

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

March 2, 2006

8:05 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Carl Gatto, Vice Chair
Representative Jim Elkins
Representative Bob Lynn
Representative Jay Ramras
Representative Berta Gardner

MEMBERS ABSENT

Representative Max Gruenberg

COMMITTEE CALENDAR

HOUSE BILL NO. 485

"An Act amending the State Personnel Act to place in the exempt service pharmacists and physicians employed in the Department of Health and Social Services or in the Department of Corrections and corporate income tax forensic auditors employed by the division of the Department of Revenue principally responsible for the collection and enforcement of state taxes who specialize in apportionment analysis and tax shelters of multistate corporate taxpayers; and providing for an effective date."

- MOVED HB 485 OUT OF COMMITTEE

HOUSE BILL NO. 475

"An Act describing contributions to the health reimbursement arrangement plan for certain teachers and public employees; clarifying eligibility for membership in that health reimbursement arrangement plan; relating to the 'administrator' of the Public Employees' Retirement System of Alaska; and providing for an effective date."

- HEARD AND HELD

HOUSE JOINT RESOLUTION NO. 25

Urging the United States Congress to enact the American Veterans Homeownership Act of 2005.

- MOVED CSHJR 25(STA) OUT OF COMMITTEE

HOUSE BILL NO. 344

"An Act relating to the commissioner of administration's appointing agents to perform for compensation certain transactions related to vehicles; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 485

SHORT TITLE: STATE PHARMACISTS/DOCTORS/AUDITOR EXEMPT

SPONSOR(s): RULES BY REQUEST

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|----------|-----|---------------------------------|
| 02/15/06 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/15/06 | (H) | STA, FIN |
| 02/23/06 | (H) | STA AT 8:00 AM CAPITOL 106 |
| 02/23/06 | (H) | Scheduled But Not Heard |
| 02/28/06 | (H) | STA AT 8:00 AM CAPITOL 106 |
| 02/28/06 | (H) | Heard & Held |
| 02/28/06 | (H) | MINUTE(STA) |
| 03/02/06 | (H) | STA AT 8:00 AM CAPITOL 106 |

BILL: HB 475

SHORT TITLE: PUB EMPLOYEE & TEACHER RETIREMENT & SBS

SPONSOR(s): REPRESENTATIVE(s) SEATON

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|----------|-----|---------------------------------|
| 02/13/06 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/13/06 | (H) | STA, FIN |
| 02/23/06 | (H) | STA AT 8:00 AM CAPITOL 106 |
| 02/23/06 | (H) | Heard & Held |
| 02/23/06 | (H) | MINUTE(STA) |
| 02/28/06 | (H) | STA AT 8:00 AM CAPITOL 106 |
| 02/28/06 | (H) | Scheduled But Not Heard |
| 03/02/06 | (H) | STA AT 8:00 AM CAPITOL 106 |

BILL: HJR 25

SHORT TITLE: SUPPORTING VETERANS HOME OWNERSHIP ACT

SPONSOR(s): REPRESENTATIVE(s) KERTTULA

| | | |
|----------|-----|--------------------------------------|
| 01/11/06 | (H) | READ THE FIRST TIME - REFERRALS |
| 01/11/06 | (H) | MLV, STA |
| 02/16/06 | (H) | MLV AT 1:00 PM CAPITOL 124 |
| 02/16/06 | (H) | Moved CSHJR 25(MLV) Out of Committee |
| 02/16/06 | (H) | MINUTE(MLV) |
| 02/17/06 | (H) | MLV RPT CS(MLV) NT 6DP |

02/17/06 (H) DP: GRUENBERG, THOMAS, CISSNA, ELKINS,
DAHLSTROM, LYNN
03/02/06 (H) STA AT 8:00 AM CAPITOL 106

WITNESS REGISTER

JIM DUNCAN, Business Manager
Alaska State Employees Association/American Federation of State,
County and Municipal Employees (ASEA/AFSCME) Local 52
Anchorage, Alaska
POSITION STATEMENT: Testified on behalf of ASEA/AFSCME during
the hearing on HB 485.

JANET CLARKE, Assistant Commissioner
Central Office
Finance and Management Services
Department of Health and Social Services (DHSS)
Juneau, Alaska
POSITION STATEMENT: Answered questions during the hearing on HB
485.

MILA COSGROVE, Director
Division of Personnel
Department of Administration
Juneau, Alaska
POSITION STATEMENT: Testified on behalf of the division during
the hearing on HB 485.

JERRY BURNETT, Director
Administrative Services
Department of Revenue
Juneau, Alaska
POSITION STATEMENT: Answered questions during the hearing on HB
485.

KATIE SHOWS, Staff
to Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Answered questions regarding the sectional
analysis for HB 475 on behalf of Representative Seaton, sponsor.

BILL BJORK, President
National Education Association (NEA)-Alaska
Anchorage, Alaska
POSITION STATEMENT: Testified on behalf of NEA-Alaska during
the hearing on HB 475.

GLEN RAMOS

Palmer, Alaska

POSITION STATEMENT: Testified during the hearing on HB 475.

KATHY WIGHT-MURPHY

Wasilla, Alaska

POSITION STATEMENT: Testified during the hearing on HB 475.

HANNAH McCARTY, Staff

to Representative Beth Kerttula

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Reviewed the sponsor statement to HJR 25 on behalf of Representative Kerttula, sponsor.

