

HOUSE FINANCE COMMITTEE
April 26, 2006
8:55 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:55:18 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Beth Kerttula

ALSO PRESENT

Jacqueline Tupou, Staff, Representative Weyhrauch, Gary Bader, Chief Investment Officer, Treasury Division, Department of Revenue; Tom Maher, Staff, Senator Gene Therriault, Pat Davidson, Legislative Auditor, Legislative Audit Division; Barbara Mason, Executive Director, Council on Domestic Violence and Sexual Assault; Susan Parks, Deputy Attorney General, Criminal Division, Department of Law; Chris Christensen, Staff Counsel, Alaska Court System

PRESENT VIA TELECONFERENCE

Jeff Johnson, Fairbanks; Nancy Scheetz-Freymiller, Anchorage; Brenda Stanfill, Alaska Women's Center for Non-Violence, Fairbanks

SUMMARY

HB 375 "An Act relating to the retirement benefit liability account and appropriations from that account; relating to deposits of certain income earned on money received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District); and providing for an effective date."

HB 375 was heard and HELD in Committee for further consideration.

SB 250 "An Act extending the termination date of the Council on Domestic Violence and Sexual Assault; and eliminating statutory references to the network on domestic violence and sexual assault."

HCSSB 250 (FIN) was REPORTED out of Committee with a "no recommendation" and with two new Department of Public Safety fiscal notes prepared by the House Finance Committee.

CSSB 237(FIN)

"An Act relating to the compensation of justices and judges, and to increasing the number of superior court judges designated for the third and fourth judicial districts; and providing for an effective date."

CSSB 237 (FIN) was heard and HELD in Committee for further consideration.

HB 306 "An Act making certain land available for selection by the Matanuska-Susitna Borough."

HB 306 was scheduled but not heard.

[8:57:02 AM](#)

HOUSE BILL NO. 375

"An Act relating to the retirement benefit liability account and appropriations from that account; relating to deposits of certain income earned on money received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District); and providing for an effective date."

Representative Hawker MOVED to ADOPT Amendment 2, labeled 24-LS1467\L, which would insert on page 3, line 13, the words "85% of the employer's past service cost rate during the fiscal year that precedes the distribution fiscal year under (c) of this section by three fiscal years."

JACQUELINE TUPOU, STAFF, REPRESENTATIVE WEYHRAUCH, explained that expediency is a key component of the bill. There is a concern that all communities be treated fairly under this legislation. Amendment 2 is a blanket amendment for all communities regarding the formula previous to three years ago.

[8:59:20 AM](#)

JEFF JOHNSON, FAIRBANKS, explained that on June 30, 2001, the net pass on unfunded liability was approximately \$11.3 million. On June 30, 2004, it was bumped up to \$95 million. It is predicted to go up by \$15 million in 2005. There has been a decline in the number of employees that participate in PERS. He explained that the bill favors large employers, not those with past service costs. He related a scenario where the formula would equal zero for Fairbanks. He proposed a way for the city to solve their debt problem by transferring the \$11 million from June 30, 2001, to a separate account, which is funded from general state revenue sources.

[9:02:50 AM](#)

Representative Kelly recalled when the utility in Fairbanks was sold, Pat Cole questioned the impact of the sale on the system. He asked Mr. Johnson if it was his understanding that this situation would not happen.

Mr. Johnson said that is correct. Had the Division of Retirement closed out the MUS, which was treated as a separate account at the time of the sale, there would not have been a problem. He related that in 2001, the city owed \$11 million. He deemed it reasonable to have to pay back that amount.

[9:05:45 AM](#)

Representative Weyhrauch stated that how this would work depends on the administration, so he has tried to make the language workable.

[9:05:59 AM](#)

GARY BADER, CHIEF INVESTMENT OFFICER, TREASURY DIVISION, DEPARTMENT OF REVENUE, explained that each year gains and losses of the retirement plan are calculated. The loss, in this case, is amortized over 25 years. The whole system experienced losses since the year 2000, first, because of changes in health care assumptions and experience in the plan, secondly, because of investment returns, and thirdly, because many of the assumptions were changed in terms of estimating future costs. All PERS and TRS employers were caught in these changes.

Fairbanks had additional impacts. They made changes based on what they believed to be reliable information, and reduced the number of their PERS employees. The rate escalated to a 125 percent past service rate. The Alaska Retirement Management (ARM) Board proposed to the House Finance Committee that TRS receive 85 percent of the past service cost rate. It used a different approach to explain how the Committee might allocate funds to repay employers

under PERS. It proposed that no community would get more than the average of all PERS employers taken together.

