

HOUSE FINANCE COMMITTEE  
February 17, 2004  
2:04 P.M.

TAPE HFC 04 - 24, Side A  
TAPE HFC 04 - 24, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:04 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 Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Reggie Joule

ALSO PRESENT

Representative Tom Anderson; Representative Lesil McGuire; Michael Fischer, Corrections Officer, Lemon Creek Correctional Facility, Department of Corrections; Eric Olson, Alaska State Trooper; Michael Fox, Alaska State Public Safety Employees Association, Retired State Fish and Wildlife Trooper

PRESENT VIA TELECONFERENCE

Duane Bannock, Director, Division of Motor Vehicles, Department of Administration, Anchorage; Erin Meade, Life Center Northwest, Bellevue, Washington; Melanie Millhorn, Director, Health Benefits Section, Division of Retirement and Benefits, Department of Administration, Anchorage

SUMMARY

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.

HB 337 An Act relating to anatomical donor registries, to an anatomical gift awareness fund, to an anatomical gift awareness program, and to motor vehicle licenses and registrations.

CS HB 337 (FIN) was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Health & Social Services and a new fiscal impact note by the Department of Administration.

#HB337

HOUSE BILL NO. 337

An Act relating to anatomical donor registries, to an anatomical gift awareness fund, to an anatomical gift awareness program, and to motor vehicle licenses and registrations.

REPRESENTATIVE LESIL MCGUIRE noted that currently, there are nearly 84,000 men, women and children waiting for organ transplants nationwide, of which 85 live in Alaska. In addition, many more are waiting for tissue (bone, tendon, skin, heart valve, cornea) donations.

Alaskans have always been known for their generosity and caring for their neighbors and the Uniform Anatomical Gift Act continues that long tradition. The proposed legislation creates a donor registry program in which a donor's License/ID information would be transferred to the Life Alaska Donor Services, the State's organ & tissue donor program. She added that if the donor did not want to have their information transferred to the program, the donor could choose not to participate. Additionally, the donor could opt out of the program at any time and their information would be removed from the registry.

Representative McGuire pointed out that currently, the licensee's donor status is only located as a printed statement on the physical ID and not within the Division of Motor Vehicles (D.M.V.) database. A lack of registry creates a problem for timely donation. The D.M.V. currently keeps no records of the licensee's status; therefore, the donation program may not realize the donor's wishes for the donation to be medically acceptable.

Through the legislation, the donor's status and other information would be made available to Life Alaska Donor Services so that the donor's gift would be realized with or without the donor having their License/State identification card at the time of death, which will allow Life Alaska to quickly ascertain the donor status of the licensee and match the donor's gift with a suitable recipient.

Representative McGuire stated that in addition to the creation of the registry, HB 337 would establish a monetary donation program in which a motor vehicle applicant could donate \$1 or more to the Organ & Tissue Donation Awareness Fund. The donation is voluntary and the Division of Motor Vehicles would provide that information available to all applicants. She added that similar bills have already been passed in Washington and Montana in 2003.

Representative McGuire noted that she did support the amendment prepared by Co-Chair Williams. She pointed out that the bill is 100% funded by the organ donation organizations. There will be no fiscal impact on the State of Alaska. Representative McGuire advised that Duane Bannock, Director, Division of Motor Vehicles, has willingly accepted the job of the proposal and that they will be an important partner in the process. HB 337 allows the Division of Motor Vehicles (DMV) to collect \$1 dollar to go toward an Organ-Tissue Donation Awareness Fund. The money will be collected and transferred quarterly to the procurement organization to raise awareness regarding organ and tissue donation, the benefits of it and how to become a part of the register.

Representative Stoltze asked if the legislation would make changes to the existing Living Will concept. Representative McGuire responded that it would not make changes to that program, as the proposal is a separate concept.

Representative Stoltze mentioned the possibility of problems for the living heirs and asked if the bill would close that loophole. Representative McGuire explained that one of the main purposes of the bill was to get people registered. Registration would make a solid record of that person's wishes. The family would then understand their wish by the formal registry.

Representative McGuire indicated problems throughout the United States (U.S.) involving family versus personal intentions of the person at the time of death. Currently the driver's license indicates the wish but if they are not part of a registry, then it could be that the heir would not grant their wish. Having the name on file with the registry would go a long way in closing the communication gap between the heirs, families and the person who died. She acknowledged that the subject was delicate for families. It is hoped that the families will discuss these things so that everyone understands the concrete wish made.

Representative Stoltze acknowledged that it would be good to "close the loop" on personal items before death happens.

Vice Chair Meyer voiced support for the bill and noted that he had co-sponsored the bill, however, questioned the \$7 thousand dollar fiscal note expense requested for the first year of operation. Representative McGuire explained that cost would help to create the initial registry database. The money would be incurred by the organ and tissue procurement organizations and would originate from program receipts.