BRYAN BUTCHER, Director

Governmental Relations and Public Affairs

Alaska Housing Finance Corporation (AHFC)

Anchorage, Alaska

POSITION STATEMENT: Related AHFC's support of HJR 25.

JOHN WILKINS, Director of Services

Disabled American Veterans - Alaska

Juneau, Alaska

POSITION STATEMENT: Testified in support of HJR 25.

ACTION NARRATIVE

CHAIR PAUL SEATON called the House State Affairs Standing Committee meeting to order at [8:05:20 AM](#). Representatives Gatto, Elkins, Lynn, Gardner, and Seaton were present at the call to order. Representative Ramras arrived as the meeting was in progress.

HB 485-STATE PHARMACISTS/DOCTORS/AUDITOR EXEMPT

[8:06:19 AM](#)

CHAIR SEATON announced that the first order of business was HOUSE BILL NO. 485, "An Act amending the State Personnel Act to place in the exempt service pharmacists and physicians employed in the Department of Health and Social Services or in the Department of Corrections and corporate income tax forensic auditors employed by the division of the Department of Revenue principally responsible for the collection and enforcement of state taxes who specialize in apportionment analysis and tax

shelters of multistate corporate taxpayers; and providing for an effective date."

8:06:44 AM

JIM DUNCAN, Business Manager, Alaska State Employees Association/American Federation of State, County and Municipal Employees (ASEA/AFSCME) Local 52, told the committee that his union represents approximately 7,500 state employees who are in the general government unit of the union. He said he listened to testimony given on HB 485 on Tuesday and has no disagreements with the statements made by the representatives from the Departments of Revenue, Health & Social Services, and Administration about the fact that pharmacists and corporate income tax auditors are hard to recruit and are underpaid. However, he opined that the approach in HB 485 to move those positions from classified service into exempt service is not the method that should be used to solve the problem. He explained that this issue exists not only with those two job classes, but also with numerous others in state government. He called the proposed bill a "convenient and easy approach for management to resolve a problem instead of addressing the real underlying issue."

8:08:55 AM

MR. DUNCAN cited Article 12, Section 6, of the Alaska State Constitution, which read:

6. Merit System

The legislature shall establish a system under which the merit principle will govern the employment of persons by the State.

MR. DUNCAN read a selection from "The Alaska Constitution: A Citizen's Guide," as follows:

A state civil service keeps state jobs from becoming political spoils of office, and it encourages development of a competent, permanent work force. Most permanent employees are included in the state's system. Exempt are policy level positions in each executive department, all employees in the governor's office, and all employees in the legislature.

MR. DUNCAN said he thinks it's clear that pharmacists and corporate income tax auditors are not considered policy level positions.

MR. DUNCAN referred to a letter dated October 17, 1994, from then Attorney General Bruce Bothello to then Senator Jim Duncan. He read as follows:

The Alaska Constitution requires that the legislature establish a system under which the merit principle will govern the employment of persons by the state. Alaska Constitution, Article 12, Section 6, is that provision.

... This constitutionally required policy has been described by the Alaska Supreme Court as the weightiest public concern in the state employers' trust.

MR. DUNCAN said the decision before the committee should be considered a weighty one; he emphasized its importance. He said it was after much debate that the founding fathers of Alaska's constitution decided to use the word "shall" instead of "may" in the previously included text of Article 12, Section 6.

[8:11:59 AM](#)

MR. DUNCAN asked the committee to consider what it would mean if the legislature moves positions into exempt service, where they can be subject to political pressure and are appointed not based on competency and professionalism, but on a political spoil system. He offered an example. He said he does not believe it is good policy to put individuals charged with overseeing and collecting of revenues and enforcement of tax laws into exempt positions where they can be subject to political pressure, changed at will, and where those individuals being audited could perhaps bring pressure back to the policy makers of state government that would have impact on the ability of the auditors to do their job and do it well.

[8:13:26 AM](#)

MR. DUNCAN said the classified system is not the problem - the pay plan within the system is. Pay plans can be changed, subject to bargaining, he said. He recalled it was stated during the 2/28/06 hearing on HB 485 that the highest possible pay for a pharmacist or auditor would be a range 27, but he

indicated that that range could increase to a 30 through bargaining. He stated, "In fact, I am preparing now a letter to the state asking them to go back to the table to discuss a new pay plan that would add those ranges that would be necessary to accommodate the needs of the pharmacists and the auditors." Studies were made based on internal alignment, he said, but they can be made based on external factors, such as the market. He stated his belief that the responsibilities of revenue auditors probably do not compare well with "much more specific responsibilities of some of the jobs they compared with."

[8:15:01 AM](#)

MR. DUNCAN said he has copies of federal regulations that require that individuals who are funded by federal grants be in a merit system, and he said pharmacist positions are federally funded at approximately 50 percent. He questioned whether that federal funding would be lost if the move were made to exempt service. He continued:

Another constitutional provision - Article 1, Section 15 - says that statutes can't impair a contract. This statute, with an effective date of July 1 of '06 would impair a contract - our collective bargaining agreement. Article 1.01 says that we will represent all folks that are in the classified service and [General Government Unit (GGU)] positions. The pharmacists and auditors are in GGU positions at this point. That prohibits this law moving them out of classified into exempt service. If the law should pass, we of course would have to take steps to challenge it as impairment of a contract and challenge it on a constitutional basis.

