

ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE

April 28, 2005

8:08 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Jim Elkins
Representative Bob Lynn
Representative Jay Ramras
Representative Berta Gardner
Representative Max Gruenberg

MEMBERS ABSENT

Representative Carl Gatto, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 22

"An Act relating to the terms of legislators, to a 90-day regular session of the legislature, to the date of convening a regular session, and to procedures of legislative committees during the interim; and providing for an effective date."

- MOVED CSHB 22(STA) OUT OF COMMITTEE

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(STA) OUT OF COMMITTEE

HOUSE BILL NO. 283

"An Act relating to the compensation for board members of the Alaska Housing Finance Corporation; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 22

SHORT TITLE: 90-DAY LEGISLATIVE SESSION

SPONSOR(s): REPRESENTATIVE(s) SAMUELS, ROKEBERG

01/10/05 (H) PREFILE RELEASED 12/30/04
01/10/05 (H) READ THE FIRST TIME - REFERRALS
01/10/05 (H) STA, FIN
04/28/05 (H) STA AT 8:00 AM CAPITOL 106

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
04/14/05 (H) Moved CSHB 161(HES) Out of Committee
04/14/05 (H) MINUTE(HES)
04/19/05 (H) HES RPT CS(HES) NT 3DP 1NR 1AM
04/19/05 (H) DP: CISSNA, KOHRING, WILSON;
04/19/05 (H) NR: GARDNER;
04/19/05 (H) AM: SEATON
04/28/05 (H) STA AT 8:00 AM CAPITOL 106

BILL: HB 283

SHORT TITLE: AK HOUSING FINANCE CORP BOARD COMP.

SPONSOR(s): REPRESENTATIVE(s) KOTT

04/21/05 (H) READ THE FIRST TIME - REFERRALS
04/21/05 (H) STA, FIN
04/28/05 (H) STA AT 8:00 AM CAPITOL 106

WITNESS REGISTER

REPRESENTATIVE RALPH SAMUELS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented HB 22, as co-sponsor.

JEAN WOODS

Palmer, Alaska

POSITION STATEMENT: Testified on behalf of herself in support of 90-day legislative sessions during the hearing on HB 22.

JIM VAN HORN, Staff

to Representative Jim Elkins

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 161 on behalf of Representative Elkins, sponsor.

MIKE TIBBLES, Deputy Commissioner

Office of the Commissioner

Department of Administration

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 161.

MELANIE MILLHORN, Director

Health Benefits Section

Division of Retirement & Benefits

Department of Administration

Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 161.

KERRY JARRELL, Assistant Superintendent

Bering Strait School District

Unalakleet, Alaska

POSITION STATEMENT: Testified during the hearing on HB 161 in support of extending a responsible retire/rehire provision indefinitely.

JEFF BARNHART

Kodiak, Alaska

POSITION STATEMENT: Testified in opposition to HB 161.

BARBARA HUFF TUCKNESS, Director

Governmental and Legislative Affairs

Teamsters Local 959

POSITION STATEMENT: Testified in support of [Version Y] to HB 161.

MIKE O'HARE, Staff
to Representative Pete Kott
Alaska State Legislature

POSITION STATEMENT: Introduced HB 283 on behalf of Representative Kott, sponsor.

BRIAN BUTCHER, Director
Government Relations and Public Affairs
Alaska Housing Finance Corporation (AHFC)
Anchorage, Alaska

POSITION STATEMENT: Answered questions on behalf of AHFC during the hearing on HB 283.

ACTION NARRATIVE

CHAIR PAUL SEATON called the House State Affairs Standing Committee meeting to order at [8:08:31 AM](#). Representatives Elkins, Lynn, Gardner, and Seaton were present at the call to order. Representatives Ramras and Gruenberg arrived as the meeting was in progress.

HB 22-90-DAY LEGISLATIVE SESSION

CHAIR SEATON announced that the first order of business was HOUSE BILL NO. 22, "An Act relating to the terms of legislators, to a 90-day regular session of the legislature, to the date of convening a regular session, and to procedures of legislative committees during the interim; and providing for an effective date."

[8:10:09 AM](#)

REPRESENTATIVE RALPH SAMUELS, Alaska State Legislature, presented HB 22, as co-sponsor. He noted that the current legislative session is nearing its end for the year and many bills are stacked up. However, he said he doesn't think it would matter what the length of the session is; it is always the dynamic choice to save many bills until the end. He mentioned getting younger people involved in the legislature. He said it's difficult for people with full-time jobs to serve as legislators or legislative staff if they have jobs already, and shortening the session may help. Furthermore, holding a shorter session would save money - an estimated \$1 million in staffing

and per diem costs. Representative Samuels opined, "I honestly believe that more laws aren't necessarily a good thing."

8:12:03 AM

REPRESENTATIVE SAMUELS presented what he described as probably the only legitimate argument against HB 22: "Constitutionally speaking," he said, "the State of Alaska has a very strong governor ..., and as long as we're here, we have more power over what that office does." He countered, "The reality is that if something particularly egregious happens, we can always call ourselves back into session with our own agenda."