Co-Chair Williams MOVED to ADOPT Amendment #1, #23-LS1257\W.1, Bannister, 2,17/04. (Copy on File). Co-Chair Harris OBJECTED for the purpose of discussion.

Representative McGuire acknowledged that the amendment would make the bill better, allowing a person that wanted to be removed from the registry to go to the D.M.V. or the procurement agency and request to be removed. The amendment provides more options.

Co-Chair Harris WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was adopted.

DUANE BANNOCK, (TESTIFIED VIA TELECONFERENCE), DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION, ANCHORAGE, voiced the D.M.V.'s support of the bill. He stated that the bill would make for a more "seamless process" of information transmission so that Alaskan customers can be on the registered list, making operations more efficient. He offered to answer questions of the Committee.

ERIN MEADE, (TESTIFIED VIA TELECONFERENCE), LIFE CENTER NORTHWEST, BELLEVUE, WASHINGTON, voiced support for the bill and offered to answer any further questions of the Committee.

Representative Foster MOVED to report CS HB 337 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 337 (FIN) was reported out of Committee with a "do pass" recommendation and with a new fiscal impact note by the Department of Revenue and zero fiscal note #1 by the Department of Health & Social Services.

#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 explained the changes made to the work draft version of the bill before the Committee. The committee substitute would remove the previous change to the Cost of Living Allowance (COLA) and would remove Section 1, lowering the fiscal impact. He requested that the draft be adopted.

Co-Chair Harris MOVED to ADOPT work draft version #23-LS0426\I, Craver, 1/14/04 as the version of the legislation before the Committee. There being NO OBJECTION, it was adopted.

Representative Anderson pointed out that there are currently twenty co-sponsorships to the bill, making it a priority for legislative membership. A revised fiscal note has been distributed with the adoption of the committee substitute. Representative Anderson admitted for the record that he thought the fiscal note could be reduced more and recommended that be considered through further deliberation.

Representative Anderson stated that the goal of the legislation is to create a "makes sense" bill that has support, pointing out that the scope has been limited.

Co-Chair Williams noted for the record that he did support the bill, however, given the size of the fiscal note, it will be difficult to get the bill to pass through the Governor's office. He indicated that he has been holding bills that have fiscal notes. Given the current fiscal crisis of the State each piece of legislation must be justified. When the State is terminating the Longevity Bonus Program, cutting education funding and troopers, HB 91 will be held in Committee until fiscal concerns have been addressed. He asked if Representative Anderson had been working with the Governor's Office.

Representative Anderson acknowledged that addressing the fiscal impact is important, noting that the testimony of Mr. Fox would address fiscal note concerns. He advised that perhaps the House Finance Committee could determine alternatives for those costs.

Co-Chair Harris emphasized two points for the record:

- Education is not being cut and the
- State Troopers will not be cut.

Co-Chair Harris acknowledged that the fiscal note was a problem and noted that he was working with Mr. Fox and Representative Anderson to address that concern.

Co-Chair Williams pointed out that this year, the State is \$70 million dollars "in the hole" resulting from the Public

Employees Retirement System (PERS) and Teachers Employment Retirement System (TERS). Those costs must be accounted for. He noted that \$70 million was the cost for one year.

Representative Fate voiced support for the bill. He indicated that there are processes in which the Legislature can come up with reallocations. He reiterated that he would do "everything that he could" to help the bill pass this session.

Representative Hawker pointed out that the bill in the Committee from last year would affect State and municipal employees. He questioned if the municipal impact of the bill had been considered. Representative Anderson noted that he could not speak to Kenai or Fairbanks but in Anchorage, Mayor Mark Begich has indicated that he disagreed with the assessment given by the previous Administration. Representative Anderson understood that Anchorage supported the current version. He offered to find out more information.

ERIC OLSON, PUBLIC SAFETY EMPLOYEES ASSOCIATION - SOUTHWEST REGION, ALASKA STATE TROOPER, stated that he had began his law enforcement work in Bush Alaska in 1992. At present, he understands both the rural and urban aspects of the profession. He informed Committee members that HB 91 is very important. A career as a law enforcement officer is mostly 24 hours a day, 7 days a week and it is not uncommon to be on call, due to lack of manpower. The work takes a huge physical and mental toll on a person. Normally, that job class had allowed for retirement after 20 years of service receiving full benefits, thereafter. However, due to the current tier status change for Tier 2 & 3 employees that is no longer possible. That employee will now have to work 25 years before qualifying to receive medical benefits at the end of their career.

