

ALASKA STATE LEGISLATURE
HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE

April 14, 2005

4:36 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Paul Seaton, Vice Chair
Representative Vic Kohring
Representative Sharon Cissna
Representative Berta Gardner

MEMBERS ABSENT

Representative Tom Anderson
Representative Lesil McGuire

OTHER LEGISLATORS PRESENT

Representative Max Gruenberg

COMMITTEE CALENDAR

HOUSE BILL NO. 161

"An Act relating to reemployment of and benefits for retired teachers and public employees and to teachers or employees who participated in retirement incentive programs and are subsequently reemployed as a commissioner; repealing secs. 5, 7, and 9, ch. 58, SLA 2001; providing for an effective date by amending the delayed effective date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001, and repealing sec. 13, ch. 58, SLA 2001, which is the delayed effective date for secs. 5, 7, and 9, ch. 58, SLA 2001; and providing for an effective date."

- MOVED CSHB 161(HES) OUT OF COMMITTEE

HOUSE BILL NO. 13

"An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

- MOVED CSHB 13(HES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 161

SHORT TITLE: REEMPLOYMENT OF RETIREES

SPONSOR(S): REPRESENTATIVE(S) ELKINS

02/18/05 (H) READ THE FIRST TIME - REFERRALS
02/18/05 (H) EDU, HES, STA
04/05/05 (H) EDU AT 11:00 AM CAPITOL 106
04/05/05 (H) Moved CSHB 161(EDU) Out of Committee
04/05/05 (H) MINUTE(EDU)
04/06/05 (H) EDU RPT CS(EDU) 1DP 5NR 1AM
04/06/05 (H) DP: THOMAS;
04/06/05 (H) NR: GARA, SALMON, GATTO, LYNN, NEUMAN;
04/06/05 (H) AM: WILSON
04/07/05 (H) EDU AT 11:00 AM CAPITOL 106
04/07/05 (H) -- Meeting Canceled --
04/12/05 (H) HES AT 3:00 PM CAPITOL 106
04/12/05 (H) Heard & Held
04/12/05 (H) MINUTE(HES)
04/14/05 (H) HES AT 3:00 PM CAPITOL 106

BILL: HB 13

SHORT TITLE: SCHOOL CONSTRUCTION BOND REIMBURSEMENT

SPONSOR(S): REPRESENTATIVE(S) GATTO, GRUENBERG

01/10/05 (H) PREFILE RELEASED 12/30/04
01/10/05 (H) READ THE FIRST TIME - REFERRALS
01/10/05 (H) EDU, HES, FIN
01/25/05 (H) EDU AT 11:00 AM CAPITOL 106
01/25/05 (H) -- Meeting Canceled --
02/01/05 (H) EDU AT 11:00 AM CAPITOL 106
02/01/05 (H) Heard & Held
02/01/05 (H) MINUTE(EDU)
02/22/05 (H) EDU AT 11:00 AM CAPITOL 106
02/22/05 (H) -- Meeting Canceled --
03/03/05 (H) EDU AT 11:00 AM CAPITOL 106
03/03/05 (H) Moved Out of Committee
03/03/05 (H) MINUTE(EDU)
03/04/05 (H) EDU RPT 5DP
03/04/05 (H) DP: GARA, GATTO, WILSON, THOMAS, NEUMAN
03/15/05 (H) HES AT 3:00 PM CAPITOL 106
03/15/05 (H) Scheduled But Not Heard
03/22/05 (H) HES AT 3:00 PM CAPITOL 106
03/22/05 (H) <subcommittee meeting>
03/29/05 (H) HES AT 3:00 PM CAPITOL 106
03/29/05 (H) Heard & Held
03/29/05 (H) MINUTE(HES)
04/05/05 (H) HES AT 3:00 PM CAPITOL 106
04/05/05 (H) Heard & Held
04/05/05 (H) MINUTE(HES)

04/07/05 (H) HES AT 3:30 PM CAPITOL 106
04/07/05 (H) <Bill Hearing Postponed>
04/14/05 (H) HES AT 3:00 PM CAPITOL 106

WITNESS REGISTER

MIKE TIBBLES, Deputy Commissioner
Office of the Commissioner
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of the department during the hearing on HB 161.

REPRESENTATIVE MARY KAPSNER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on HB 13 in support of the proposed amendment.