8:12:52 AM

REPRESENTATIVE SAMUELS noted that in the original bill version, he and Senator Guess had included ways to "do a whole lot more during the Interim." For example, he said the start date of session could be flexible. Committees could meet in various locations around the state, although bills could not be passed to another committee outside of session without altering the Uniform Rules. He indicated that a simpler version exists [labeled, 24-LS0163\A, Cook, 11/15/04], and he said it is his preference to choose the simpler bill and work from there.

8:14:19 AM

REPRESENTATIVE SAMUELS directed attention to a chart included in the committee packet [entitled, "ALASKA STATE LEGISLATURE SESSION LENGTH AND PERCENTAGE OF DAYS WITH FLOOR SESSIONS, 1981-2000"]. He noted that the total "days in session" are approximately only 60 percent. He said, "I ... personally would rather come a month later and work on Saturdays." He spoke of the cost to go home for visits on weekends.

8:15:12 AM

REPRESENTATIVE LYNN stated that he is amazed at the amount of work that goes on in the legislature.

8:15:57 AM

REPRESENTATIVE SAMUELS clarified that he thinks that all legislators and staff work hard. He said, "Having a citizen legislature that is not near the population center ..., you can't have a job working for somebody else and come down and do

this." He said he thinks shortening the length of a legislative session will "increase the pool of people that can participate."

8:17:25 AM

REPRESENTATIVE LYNN said there is a stereotype that [the legislature] doesn't do anything, yet he has experienced being too busy to see constituents who try to visit him.

8:17:55 AM

REPRESENTATIVE SEATON noted, for example, that one legislator from Fairbanks owns a plant nursery and goes home each weekend to conduct his business. He suggested that shortening the session and working on weekends would prevent that representative from doing that.

8:18:52 AM

REPRESENTATIVE SAMUELS asked, "Trying to run a business from here, would you rather have every weekend, or would you rather have an extra month?" He said his own employer allows him to leave during session, and he said he could not afford to do so otherwise.

8:19:18 AM

REPRESENTATIVE ELKINS noted that in the past, the legislature "was made up mostly of young people" and the pay was much higher. Today, he indicated, legislators get paid less; their pay is equivalent to that of a page. He recommended to Representative Samuels that if he wants to see more young people in the legislature, then the pay scale needs to be raised.

REPRESENTATIVE SAMUELS suggested that that step could be taken up after HB 22.

8:20:17 AM

REPRESENTATIVE RAMRAS pointed out that he is a co-sponsor of the bill. He named some Representatives with various jobs and some of the things that have happened to businesses while the Representatives are away. He observed that there seem to be three dominate classes of Representatives: those who are college graduates, who may have become legislative staff before becoming legislators; those who are retired and offer a wealth

of life experience; and those who belong to "an organization."
The last group struggle to juggle "both lives."

[8:24:26 AM](#)

REPRESENTATIVE SAMUELS, in response to a question from Representative Ramras, said those who would take a hit from the bill would be those for whom the legislature is their living, because the already meager paycheck would be further reduced.

[8:26:09 AM](#)

CHAIR SEATON said he is trying to weigh the benefits of having a shorter session and then having more meetings throughout the year. He pointed out that the House State Affairs Standing Committee has already been meeting Saturdays.

[8:27:45 AM](#)

REPRESENTATIVE SAMUELS said, "I believe it'd be a separate debate on every question." He opined that the legislature doesn't need to conduct every overview in Juneau. He said he and Senator Guess discussed a constitutional problem regarding when to swear in the Representatives. He said, "We believe that we should swear in the new legislators when [we] swear in the governor." He explained that that would give new legislators more time to get their feet wet. He surmised that the turnover in the House is 15 percent.

[8:30:18 AM](#)

REPRESENTATIVE GRUENBERG responded that he thinks people are staying longer, perhaps serving an average of eight years, whereas earlier they served an average of four.

[8:30:42 AM](#)

REPRESENTATIVE SAMUELS stated that there will be "push back" on having meetings in Anchorage by the community of [Juneau], because the perception will be that the bill is one step towards moving the legislature. He said he doesn't believe that that's true.

[8:31:21 AM](#)

CHAIR SEATON, regarding allowing time for new legislators to get their feet wet, said the House has to organize and vote for a

committee chair and speaker. He queried, "Until that is accomplished, there really isn't anybody to conduct ... meetings, is there?"

[8:31:55 AM](#)

REPRESENTATIVE SAMUELS said that's a good question. He suggested, "You gavel in, have the committee on committees, and take a day." He indicated that it could be decided whether it is even necessary to come to Juneau for that purpose.

[8:32:07 AM](#)

REPRESENTATIVE LYNN observed that when redistricting occurs, greater numbers of new legislators are a result. He estimated that the last time that happened there were 13-14 new people.

[8:33:11 AM](#)

REPRESENTATIVE GARDNER said one of the most important parts of being a new legislator is hiring and learning to use staff. She said it seems that reducing the session to 90 days would reduce the pool of staff that would be available.

