police
- Correctional officers
- Probation officers

Mr. Fox pointed out that the PERS mission is to attract and retain qualified people into public service employment. It is not the PERS mission to provide a living wage for life.

Mr. Fox addressed the history of the program. Tier 1 consists of employees hired between 1961-1986 with COLA payable to all benefit recipients. HB 252 passed in 1986 by Senator Duncan changed that to Tier II. Tier II clarified that COLA would be payable after the age 65 and that major medical would be provided at age 60. HB 242 by Representative Kott passed in 2001 created the Tier III system. The Alaska COLA will be paid after the age 65, major medical at age 60 and/or at normal retirement for all others, except normal retirement plus five years for peace officers. Mr. Fox continued, HB 91 changed that to an Alaska COLA payable after the age 65 years or to peace officers at normal retirement and major medical at age 60 years or at normal retirement for all others and peace officers.

Mr. Fox addressed the increase of \$1.2 million dollars to the fiscal note of which approximately \$600 thousand would be taken from the general fund. The current employer contribution is 8.42% with an increase of 0.18%. The employer contribution is a percent of salary. In 1990, the employer contribution was approximately 12%, in 1994, it peaked at about 17% while, this year it is at 8.42%. The proposed fiscal note would change that percentage to 8.60%. All other employees contribute about 6.7% and peace officers contribute 7.5%.

Mr. Fox stated that the justification for change rests in the fact that current law undermines retirement for peace officers by denying benefits requiring an extra five years of work. That requirement inhibits recruitment, lowers morale and inhibits retention.

Mr. Fox pointed out that the graph indicates turnover by the percentage of Troopers per year class, who are still working compared to those separated from service. The following graph illustrates turnover by using the number of Troopers by groups of year class. There are 237 Troopers out of 315 who have ten years or less of service. The following graph indicates turnover using the number of correctional officers by years of service.

Representative Anderson stated that the concern rests in year #9 when up to 40% are leaving the force. Part of the reason for that turnover is the lack of medical and benefits. He added, it is difficult to recruit the number of people needed when so many in the force are leaving. He emphasized that the chart indicates that separation is due to lack of guaranteed medical benefits and other concerns.

Mr. Fox commented that there is great potential for savings through improved retention. There is a direct savings in recruiting and retaining troopers. It costs \$104,871 thousand dollars for each trooper trained and hired. He

added that the improved retention equals experience and that makes for better decisions. Better decisions make for better savings for the State. Peace officers are called upon to make life and death decisions and that experienced officers are more likely to make better decisions.

Mr. Fox mentioned the problems associated with peace officers working past normal retirement:

- Increased health problems
- Increased risk of injury
- Low morale

He continued, the next graph indicates the limited opportunity for peace officers to promote into administrative positions. The graph compares the number of patrol-level officers to the number of administrative-level positions.

Mr. Fox listed the benefits of Alaska COLA. It is not the intention of PERS to provide a living wage upon retirement. The base benefit for a peace officer at normal retirement is 45% before deductions. Peace officers have to work after normal retirement. He stressed that it is in the State's best interest to keep the peace officers working here in Alaska.

Mr. Fox summarized current law:

- Undermines the normal retirement for peace officers;
- Inhibits the PERS mission to recruit and retain peace officers in public service.

Mr. Fox suggested that HB 91 could restore retirement and improve retention.

Co-Chair Harris referenced the handout, which states that current law requires peace officers to work five years past normal retirement to receive medical benefits. He asked which tier that related to. Mr. Fox replied that Tier I would receive the benefits at 20 years employment. He explained that if the person was vested with five years and was hired prior to 1986, they would receive medical benefits if they worked beyond those five years. They would receive the retirement benefit when they qualified for it. Other people have to be vested for 10 years and be age sixty or have 25 years of service. The legislation would change the 25 years of service to 20 years of service.

Co-Chair Harris commented that a peace officer would only have to work for 20 years to qualify rather than 25. Mr. Fox reiterated that a peace officer would not receive

medical benefits unless they worked 25 years, whereas all other State employees only have to work 20 years to receive the benefit. Co-Chair Harris pointed out that no matter what their age, after working 20 years, they would receive automatic retirement.

Vice-Chair Meyer asked if there is concern that the peace officer would stay for only 20 years, get their retirement and then would leave the State to find a second retirement job. He suggested they could leave the State faster than they currently are.

Mr. Fox commented that when a person retires, they must make a choice as to where they will work after their retirement. He admitted that most peace officers do retire and then go back to work and that the hope of the bill is that it would provide incentive to keep them in the State.