Mr. Bader shared that there is another approach, the one in Amendment 2, which is similar to the TRS approach. The ARM Board has several goals: that the systems be fully funded within 30 years, that it not cause severe disruption to public services, that the state should participate in the solution, that accelerated contributions from employers should be rewarded, that the state support should be equitable, and that it should not attempt to subsidize federally-funded positions. Amendment 2 is consistent with those goals. It would take out the calculation based on past service rate, less 5 percent or the average past service rate, whichever is less, and replace it with 85 percent of the community's past service rate. This would have an additional cost to the system, but would be equitable. The distribution to Fairbanks would be closer to \$5 million more than the \$1 million currently available.

[9:10:37 AM](#)

Co-Chair Meyer questioned the 85 percent figure.

Representative Kelly requested more time to look at the amendment and to get a reaction from Fairbanks. Co-Chair Meyer agreed.

[9:11:25 AM](#)

Representative Weyhrauch agreed with allowing more time. He noted that people have to be comfortable with this policy change.

Representative Hawker concurred, but said he is prepared to vote yes on the amendment at the request of the sponsor. He stated that the bill is a critical step toward getting rid of the \$7 billion unfunded liability. He pointed out that there are many unresolved complications, but he suggested that time is running out.

Representative Weyhrauch related that this is not a silver bullet, but a way to deal with the problem. The bill could be changed later on. He said the empirical analysis has to end at some point. HB 375 does not require a huge appropriation this year, but is putting policies in place.

Co-Chair Meyer said he is prepared to vote yes on Amendment 2, but would allow for Fairbanks' input.

Representative Weyhrauch asked for a vote.

Representative Holm agreed that the bill is a good vehicle for the state to resolve the retirement past service cost liability.

Representative Kelly said he would get Fairbanks' input today.

[9:16:02 AM](#)

Representative Weyhrauch said the message has to be that the burden is on [Fairbanks] because the legislature has done its job.

Representative Stoltze WITHDREW his objection.

Representative Weyhrauch OBJECTED. He suggested that Fairbanks examine the advice that they received in the past. He WITHDREW his objection.

There being NO further OBJECTION, Amendment 2 was adopted.

HB 375 was heard and HELD in Committee for further consideration.

[9:18:04 AM](#)

SENATE BILL NO. 250

"An Act extending the termination date of the Council on Domestic Violence and Sexual Assault; and eliminating statutory references to the network on domestic violence and sexual assault."

Co-Chair Meyer noted that Version G was before the committee.

TOM MAHER, STAFF, SENATOR GENE THERRIAULT, explained that the bill deals with the termination date of the Council on Domestic Violence and Sexual Assault.

[9:23:08 AM](#)

Mr. Maher related that in this sunset review, Legislative Audit concluded that the Council on Domestic Violence and Sexual Assault continues to serve a public need and is operating in the public interest. He referred to page 7 of the report.

Accordingly, and per the auditor recommendation, SB 250 originally contained an eight-year extension for the Council from June 30, 2006 to June 30, 2014. This eight-year extension was recommended, even with the auditor noting that the Council had some outstanding audit issues concerning coordination with other agencies. In absence of any other

information, the sponsor supports the auditor's recommendation of eight years. The House State Affairs version contains a two-year sunset extension.

Mr. Maher related that the sponsor, Senator Therriault, would like the House Finance Committee to consider an expansion of this date to at least a four-year extension to 2010. He strongly feels that now is the time to give the Council and the relatively new Executive Director a vote of confidence from the Legislature to go out and do their job. Having a full sunset audit in just two years will serve to disrupt Council activities and also impact the current schedule of audits pending.

The audit, on page 9, also addressed some on-going operational concerns that include staff turnover and the failure of the Council to address two of its statutory mandates regarding the working with Department of Education and Early Development and school districts on curricula on the cause, prevention, and treatment of domestic violence and sexual assault, and coordinating with the Department of Health and Social Services on the delivery of services to victims of domestic violence by health care facilities and other providers.

The audit request, dated April 25, to the Legislative Budget and Audit Committee requires an 2008 update on these outstanding audit issues - as mentioned in the House State Affairs' letter of intent - as well as an update on the Council's Strategic Plan, including Missions and Measures. Chairman Therriault agrees that this audit is an appropriate tool to use to satisfy the concerns of the House State Affairs Committee and the Legislature.

The sponsor respectively requests that the letter of intent not be adopted since the audit request is moving forward. Also, in the Sunset Audit, on page 11 - the Auditor recommends that the Legislature amend the Council statutes related to the appointment of Council members. The Council is comprised of seven members, three public members appointed by the Governor and the four statutory designated department heads or their designees (Law, Education, Health and Social Services, and Public Safety).