[8:34:00 AM](#)

REPRESENTATIVE SAMUELS said he did not [keep] the idea of having legislators sworn in early in the bill, because there is a problem of overlap; the legislator on the way out doesn't leave until January 15, while the one coming in would - if sworn in early - be in office in December. Regarding staff, he said there may be problems to debate. He noted that some staff is year-round. He indicated that the bill - in its simple form - asks, "Can we do a more efficient job down here?"

[8:35:38 AM](#)

REPRESENTATIVE GRUENBERG, referring to the original bill version, said he strongly supports Section 5 [regarding holding meetings during the interim]. He said, "Regardless of where the capital is, we've got to bring the legislature to the people; the state's too big not to do that."

[8:38:11 AM](#)

REPRESENTATIVE SAMUELS, in response to a request for clarification, said [Version 24-LS0163\A, Cook, 11/15/04, which

at this point was not adopted as a work draft], was simplified to only change the number of days in a session to 90.

8:39:20 AM

REPRESENTATIVE GRUENBERG asked Representative Samuels if he would oppose including Section 5 [from the original bill version].

8:39:36 AM

REPRESENTATIVE SAMUELS said he would not.

8:39:41 AM

REPRESENTATIVE ELKINS indicated that it is more difficult to schedule for shorter periods of time. For example, he surmised that it would be hard for the chair of the committee to "lose one of his packers in the middle of packing season" in order for that packer to attend a legislative hearing. He said he would rather have a longer session and meet around the state during the session, than to try to meet around the state during the interim.

8:40:45 AM

JEAN WOODS, testifying on behalf of herself, told the committee that she has been an observer of government in Alaska from territorial days when there were sessions that lasted 60 days every other year. She stated her support of having 90-day sessions. She explained, "I think that you would make ... the legislature available to people that have to work for a living. It's easier to get away for a quarter of the year than it is for a third of the year." In response to a remark by Chair Seaton, she expressed her appreciation of the sacrifices that legislators make to serve the state.

8:43:03 AM

CHAIR SEATON, ascertaining that there was no one else to testify, closed public testimony.

8:43:21 AM

REPRESENTATIVE LYNN moved to adopt a committee substitute (CS), labeled 24-LS0163\A, Cook, 11/15/04, as a work draft. [This is

an unnumbered piece of legislation that is being used as a committee substitute.]

CHAIR SEATON objected for discussion purposes.

[8:44:20 AM](#)

REPRESENTATIVE GARDNER said, "I think that Representative Samuels' suggestion that this might be the simplest way to start the process and then discuss all the issues that fall out from it separately is wise."

[8:44:37 AM](#)

REPRESENTATIVE LYNN said, "It seems to me that it's very difficult if you parcel this out, because I don't see how you can do this without addressing the other issues here; they're all part and parcel of the same problem."

[8:45:14 AM](#)

CHAIR SEATON asked if Representative Lynn would like him to maintain his objection so that the committee would hold a roll-call vote.

[8:45:23 AM](#)

REPRESENTATIVE LYNN answered no.

[8:45:27 AM](#)

CHAIR SEATON removed his objection. Therefore, Version A was before the committee.

[8:45:41 AM](#)

REPRESENTATIVE GRUENBERG said he is not "a great fan of the 90-day session." He reemphasized his support of Section 5 from the original bill version.

[8:46:26 AM](#)

REPRESENTATIVE SAMUELS said he thinks it's probably a good idea [to meet during interim] whether or not session is shortened. In response to a question from Representative Gruenberg, he said he would have a second bill drafted over the interim and limit the discussion at hand to the concept of the 90-day session.

[8:47:13 AM](#)

REPRESENTATIVE GRUENBERG said he would like to sponsor that bill when it is drafted. He mentioned that thought should be given regarding how many days notice would be given for interim meetings.

[8:47:24 AM](#)

REPRESENTATIVE ELKINS stated:

This is how Oregon started, you know. First they were ... paying too much, so they cut the salaries, and they were spending too much time meeting, and they cut that back ... [repeatedly], and now they're into referendum government and they're in a terrible mess down there. So, I think there's more than one way of looking at this. I see this as heading towards referendum, which is bad [emphasis on "bad"] government. I'll support moving it out of committee, but in general I don't think I'll support it.

[8:48:13 AM](#)

CHAIR SEATON said scheduling meetings in the interim becomes difficult, and if a 90-day session was adopted, more meetings would have to be scheduled during the interim. He said he is not sure that would allow for continuity of discussion. Regarding Representative Samuels' previous mention of the balance between the legislature and the governor, he said he thinks the bill would "shift things towards the administration." Notwithstanding that, he said he would will support moving the proposed legislation out of committee.

[8:50:07 AM](#)

REPRESENTATIVE GRUENBERG said he sees a benefit in holding meetings during the interim: There would be the opportunity of people seeing their legislators in action around the state, and people would have the ability to get involved.

[8:51:15 AM](#)

REPRESENTATIVE RAMRAS reiterated his support of the bill.

[8:52:02 AM](#)

REPRESENTATIVE RAMRAS moved to report CSHB 22, Version 24-LS0163\A, Cook, 11/15/04, out of committee [with individual recommendations and the accompanying fiscal notes]. There being no objection, CSHB 22(STA) was reported out of the House State Affairs Standing Committee.