MR. DUNCAN opined that the process being used for revenue auditors is flawed. He explained that he cannot find a job description or position statement for "forensic auditor" to show how that position's duties differ from the Income Tax Auditor IV. He said he thinks they are one in the same. Mr. Duncan highlighted the steps necessary to create a new position and indicated that the those steps were not taken.

[8:16:40 AM](#)

MR. DUNCAN summarized his previously stated points and asked the committee to consider each.

[8:17:41 AM](#)

REPRESENTATIVE GARDNER thanked Mr. Duncan for his compelling testimony, but pointed out, "We're still left with, ... in the immediate term, the problem of not having some of the essential workers that we need." She asked Mr. Duncan if he had any suggestions to meet the immediate need while other possible fixes are being implemented.

[8:18:06 AM](#)

MR. DUNCAN said that is a serious issue, but it has been around for a number of years. First, he recommended putting a pay plan in place through a collective bargaining agreement, which would add new pay ranges. Second, he said he thinks management should review the classes that it is looking at for internal alignment. He recollected that in her testimony from 2/28/06, the Director of the Division of Personnel in the Department of Administration - Mila Cosgrove - had said the division is putting together proposals in order to do market-based comparisons with the private sector and nonstate jobs. He said that should be done immediately, after which, he suggested, the division should "put those folks on the new pay plan, recruit, and fill those positions." He said it may take two or three months to do that, but it will be quicker than passing a piece of legislation that is flawed and will be subject to challenge.

[8:19:31 AM](#)

REPRESENTATIVE GARDNER said she is looking for an even shorter-term answer, for example, to place pharmacists in the Alaska Pioneer Homes this week or next.

[8:19:46 AM](#)

MR. DUNCAN responded that he thinks there unfortunately is nothing that can be done this week or next, but reiterated that [HB 485] won't pass quickly enough to do that either. He said the goal should be to look for a solution that would be in place as quickly as the bill's effective date of July 1, 2006, without moving from classified service to exempt service.

[8:20:44 AM](#)

CHAIR SEATON closed public testimony.

[8:21:02 AM](#)

JANET CLARKE, Assistant Commissioner, Central Office, Finance and Management Services, Department of Health and Social Services (DHSS), in response to a question from Chair Seaton, said the questions raised by Mr. Duncan's testimony could be best answered by the Department of Administration's Division of Personnel. She stated that DHSS is the agency that has brought the problem to the legislature and the administration and there will be a serious "life, health, safety issue" if it is not addressed. In response to a follow-up question from Chair Seaton, she confirmed that she wants a fix that will put pharmacists into the Alaska Pioneer Homes, and whatever answer that the Department of Administration comes up with to accomplish that is okay with her.

[8:22:48 AM](#)

REPRESENTATIVE LYNN said he understands there is an emergency situation and the bill would not take effect until July 1; therefore, he suggested [hiring contracted pharmacists] in the mean time.

[8:23:25 AM](#)

MS. CLARKE said that is what is being done, but it is not the best situation.

[8:23:54 AM](#)

MS. CLARKE, in response to a question from Representative Gatto regarding contracting for pharmacists, emphasized that the cost of that type of outsourcing is more expensive than paying state pharmacists.

[8:24:51 AM](#)

MILA COSGROVE, Director, Division of Personnel, Department of Administration, said Mr. Duncan made some good points, and she echoed his statement that the decision before the committee is one that should not be taken lightly. Notwithstanding that, she said the Personnel Act also clearly contemplates the ability of [the legislature] to move people out of the classified service. She noted that AS 39.25.110 includes a list of classifications other than exempt level policy and political appointees who have been exempted for a variety of reasons. Ms. Cosgrove said that although she appreciates Mr. Duncan's well-intended offer to negotiate, she pointed out that he is not the sole

representative of the pharmacists. In fact, she said, most of the pharmacist positions are in the Alaska Public Employees Association (APEA) bargaining unit, in the supervisory bargaining unit. She continued as follows:

While we can certainly take a look at raising the pay scales and adding additional ranges, the question still becomes, with these classifications, the pay they're receiving in the market is so high that it becomes difficult to place them at the upper ends of the pay scale; essentially you'd be placing them at the same level of commissioners or the governor. And ... there's a process where it's actually more palatable to pay somebody a straight wage versus attach them to a salary schedule, if that makes any sense.

MS. COSGROVE noted that Mr. Duncan had raised some questions regarding the concept of political spoils and competency. She argued that pharmacists certainly would be competent, because there is no way to put an unlicensed pharmacist into one of those positions, and management would not put an incompetent pharmacist in place, because "that simply wouldn't do for patient safety." She said she doesn't think political pressure would come into play either. She said she would make similar arguments for the forensic auditors, because the department needs people who are at the highest level of competency, able to both perform the work and provide training and "knowledge transfer" to the lower-level staff. She said, "They're in an untenable position at this point and they're beyond being able to function effectively in their current capacity. They need additional staff ... now, and they need to have the access to the wages in order to accomplish that goal."

[8:28:38 AM](#)

MS. COSGROVE, regarding Mr. Duncan's assertion about taking the state to court if the legislature [adopts HB 485], said she is not confident that that would be successful. She added that she is not an attorney, thus her opinion should not "weigh too much in that"; however, she reiterated that the legislature clearly has the authority to remove people from classified status and "the Personnel Act does consider that." Regarding contract pharmacists, she stated her understanding that the state is required to employ the chief pharmacist at the Alaska Pioneer Home, which has to do with a relationship with the drug enforcement agency. Ms. Cosgrove said when dealing with a

contract agency there is no continuity of employees. Ultimately, the contracting firm can be held responsible for the individual's performance, "but it becomes much more difficult to deal with issues as they arise." Furthermore, she noted, it is always difficult and often an unworkable situation when contracted pharmacists are supervising state employees. She explained that there are other state employees in the pharmacies, such as pharmacy technicians. She said it is desirable to have a clear line of supervisory authority. She said she would gather that the home administrators don't have the time and resources to adequately supervise the lower-level staff.