CODY RICE, Staff
to Representative Carl Gatto
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on HB 13 regarding the proposed amendment.

ACTION NARRATIVE

CHAIR PEGGY WILSON called the House Health, Education and Social Services Standing Committee meeting to order at [4:36:43 PM](#). Representatives Kohring, Seaton, Cissna, Gardner, and Wilson were present at the call to order. Representatives Anderson and McGuire were absent.

HB 161-REEMPLOYMENT OF RETIREES

CHAIR WILSON announced that the first order of business was HOUSE BILL NO. 161, "An Act relating to reemployment of and benefits for retired teachers and public employees and to teachers or employees who participated in retirement incentive programs and are subsequently reemployed as a commissioner; repealing secs. 5, 7, and 9, ch. 58, SLA 2001; providing for an effective date by amending the delayed effective date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001, and repealing sec. 13, ch. 58, SLA 2001, which is the delayed effective date for secs. 5, 7, and 9, ch. 58, SLA 2001; and providing for an effective date."

4:37:45 PM

REPRESENTATIVE SEATON moved to adopt the committee substitute (CS) for HB 161, Version 24-LS0645\F, Craver, 4/14/05, as a work draft. There being no objection, Version F was before the committee.

4:38:23 PM

MIKE TIBBLES, Deputy Commissioner, Office of the Commissioner, Department of Administration, explained the changes to HB 161, section by section. He said Section 2 is a new section that would require employers of TRS to provide retired teachers the same health benefits that they provide to other active teachers. Furthermore, it would prohibit a teacher who has been rehired from receiving health benefits from the retirement account. In other words, he explained, an individual coming back would have to receive health benefits from the active account, thereby not allowing a cost shift to the retirement account. Section 4 is a conforming amendment to Section 2 and requires that the teacher making an election to continue to receive benefit payments does not receive retirement and medical benefits during his/her reemployment.

MR. TIBBLES said Section 5 would require the employer to make a contribution to the retirement system for each rehired employee. That contribution would be made to the unfunded liability of the system on behalf of the [rehired] teacher, at the rate the employer is making contributions for other teachers. With that amendment, he explained, there will be no cost to the system.

MR. TIBBLES said Section 6 mirrors Section 2, but applies to PERS. Section 7 inserts several new subsections. Subsections (f) and (g) would require that a municipality adopt a policy similar to what is required for the TRS employers. He continued:

This policy here, as it's laid out in the statute, requires that the employees are separated from service for at least 30 days. The policy has to describe the circumstances that constitute the shortage, and the copy of that resolution and policy needs to be submitted to the administrator of the program - that would be the director of [the Division of] Retirement & Benefits - prior to authorizing an individual to come back from retirement.

MR. TIBBLES, in response to a question from Chair Wilson, confirmed that both TRS and PERS employers will have to adopt a policy that they have a recruitment problem prior to bringing somebody back from retirement.

MR. TIBBLES reviewed that Subsection 8 specifies the length of the recruitment; it would require an initial recruitment of 15 days, and if there's fewer than 5 qualified, eligible, and available applicants, then another 15 days of recruitment must take place before it would be allowable to bring someone back from retirement.

CHAIR WILSON said there have been reports that some retirees don't even clean out their desk, but rather just go on vacation for a month, because they know that they will be hired back. She asked, "Would this prevent that?"

MR. TIBBLES replied that the individual retiring would run a risk [of not getting hired back], because if the recruitment period lasts a total of 30 days and the employer finds a qualified applicant pool, the retired individual would not be hired back.

MR. TIBBLES drew attention to subsection (h) and said it applies solely to the [executive branch of state government]; however, he stated his belief from working with the committee that the intent was "to apply that to all PERS members, so that municipalities would have a minimum level of recruitment." He said that would be easy to alter with an amendment.

[4:43:41 PM](#)

REPRESENTATIVE GARDNER moved Conceptual Amendment [1] to change Section 7, subsection (h), to include PERS employers.

[4:44:05 PM](#)

REPRESENTATIVE SEATON suggested inserting "and all other PERS employers" on page 4, line 29, after "state government".

MIKE TIBBLES said he believes that for the sake of consistency, a bill drafter in Legislative Legal and Research Services would probably insert "political subdivisions or public organizations".

CHAIR WILSON asked if there was any objection to Conceptual Amendment 1. There being no objection, Conceptual Amendment 1 was adopted. In response to Representative Kohring, she confirmed that Conceptual Amendment 1 would be in the sponsor's best interest.

