

HOUSE FINANCE COMMITTEE  
May 2, 2005  
2:33 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [2:33:28 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Eric Croft  
Representative Richard Foster  
Representative Mike Hawker  
Representative Jim Holm  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Carl Moses  
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

Senator Ralph Seekins; Brian Hove, Staff, Senator Ralph Seekins; Kelly Hepler, Director, Division of Sport Fish, Department of Fish and Game; Devon Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Doug Letch, Staff, Senator Gary Stevens; Jeff Ottensen, Director, Division of Program Development, Department of Transportation and Public Facilities; Tom Maher, Staff, Senator Gene Therriault; Pat Davidson, Legislative Auditor, Legislative Audit Division; Senator Gene Therriault; Chuck Harlamert, Revenue Audit Supervisor, Tax Division, Department of Revenue; Rick Union, Director Occupational Licensing, Department of Community and Economic Development; Jim Preston, Juneau; Pat Davidson, Legislative Auditor, Legislative Audit Division; Dave Stancliff, Staff, Senator Gene Therriault; Melanie Millhorn, Director, Division of Retirement and Benefits, Department of Administration; Speaker John Harris; Representative Paul Seaton, Representative Jay Ramras; Senator John Coghill; Representative Beth Kerttula

PRESENT VIA TELECONFERENCE

Gordon Garcia, Project Manager, Division of Sport Fish, Department of Fish and Game; Ricky Gease, Executive Director, Kenai River Sportfishing

SUMMARY

CSSB 147(FIN)

"An Act providing for a sport fishing facility surcharge on sport fishing licenses; providing for the construction and renovation of state sport fishing facilities and for other projects beneficial to the sport fish resources of the state as a public enterprise; and authorizing the issuance of revenue bonds to finance those projects."

HCSSB 147 (FIN) was REPORTED out of Committee with a "no recommendation" recommendation and with three fiscal impact notes: #1 REV, #2 DFG, and #3 DFG.

CSSSSB 16(TRA)

"An Act relating to the powers and duties of the Department of Transportation and Public Facilities; repealing the requirement for a long-range program for highway construction and maintenance; and repealing a requirement that public facilities comply with energy standards adopted by the Department of Transportation and Public Facilities; and providing for an effective date."

CSSSSB 16 (TRA) was REPORTED out of Committee with a "do pass" recommendation and with two zero fiscal impact notes: #1 DOT, #2 DPS.

CSSB 139(L&C)

"An Act relating to termination and oversight of boards, commissions, and agency programs; extending the termination date of the Board of Marital and Family Therapy; and providing for an effective date."

HCSSB 139 (L&C) was heard and HELD in Committee for further consideration.

SJR 11

Urging the United States Congress to amend the tax code to repeal the federal excise tax on communications.

SJR 11 was REPORTED out of Committee with a "do pass" recommendation and with a zero fiscal impact note by the Department of Revenue.

CSSB 141(FIN)

"An Act relating to the teachers' and public employees' retirement systems and creating defined

contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date."

HCSSB 141 (FIN) was REPORTED out of Committee with a "no recommendation" with the following fiscal impact notes: #1 ADM, #3 REV, #4 REV, #5 REV, #6 REV, #7 REV, #9 FIN.

2:35:03 PM

CS FOR SENATE BILL NO. 141(FIN)

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to

request to participate in the public employees' defined contribution retirement plan; and providing for an effective date."

Co-Chair Meyer noted that the Committee would discuss the fiscal impact of the amendments to SB 141 later in the meeting.

Representative Croft asked for an analysis of the Committee's previous action and suggested that the Committee check to be sure that the pensions are not over or under-funded.

SB 141 was held till later in the meeting.

#

[2:37:33 PM](#)

^

CONFLICT OF INTEREST

Co-Chair Meyer read a legal analysis regarding declaration of conflicts of interest (copy on file.)

Representative Weyhrauch summarized that members may chose to declare a conflict of interest, but are not required to do so. He stated that he would continue his practice of not declaring conflicts of interest on issues before the Committee.

Vice-Chair Meyer requested that members reframe from stating conflict of interests at the committee level.