[8:30:16 AM](#)

CHAIR SEATON said he knows that within some [exempt] categories, people can be terminated without cause. He asked if that would be the case for the pharmacists and auditors if they were made exempt.

[8:30:47 AM](#)

MS. COSGROVE replied that there is nothing specific in the state Personnel Act that addresses dismissal for cause or "not cause" with exempt level employees. She reviewed from the 2/28/06 testimony that there are two types of exempt level employees. There are those who are clearly political employees, such as commissioners who purely serve at the will of the governor. She said she would argue from a legally defensive human resource standpoint that the state would need to have some level of cause to dismiss them from employment, otherwise the state would be subject to a legal challenge. She said across the nation there are a majority of employers who have a high degree of their workforce who are technically "at will," but those employees still have to observe "the same sorts of processes and solid business practices or they open themselves up for legal suits." She concluded, "The legal environment of human resources is becoming more and more contentious in that way, and employers are being held to a higher standard of cause, even for at-will employees.

[8:32:13 AM](#)

CHAIR SEATON asked if the pharmacists under federal reimbursement contract have to be in the Ameripay system.

[8:32:19 AM](#)

MS. COSGROVE deferred to DHSS to answer that question.

8:32:40 AM

CHAIR SEATON recalled that Mr. Duncan had said he could not find a job description for [the forensic auditor], and he asked if there is a description or if forensic auditor is the same as a [Corporate Income] Tax Auditor IV.

8:33:09 AM

MS. COSGROVE explained that the Department of Revenue did not approach the Division of Personnel directly to announce its intention to create a new job class. She said the division recently conducted a classification study of all revenue auditors. Prior to about a year ago, she said, they were all in one job class. The division broke them out into distinct job class families - corporate income tax, oil and gas, and tax auditors - and did an internal alignment. She said, "So, in that assertion they have followed the process. They came to us with the work, we studied it, we did our internal alignment, and we came up with where we believe the salary ranges were appropriate given that internal alignment." Ms. Cosgrove stated her understanding is that the body of work the department is seeking to exempt is similar to that of the Corporate Income Tax Auditor IV. She said there may be some additional duties assigned, but she recommended asking that of the Department of Revenue. She continued:

That said, I do know from talking with their division management that the type of work assigned at that highest level takes the highest degree of competency from their auditors. And division director Wilson discussed the special sets of skills those people need in order to adequately and competently represent the state in those types of audits. And those are the types of skills and competencies that come at a fairly high level of pay.

... If we were to take the whole series and adjust them to market, then ... we would be raising their lower levels up to a point where we were the market leader in terms of pay at the lower level, and I don't think that that's good business practice. I think it's better ..., in this rare case, to take that

isolated group of people and put them in a different class.

And for just the information of the committee, we do encourage different exempt titles than classified titles, so we can clearly articulate. So, if they tried to name that group of work, "Corporate Income Tax Auditor IV," we would come to them and say, "We would like you to use a different name, because this body of work is in the exempt service."

[8:36:22 AM](#)

MS. COSGROVE directed attention to a memorandum in the committee packet [dated 3/2/06], which she said was information collected anecdotally on the bequest of Representative Gardner and shows turnover and retention in all job classes. She offered to answer questions about the handout, and she said more detailed data will be forthcoming.

[8:37:32 AM](#)

JERRY BURNETT, Director, Administrative Services, Department of Revenue, in regard to Chair Seaton's question about whether there are any differences in the job description for the Forensic Auditor position and [Corporate Income] Tax Auditor IV, said there has not yet been a formal job description completed for the Forensic Auditor. He explained that the department would create a formal job description after it has identified "even possibly the person who's doing it so we can identify the job description to their skill to some extent." He said the department is trying to find people with very specific knowledge and expertise having to do with corporate income tax returns. He offered examples.

[8:39:19 AM](#)

CHAIR SEATON said he is somewhat troubled about the department's practice of writing job descriptions after identifying people. He suggested that it would help the committee to have job descriptions broad enough to allow the department to choose among people that have the required skills.

[8:39:42 AM](#)

MR. BURNETT responded, "In the exempt service it is very common that the job descriptions are not very specific in terms of the

work as a classified system; ... "they're broad until they're filled and then you hone in." He said this is not the same as descriptions used in the classified system. Mr. Burnett noted that the Department of Revenue has had investment officers since the '80s who are in the exempt service. The \$20-plus billion that is invested by the Department of Revenue is handled by exempt employees and he doesn't believe there is any evidence of political influence in the department's investment policies that has affected people's jobs in that time, he said.

[8:41:00 AM](#)

MS. CLARKE said she believes Mr. Duncan raised a question about there being a federal issue regarding paying for individuals in exempt service. She stated that she is aware of a federal rule about the federal government not paying for the chief executive. She offered an example. She said that is the only prohibition that she is aware of regarding federal rules. She said the department has many employees in the exempt service who are being paid for by means of federal funds, for example, the psychiatrists at the Alaska Psychiatry Institute (API). She said she thinks the federal government looks at the work being done to determine whether it is the work of a federal grant. She said there are other states who have at-will or exempt employees not in collective bargaining and get similar federal grants. She concluded, "It's not a problem for our department."