[4:44:59 PM](#)

MR. TIBBLES turned to Section 8, which he said would "require PERS employers to make contributions to the unfunded liability on behalf of the retired member at the rate that that employer is making contributions for that employer's other members." He specified that that is different than the section for TRS, which specifies "that the rate has to be for that employer's other members."

CHAIR WILSON predicted that would help in regard to employee morale.

MR. TIBBLES referred to Section 9, which he said would extend the waiver option until 2008. Section 10, he noted, is in regard to the report to the legislature. He said, "Here I also note that there was an omission in the draft that I believe was requested by the chair's office, and that is [that] the report, as we discussed it, would include not only ... TRS ..., but ... PERS ..., and in addition, it would require the administration to detail what actions we're taking to address those hard to recruit areas."

[4:46:36 PM](#)

REPRESENTATIVE SEATON offered his understanding that the sponsor of the bill had prepared language. He mentioned page 5, line 24 and said the amendment should add PERS into the language.

[4:47:53 PM](#)

CHAIR WILSON indicated that she would like to take care of the language conceptually. She said:

So, rather than having this [be] specific, ... [Conceptual Amendment 2] will basically say: "The administrator of the Public Employees' Retirement System and the PERS and TRS system shall include information in a report regarding the effects of employers in the executive branch to address their

recruitment difficulties in job classes in which retired members have been rehired."

CHAIR WILSON asked if there was any objection to [Conceptual Amendment 2]. There being no objection, it was so ordered.

REPRESENTATIVE SEATON clarified that [Conceptual Amendment 2] added "the public employees' retirement and" before "teachers' retirement" and made "system" plural, to read "systems", as well as added the appropriate language after line 24.

CHAIR WILSON answered yes.

MR. TIBBLES said that the only other change is the conforming extension of the program to 2008, in Section 14.

[4:49:34 PM](#)

CHAIR WILSON said the legislature won't see a difference in one year.

[4:50:08 PM](#)

REPRESENTATIVE SEATON said that is a three-year extension, which would "take it into the next election season." He suggested it may be better to make it be a two-year extension.

CHAIR WILSON said she thinks three years is a reasonable amount of time.

[4:50:52 PM](#)

REPRESENTATIVE GARDNER offered her understanding that the intent is to "allow for employers to fill their needs with retired people, while eliminating an adverse impact to ... PERS and TRS" She asked, "If we extend this and the terms somewhat change, what happens to people who are currently retired/rehired employees? Do their employers start paying into ... PERS and TRS ... at the end of the original sunset date?"

MR. TIBBLES responded that several provisions will take effect with the effective date, including the health provisions and the contributions to the past service rate, and the sunset extension would allow those individuals to continue on the program until the end of that period.

REPRESENTATIVE GARDNER said, "So, their terms change, somewhat."

CHAIR WILSON responded in the affirmative.

[4:52:06 PM](#)

CHAIR WILSON indicated that the legislature does not want abuses to the system, but rather wants "people to be looking in areas and seeing if they can start doing things that will make a difference, so that there are people that could fill this area."

REPRESENTATIVE GARDNER suggested that the legislature has reduced the incentive to the employer. She explained, "They could rehire somebody and not have to pay into PERS and TRS - it could be a cost savings for them - and we've taken that element away, while allowing the waiver for real need."

CHAIR WILSON said the legislature cannot keep doing things that will make the retirement system worse.

[4:53:05 PM](#)

REPRESENTATIVE SEATON pointed out that the employers would be saving the normal retirement rate contribution that they would be making. He offered further details. He stated for the record, "We haven't eliminated all the economic incentive for employers of hiring..."

REPRESENTATIVE GARDNER asked, "Why shouldn't we do that?"

[4:54:07 PM](#)

CHAIR WILSON said one reason is "they're not getting any more benefits from the retirement system, and so we cannot force them to do something when they're not getting extra benefits."

REPRESENTATIVE SEATON said Chair Wilson is talking about the contribution of the employee, and he clarified that he and Representative Gardner were talking about the employer saving "the normal cost rate contribution into the retirement plan." He noted that the bill would be heard next in the House State Affairs Standing Committee, and he suggested that this issue be taken up there.

[4:54:59 PM](#)

REPRESENTATIVE SEATON asked if there is any possibility that employees will think that they are grandfathered into the program if the sunset date is left open.