Vice-Chair Meyer thought that the incentive could keep them in Alaska for 20-years. After that, they would have full retirement and they could go anywhere they wanted to move. He stated that the bill accompanied with the fiscal note were difficult at this time.

Vice Chair Meyer questioned where the idea of the bill originated. The people who are responsible for recruitment and retention are the mayors of Anchorage and Fairbanks and the Governor of Alaska. He pointed out that the files do not contain any letters of support from those people.

Representative Anderson explained that the statistics indicate that most fish and wildlife officers, retired fireman, and troopers have an affinity to stay in Alaska when they retire. The proposed bill is a supplement to their foundational interest. There is always the risk of providing benefits for someone that leaves, however, he pointed out that many in officer positions have remained in the State.

Representative Anderson emphasized that at 10 years of service, many peace officers are leaving the force. The certainty rests that the State is losing good men and women to other agencies. The State needs to revisit recruitment and benefit issues, which is the impetus behind this bill.

Vice-Chair Meyer agreed that there are many people leaving at the 10-year period. He reminded Representative Anderson that the legislation would have a financial impact on local cities and questioned why the Mayor of Anchorage had not publicly supported the legislation.

Representative Anderson acknowledged that concern was warranted. He requested that teleconference testimony be taken to address some concerns. Representative Anderson

noted that the sponsors had spoken directly with the department staff rather than specifically to the mayors.

MIKE COUTURIER, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE POLICE DEPARTMENT, ANCHORAGE, voiced support of the proposed legislation. He explained that the Municipality of Anchorage opted to place its officers under the Peace officers PERS retirement system in 1994. The change reduced the disability, debt and retirement benefits for officers hired after 1993. The action resulted in making it more difficult to recruit and retain employees.

Officer Couturier offered some basic recruiting and training facts for consideration. He noted that it takes over 100 applicants to obtain one hired recruit. It costs \$5,000 to get one recruit to the 1<sup>st</sup> day of the academy and \$93,400 to fully train and recruit one officer. Those costs do not include the patrol car. The field officer training program is 3.5 months long. He emphasized that it is very expensive to recruit, hire and train one police officer. The investment is huge and it is important to keep these officers serving Alaska for as long as possible.

Officer Couturier observed that the Anchorage police are currently losing early and mid career officers to other police agencies out of state. Officers are hiring on in order to receive their training and after receiving that credential, they are transferring out to the lower forty-eight. He noted that the California PERS system offers high benefits after twenty years of service regardless of the employees age.

Mr. Couturier encouraged Committee members to support the proposed legislation.

Representative Hawker questioned how many officers would be affected in Anchorage if the legislation were to pass. Officer Couturier responded that the Anchorage Police Department presently has 318 officers, of which, 72% are in PERS Tier II and Tier III, which means about 250 employees would be affected.

Co-Chair Harris suggested that the bill be accompanied with a "letter of support" from the current mayors of Anchorage, Fairbanks and Wasilla, the largest communities in the State. He asked what costs those municipalities would have to absorb for the proposed fiscal note. Representative Anderson responded that he would have that information available for the next meeting.

DAN COLANG, (TESTIFIED VIA TELECONFERENCE), CORRECTIONAL OFFICIER, DEPARTMENT OF CORRECTION, FAIRBANKS, spoke in support of the legislation. He commented on his work as a correctional officer and the pressures associated with it.

Law enforcement is stressful and to ask someone to work an additional five years to receive their medical benefits is not fair. Mr. Colang urged that the Committee pass the legislation so that the peace officer workers can retain their sanity and self worth.

MIKE DAVIDSON, (TESTIFIED VIA TELECONFERENCE), ANCHORAGE FIRE DEPARTMENT, ANCHORAGE, urged the Committee's support of the legislation. He noted that the fire profession requires long and intense hours and difficult decisions. He noted that currently, he works 60-hour weeks due to not being able to fill all the vacant positions. He reiterated that the main reason for these long hours is the difficulty for the Anchorage Fire Department to recruit successful applicants. During the mid 1980's, the Municipality of Anchorage provided a good pay structure, which was comparable to many other states. Because of that benefit package, there was not a shortage of personnel applying for these positions.

Mr. Davidson emphasized that passage of HB 91 would allow fire fighters to better gain successful applicants. Generally, these employees come from a group of people that are already educated. The provisions in HB 91 would allow Alaska to be more competitive in recruiting. He believed that the ability to recruit new employees would offset the costs for the fire department. HB 91 should provide better leverage for more successful recruiting, which will allow for filling job openings.