[8:42:54 AM](#)

CHAIR SEATON asked Ms. Clarke to research that issue further to ensure that there are no problems.

MS. CLARKE said she would ask Mr. Duncan to give her the regulation he is concerned about.

[8:43:34 AM](#)

REPRESENTATIVE GATTO moved to report HB 485 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 485 was reported out of the House State Affairs Standing Committee.

HB 475-PUB EMPLOYEE & TEACHER RETIREMENT & SBS

[Contains discussion of SB 141 and brief mention of SB 293.]

[8:44:12 AM](#)

CHAIR SEATON announced that the next order of business was HOUSE BILL NO. 475, "An Act describing contributions to the health reimbursement arrangement plan for certain teachers and public employees; clarifying eligibility for membership in that health reimbursement arrangement plan; relating to the 'administrator' of the Public Employees' Retirement System of Alaska; and providing for an effective date."

The committee took an at-ease from [8:44:31 AM](#) to [8:46:15 AM](#).

[8:46:19 AM](#)

REPRESENTATIVE GATTO moved to adopt the committee substitute (CS) for HB 475, Version 24-LS1685\Y, Wayne, 3/1/06, as a work draft. There being no objection, Version Y was adopted.

[CHAIR SEATON handed the gavel to Vice Chair Gatto in order to present HB 475.]

[8:47:02 AM](#)

REPRESENTATIVE SEATON addressed HB 475, as sponsor. He explained that the bill is "the technical clean up bill for SB 141" - a bill passed last year regarding the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS).

[8:49:22 AM](#)

VICE CHAIR GATTO noted that HB 475 is a lengthy bill.

[8:50:38 AM](#)

REPRESENTATIVE SEATON directed attention to the new language in [Section 1], page 2, of Version Y, which read as follows:

The final decision under AS 44.64 is delegated to the administrative law judge and shall issue within 180 days after the date the administrator receives the appeal, unless the administrative law judge and all parties agree to another time.

[8:53:05 AM](#)

KATIE SHOWS, Staff to Representative Paul Seaton, Alaska State Legislature, on behalf of Representative Seaton, sponsor,

responded to a question from Representative Lynn. She explained that the sponsor statement is broad, and the issue being discussed can be found on it at the fifth bullet point from the bottom, which read, "Clarifies the procedure for an appeal to the Office of Administrative Hearings."

[8:53:56 AM](#)

REPRESENTATIVE SEATON moved on to Section 2, regarding the employer contribution rate. He said, "That was consistent policy that we had in [SB 141] ..., and it didn't get done for this one section."

[8:54:30 AM](#)

MS. SHOWS added that Section 2 has a delayed effective date of 2008, which is shown on the last page of the bill. She explained the reason for that is there are a number of employers whose assets actually exceed their liabilities and they need "a few years to be able to account for that."

[8:55:06 AM](#)

REPRESENTATIVE SEATON directed attention to Section 3, which addresses membership service for which contributions were refunded. He explained that a person who leaves the system and takes his/her money will "not be able to reinstate."

[8:55:34 AM](#)

VICE CHAIR GATTO offered his understanding that under the current system, it is possible to leave the system and "buy back in."

[8:55:49 AM](#)

MS. SHOWS said the sectional analysis in the committee packet shows that Section 3 specifically deals with conditional service for TRS membership. The way the bill was written, she explained, if a retirement system member had at least two years of TRS service and cashed out, he/she could buy back that service and receive a conditional TRS benefit. She said, "This means that in some cases a PERS employee could still be working, and if they were a Tier I TRS employee for those two years, could be receiving both a pension and a medical benefit for those two years of service." She stated that a member who has not cashed out of the minimum two years TRS service and comes

back to work for another employer would still be eligible for the conditional service benefit.

VICE CHAIR GATTO asked what would happen to a person who had worked in TRS and "just quit" - took his/her money and left - and thought 30 years later that that was a mistake. He asked if that action could then be reversed.

[8:57:14 AM](#)

MS. SHOWS answered, "You can until the year 2010, ... [at which point] you will not be able to cash back into the system - pay back - if you've already cashed out. And the reason for that - and that was incorporated in SB 141 and we debated it extensively - is because it represents a very large, unknown liability to the system." She indicated that that issue will be addressed further in the bill.

[8:57:53 AM](#)

REPRESENTATIVE SEATON addressed Section 4, which relates to a contribution into a trust account. He explained that SB 141 gave a new benefit to PERS and TRS members that had not existed before in the defined benefit (DB) system, which was occupational death and disability; however, it was not specified that the contributions were to go into a trust account. The result would be that each employer would have a small amount to deposit, but with no way to pay the benefits, because the benefit needs to be system wide "for that amount of money to be able to pay those benefits to the people who are injured or die."

[8:58:56 AM](#)

REPRESENTATIVE SEATON said Section 5 adds language stating that the administrator may require a person who deferred participation to show evidence of insurability. He explained that the language "demonstrates that a person has either medical insurance coverage from their early retirement until they're eligible for selecting medical retirement under this plan ..., or that they at least have a letter of insurability." In response to a question from Representative Gatto, he confirmed that "as long as they have any current insurance then they have insurability."