Current law requires the Network on Domestic Violence and Sexual Assault (Network), a non-profit corporation, to submit a list of recommended candidates to the Governor for appointment when a vacancy occurs. Further, statutes require that the Governor fill any unexpired term of a Council member after consultation with the Network. This language is passive, in that the Governor does not have to choose from the Network list.

The Network annually receives a grant from the Council for a legal advocacy project and the appearance of conflict exists when a Council member reviews, evaluates, approves and monitors a grant to the same nonprofit organization that may have been responsible for recommending that individual be appointed to the Council. SB 250, in its previous version, contained language that removed both statutory references to the Network. The House State Affairs Committee deleted this language. Senator Therriault respectively asks the House Finance Committee to consider reinstatement. The legislative auditor can provide more detail about the genesis of this apparent conflict, and why it was important enough to address in this bill.

Mr. Maher concluded that there are two fiscal notes that have been corrected. As funds for the Council are included in the Governor's FY07 Operating Budget Request and adopted in the House and Senate Operating Budget, there will be no additional fiscal impact due to the extension of the Council.

[9:23:49 AM](#)

PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, spoke to the sunset review last year that resulted in two recommendations. One was that the council deal with a statutory requirement to coordinate with the Department of Education and with the Department of Health and Social Services. There was also a recommendation from the prior audit about the elimination of the Network from statute. She related the history of the Network modification. The Governor is able to appoint anyone to the council. The audit suggested it would be helpful to eliminate any appearance of conflict of interest.

[9:26:29 AM](#)

NANCY SCHEET-FREYMILLER, ANCHORAGE, spoke as a previous council member and previous executive director of the Abused Woman's Program. She spoke in support of retaining language that would preserve the Network because it would allow for quality appointments. The Network is an association of organizations in the communities and it has insight into domestic violence and assault problems. She spoke in support of the concept of having the Network included as part of the Council in order to provide consistent, valuable input.

[9:29:18 AM](#)

BRENDA STANFILL, ALASKA WOMEN'S CENTER FOR NON-VIOLENCE, FAIRBANKS, reminded the committee that the Network is made up of the 21-member programs from around the state. She described how Network members are chosen. The Network

represents the community well. She opined that the process is working. She asked for the language regarding the Network to be kept in the bill. She suggested that the three public members be more clearly defined.

[9:32:45 AM](#)

BARBARA MASON, EXECUTIVE DIRECTOR, COUNCIL ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT, explained that the Council consists of seven members, four from state agencies and three public members. She spoke highly of the Council. The Council reviews reports at each quarterly meeting. She described the follow-up procedure of reports. Each of the members are very active, involved, and knowledgeable. The recommendation of the sunset audit was that the Council is meeting statutory requirements. The Council is working on recommendations related to the Department of Health and Social Services and the Department of Education. She offered to provide more information on those issues. She concluded that the Council supports extending the sunset audit date.

[9:36:08 AM](#)

Co-Chair Meyer MOVED to ADOPT Conceptual Amendment 1, which would change the date on page 1, line 6, from 2008 to 2010.

Representative Stoltze OBJECTED.

Co-Chair Meyer explained that the committee is working off of the State Affairs CS. He suggested that there is a need for more time, therefore the proposed extension until 2010.

Mr. Maher stated support for the amendment.

Ms. Davidson related that the funds were also looked at under the federal compliance review. The recommendation for an 8-year extension was made with other audit processes in mind.

Representative Weyhrauch asked what the original sunset date was. Mr. Maher replied that it was for 8 years, until 2014. Representative Weyhrauch asked if that was changed in House State Affairs Committee. Mr. Maher said yes.

[9:39:24 AM](#)

Representative Stoltze WITHDREW his objection. There being NO further OBJECTION, Amendment 1 was adopted.

Co-Chair Meyer MOVED to ADOPT Amendment 2:

Page 1, line 2
After "Assault"

Insert "; and eliminative statutory references to the network on domestic violence and sexual assault"

Page 1, Insert new section

Section 1. AS 18.66.020(a) is amended to read:

- (a) The council consists of
 - (1) three persons appointed by the governor [AFTER CONSULTATION WITH THE NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT, A NONPROFIT CORPORATION; THE NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT SHALL SUBMIT A LIST TO THE GOVERNOR OF PERSONS RECOMMENDED FOR APPOINTMENT];
 - (2) the commissioner of public safety or the designee of the commissioner of public safety;
 - (3) the commissioner of health and social services or the designee of the commissioner of health and social services;
 - (4) the commissioner of education and early development or the designee of the commissioner of education and early development; and
 - (5) the attorney general or the designee of the attorney general.