[2:40:06 PM](#)

CS FOR SENATE BILL NO. 147(FIN)

"An Act providing for a sport fishing facility surcharge on sport fishing licenses; providing for the construction and renovation of state sport fishing facilities and for other projects beneficial to the sport fish resources of the state as a public enterprise; and authorizing the issuance of revenue bonds to finance those projects."

Representative Holm noted that the companion bill to SB 147 is HB 252 [sponsored by Representative Holms]. He spoke in support of the legislation.

SENATOR RALPH SEEKINS, SPONSOR, explained that the legislation would provide a sport fishery surcharge to reconstruct and construct new sport fish hatcheries in the state and enhance or expand the recreational fishing opportunities around the state.

Alaska has an ever-growing demand for fish stocks. More people want to fish. Resident populations are growing. Tourist demand for recreational opportunity is increasing. And, at the same time, sport fish production is decreasing. Alaska's only sport fish hatcheries are located at Ft. Richardson and Elmendorf A.F.B. Both are more than 30 years old and nearing the end of their useful life.

To make matters worse, biomass production will soon plummet. Hatcheries require warm water to enhance growth in baby fish. Waste heat from the Ft. Richardson and Elmendorf power plants has provided that energy for many years. Both power plants will be shutting down hot water production in October. As a result, biomass production will suffer greatly at the same time that demand is increasing.

We can fix this problem and plan for years to come. Senate Bill 147 provides for the renovation and expansion of the Ft. Richardson and Elmendorf facilities to meet south central needs. Furthermore, it will also provide for a new hatchery in Fairbanks to meet the demands of the interior regions. (Currently hatchery fish are trucked from Richardson into the interior for planting.)

It won't be cheap but it is affordable. Federal funds have been procured to meet increased demand due to military expansion.

Senator Seekins observed that there are some environmental problems in the Fairbanks area that can be cured by using hot water from the Chena V power plant. Some of the BTU's can be taken out of the water before it is discharged back into the river. Educational facilities with the University of Alaska School of fisheries can be enhanced and visitor facilities created for school aged kids. He anticipated that Senator Stevens would be able to provide \$10 million toward this effort.

Senator Seekins observed that a new fish hatchery building with a salmon modular would be built at Ft. Richardson. He observed that 95 percent of the fish from this would go to sport fisheries. He emphasized that the legislation would allow the conversion of fishing into catching. The facilities would be expandable for up to 20 - 25 years.

Senator Seekins explained that once the bonding mechanism is paid off the surcharge would end. Every dollar earned would go to pay down the indebtedness.

Senator Seekins stressed the statewide benefit. The Wrangell/Petersburg Crystal Lake Hatchery would receive \$2.5

million; the Sitka/Haines hatchery would receive \$1.5 million; and the Skagway hatchery would receive \$1.6.

[2:47:17 PM](#)

Co-Chair Chenault asked where the fish are deposited after they are reared. Senator Seekins explained that the fish go into the lakes and streams of the interior, Kodiak Island, the Kenai Peninsula, and through South Central Alaska.

[2:48:29 PM](#)

Vice-Chair Stoltze asked if inclusion of game licenses was discussed. Senator Seekins explained that game licenses were included in SB 170. He observed that there has been indication that the public would support an increase in hunting licenses if there is a greater opportunity to bring something home.

Vice-Chair Stoltze noted that the Susitna Advisory Board has shown some support for the legislation and suggested a fee increase of \$5.00. Senator Seekins observed that deposits into the Fish and Game Fund must be sufficient to pay off the indebtedness. The initial figure was \$7.50. The charge was increased to \$8.50 to cover the additional \$5.5 million that went into Southeast Alaska. He termed it a user-benefit surcharge.

[2:52:18 PM](#)

Vice-Chair Stoltze referred to legislation, which would name the Fairbanks hatchery after Ruth Burnette.

Representative Weyhrauch explained that the only complaint he has received is that the \$8.50 fee would require vendors to carry change. He suggested an amendment to round down the amount to \$8.00 in order to eliminate the need for change. Senator Seekins questioned if the reduction would jeopardize the bond issues and prevent fully-funding the projects. He suggested rounding it off to \$9.00 if the bonding authority felt it was necessary.