HB 161-REEMPLOYMENT OF RETIREES

CHAIR SEATON announced that the next 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."

[Before the committee was the committee substitute (CS) for HB 161(HES).]

[8:53:37 AM](#)

JIM VAN HORN, Staff to Representative Jim Elkins, Alaska State Legislature, introduced HB 161 on behalf of Representative Elkins, sponsor. He noted that the committee packets include a committee substitute (CS), labeled, 24-LS0645\Y. He said the bill would extend the sunset date for legislation enacted by House Bill in 242, in 2001, and Senate Bill 94, in 2003. It would allow the rehire of certain [Public Employees' Retirement System (PERS)] and [Teachers' Retirement System (TRS)] members who retired with "a normal retirement." "Presently," he said, "these rehires can continue to receive normal retirement benefits if they waive further participation in the retirement system. During their period of reemployment, no contribution to ... PERS or TRS ... is required from the employee or the employer." He noted that that legislation is scheduled to sunset July 1, 2005.

[8:54:45 AM](#)

MR. VAN HORN directed attention to a report in the committee packet, entitled, "Results of the Retiree Return Program." The report shows that as of November 30, 2004, there were a total of 211 retirees rehired under PERS and 124 [rehired] under TRS. He

reported that that equates to one tenth of one percent of all PERS and TRS participants throughout the state. Mr. Van Horn highlighted a paragraph on page 4 of the report, which read as follows [original punctuation provided]:

On September 14, 2004 the Division of Retirement and Benefits received an Attorney General Opinion regarding the employment status of returned retirees as of the sunset date of the legislation. The opinion states that once the reemployment amendments to the PERS and TRS statutes sunset on July 1, 2005, reemployed retirees can no longer receive retirement benefits while employed by a PERS or TRS employer. If they continue employment with a PERS or TRS employer, they must begin making contributions to the retirement systems and have their retirement benefits stopped.

MR. VAN HORN said this came as a complete surprise to many people. The general opinion was that after the initial period, the legislature would review the program to determine whether or not it was successful and decide if it should be continued. He said people have made "life decisions" based upon this opinion.

MR. VAN HORN turned to another handout in the committee packet, entitled, "State Worker Shortage Looms," [dated February 2005]. He said the article shows that "Alaska is not alone." A 2002 study showed that 30 percent of many states' work forces will be retirement eligible by 2006. Compounding that approaching worker shortage, he noted, a Rockefeller Institute of Government study confirmed that nationally, 50 percent of government jobs are in occupations requiring specialized training, education, or job skills, compared to just 29 percent in the private sector. He stated that the problem of workforce shortages will only intensify over time.

[8:57:36 AM](#)

MR. VAN HORN returned to the report, and noted that pages 13 and 24 include pie charts that show [the number of months between termination and rehire, and rehired retirees by year, for PERS and TRS, respectively]. Regarding page 13, he noted that the majority of the retirees who have been rehired were retired over 24 months before coming back to work, and the percentage of rehires has slowly decreased since 2002.

MR. VAN HORN noted that the House Health, Education and Social Services Standing Committee introduced the previously mentioned

CS, which clearly states that the legislature understands that the rehire of retirees is a valuable tool for school districts and public employers to use in managing workforce shortages. He stated, "At the same time, the CS finds that human resource managers must plan to meet their future workforce needs without reliance on retired workers."

[8:59:26 AM](#)

MR. VAN HORN, in response to a request from Chair Seaton, offered details regarding the pie charts on page 13. Because the pie charts in the committee packet are not in color, he explained that the bottom pie chart shows: In 2001, 15 percent; in 2002, 312 percent; in 2003, 30 percent; and in 2004, 24 percent. He said that 2001 really means the 2002 school year. The bottom chart on page 24, he clarified as follows: The years from top to bottom are 2002, 2003, 2004, and 2005, and the correlating numbers are 11, 36, 33, and 20 percent, respectively.

[9:01:45 AM](#)

MR. VAN HORN let the committee know the correlations between the numbers and months in the top pie chart on page 24 - again, due to the lack of distinguishable colors - as follows: 1 month, 11 percent; 2 months, 25 percent; 3 months, 5 percent; 4-12 months, 5 percent; 12-24 months, 15 percent; and over 24 months, 39 percent.

REPRESENTATIVE GRUENBERG observed that each chart is read starting at the top [12 o'clock] position and going clockwise.

[9:02:16 AM](#)

CHAIR SEATON concluded that that would apply also to the top chart on page 13.

[9:02:26 AM](#)

MR. VAN HORN noted that there is a zero fiscal note at the present time. In response to a question from Chair Seaton, he explained, "This legislation has no effect on employer contribution rates until the number of members electing the waiver reaches 500." In response to a follow-up question from Chair Seaton, he indicated that the fiscal note is for the CS.

[9:03:16 AM](#)

MR. VAN HORN urged the committee to pass [the CS]. He noted that there are letters of support from various organizations and individuals included in the committee packet. In response to a request from Chair Seaton, he touched upon some of the differences between the original bill version and the CS. He indicated that one of the changes would be that if a retired employee comes back to work, that employee will have to drop his/her retiree medical plan and work on the state employer's medical plan. The employer would have to pay for that plan for the employee. In response to a question from Representative Gardner, he [clarified that Version Y] would make that change.