Mr. Olson noted that when he started, he was under the belief that he would be done after a 20-year career. He noted that he was aware that other law enforcement agencies in the lower 48, provide better benefits with a 20 year retirement and that many members of his profession are aware of that advantage.

Mr. Olson pointed out that from his graduating class, only 60% are remaining in Alaska. Some of the decline has resulted from the hardships of the job and the lack of benefits received. He emphasized that a benefit package is a major consideration for people interested in the law enforcement profession.

Mr. Olson reiterated that this work is a "burn out" for the entire family and that HB 91 would revive an incentive for law enforcement officers. He emphasized that law

enforcement officers give 110% for their jobs and because of the current retirement opportunities, many law enforcement officers are leaving State. He respectfully requested that the Committee consider the legislation.

Co-Chair Harris asked how many years Mr. Olson had been a police officer. Mr. Olson replied 12-years, five of which was as a federal officer and seven years as a State Trooper.

Co-Chair Harris inquired how many State Troopers were nearing the 20-year time frame. Mr. Olson did not know and pointed out that half of the trooper force is young. Many of those candidates are now moving down south to other law enforcement agencies. He reiterated that every year, the force is losing officers to either retirement or moving on.

Co-Chair Harris asked if there was a mandatory retirement age. Mr. Olson stated there is not and there are troopers that stay 30+ years. That decision is a personal choice.

Co-Chair Harris asked if a Peace Officer, in the line of duty of fieldwork, became less efficient and safe, as they age. Mr. Olson acknowledged that they do. He noted that it is a normal fact of life that our bodies wear and slow down as we age. He stressed that the field is a demanding, high risk and that a person's attention span becomes less keen. He reiterated that all officers attempt to do their best.

Co-Chair Harris asked if it was true that a schoolteacher in the State of Alaska was allowed to retire with full benefits after 20-years service. Mr. Olson did not know. Co-Chair Harris commented that the physical and life threatening demands would be greater on a police officer than they would on a schoolteacher. Mr. Olson echoed sentiments that the job is stressful and demanding. Fights happen almost on a daily basis, compounded with the aspect of being away from home often, being involved with weapons, and drug offenses. All those challenges wear a person down. He stressed that the law enforcement profession is more stressful and difficult than that of a teacher.

Representative Hawker pointed out that there are a number of issues before the Committee this year for public safety officers. He commented that he was attempting to reconcile the State's investment for the "working guys" and the large fiscal issues associated with that. He emphasized that Alaskans are concerned with "letting government grow".

Mr. Olson replied that the Department of Public Safety attempts to do everything to keep overtime costs down. Historically, there was twice the number of officers and half the amount of work. He understood that the salary paid officers is citizen's money and reminded members that those officers work at 110% capacity.

Representative Hawker commented that he was surprised by testimony given at the last day of the statewide conference hearing in Fairbanks. It was evident that many citizens believe the only benefit they derive from the State's wealth is the Alaska Permanent Fund dividend. He asked if Mr. Olson agreed. Mr. Olson disagreed, noting that he was not speaking on behalf of the Department. Mr. Olson claimed that Alaskans are receiving a "huge" benefit from the law enforcement officers, fire fighters and correctional officers. Those people do more with less. Representative Hawker voiced his appreciation for that response. He emphasized that comments made at the statewide conference make it difficult to justify spending State money.

Co-Chair Williams requested that the Committee not debate those issues. He admitted that he understood the direction of the discussion, noting that the Committee meeting was not the place to discuss that now.

Vice Chair Meyer commented that he supports the bill. He pointed out that often times retirement issues are negotiated in labor contracts. He questioned if their contract was currently in the negotiation process. Mr. Olson clarified that the Department of Public Safety is currently undergoing contract negotiations and that HB 91 is not related to that.

Representative Croft understood that the argument for the passage of the bill is that it would retain officers in the State system. He noted that the State is losing officers at around the 15-year level and asked how that had been indicated on the chart. Mr. Olson recommended discussing that graph with Mr. Fox of the Alaska State Public Safety Employees Association. Representative Croft requested to see those numbers.

MICHAEL FISCHER, CORRECTIONAL OFFICER, LEMON CREEK CORRECTIONAL FACILITY, DEPARTMENT OF CORRECTIONS, pointed out that there are not many "old" correction officers that would want to do "serve" an additional five years. Working as a correctional officer is the same as being incarcerated with the inmates. Without passage of the legislation, it would be like having an extension to your 20-year sentence. Mr. Fischer emphasized that Alaska has a very high turnover of peace officers and currently, there is not enough incentive to keep staff.

Mr. Fischer stressed that working in the prison system is high stress and very difficult work and stated that it would be detrimental to keep older officers. Mr. Fischer commented that very few correctional officers make it to 20-years service.

**TAPE HFC 04 - 24, Side B**

Mr. Fischer urged passage of the bill.