MR. TIBBLES said that the Division of Retirement & Benefits sent out a letter notifying all individuals on the program that they would stop receiving their pension benefits on the sunset date of the employees, thus the issue is clear to those involved. He said it would be all right to make it clearer in statute; however, he said he thinks the division has done a sufficient job in notifying all the employers and employees involved.

[4:56:54 PM](#)

REPRESENTATIVE SEATON moved to report CSHB 161, Version 24-LS0645\F, Craver, 4/14/05, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 161(HES) was reported out of committee.

HB 13-SCHOOL CONSTRUCTION BOND REIMBURSEMENT

CHAIR WILSON announced that the final order of business was HOUSE BILL NO. 13, "An Act relating to reimbursement of municipal bonds for school construction; and providing for an effective date."

[4:58:11 PM](#)

REPRESENTATIVE KOHRING expressed appreciation that the bill is being heard.

[4:59:04 PM](#)

REPRESENTATIVE CISSNA reminded the committee that [Amendment 1, labeled 24-LS0062\F.2, Mischel, 3/31/05] was left pending from the prior hearing. Amendment 1, [which Representative Cissna had presented on behalf of Representative Mary Kapsner], read as follows:

Page 1, line 1, following "**Act**":

Insert "**relating to the school construction grant fund;**"

Page 1, following line 3:

Insert new bill sections to read:

**** Section 1.** AS 14.11.008(a) is amended to read:

(a) In order to receive a grant under this chapter or an appropriation under AS 37.05.560, a district must

(1) be

(A) a rural educational attendance area;

(B) a municipal school district and, as of June 30 of the previous fiscal year, have a population of less than 1,000; or

(C) a municipal school district that operates schools on a military reservation; and

(2) provide a percentage share of the project cost, as determined under (b) or (c) of this section; a [. A] district shall provide the required participating share within three years after the date that the appropriation bill funding the grant is passed by the legislature.

* **Sec. 2.** AS 14.11.008(a) is repealed and reenacted to read:

(a) In order to receive a grant under this chapter or an appropriation under AS 37.05.560, a district must provide a percentage share of the project cost, as determined under (b) or (c) of this section. A district shall provide the required participating share within three years after the date that the appropriation bill funding the grant is passed by the legislature.

* **Sec. 3.** AS 14.11.008 is amended by adding a new subsection to read:

(g) Grant funds provided to a municipal school district under (a)(1)(C) of this section may only be used for the costs of school construction or major maintenance for a school located on a military reservation.

* **Sec. 4.** AS 14.11.011(a) is amended to read:

(a) A municipality that is a school district or a regional educational attendance area eligible under AS 14.11.008(a) may submit a request to the department for a grant under this chapter.

* **Sec. 5.** AS 14.11.011(a) is repealed and reenacted to read:

(a) A municipality that is a school district or a regional educational attendance area may submit a request to the department for a grant under this chapter."

Page 5, lines 13 - 16:

Delete all material and insert:

"* **Sec. 7.** AS 14.11.008(g) is repealed.

* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. If, under sec. 9 of this Act, secs. 1, 3, 4, and 6 of this Act take effect, they are retroactive to January 1, 2005.

* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONTINGENT EFFECT. Sections 1 - 7 of this Act take effect only if, at the first regular session or at a special session, the Twenty-Fourth Alaska Legislature passes a bill appropriating an amount equal to or more than \$100,000,000 to the school construction grant fund under AS 14.11.008 - 14.11.011, as amended by secs. 1, 3, and 4 of this Act, and that bill becomes law not later than October 1, 2005.

* **Sec. 10.** If, under section 9 of this Act, secs. 2, 5, and 7 of this Act take effect, they take effect July 1, 2006.

* **Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect immediately under AS 01.10.070(c)."

REPRESENTATIVE CISSNA pointed out that Representative Kapsner was in the audience and invited her to speak concerning the amendment.

[5:00:14 PM](#)

REPRESENTATIVE MARY KAPSNER, Alaska State Legislature, addressed Amendment 1. She stated that the amendment attempts to "bring parity to the bill." She explained that a couple of years ago, the legislature passed a bond package and the overall bill tries to piggyback on that bond package. She said it was expected that that the entire bond package would equal \$500 million; however, it turned out to be \$728-\$729 million. Of that, approximately one fourth went to rural schools - \$154 million. She said, "We still have \$441 million out there on the books in terms of school construction and predominately that's in rural Alaska."