[9:07:36 AM](#)

CHAIR SEATON told Representative Gardner that the House Health, Education and Social Services Standing Committee was concerned that employers were shifting costs to the retirement system by not providing active health insurance for an active employee and saying, "Oh, your primary is your retired coverage." He added, "One of the concerns ... with the function of the bill is not to stimulate employers to not hire new employees by making it cheaper for them to hire retired employees."

[9:08:12 AM](#)

REPRESENTATIVE GARDNER responded that that's exactly what she is getting at.

[9:08:40 AM](#)

REPRESENTATIVE GRUENBERG directed attention to page 2, lines 12-14 [of Version Y], which read as follows:

(c) It is the intent of the legislature that employers that benefit from the provisions of the retiree reemployment provisions pay any increase in unfunded liability that results to the retirement systems.

REPRESENTATIVE GRUENBERG said he doesn't see that addressed in the fiscal note. He said he finds the issue of retirement a complex one. He said he finds an intellectual and logical interaction between [retirement incentive programs (RIPs)], retirement legislation, and "this sort of a thing." He indicated that he would eventually like a response to this idea.

[9:10:17 AM](#)

MR. VAN HORN said anyone who has participated in a RIP would not be eligible.

[9:10:45 AM](#)

REPRESENTATIVE ELKINS commented that one of the reasons for involvement with the bill is that the Department of Fish & Game (ADF&G) has approximately 30 fish biologists involved in the program and it would take the department over five years to recover from the loss [of those employees].

[9:11:26 AM](#)

CHAIR SEATON responded, "... But I don't see that they've made a plan for ever coming up with new biologists to take those positions."

[9:11:49 AM](#)

REPRESENTATIVE ELKINS noted that the bill "requires them to do that." He explained that the department was more concerned about the immediate loss.

[9:12:24 AM](#)

MIKE TIBBLES, Deputy Commissioner, Office of the Commissioner, Department of Administration, testified in support of HB 161. He stated that it's important to consider "some of the successes that are out there." For example, he spoke of a nurse position that was recruited for 34 days, with four applicants, only one of which was an eligible and available individual. That person had been retired for three years. He offered other examples. There are some jobs that are hard to fill. He said the Department of Administration is involved in overseeing all of the rehires for the State of Alaska. He noted that [Governor Frank Murkowski] signed an administrative order in March that "put some sideboards in place for the State of Alaska." Some of those sideboards include: requiring recruitment, demonstrating recruitment difficulty, and showing the critical components of the job and why no other applicant has the knowledge, skills, and abilities to perform those duties. He said knowing when individuals are eligible to retire gives the department the ability to "do some more planning going forward." He noted that since the governor passed the administrative order, "not one

department's been able to meet the test ... of showing us where there's this severe recruitment challenge."

[9:17:08 AM](#)

MR. TIBBLES stated, "This program is allowing individuals to come back and receive a benefit from the state but not pay into the system, and therefore there's a cost to the system." He also remarked, "Bringing people back from retirement is restricting other individuals' ability to move up in the work force." He said he thinks the bill addresses those concerns, to a large extent. The bill would require employers who hire a retired individual to pay the same past service rate that they would pay for all their other employees, which takes away the incentive to bring somebody back from retirement. The bill also would require that employers provide health coverage for the retirees that they rehire at the same level that they provide health coverage for all their other employees. He said, "It would defer the ... retirement health for the period of reemployment."

[9:19:51 AM](#)

REPRESENTATIVE GARDNER asked if there is anything else Mr. Tibbles can think of that can or should be done to ensure that the return of people to employment does not result in a cost to the retirement system.

[9:20:09 AM](#)

MR. TIBBLES responded as follows:

I don't think that we want to go all the way to the extent that there is no cost. That would be charging employees to pay for the normal cost rate, as if they were continuing to accrue additional benefits, but they are not when they come back. So, there will be some savings, but we've taken care of the health piece, and we've taken care of the unfunded liability piece. And then with the sideboards that are now in place regarding 30-day recruitment [and] ... demonstrating that nobody else has the knowledge, skills, and abilities to perform that job, I think, in combination - between taking away a big chunk of the financial disincentive, as well as now the new requirements [that] are going to be placed on all employers before they are going to bring somebody back

- the combination of those, I think, will create a system that will be really tight, and we'll see more of the examples that I talked about with the nurse and the child service worker as the norm rather than the exception when we look at rehires.

[9:21:12 AM](#)

CHAIR SEATON clarified that the question was regarding cost to the system. He said:

The analysis that we have is that, with them paying the unfunded liability portion, there will be no cost to the system. There may be some slight cost savings to the employer because they're not contributing the normal cost, because there is no future normal retirement; but, as far as a cost to the system, by picking up the unfunded liability portion of their wage base, there is no cost to the retirement system.