Representative Kelly WITHDREW Amendment 1, which would have lowered the amount to \$7.50.

[2:56:24 PM](#)

JIM PRESTON, JUNEAU, spoke as a charter operator and license vendor. He testified in support of the proposed amendment by Representative Weyhrauch, which would eliminate the need to carry quarters around. He argued for "whole dollar amount" fees. He spoke in support of SB 147.

[3:00:08 PM](#)

RICKY GEASE, EXECUTIVE DIRECTOR, KENAI RIVER SPORTFISHING, testified in support of SB 147. He stressed the need to upgrade the hatcheries and note that demand on the fisheries is growing. He agreed that the surcharge should be eliminated after the bond is paid.

[3:01:28 PM](#)

Vice-Chair Stoltze asked if limiting set nets or the bill would provide the most benefit. Mr. Gease answered both.

Co-Chair Chenault asked for Mr. Gease's opinion on the rounding up or down to a whole number. Mr. Gease stated that he would support, whichever amount supported the proposal.

[3:02:48 PM](#)

Representative Weyhrauch MOVED to ADOPT Amendment 2:

Page 3, lines 23, 24, 25  
Delete \$8.50  
Insert \$8.00

Page 3, line 29  
Delete \$8.50  
Insert \$10.00

Co-Chair Meyer OBJECTED.

Representative Weyhrauch reiterated his reasoning and requested comments from Mr. Mitchell.

[3:04:15 PM](#)

DEVON MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, related that the fiscal note by the department contemplated a 20-year bond. He felt that the legislation allowed flexibility and zero impact would be easy to manage.

Representative Croft opined that the numbers are slightly positive.

[3:05:47 PM](#)

Mr. Mitchell had not examined the numbers by the Department of Fish and Game. He noted that if there is a positive impact that it is the sponsor's intent return any funds.

[3:06:47 PM](#)

Representative Hawker inquired if the extra revenue would be dedicated to early retirement of the debt. Mr. Mitchell

agreed and clarified that the intent is to accelerate the debt repayment and shorten the schedule. Representative Hawker spoke in support of increasing \$8.50 to \$9.00.

[3:08:20 PM](#)

Mr. Mitchell noted that the Department of Fish and Game's fee collection has been growing. The amounts suggested are based on current numbers, not projected numbers.

Representative Weyhrauch suggested Representative Holm make a friendly amendment as such.

[3:09:47 PM](#)

Representative Holm offered a friendly amendment to Amendment 2, changing \$8.00 to \$9.00 on page 3, lines 23-25.

Representative Weyhrauch restated the friendly amendment to Amendment 2.

Vice-Chair Stoltze and Co-Chair Chenault OBJECTED.

[3:12:56 PM](#)

Mr. Mitchell pointed out that page 4, line 1 and 2 would also need to be changed if the intent is to go to whole numbers.

Representative Croft observed that the other cites are for non-resident military fishing and small game licenses, which would have a small impact. He suggested sticking to the lower number of \$8.00 for these uses. He also asked about the implications of the Carlson Case.

[3:15:32 PM](#)

KELLY HEPLER, DIRECTOR, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, addressed the Carlson case, which applies to commercial issues. He did not feel there would be a problem.

[3:16:47 PM](#)

Representative Croft asked for more information regarding the use of the Fairbanks hatchery stock. Mr. Hepler related that the two hatcheries, Ft. Richardson and Elmendorf, provide all of the stock for Homer to the Alaskan range. The new hatchery is proposed in Fairbanks to take care of the Interior needs. The Ft. Richardson hatchery would be refurbished to take care of area south of the Alaskan range to Kodiak.

Vice-Chair Stoltze inquired how long this surcharge would be in place. Mr. Mitchell replied that the fiscal note was based on 20 year leveraging. He estimated that the term could be shortened to 17 years or less.