[9:00:43 AM](#)

REPRESENTATIVE SEATON turned to Section 6, which addresses the issue of what happens if a disabled member becomes ineligible to receive occupational disability benefits before the normal retirement date. In response to a question from Vice Chair Gatto, he referred to the last line of the reason for Section 6, as shown in the sectional analysis, which read as follows: "The employer must also make the member's contributions to the individual contribution account."

[9:03:39 AM](#)

VICE CHAIR GATTO stated the importance of reading the language in the sectional analysis and subsequently being able to find that language in the bill.

[9:04:04 AM](#)

REPRESENTATIVE SEATON directed attention to Section 7, regarding the monthly amount of an occupational disability benefit of 40 percent. He said Section 7 would require the employer to continue to make deposits for the employee into the defined contribution account. However, at some point "when a person has service" he/she would be able to start taking out the benefits and they wouldn't be there when he/she retired.

[9:05:18 AM](#)

REPRESENTATIVE SEATON moved on to Section 8, which clarifies the termination of disability benefits when a disabled member first qualifies for normal retirement. Section 9, he noted sets out the date at which that would happen, and adds "dependent" to "child". Section 10, he said, addresses the timing of payments for a surviving spouse or dependent child. Section 11 prevents a person from draining his/her retirement account by making the employer make the contributions while he/she is receiving survivor's benefits.

[9:08:30 AM](#)

MS. SHOWS highlighted the new language that would be added to Section 12 of the bill, which read as follows:

The period of time during which a survivor's pension is paid under this section constitutes membership service for the purpose of determining vesting in employer contributions under AS 14.25.930(b) and

**eligibility for retirement and medical benefits under
this chapter and AS 39.30.300 - 39.30.495**

[9:08:49 AM](#)

REPRESENTATIVE SEATON stated that the intent of Section 12 is to ensure that people qualify for benefits under the plan.

[9:09:17 AM](#)

REPRESENTATIVE SEATON directed attention to Section 13, which he said addresses transfers from the defined benefit plan to the [defined contribution plan] and provides:

Upon transfer, all membership service previously earned under the defined benefit retirement plan shall be nullified for purposes of entitlement to a future benefit under the defined benefit retirement plan but shall be credited for purposes of **determining vesting in employer contribution under AS 14.25.390(b)**

REPRESENTATIVE SEATON explained that voluntary transfers from the defined benefit plan to the defined contribution plan would be allowed [through SB 141], but there was no specification that the number of years a person had in the defined benefit plan would qualify for vesting in the defined contribution plan. So, not only would the money transfer over, but the years of service would count towards vesting, he explained.

REPRESENTATIVE SEATON addressed Section 14, which would - regarding the aforementioned voluntary transfer - provide a time limit of not later than 12 months after the member's employer notifies the administrator that the member's employer consents to the transfer of the member. The employer has to allow any nonvested member who wishes to transfer from the defined benefit plan to the defined contribution plan to do so. Representative Seaton offered further details.

[9:13:07 AM](#)

MS. SHOWS, in response to a question from Vice Chair Gatto, said there is no difference between the terms defined contribution (DC) plan and defined contribution retirement (DCR).

[9:13:33 AM](#)

REPRESENTATIVE SEATON moved on to Section 15, which he said specifies the dates in which the 12-month conversion takes place and also allows the employer additional time to give employees another 12-month window in the future. In response to a question from Vice Chair Gatto, he clarified that both the first and second 12-month periods begin on the first of a month and are "time-certain." Representative Seaton reiterated the reason for having a 12-month window.

[9:16:57 AM](#)

MS. SHOWS reviewed Section 16, which read:

(3) "membership service" has the meaning given in AS 14.25.220 and does not include any service for which reinstatement indebtedness has not been fully paid.

[9:17:42 AM](#)

REPRESENTATIVE SEATON directed attention to Sections 17 and 18, both of which correct language to say that regulations are "adopted by the commissioner", not by the Alaska Retirement Management (ARM) Board. Section 19 addresses appeals, which Representative Seaton reiterated would be given 180 days. Section 20 deals with "the same thing on appeals that we dealt with before." Section 21 addresses contribution by employers. Representative Seaton said the health reimbursement account (HRA) contribution will be based on the average wage of all the employees, not just a single employer.

[9:20:20 AM](#)

REPRESENTATIVE SEATON noted that Section 22 would remove a conflict regarding eligibility for retirement and medical benefits in the HRA.

[9:21:23 AM](#)

REPRESENTATIVE SEATON, in response to a request for clarification from Vice Chair Gatto, explained that there was a dispute as to how long a person's HRA would be available to him/her and whether it would terminate if that person did not vest immediately. The House opined that an HRA contribution is just like the retirement portion of a defined contribution and should be "kept on the books for the person." He clarified, "Those years of service and that amount would be held for them

in their HRA account; they would pick up their HRA account just as if they hadn't left service at all."

REPRESENTATIVE SEATON directed attention to Section 23, regarding eligibility and reimbursement, and he said the addition of the word "or" means that a person does not have to be eligible for both PERS and TRS. He said Section 24 relates to the aforementioned 180 days of appeal time.

[9:23:16 AM](#)

VICE CHAIR GATTO suggested the language should read "180 calendar days" for purposes of clarity.

[9:24:07 AM](#)

REPRESENTATIVE SEATON suggested the committee could ask Legislative Legal and Research Services or the Department of Law whether a definition of 180 days already exists in statute.