MIKE FOX, ALASKA STATE PUBLIC SAFETY EMPLOYEES ASSOCIATION, RETIRED FISH AND WILDLIFE TROOPER, commented that a problem with the proposed legislation is that the fiscal note has not considered any savings. HB 91 would cut operational costs by removing the five-year disincentive for peace officers to take normal retirement. There would be a \$23,105 dollar savings in the base pay leave during the first year after a Corrections Officer III takes home retirement. For a Trooper Sergeant, that amount would be a \$32,508 savings the first year. Additional savings would also be indicated for things such as overtime, vehicle differential, and shift differential. When a peace officer is pressured to defer normal retirement, they are likely to have higher risks with health, business, stress and income.

Mr. Fox stressed that the bottom line is that it is expensive to keep Peace Officers past normal retirement and is not a good choice. He suggested that if all the Public Employees Retirement System (PERS) members defer retirement this year, the State would be concerned about how much that would be costing. The current situation is creating pressure to defer retirement, which is an expensive way to run business.

Mr. Fox claimed that passage of the bill would improve the retention of the younger peace officers. Reducing turnover in the ranks of the younger officers saves money. The State invests \$91,460 dollars to hire and train a trooper. Training time is 33-weeks. Every time a trooper remains in service, costs are saved. It is expensive for the State when an officer leaves early in their career.

Mr. Fox pointed out that HB 91 is a low risk fiscal bill. The bill is not open ended and there would be no benefit if they leave before the 20-years.

The only members impacted by the bill are peace officers who retire between 20 and 25 years of service and are less than 60 years old. It is a small group. He added that it is not known how many of the 700 correctional officers and the 300+ troopers are estimated to actually receive the benefit. He questioned how could the accuracy of the bill be determined without knowing how many people will be affected. The fiscal range is difficult to determine. The one provided to the Committee is 0.12% (12 one hundredths of one percent) contribution rate. During the past 15-years, the declared contribution rate has ranged 17.22%, down to 7.1%. The

average change has been 1.61% per year and the range over 15-years has been over 10%.

Mr. Fox pointed out the margin of error on the contribution rates when they are established. He asked if .12% would fit into that margin of error and if it would be noticed. Mr. Fox questioned why a benefit received by others would not be extended to the peace officers.

Representative Croft asked if the dip was obvious and if there is a loss at the 15-year point of service. Mr. Fox stated that the only people that the bill affects would be those in Tier 2 & 3. There will be no Tier 2 people until 2006. There is a relatively consistent pattern from 0 to 20 indicating the drop off. Mr. Fox pointed out that the State has been "all over the map" for funding and filling trooper positions. Some years, zero people were hired and looking at the percentages, Tier 1 people already receive the benefit being asked for and 38% of those people are still on the job. That is a model. The federal government has a limit of when they will hire a peace officer, which is 37 years old and that can affect statewide peace officer retention in the middle of their career.

MELANIE MILLHORN, (TESTIFIED VIA TELECONFERENCE), DIRECTOR DIVISION OF RETIREMENT & BENEFITS, DEPARTMENT OF ADMINISTRATION, ANCHORAGE, testified that the Division has adopted a "neutral" position on the bill. She added that the Division does have concerns regarding the fiscal costs given the under funded status of the PERS retirement system at this time. The funding ratio of PERS is at 75%. Ms. Millhorn noted that the Mercer Actuarial Company did the fiscal note preparation.

The bill would provide medical coverage for Tier 2 & 3 employees, appointed to their positions after 1986. The actuarial consultant has computed the legislation to increase the PERS accrued liability by approximately \$13.45 million dollars. The estimated increase in the average PERS calculated contribution rate would be 0.18% of payroll. Based on a State PERS payroll of approximately \$680 million dollars, the annual cost increase to the State of Alaska would be \$1.224 million dollars and would be paid from all State agency personal service line items. There are approximately 900 officers that would become eligible for the medical benefits through the legislation.

Representative Anderson referred to the analysis of retirement paid by the State as presented by Mr. Fox. There are savings in the payroll analysis. He recommended that the Division of Retirement and Benefits work with Mr. Fox and determine retirement and benefit statistics of those who are retiring. He contended that the fiscal impact could be reduced but stressed that it is not only about keeping the

law enforcement officers but preventing them from "wearing out". He emphasized that there is a difference between working in the criminal field and being a teacher. Representative Anderson pointed out the 15-year level drop statistic. He referenced Co-Chair Williams comment regarding the Governor's support, stressing that the Legislature must act as a separate branch of government. He urged that all aspects of the legislation be considered rather than just the retirement and benefits.

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

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ADJOURNMENT

The meeting was adjourned at 3:15 P.M.