[9:21:59 AM](#)

REPRESENTATIVE ELKINS offered his understanding that there is no grandfather "clause" involved, because "in 3 years it expires anyway."

[9:22:15 AM](#)

MR. TIBBLES confirmed that is correct.

[9:22:27 AM](#)

REPRESENTATIVE GARDNER asked Mr. Tibbles what he would think about requiring the retirees to be retired for six months or a year before they could be [rehired].

[9:23:00 AM](#)

MR. TIBBLES said the result could be that positions could stay open longer.

[9:24:01 AM](#)

REPRESENTATIVE GARDNER suggested that some people may retire knowing that they are irreplaceable and will be hired back in 30 days. She said she wonders if those people would reconsider

retirement knowing that they couldn't come back for at least a year.

[9:24:22 AM](#)

MR. TIBBLES said he believes that probably would be the case. He said the question is whether that would be beneficial to the state and municipalities.

[9:25:22 AM](#)

CHAIR SEATON asked if there is a situation where a person can apply for the position they are in before they actually retire. He offered an example.

[9:26:21 AM](#)

MELANIE MILLHORN, Director, Health Benefits Section, Division of Retirement & Benefits, Department of Administration, said the recruitment process requires that the position be vacant. She added that there must be a resignation in place from the incumbent. She said there would be not guarantee that the person will be given that position back.

[9:27:29 AM](#)

CHAIR SEATON said he knows that the person who had the job will be the most qualified. He also said he knows that if there are six [or more] applicants, the retiree who held that job cannot be hired. He asked what would happen if the retiree was one of five who applied for the job.

[9:28:02 AM](#)

MS. MILLHORN answered that the strictures require that the hiring authority has to demonstrate that the person hired is the most qualified. In response to a follow-up question from Chair Seaton, she said the hiring authority must also demonstrate why the other applicants are not qualified.

[9:29:38 AM](#)

CHAIR SEATON said that satisfies his concern.

[9:30:06 AM](#)

MR. TIBBLES directed attention to Section 10 of [Version Y], on page 5, [lines 19-28], which read as follows:

***Sec.10.** The uncodified law of the State of Alaska enacted in sec. 13, ch. 57, SLA 2001, is amended to read:

Sec. 13. REPORT TO LEGISLATURE. Annually, beginning in 2002 and ending in 2009 [2006], the administrator of the teachers' retirement system and the administrator of the public employees' retirement system shall report to the legislature by the 30th day of the regular legislative session concerning the effect of this Act, as amended, on the retirement system. The administrator of the public employees' retirement system shall include information in the report regarding the efforts of employers in the executive branch to address the recruitment difficulties in job classes in which retired members have been rehired.

MR. TIBBLES said there are national shortages in certain job classifications, for example, nurses and engineers. He spoke of changing business rules and restructuring positions.

[9:31:53 AM](#)

REPRESENTATIVE GARDNER said it's the intention of the legislature that the program be a temporary one, which is why the bill has a sunset clause; however, she questioned the need to sunset the bill when there is a growing national shortage in an increasing number of job titles.

[9:32:18 AM](#)

MR. TIBBLES stated his belief that the rehiring of an individual who has retired is a short-term solution, while the program itself is not. He said the program itself should be reevaluated over shorter periods of time to ensure that it is "meeting its original intent."

[9:32:47 AM](#)

REPRESENTATIVE ELKINS told Representative Gardner that the legislature is "slowly waking up to the fact that we're not the best payers in the state." He said as that awakening occurs, jobs will be easier to fill, because the state will be more competitive with the private sector.

[9:33:22 AM](#)

CHAIR SEATON said the other sector to consider is that of the federal government. He noted that in addition to the [previously discussed] report, the legislature would also [in Version Y] require the administration "to develop plans to fill these positions." He said he thinks that has been a critical element that has been lacking. He asked Mr. Tibbles to review the sunset language.

[9:35:01 AM](#)

MR. TIBBLES said on November 3, a Department of Law position paper was given to all employers and employees participating in the program, which explained that those employees could choose to: stay employed and start accruing and paying for additional benefits, or separate from service and continue to receive their retirement benefits. He stated, "There has been some concern that we had informed individuals, based on the original legislation, that they could continue to receive benefits for the period of their reemployment." That led to concern regarding the state's liability if those individuals that had that expectation and made decisions based on it were cut off. He talked about allowing people hired back on or before November 3 to continue with the program until the end of a specified date, perhaps December [2006]. He added, "And then at that point, the individuals could remain on, but they would have to come back through the regular sideboards that are in the bill." Those individuals rehired out of retirement after November 3 would have known when the program was ending. He made a recommendation regarding when they would be required to follow the sideboards of the bill.

[9:37:45 AM](#)

MR. TIBBLES said there is some concern regarding those hired back prior to November 3 and their expectation of receiving a retirement health benefit, and he suggested the legislature may want to address that issue.

[9:38:13 AM](#)

CHAIR SEATON said he thinks that that's an important issue.

[9:38:59 AM](#)

MR. TIBBLES, in response to a question from Representative Gardner, said allowing those rehired prior to November 3 to continue the program to a specified date is not so much a matter of courtesy, but one of avoiding liability. In response to a follow-up question from Representative Gardner, he said that the liability cannot be completely removed, but it can be lessened.