REPRESENTATIVE SEATON mentioned Section 25, which read as follows:

(d) The employer contribution rate may not be less than the rate required, after subtracting the member contribution rate, to fully fund the actuarially calculated benefits expected to be earned by active members during a fiscal year.

[9:25:47 AM](#)

REPRESENTATIVE SEATON directed attention to Section 26, which he said has to do with public service benefit and dual service related to TRS and PERS. Section 27, he noted, would remove the provision that would allow employees to repay refunded contributions. Section 28 would add a provision for appeal to the Office of Administrative Hearings of the Commissioner's decisions on waiver requests under PERS. He offered further details. Section 29, he noted, is in regard to the commissioner's designee, while Section 30 relates to a trust account providing money to pay "those disabled benefits under the police/fire."

REPRESENTATIVE SEATON paraphrased the notation in the sectional analysis for Section 31, which read:

AS 39.35.870(g). Requires a person who originally chose not to participate in the retiree major medical plan, but who later chooses to participate, to provide a letter of continuous coverage or proof of insurability.

REPRESENTATIVE SEATON said Section 32 relates to a period of disability benefits constituting membership service. Section 33 clarifies that a member is not entitled to elect distributions from the member's individual account while receiving disability benefits, while Section 34 clarifies the termination of disability benefits happens when [a disabled person] is eligible for retirement.

[9:28:37 AM](#)

REPRESENTATIVE SEATON indicated that Section 35 is in regard to fire fighters and peace officers not being able to draw from retirement while receiving disability benefits. He reviewed Sections 36, 37, and 38, which he said are in regard to survivor's benefits.

[9:29:26 AM](#)

VICE CHAIR GATTO asked, "... Is it fixed that the surviving spouse will always get the same amount of money that you were getting?"

[9:30:08 AM](#)

MS. SHOWS noted that the pension benefit for "the survivor" is 40 percent of salary, an amount that is adjusted for Cost of Living Allowance (COLA) and the post retirement pension adjustment (PRPA). She said, "I would anticipate that the benefit would increase with inflation." She suggested that Vice Chair Gatto may get more specific information from the director of Retirement & Benefits.

[9:30:42 AM](#)

VICE CHAIR GATTO stated that he would like to see language in the bill ensuring that a surviving spouse would never get less than "the same amount of money as if the deceased spouse were still present." He said he thinks he can "demonstrate a situation where that does occur."

[9:31:31 AM](#)

REPRESENTATIVE SEATON clarified that what Vice Chair Gatto wants to know is whether the surviving spouse's benefit would be at least as much as that of the person who died. He said he would get that answer for the committee.

REPRESENTATIVE SEATON returned to the sectional analysis. He said Section 39 - regarding a period of death constituting membership service - means that when an employee dies, the employer will continue to make contributions on the member's behalf "until the normal retirement age." He said Section 40 addresses transferring from the DB to the DC plan. Sections 41 and 42 pertain to the first and second 12-month windows, respectively. Section 43 offers a definition of the membership service and clarifies that a [service] credit is eligible for transfer. Section 44, he explained, clarifies that "member" and "employee" mean the same thing in the context of the bill. Section 44 also addresses the Department of Education and Early Development positions that require teaching certificates. He said if a position requires a teaching certificate, then the employee would be in TRS, otherwise he/she would be in PERS.

[9:35:13 AM](#)

VICE CHAIR GATTO said his wife is a school nurse and a certified employee. He said he would like it clarified what certified means, because "there are a few people that are always outside the teaching certificate, but which nonetheless are certified employees."

[9:36:20 AM](#)

REPRESENTATIVE SEATON stated that a certificated employee who requires a teaching certificate would be in TRS, while someone who does not have a teaching certificate and whose position does not require one would be in PERS. He offered his understanding that [school] nurses are in PERS.

VICE CHAIR GATTO said nurses are not in PERS; they are in TRS. He reiterated that there is a need to clean up the definitions.

REPRESENTATIVE SEATON directed attention to Section 45, which provides the definition for peace officer and fire fighter [under the DCR plan].

VICE CHAIR GATTO asked if that would automatically exclude the Village Public Safety Officer (VPSO) program.

REPRESENTATIVE SEATON said he would ask that question of the Division of Retirement & Benefits.

[9:38:46 AM](#)

REPRESENTATIVE SEATON noted that Section 46 is in regard to appeals.

MS. SHOWS reviewed Section 47 in the section analysis, which read:

Adds the Supplemental Benefit-Annuity Plan, Health Reimbursement Arrangement Plan, Deferred Compensation Plan, and waivers of adjustment under the PERS and TRS defined benefit plans to the jurisdiction of the Office of Administrative Hearings.

REPRESENTATIVE SEATON said Section 48 would repeal the requirement in SB 141 that the employer contribution rate must not be less than the normal [cost] rate. Section 48 also would repeal participation of the National Education Association (NEA) employees in TRS. He stated the reason for this repeal, citing from the pertaining language of the sectional analysis, which read as follows [original punctuation provided]:

Reason: Although NEA had been included by the legislature in the TRS DB plan in statute, NEA is a non-profit organization and they do not qualify for inclusion in the system. This error was acknowledged by the Division of Retirement and Benefits, the Department of Law, and the NEA in the early 1990's/late 1980's. In discussion with participating NEA management it was decided by the TRS Board that members participating at the time would be grandfathered and inclusion of new members would be discontinued (since then the last member has retired). Inclusion in the new plan resulted from duplication of existing statutes.