ADAM BENSON, (TESTIFIED VIA TELECONFERENCE), ALASKA STATE TROOPER, KETCHIKAN, noted that the bill was extremely important to all State Troopers and would help the State to retain troopers. He noted that the troopers that he works with are mostly young, well-educated professionals. Troopers take great pride in the work that they do and take their training responsibilities very seriously. Men and women become troopers because they choose to. The initial training programs are rigorous as well as are the annual follow up training programs, in which there is constant exposure to new and challenging situations.

Mr. Benson claimed that experience is a valuable asset to the State and that it would be in the State's best interest to retain these people. He explained that the challenges, which make the work worthwhile, are not always beneficial to his family and his future retirement. With the passage of HB 91, there would be more incentive to stay in the force for 20-years. However, without the bill, he and other troopers will want and need to explore other options. Mr. Benson stressed that HB 91 will act as an "insurance policy" for the State of Alaska.

DR. GENE SANDERS, (TESTIFIED VIA TELECONFERENCE), CLINICAL DIRECTOR, POLICE STRESS INSTITUTE, urged support for HB 91.

He stated that the legislation is supported by numerous studies done over the years. Dr. Sanders spoke to the work and stress associated with police work and that few officers actually make it to the retirement age. When they leave prematurely, they think that the compensation is no longer worth the risk. On the other hand, police respond well to health and retirement programs that help them to do their jobs. It is very common to see police officers spend inordinate amount of time and energy in the face of adversity when they believe that the work is feeding and caring for them down the road. Reducing retirement to a reasonable and achievable 20 years becomes an effective approach to keeping highly trained officers on the job.

Dr. Sanders encouraged serious consideration of the facts and a support vote for HB 91. He stressed that passage would be a medically sound and a responsible decision.

GUY BELL, (TESTIFIED VIA TELECONFERENCE), DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, ANCHORAGE, requested to testify on the bill.

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Mr. Bell addressed the fiscal note. He noted that the note shows a .18% increase in payroll costs resulting from the legislation. A dollar amount is not indicated because the cost of the change would be spread across the personal services line of all state agencies, which would amount to a spread of \$1.2 million dollars. He offered to answer questions of the Committee.

Representative Croft inquired if the State would require that the municipalities participate in the program. Mr. Bell replied that participation by the political subdivisions is voluntary. Those political subdivisions designate groups of employees that will participate in PERS. Once they participate in PERS, the statutes set the benefits.

Representative Croft asked if there were any major municipalities that do not have their police officers participate. Mr. Bell responded that the only one that does not participate is the Municipality of Anchorage. Anchorage has a police and fire retirement system that effectively has been closed since the mid 1990's. Any employee hired after that date is in the PERS system.

Representative Croft inquired if a major municipality could choose not to participate in the legislation if passed. Mr. Bell responded that the participants choice would be to participate or to not participate in PERS; however, they

would need to offer another retirement plan to their employees.

Representative Croft commented that it would be interesting to hear the various municipalities decision regarding this. He pointed out that the legislature would establish the State standard.

Representative Hawker noted that the fiscal note indicates that the increased PERS accrued liability would be approximately \$13.45 million dollars. He asked if that was unfunded pass service costs or a prospective calculation. Mr. Bell responded that was the unfunded past service cost. The .18% would include that and would amortize it over a period of 25 years. In addition, it would include the future costs, costs of benefits, which will accrue in the future as a result of the change.

Representative Hawker asked if .18% payroll would be amortized as \$13.45 million dollars over a 25-year period. Mr. Bell replied that was correct.

Representative Hawker advised that an \$85 thousand dollar a year trooper, at .0018 benefit cost would amount to \$153 dollars a year or \$13 dollars a month. He was curious if the participants would be willing to absorb any of those costs.

Co-Chair Williams stated that HB 91 would be HELD in Committee for further consideration.

#SB20

CS FOR SENATE BILL NO. 20(FIN)

An Act relating to the Board of Marine Pilots and to marine pilotage; extending the termination date of the Board of Marine Pilots; and providing for an effective date.

ZACH WARWICK, STAFF, SENATOR GENE THERRIAULT, stated that under AS 08.03.010(10), the Board of Marine Pilots (BMP) will terminate on June 30, 2003. A report released by the Legislative Budget and Audit (LBA) Committee recommended that the Legislature extend the board's termination date to June 30, 2007, and that HB 32 would do that.