[9:40:21 AM](#)

MR. TIBBLES, in response to a question from Chair Seaton, said he hopes to have a written version of the pre- and post-November idea by the end of the day.

[9:40:55 AM](#)

CHAIR SEATON recapped the concept that Mr. Tibbles had discussed regarding the pre- and post-November rehired retirees. He surmised that there would just be the two categories of rehired retirees.

[9:42:11 AM](#)

MR. TIBBLES said the only exception would be if the bill passed and was signed into law before July 1, then there would be some grace period until that date.

[9:42:35 AM](#)

CHAIR SEATON concluded that there really are three categories, depending upon when the bill is signed.

[9:42:42 AM](#)

REPRESENTATIVE GARDNER asked for an estimate of how many people would be "extended to December of '06."

[9:42:48 AM](#)

MR. TIBBLES replied that the report shows there are 211 PERS members and 124 TRS members on waivers.

[9:43:38 AM](#)

KERRY JARRELL, Assistant Superintendent, Bering Strait School District, Unalakleet, Alaska, said the school district has concerns about the possible "expiration of this law." He said the legislation has been successful in assisting the school

district to fill important vacancies. He said, "While the number of persons exercising the option has not been large, those individuals have been important to the organizations that have hired them." He said there is a wealth of talent and ability in retirees and their contributions have been enormous. He stated that much has been said about the abuse of the program, but in his district and other rural districts with which he has worked closely, there has been no abuse. He said there are rarely multiple applicants for any job - certified or classified. A recent job opening for an electrician took three months to get one applicant. The applicant pool for school principals is so thin, he reported, that entire job fairs can pass without a single applicant emerging. He said it is ludicrous to think that rural Alaska has a problem with people staying too long in their jobs. Conversely, he said, "Our problem is the inability to attract and retain qualified personnel at all levels." Mr. Jarrell said he doesn't expect the retirement system to absorb any loss whatsoever from the program. He concluded:

We readily support the provisions that relieve the retirement system of any negative impact. The employers and employees benefiting from the legislation should pay the cost. We support the continuation of the retire/rehire statutes; this is one additional tool that schools have to attract talented and experienced Alaskans who have much to contribute. It's our hope that you will support extending a responsible retire/rehire provision indefinitely.

[9:46:04 AM](#)

JEFF BARNHART testified in opposition to HB 161. He noted that he is a currently employed PERS member. He stated that his union - ASCA - is also in opposition to the bill and any grandfathering provisions. Mr. Barnhart said he has been working for the state for 30 years and is aware of widespread abuse of the law. He stated, "Instead of applying the retire and rehire law for just a few isolated cases where recruitment was perceived to be difficult, it was applied widely and has actually become standard operating procedure in state government." He said it is no secret that a percentage of PERS employees have manipulated the system to ensure being hired back before making the decision to retire. In many cases, subordinates and others refused to apply for the position, knowing that they wouldn't get the job, which he explained stops

the upward mobility of junior employees and affects recruitment of new employees. He said he just cannot condone "grandfathering these individuals as a reward for manipulation of the system." He opined, "I think to maintain good services for the people of this state, we need to continue to train, promote, and keep our junior employees - not force them from their jobs. They are the future of the state." Mr. Barnhart revealed that he is near retirement and the bill could benefit him, but he reiterated his opposition to the bill. He said he thinks there is plenty of talent available to fill all state jobs, but some pay scales may have to be raised.

[9:50:42 AM](#)

REPRESENTATIVE GARDNER asked Mr. Barnhart if he is familiar with the provision [in Version Y] that would prohibit the planned rehire of a retiree.

[9:51:11 AM](#)

MR. BARNHART responded that if it's well known that the person is coming back, subordinates don't bother to apply and put themselves through the process for what they perceive as a "zero chance."

[9:52:07 AM](#)

REPRESENTATIVE GARDNER asked Mr. Barnhart if he has any experience regarding efforts to recruit employees and the number of "applicants that are currently being received."

[9:52:28 AM](#)

MR. BARNHART said he works for the Department of Fish & Game in "the Western region" and there has been some difficulty filling middle management positions in past years. However, he said lately there have been good applicants available. He said he doesn't know if "we're turning a corner on that, or what."

[9:53:01 AM](#)

BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, testified in support of [Version Y] to HB 161. She mentioned contract negotiations that took place in 2000, at which time there was great difficulty recruiting certain positions, including nurses and engineers. She named two key elements in recruiting and retaining

employees: wages and benefits. Ms. Huff Tuckness said people give up a lot when they quit their [private sector jobs] to work for a public entity. Unfortunately, she noted, through attrition, the benefit package is no longer looking as attractive as it has in the past. She indicated that the Municipality of Anchorage has sideboards in regard to rehiring retired employees. Those individuals applied for positions just as everyone else did, and there was no intimidation.