In response to a question by Representative Stoltze, Mr. Hepler explained that the Ft. Richardson hatchery would be located on a former Air Force Base facility, with no practical public access. The facility will be for production only; there would not be anything fancy about the facility. The Fairbanks facility would be built for production. There have been discussions of additional money that would make the facility more "pleasing to the eye", but without becoming a visitor center. There have been discussions regarding housing at Ft. Richardson, similar to what is at Fairbanks.

[3:21:05 PM](#)

GORDON GARCIA, PROJECT MANAGER, DIVISION OF SPORT FISH, DEPARTMENT OF FISH AND GAME, described the facility and the attempt to reduce costs. He noted that the Fairbanks facility has been scaled back to reduce costs. The amount raised through the legislation would fund the building.

[3:21:39 PM](#)

Mr. Mitchell noted that there is a dedicated fund that cannot crossover into other needs.

[3:22:11 PM](#)

Vice-Chair Stoltze expressed concern that the angler surcharges not be used to pay for any "grand ideas".

[3:23:28 PM](#)

Mr. Hepler emphasized that the facility would be a production facility. He stressed that without fish there is no hatchery.

[3:24:24 PM](#)

Representative Kelly summarized that the amendment to the amendment is to lower the fee to \$8.00.

Representative Croft clarified that the amendment to the amendment would take the fee to \$9.00. His objection would leave it at \$8.00.

[3:25:39 PM](#)

Co-Chair Chenault observed that \$9.00 would provide \$2.47 million more than the original proposal.

[3:26:37 PM](#)

Representative Holm observed that the concern is that the amount be whole, but emphasized that \$8.00 would not be sufficient to fully fund the project. He pointed out that any extra funds would only pay off the debt earlier. He noted that most projects do not come in at their estimated price.

[3:28:21 PM](#)

A roll call vote was taken on the motion to amend Amendment 2 to "\$9.00".

IN FAVOR: Hawker, Holm, Kelly, Moses, Weyhrauch, Meyer  
OPPOSED: Foster, Joule, Stoltze, Croft, Chenault

The MOTION PASSED (6-5).

Co-Chair Meyer MOVED to ADOPT Amendment 2, as amended.

A roll call vote was taken on the motion to adopt Amendment 2.

IN FAVOR: Hawker, Holm, Joule, Kelly, Moses, Weyhrauch,  
Foster, Chenault, Meyer  
OPPOSED: Stoltze, Croft

The MOTION PASSED (9-2).

Representative Hawker spoke in support of the legislation and noted the need for the new facility.

[3:33:59 PM](#)

Representative Holm thanked the Department of Fish and Game.

[3:34:19 PM](#)

Representative Holm MOVED to report HCSSB 147 (FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCSSB 147 (FIN) was REPORTED out of Committee with a "no recommendation" recommendation and with three fiscal impact notes: #1 REV, #2 DFG, #3 DFG.

[3:35:08 PM](#)

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 16(TRA)

"An Act relating to the powers and duties of the Department of Transportation and Public Facilities; repealing the requirement for a long-range program for highway construction and maintenance; and repealing a requirement that public facilities comply with energy standards adopted by the Department of Transportation and Public Facilities; and providing for an effective date."

DOUG LETCH, STAFF, SENATOR GARY STEVENS, spoke in support of SB 16. He noted that the legislation would update obsolete statutes regarding the powers and duties of the Department of Transportation and Public Facilities. The key provision is the removal of the requirement for the department to conduct a cost benefit analysis for all projects. The regulation has placed the department at a huge disadvantage because it makes every project no matter how small subject to a cost benefit analysis. He maintained that opponents of Department of Transportation and Public Facilities projects have used the provision as a basis of litigation.

Representative Croft observed that the legislation would eliminate a cost benefit study on all projects and asked if it would be appropriate to require it on medium to large projects. Vice-Chair Meyer asked that the question be held till after Mr. Ottensen's presentation.