Page 2, Insert new section

Section 2. AS 18.66.020(b) is amended to read:

- (b) The term of office of a member appointed under (a)(1) of this section is two years. A member appointed under (a)(1) of this section serves at the pleasure of the governor and may not serve more than two consecutive terms. A vacancy on the council shall be filled for the unexpired term by appointment by the governor [AFTER CONSULTATION WITH THE NETWORK ON DOMESTIC VIOLENCE AND SEXUAL ASSAULT].

Renumber the remaining section accordingly.

Representative Joule OBJECTED.

Mr. Maher spoke in favor of Amendment 2. He noted that the Network has done a great job and the bill is not trying to lessen the Network's importance. The Committee issued this recommendation after presenting a case, which analyzed problems.

Representative Joule WITHDREW his objection.

Representative Weyhrauch OBJECTED for discussion purposes. He asked what the length of the term of office is now. Ms. Davidson replied that Section 2 (b) is the other part that is required when the Governor consults the Network. Now the Governor would not have to consult with the Network.

Representative Weyhrauch noted that the amendment deals with the term of office. Mr. Maher clarified that the term of office is not being changed. A statutory reference is being removed.

[9:42:54 AM](#)

Representative Stoltze agreed with the intent of Amendment 2, especially Public Safety's involvement. Mr. Maher replied that Public Safety would still be involved.

Representative Weyhrauch said he was concerned that the amendment removes the action between the Council and Governor. He MAINTAINED his OBJECTION to adopting Amendment 2.

Co-Chair Meyer said his understanding that the Network is still allowed to provide recommendations to the Governor.

A roll call vote was taken on the motion.

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

Amendment 2 FAILED 4-4.

Amendment 3 was not taken up because it was dependent on Amendment 2 passing.

[9:46:26 AM](#)

Representative Foster MOVED to REPORT SB 250, as amended, with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCSSB 250 (FIN) was REPORTED out of Committee with a "no recommendation" and with two new Department of Public Safety fiscal notes prepared by the House Finance Committee.

[9:48:16 AM](#)

CS FOR SENATE BILL NO. 237(FIN)

"An Act relating to the compensation of justices and judges, and to increasing the number of superior court judges designated for the third and fourth judicial districts; and providing for an effective date."

SUSAN PARKS, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, spoke in support of CSSB 237 (FIN). She described the impetus behind the bill, a concern with how long it was taking to get cases to trial. In Anchorage a homicide case typically takes two to three years to get to

trial. There was a strong feeling among district attorneys that there were not enough resources available to get cases to trail. It was agreed to work together to give the system what it needed to improve.

Ms. Parks related that the original bill proposed four new Superior Court Judges around the state. The current version of the bill would add six more judges. Felony referrals around the state are up 64 percent in the last 10 years. Caseloads are up, there has been an increase in prosecutors, and police resources, and more crimes have been created. Cases have become more complex and victims' rights have impacted cases, which slows down the system and takes up more resources. These additional judges are needed because the system is not working efficiently.

[9:52:11 AM](#)

Ms. Parks noted that Palmer is the number one priority. The number of cases there increased from 595 felony referrals in 2002, to 869 in 2005. Anchorage currently has 28 pending murder trials. Kenai is another area in need of more support. Fairbanks has seen an increase in crime. She urged support for the bill.

[9:53:57 AM](#)

Representative Holm asked about the 50 percent increase in the amount of money earmarked for judges, from \$9,200 to \$13,000 per month.

CHRIS CHRISTENSEN, STAFF COUNSEL, ALASKA COURT SYSTEM, observed that there are more police officers so more perpetrators are caught and brought to justice. In the past the ACS has been frugal in their requests for new judges. Now the Department of Law feels the need to request this increase.

[9:56:04 AM](#)

Mr. Christensen addressed the issue of the judicial pay raise. Judges are appointed and elected and that has caused some salary issues. Up until 1990, salaries matched those of federal judges. Since 1990, those salaries have dropped 42 percent. Today, Alaskan judges' salaries are 47th out of 48 states and they make substantially less than a commissioner.

[9:59:00 AM](#)

SB 237 was heard and HELD in Committee for further consideration.

HOUSE BILL NO. 306

"An Act making certain land available for selection by
the Matanuska-Susitna Borough."

HB 306 was scheduled but not heard.

ADJOURNMENT

The meeting was adjourned at 9:58 AM.