Mr. Warwick continued, the regulation and licensing of qualified marine pilots benefits the public's safety and welfare. The steady increase in the tourist passenger ships in recent years has made BMP's role increasingly more important. The board provides reasonable assurance that the individuals licensed to pilot passenger and cargo ships in Alaskan waters are qualified to do so.

CAPTAIN DALE COLLINS, PRESIDENT, SOUTHEAST ALASKA PILOT ASSOCIATION, KETCHIKAN, spoke in favor of SB 20. He stated that he had been a pilot in Southeast Alaska for 25 years. He noted that his association has a responsibility to provide pilot service to foreign flagships of 300 gross tons or more in the Dixon entrance to Southeast Alaska. The original pilots act was created in 1970 through the legislature and has been working well ever since. He urged passage of the bill.

Representative Foster referenced correspondence from House Speaker Brian Porter and asked what had happened with the exemption request for the private motor yachts. Captain Collins responded that there is interest in providing for those private motor yachts and that they are exempt up to 300 gross tons. He pointed out that concerns have been raised regarding homeland security and that no language has yet been added to address a sunset to the bill.

KATE TESAR, LOBBYIST, ALASKA YACHT SERVICES AND PROVISIONING, JUNEAU, commented that she represents a small local Juneau business, which works with yacht management companies throughout the United States, booking large pleasure craft coming to Alaska. She stated that they fully support the Board of Marine Pilots and support the extension of that board. Ms. Tesar addressed recommendation #4 made by the LBA Committee, which calls for the State to implement a waiver system for some large pleasure craft.

Ms. Tesar explained that some owners are considering other destinations rather than Alaska because of a law that mandates a marine pilot be aboard certain size yachts the entire time they are in Alaska. In some cases, the cruise time last a number of weeks. Many of the owners position their boats in Alaska during the summer months and then fly their guests and family back and forth. She noted the change to the statute, which would allow vessels up to 200 feet to operate in the Alaskan waters without a pilot. She advised that such a system has been operating in the State of Washington for many years. She referred to an application in member's files from the State of Washington. (Copy on File).

Ms. Tesar indicated that the rewrites of the marine pilot laws had been in response to the Exxon Valdez incident. Following that, a rewrite was done in 1995. Prior to 1995, all pleasure craft were exempt from marine piloting. In 1995, a decision was made to mandate pilots for foreign plate vessels over 300 tons. She recalled, at that time, there was a large private research vessel in Alaska raising concerns regarding such activities. It was at that time that the law was changed to mandate a marine pilot be on board of larger vessels. She added that in 1999, there was

an extension of the board and that none of the issues regarding marine pilotage had been addressed.

Ms. Tesar advised that the issue is an economic development concern. These pleasure craft bring new money into shore side communities. It is estimated that the yachts spend about 30% over the cost of the trip in the port communities. Because of the Gulf circumstances, this summer the United States will be a destination of choice for many of boats.

Ms. Tesar referenced the letters of support in member's files from the various communities and their mayors. (Copies on File). She urged that capturing new revenue in these communities be a major consideration.

Co-Chair Williams asked if there were any exempt yachts being used. Ms. Tesar responded that all commercially designated vessels are mandated to have pilots on board, previously designated as pleasure craft only. She explained that foreign-hulled pleasure craft up to 300 tons are exempt and that all American vessels are already exempt from marine pilotage. The only ones that must have pilots on board are the foreign plate vessels over 300 tons.

Co-Chair Harris asked why the American flagged ships were exempt from the pilotage requirement. Ms. Tesar did not know for sure but speculated that it might have to do with impeding commerce between states and nations. She suggested that the Board of Marine Pilots answer that question. Co-Chair Harris commented that his biggest concern regarding the ships was one of "safety".

Representative Stoltze mentioned the Coast Guard waiver for the Canadian vessels.

JEFF WHITE, MANAGER, SEADROME MARINE COMPLEX, GOLDBELT CORPORATION, JUNEAU, testified in support of the proposed change to the marine pilotage law concerning foreign flagged yachts. He has observed that vessels become frustrated with current regulations, and then leave for "friendlier ports". This past year, 25% of Goldbelt's moorage business came from yachts and transient vessels. Most travel from the East Coast to visit Alaska, while others are on their maiden voyage after leaving the boat builders in the Puget Sound area. The limited availability of pilots is also problematic for many vessels including yachts with the every-changing schedules.

Mr. White suggested that the independent yacht visitors have a comparably greater positive economic impact by spending much time in Alaska, spreading their purchasing power over numerous businesses and communities. Mr. White urged consideration of the exemption to allow the market to reach its potential in Alaska.