JEFF OTTENSEN, DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, referred to a sectional analysis (copy on file.) Section 1 would grant the department the ability to issue grants, when they have been authorized by appropriation of the legislature. The department receives money in at least three different categories from federal sources that is then granted out to local governments and non-profits. Section 3 contained the old cost benefit language. Section 5 adds a new cost effectiveness requirement for new projects that are not local. This would eliminate the burden from 80 - 90 percent of their projects. Significant projects that are beyond a local town or road would be included. A cost effectiveness analysis would be required, at a lower cost than the traditional cost benefit analysis. Section 8 gives the department one year to implement Section 5 through regulation. He noted that the statutes are over 30 years old and felt that the legislation would be good for local governments and the department.

[3:40:46 PM](#)

Representative Croft questioned how the legislation would benefit the public. In response to further questions by Representative Croft, Mr. Ottensen referred to section 5, which requires a new cost effective analysis for new highways, airports, terminals, ferries, and other major

components. Projects requiring rehabilitation and maintenance of the existing system, or would primarily serve local transportation needs are excluded.

Representative Croft asked why there should not be a cost benefit analysis for these projects. Mr. Ottensen stressed that the greatest burden is on municipalities and local government. The state of Alaska is geared up to make these analyses. The cost benefit analysis occurs at the planning stage. The quality of data goes up on almost every project as it goes through the process. Cost studies become more meaningful later in the process.

Representative Croft questioned why not require the cost studies later and asked if they are being done twice.

[3:44:38 PM](#)

Mr. Ottensen agreed and reiterated that the statute affects planning. Cost effective studies exempted during the planning stage could be required at the building stage.

[3:45:37 PM](#)

Representative Holm asked if the legislation would solve problems with cost benefit analysis that have no merit. Mr. Ottensen felt that the legislation would fix the problem. He maintained that delay of the legislation resulted in the death of three individuals due to the department's inability to go forward on a bridge.

[3:47:09 PM](#)

Mr. Ottensen noted that projects in the GARVEE legislation have not gone through a cost benefit analysis. The department will need to do a cost benefit analysis on each of these projects as soon as the [GARVEE] legislation is passed.

[3:47:21 PM](#)

Representative Hawker MOVED to report CSSSSB 16 (TRA) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSSSB 16 (TRA) was REPORTED out of Committee with a "do pass" recommendation and with two zero fiscal impact notes: #1 DOT, #2 DPS.

[3:48:23 PM](#)

CS FOR SENATE BILL NO. 139(L&C)

"An Act relating to termination and oversight of boards, commissions, and agency programs; extending the termination date of the Board of Marital and Family Therapy; and providing for an effective date."

TOM MAHER, STAFF, SENATOR GENE THERRIAULT, spoke in support of the legislation.

This Legislation stems from recommendations contained in two reports by the Division of Legislative Audit.

First, this legislation extends the sunset date of the Board of Marital and Family Therapy from June 30, 2005 to June 30, 2010 per the audit recommendation contained in that report (page 9).

Second, HCS CSSB 139 (L&C) also incorporates recommendations contained in the audit of the Alaska *Sunset Process and Selected Investigative Issues*.

This legislation changes the standard sunset period for occupational boards in AS 0803.020 (c) and non occupational boards in AS 44.66.010 (c) from "not to exceed four years" to not to exceed eight years". Increasing the standard sunset period allows for better use of audit staff, committee time, and makes the sunset process less consuming for board regulatory agencies. As Alaska's sunset process has matured, most of the sunset reviews are less about eliminating board and commissions, and more about operational performance. Twelve states have either repealed or suspended their sunset process. The most common standard extension is ten years, while Alaska along with three other states have maintained a standard four-year extension. Of course, the Legislature will still be able to set whatever time extensions it deems appropriate, regardless of this statutory change.

TICS CSSB 139 (L&C) also adds two criteria to statute that must be considered in the course of a sunset review by the auditors:

- The extent to which the board, commission, or agency has effectively attained its objectives and the efficiency with which it has operated.
- The extent to which the board, commission, or agency duplicates the activities of another governmental agency or the private sector.

Expanding the criteria will assure that auditors will measure the efficiency and effectiveness of boards, commissions or agencies under review

[3:54:10 PM](#)

Representative Hawker asked about criteria adding to sunset regulations. He referenced subsection (10), regarding effectiveness and efficiency.