REPRESENTATIVE KAPSNER said there have been lawsuits regarding the parity and disparity in the allocation of funds to rural schools; because rural schools are not bondable, they rely on the legislature to make appropriations to them. Amendment 1 would provide an extra \$100 million to rural schools, which

would bring more parity to the situation and allow the court to recognize that there are people within the legislature who recognize the disparity between urban and rural funding.

REPRESENTATIVE KAPSNER offered her understanding that an amendment to Amendment 1 has been suggested, which would provide \$100 million per year for three years for rural construction.

REPRESENTATIVE KAPSNER noted that Representative Kohring has mentioned the overcrowding of schools. She revealed that in her district, one rural school in the village of Kipnuk is currently at 323 percent capacity, while the least crowded school in her district is at 155 percent. By 2012, she said, the expectation is that the lowest number will be at 227 percent capacity.

REPRESENTATIVE KAPSNER, in response to a question from Chair Wilson, confirmed it's true that of all the various populations in Alaska, the Native population is growing at a faster rate than any other. She said that while the Matanuska-Susitna (Mat-Su) area is facing a lot of population growth because of immigration, rural Alaskan villages are losing members who leave the villages. Even so, she explained the Native population growth thus: "We do love babies and we keep on having them." She noted that in general in Alaskan villages, one-third to one-half of the population is in elementary school and high school.

[5:04:16 PM](#)

REPRESENTATIVE GARDNER commented that the additional \$100 million still wouldn't be adequate if the need is for over \$400 million.

REPRESENTATIVE KAPSNER said that it would be a step in the right direction, and "an acknowledgment that there hasn't been parity." She noted that a lot of the rural schools that currently need funding were built during the Bureau of Indian Affairs' oversight of education and some of the schools have yet to receive a state-funded school building.

[5:05:35 PM](#)

REPRESENTATIVE CISSNA restated her motion to adopt Amendment 1.

[5:05:57 PM](#)

REPRESENTATIVE KOHRING restated his objection [from 4/05/05] for discussion purposes. He said he would like to hear if the sponsor approves of Amendment 1.

CODY RICE, Staff to Representative Carl Gatto, Alaska State Legislature, co-sponsor of HB 13, responded:

I would caution the committee to be careful about speaking about parity on the record because [the state is] involved in current litigation. And I think I'd be loath to say that the committee's action on this amendment is necessarily indicative of the legislature's feelings on whether or not there is educational parity. That's my feeling.

REPRESENTATIVE KOHRING asked Mr. Rice if the amendment is compatible with the legislation and does not need to be addressed in a separate bill.

MR. RICE replied, "Representative Gatto's opinion is he would like the bill to move."

REPRESENTATIVE KOHRING removed his objection to Amendment 1.

[5:07:13 PM](#)

REPRESENTATIVE SEATON objected for discussion purposes. He commented that Amendment 1 would add a new Section 1 to the bill. He asked, "Is this a new section and the existing sections are just renumbered?"

MR. RICE replied affirmatively.

REPRESENTATIVE SEATON withdrew his objection.

[5:08:39 PM](#)

REPRESENTATIVE CISSNA moved to adopt a conceptual amendment to Amendment 1, as follows [the page and line numbers correspond to the numbers on Amendment 1]:

On page 2, line 25:
After "\$100,000,000"
Insert "per year for three years"

CHAIR WILSON objected to the conceptual amendment to Amendment 1. She said that if [the committee] is not careful, the bond

will be so expensive that the state cannot meet the bond debt reimbursement requirement.

[5:10:25 PM](#)

MR. RICE stated his belief that the committee could not make such an amendment because it would bind the future legislature.

REPRESENTATIVE SEATON remarked, "We've got an estimate that HB 13 is going to be [a] \$200-\$250 million possible bond debt, and I'm not sure that looking back at the old bond issue is where we should be."

[5:11:19 PM](#)

REPRESENTATIVE CISSNA withdrew the conceptual amendment to Amendment 1.

CHAIR WILSON asked if there were any further objections to Amendment 1. There being none, Amendment 1 was adopted.

REPRESENTATIVE KOHRING moved to report HB 13, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 13(HES) was reported from the House Health, Education and Social Services Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at [5:12:12 PM](#).