[9:57:04 AM](#)

MS. HUFF TUCKNESS said the program is a valuable one; the Municipality of Anchorage saved over \$600,000 last year. She recollected that there were 18 applicants who filed waivers, and approximately 12 are currently in the system. She said it has been difficult for municipalities to come up with additional revenue sources to counter budget cuts. She stated for the record that the Municipality of Anchorage did not participate in any of the RIP opportunities, "because they could not justify the cost." She offered further details. She reiterated that she supports the bill and the amendments, as well as "the conceptual amendments that were discussed earlier this morning."

[9:58:55 AM](#)

CHAIR SEATON closed public testimony.

[9:59:28 AM](#)

CHAIR SEATON moved Conceptual Amendment 1, which would extend the applicability of the program as follows: through December 2006 for those who signed up before November 3, 2004, and to July 1 for those who signed up after [November] 4. Everyone else would have to live with the sideboards and full conditions of the bill.

CHAIR SEATON asked if there was any objection to Conceptual Amendment 1. There being none, Conceptual Amendment 1 was adopted. He said he would get the language of Conceptual Amendment 1 to all committee members before he lets the bill out of his grasp.

[10:00:12 AM](#)

REPRESENTATIVE LYNN moved to report CSHB 161(HES), as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB

161(STA) was reported out of the House State Affairs Standing Committee.

[10:01:20 AM](#)

HB 283-AK HOUSING FINANCE CORP BOARD COMP.

[10:01:31 AM](#)

CHAIR SEATON announced that the last order of business was HOUSE BILL NO. 283, "An Act relating to the compensation for board members of the Alaska Housing Finance Corporation; and providing for an effective date."

[10:01:45 AM](#)

MIKE O'HARE, Staff to Representative Pete Kott, Alaska State Legislature, on behalf of Representative Kott, sponsor, stated that HB 283 would increase the per diem levels of public board members from \$100 to \$400. The current level of \$100 has been in place since the inception of the Alaska Housing Finance Corporation (AHFC) in 1971. Mr. O'Hare paraphrased from a portion of the sponsor statement, which read as follows [original punctuation provided]:

The Board of Directors of AHFC is required to review and consider topics having to do with bonding, the mortgage industry, public housing, and many other technical issues. In any given year, the Board is asked to consider and approve \$600 million to \$1 billion in bond programs and millions of dollars in tax credit and other federal grants. The workload is such that board members must spend a great deal of their personal time studying and educating themselves about corporate activities. These are just some of the reasons why it is important to do what is necessary to help keep as capable a board as possible.

The compensation is only applicable to the four public members of the Corporation's seven member Board of Directors. It is estimated that the increase in per diem would cost the Corporation approximately \$15,000 in corporate receipts per fiscal year.

[10:03:29 AM](#)

BRIAN BUTCHER, Director, Government Relations and Public Affairs, Alaska Housing Finance Corporation (AHFC), noted that AHFC is a totally self-supporting corporation that receives no state general funds and pays a dividend of \$103 million to the state. He said, "The small increase would be in corporate receipts."

[10:04:11 AM](#)

MR. BUTCHER, in response to a question from Representative Lynn, said there are an estimated 12 board meetings a year for only 4 board members. At a \$300-per-member increase, the additional cost would be \$15,000.

[10:04:32 AM](#)

CHAIR SEATON asked what other per diem rates are, for example, for the Board of Fisheries and the Board of Game.

[10:04:36 AM](#)

MR. BUTCHER responded that he does not know. He said, "This was the same amount that the Permanent Fund Board receives, and we felt that - seeing as our board has oversight over [a] \$5 billion corporation, there were many of the same responsibilities." In response to a follow-up question from Chair Seaton, he confirmed that the Permanent Fund Board currently pays a \$400 per diem to its members.

[10:05:17 AM](#)

MR. BUTCHER, in response to a question from Representative Elkins, said hotel costs are not included in the compensation. In response to a question from Chair Seaton, he explained that the hotel costs depend on the number of board members from out of town that attend the meeting in person rather than by teleconference. If a member were to attend the meeting in person, there would be airfare and one night at an hotel, if necessary.

[10:05:25 AM](#)

CHAIR SEATON said, "So, those are actual expenses, not a per diem expenditure?"

[10:05:43 AM](#)

MR. BUTCHER answered that's correct.

[10:06:31 AM](#)

REPRESENTATIVE ELKINS said he would like to offer an amendment so that the level of the per diem be fixed to the federal rate, like the legislature's is. He said he doesn't see much need to pay any board member more per diem than the legislature pays itself.

[10:07:08 AM](#)

CHAIR SEATON asked Representative Elkins to hold the amendment, because the committee does not have a quorum. He noted that the per diem given to legislators pays for expenses incurred for having a second residence in the capital and living expenses. The per diem for the AHFC Board members would be for pay only, with expenses being a separate issue.

[10:07:46 AM](#)

REPRESENTATIVE ELKINS stated that when he travels to Anchorage on legislative business, he is paid at a federal rate "for that travel up there." He indicated that included in the per diem is: hotel, plane fare, and tax.

[10:08:10 AM](#)

CHAIR SEATON asked Mr. O'Hare to supply a fact sheet listing the compensation rate of other boards.

[HB 283 was heard and held.]

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at [10:08:47 AM](#).