[3:54:46 PM](#)

PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, explained that under the provisions of the legislation, the agency, board or commission being audited, would know how they would be evaluated. She stressed that it is important that information regarding missions and measures are brought to the entities being examined. There are ways to measure efficiency and effectiveness. The legislation would also address non-occupational agencies, such as the Council on Domestic Violence and Sexual Assault (CDVSA).

Representative Hawker questioned who would set the mission and measure standards and whether there would be legislative guidance. Ms. Davidson responded that they would look for best practices. Many are not Alaska only organizations. They would build on any existing measures or missions. Efficiency is determined through observation. She noted the division's support.

[3:58:32 PM](#)

RICK URION, DIRECTOR, OCCUPATIONAL LICENSING, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, spoke in support of an amendment that would restore provisions removed from the previous committee of referral. The provisions in question related to what happens after a board sunsets. He observed that the licensing law is not removed after a board sunsets. The proposed amendment would put the duty on the division. He noted that a board is being sunset June 30<sup>th</sup> this year.

Co-Chair Chenault requested that the amendment be provided for a future Finance Committee meeting.

HCSSB 139 (L&C) was HELD in Committee for further consideration.

[4:00:38 PM](#)

At ease.

[4:01:37 PM](#)

SENATE JOINT RESOLUTION NO. 11

Urging the United States Congress to amend the tax code to repeal the federal excise tax on communications.

DAVE STANCLIFF, STAFF, SENATOR GENE THERRIAULT, spoke in support of the legislation

This resolution encourages Congress to once again pass a provision to repeal the "tax on talking", formally known as the federal excise tax on communications. This tax was originally put into place in 1898 to help fund the Spanish American War under the guise of a temporary luxury tax.

Since that time, it has been repealed twice, reenacted in 1941, adjusted from 10% in 1965 downward to be phased out at 1% per year, reached a low of 1% in 1981 and then began to rise and climbed back to 3%. It has remained at that level since the Revenue Reconciliation Act of 1990. In 2000 Congress moved to repeal the tax once and for all; however President Bill Clinton vetoed the measure.

Currently more than 94 million households pay the 3% phone tax. It disproportionately hurts seniors and others on low or fixed incomes. It affects 96% of the households using the phone lines for Internet service. At a time when we are trying to increase commerce this is a harmful tax.

[4:04:28 PM](#)

Co-Chair Chenault pointed out the zero fiscal note and that Alaskan taxpayers pay \$17 million to the tax.

[4:05:11 PM](#)

Representative Holm asked if the state of Alaska pays a federal excise tax. Mr. Stancliff explained that the state of Alaska is exempted from the tax.

Representative Hawker asked the consequence of the legislation. Mr. Stancliff responded that there would be cuts to offset the revenue or new sources of revenue discovered. Alaska does not benefit directly from the tax.

[4:07:11 PM](#)

Representative Weyhrauch referred to lines 11 - 13. He noted that the legislation maintains that the tax discourages expansion. Mr. Stancliff observed that the money does not go back into the expansion of the facilities.

[4:09:53 PM](#)

Representative Foster MOVED to report SJR 11 out of Committee with individual recommendations and with the

accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SJR 11 was REPORTED out of Committee with a "do pass" recommendation and with a zero fiscal impact note by the Department of Revenue.

[4:10:37 PM](#)

At ease.

[5:15:29 PM](#)

CS FOR SENATE BILL NO. 141(FIN)

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; relating to university retirement programs; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; providing for nonvested members of the teachers' retirement system defined benefit plans to transfer into the teachers' retirement system defined contribution plan and for nonvested members of the public employees' retirement system defined benefit plans to transfer into the public employees' retirement system defined contribution plan; providing for political subdivisions and public organizations to request to participate in the public employees' defined contribution retirement plan; and providing for an effective date."

CO-CHAIR CHENAULT MOVED to ADOPT revised fiscal note #10.

Representative Joule OBJECTED for discussion purposes.