PETER CHRISTENSEN, MARINE PILOT COORDINATOR, BOARD OF MARINE PILOTS, encouraged the passage of SB 20. He responded to previous questions regarding the United States yachts, indicating that the co-pilotage law code defines the responsibilities for marine pilotage between the states and the federal government. Federal government has the control over the U.S. vessels & yachts and the State has the control over the foreign flagged vessels.

Co-Chair Harris asked if a ship were over a certain length, would they then require a pilot. Mr. Christensen suggested that length could be better criterion than gross tonnage. Representative Foster interjected that the tonnage had to be over 300 tons to require a pilot.

Co-Chair Harris questioned why the length of the ship would be a factor. Mr. Christensen responded that current statute indicates gross tonnage, which is an old method of measuring ships. It is a method that has many loopholes. He acknowledged that length would be a better way to measure. The Coast Guard establishes its regulations based on the number of passengers on board. He concluded that if the statute should change, it would be more helpful that it move to something more specific such as the length measurement.

Co-Chair Harris asked if 100 feet would be a break-off point. Mr. Christensen stated that the Board does not have a position on that.

Co-Chair Harris asked if there were situations in which pleasure craft could be allowed to operate in Alaska waters without a pilot and if there were any safety devices required to make it more amenable. Mr. Christensen commented that there could be legal forms regarding the captain's experience and/or that the ship could put up an assurity bond. There are a variety of ways to mitigate these issues.

Co-Chair Harris reiterated that his concerns are about the safety and security of the waterways and the vessel while maintaining their privacy.

Representative Stoltze interjected that sunsets are a good way to handle those types of concern.

Co-Chair Williams noted that CS SB 20 (FIN) would be HELD in Committee for further consideration.

#HB67  
HOUSE BILL NO. 67

An Act relating to construction of highways by the Department of Transportation and Public Facilities.

REPRESENTATIVE JIM HOLM commented that the Alaska statute requires that construction and maintenance contracts be awarded to the private sector on the basis of competitive bidding. However, statute also allows the State to fund small projects or repairs in-house through a "force account", meaning that the State uses its own forces to accomplish the work.

To date, force account spending by Department of Transportation & Public Facilities has been frequently used to fund projects costing considerably more than \$250,000 dollars. Such action takes dollars out of the private sector and omits the checks and balance oversight of the competitive bidding process.

HB 67 was introduced to insure that State force accounts continue to be allowed for smaller jobs while requiring that projects over \$250,000 dollars utilize private contractors in the competitive bidding process. Private contractors not only maintain an inventory of specialized equipment and employ skilled managers, but they assume risk-costs, thus providing the State with considerable savings.

Representative Hawker agreed that the bill makes sense, however, the fiscal note indicates that assuming that the forced account projects remain constant over the next six years, the lost savings would total \$25.6 million dollars.

Representative Holm responded that the analysis indicates that potential loss. He added that he had not seen any back up material to justify the number and that he believed it was a "fear" tactic. He claimed that the fiscal note would be zero and that putting a project out to bid would not cost more.

Co-Chair Harris pointed out that the Department does not support the bill. He acknowledged that the concept was good, however, certain communities do have a difficult time retaining Department of Transportation & Public Facilities employees. If those employees were laid off in the summer, there would be a tremendous amount of turn over. He asked if there was a way to address this concern without affecting the rural communities. Co-Chair Harris advised that he did not support the bill; however, he would be willing to work with Representative Holm.

MARK O'BRIEN, CHIEF CONTRACT OFFICIER, COMMISSIONER'S OFFICE, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, stated that the effect of HB 67 would prohibit the Department and any agency that transfers projects from using its own employees to perform the work on projects that exceed \$250 thousand dollars. There are two categories of projects that fall under the force account:

- Community roads
- State maintenance forces

Using capital funds, the Department is able to develop programs within the three regions to address some of the \$200 million dollar backlog in the deferred maintenance program.

Mr. O'Brien noted that there are four key benefits of the program:

- Ability to transfers the cost of the winter maintenance employees to federal aid money which allows the Department to preserve general fund money for severe wintertime events;
- Retain year round employees;
- Use the federal aid funds to fund a portion of the equipment costs which then helps to defer the cost of repair for maintenance activities; and
- Extend and utilize the money further.

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Mr. O'Brien concluded his discussion regarding the four key benefits.

Representative Stoltze asked if there was a definition of "construction projects" for major capital and maintenance.

Co-Chair Williams stated that HB 67 would be HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 3:27 P.M.