[5:16:27 PM](#)

MELANIE MILLHORN, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, explained that the fiscal note represents the fiscal costs that the division anticipates will accompany the new defined contribution plan. The state of Alaska's tax attorney indicated that all costs associated with the defined contribution plan must be separated and accounted for in various funds, according to

their components. Assets and accounting must be separated. She explained that the fiscal note separates the start-up costs.

[5:18:03 PM](#)

Representative Croft asked if the statutory required backup for SB 141 was being compiled. Co-Chair Meyer confirmed.

[5:18:42 PM](#)

Representative Croft asked if the 5 percent being set aside for the defined contribution plan would be sufficient for individuals to retire on. Ms. Millhorn referred to modeling in the plan contained in slide 74. Slide 74 shows the accrual of non-medical benefits. The modeling is based on an individual that comes into the system at age 40. The design looked at a defined benefit component with an employer contribution of 3.5 percent. The current version is at 5 percent. An individual, who enters the system at age 40 under alternative 2, which was based on was a DB component of 3.5 percent, would have a higher benefit the the current Tier 2 TRS component until age 55 compared. Graphing for a 5 percent contribution was not available. Mercer would have to run the caluculations. The average years of service for TRS is 10 years. She maintained that for 80 percent of the population the benefit would be a higher under TRS.

[5:23:06 PM](#)

Representative Croft asked how the wages are broken down for low paid employees vs. high. Ms. Millhorn replied that the 5 percent is based on their salaries. She explained that the graph is based on one individual at age 40 based on a salary of \$35,000, which is lower than the average salary for PERS.

[5:25:31 PM](#)

Representative Croft asked the cost and funding source for the disability benefit allowance. Ms. Millhorn noted that the benefit is currently unfunded. The contribution would be placed in the medical component, with an employer contribution of between 2.5 and 3.75 percent. The added death and disability benefit would be included on top of the medical costs. Ms. Millhorn had not had a chance to get the cost estimates from Mercer.

[5:28:29 PM](#)

Representative Croft asked about the death and disability benefit. He gave an example of firefighters and asked who would pay the benefit, the state or the city. Ms. Millhorn noted that the proposal by Representative Kelly would have been a fixed amount paid by the employer. Representative

Croft noted that the proposed amendment in the House Finance Committee version would also be paid by the employer. Ms. Millhorn agreed and added that the funding source and costs were unknown.

[5:31:30 PM](#)

Representative Joule WITHDREW his objection to ADOPT the fiscal note. There being NO further OBJECTION, it was so ordered.

Co-Chair Chenault MOVED to report HCSSB 141 out of Committee with individual recommendations and with the accompanying fiscal notes.

Representative Croft OBJECTED. He argued that the Committee cannot estimate within a million dollars the obligation to the state or the funding mechanism.

[5:34:27 PM](#)

Representative Holm pointed out that the Committee deals daily with issues that are unknown.

[5:35:17 PM](#)

Co-Chair Meyer noted that bills are often passed out with indeterminate fiscal notes.

[5:35:35 PM](#)

Representative Kelly explained that the current version maintains the status quo [in relation to death and disability benefits for certain employees]. He argued that the Mercer letter clarifies that under the DC plan the action is positive and it puts the amendment in context.

[5:36:40 PM](#)

Representative Croft emphasized that no one would be paying into the DB system for the death and disability benefit. He questioned how it would be funded. He opined that there would be an additional fiscal impact. He suggested that the law is being violated.

[5:38:28 PM](#)

Representative Hawker expressed concern that the Committee's action was out of compliance with AS 24.08.036. He spoke against the legislation.

[5:39:40 PM](#)

Representative Kelly related that the dying rate and the costs are known and can be managed. He felt that the Committee responded to the actuarial request.

Representative Croft MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Holm, Kelly, Moses, Stoltze, Foster, Hawker, Meyer, Chenault

OPPOSED: Joule, Croft

The MOTION PASSED (8-2).

HCSSB 141 (FIN) was REPORTED out of Committee with a "no recommendation" with the following fiscal impact notes: #1 ADM, #3 REV, #4 REV, #5 REV, #6 REV, #7 REV, #9 FIN.

#### ADJOURNMENT

The meeting was adjourned at 5:44 PM