CHAIR SEATON mentioned that, additionally, Section 48 repeals duplicative language.

[9:41:13 AM](#)

CHAIR SEATON directed attention to Section 49, which relates to reinstating service associated with refunded contributions, and

Section 50, which deals with uncodified law. He offered further details based on the sectional analysis. Sections 51, 52, and 53 address the effective date for certain sections of the bill.

[9:44:31 AM](#)

REPRESENTATIVE LYNN directed attention to the sponsor statement and asked to which of the 53 sections does the following apply:

Establishes provisions for employer termination from the plan

[9:44:48 AM](#)

MS. SHOWS explained that that applies to an amendment that is forthcoming. She said it turns out that establishing termination for employers in the plan is a complex concept that will require the discussion of the committee. In response to a request from Representative Lynn, she further explained that currently if an employer chooses not to participate in the defined benefit plan and requests termination from the plan from the Division of Retirement & Benefits, the division consults its actuary to calculate the employer's unfunded liability. The employer would be required to make the payment of that unfunded liability. She offered her understanding that if an employer decides to terminate, all the employers are considered vested in the plan at the point of that termination. She explained that a similar process must be established for the defined contribution plan.

MS. SHOWS, in response to a question from Representative Gatto, indicated that the village of St. Marys terminated from the plan.

REPRESENTATIVE SEATON noted, "There were a number of cities that were trying to figure out how to do that"

[9:48:08 AM](#)

BILL BJORK, President, National Education Association (NEA)-Alaska, told the committee that NEA-Alaska represents over 11,400 active school employees - both teachers and education support professionals - and over 1,300 retired employees. Mr. Bjork said he cannot resist saying "I told you so" to the legislature. He explained that last year he urged the House State Affairs Standing Committee to take its time in examining

HB 238 and the ramifications of SB 141, specifically encouraging the committee to use the interim as a time to study the issues.

VICE CHAIR GATTO told Mr. Bjork that he would like him to focus on HB 475. He said he knows HB 475 would affect SB 141, but "the benefits, or consequences, or opinions about [SB] 141 should not be a part of the discussion of this bill."

MR. BJORK stated that as the committee moves towards creating a bill that can work for Alaska, it will be looking at many amendments that will profoundly affect the performance of SB 141. He agreed that SB 141 is not on the table today; however, he pointed out that the way in which SB 141 is actually implemented appears to be on the table for discussion.

[9:50:40 AM](#)

MR. BJORK paraphrased from his written testimony [full text included in the committee packet] as follows:

We urge you to set aside [HB] 475 and, in it's place, introduce a companion bill to SB 293, which would delay the implementation of SB 141 until July 1, 2008. According to the sponsor statement for [HB] 475, a handful of errors and oversights were made that needed to be changed for a smooth transition, though my hand could hold four or five items, but not the thirteen bulleted items that actually make many amendments to the law. If this is the number of changes proffered now, what might be the number discovered with further study? In fact, no one is sure that the present plan - even with the changes required prior to July 1, 2006 - will meet the compliance regulation of federal law. In fact, several folks who understand federal [Employee Retirement and Income Security Act of 1974 (ERISA)] regulations and [Internal Revenue Service (IRS)] code believe the basis of the health reserve account contribution has to be changed ... to the average compensation for all plan participation.

MR. BJORK reiterated his request for the House State Affairs Standing Committee to replace HB 475. He continued paraphrasing from his written testimony as follows:

Last session, NEA-Alaska urged you to consider the impact on the present retirement plans if the plans are closed and, thus, payroll-based contributions are

reduced. You assured us that there was no impact, but today we've learned that, in fact, there is. We know employer rates for past service costs will continue to rise as amortized liability is applied to a shrinking payroll paid to members in the defined benefit plans. Thus, not only did SB 141 not address the liability of retirement plans, it increased the liability for employers. Are you sure that the proposed change will not lead to still greater problems? Do you have the actuarial data to make this determination? NEA-Alaska believes that the answer to both of those questions [is] no.

... NEA-Alaska believes that the \$5.7 billion liability of the present plan is not growing as fast as it was projected to grow last session. One reason is larger than expected investment return. We're also waiting for the actuarial reports to the Alaska Retirement Management Board to determine whether or not [Mercer Human Resources, Inc.'s] assumptions were appropriate given the Alaska experience. It seems inappropriate to act until we hear from the folks that SB 141 authorized to make these recommendations to you.

As the committee knows from NEA-Alaska's testimony last year, we believe a defined benefits plan is far superior to a defined contribution plan for retirement purposes for public employees. We understand the ... bona fide concerns of the entire legislature that predictability of costs and the limitation of liability must be primary components of such a new plan. NEA-Alaska believes that a defined benefits plan can be fashioned on a set contribution from the employer and the employee, and the legislature really ought to have the opportunity to choose between the DC plan and such a plan as I've described. ... Last year's forced choice was just not good public policy from our perspective.

[9:55:31 AM](#)

MR. BJORK, in response to a question from Representative Lynn, said Senator Kim Elton is the sponsor of SB 293.

[9:56:42 AM](#)

GLENN RAMOS told the committee that he is a member of NEA-Alaska. He concurred with the prior testimony from Mr. Bjork. He said he thinks there are a lot of unanswered questions and [the legislature] needs the benefit of time to look at the available data and to consider the possibility of meeting the goal of the original bill, which he said was to address the liabilities [in the retirement system].

[9:57:21 AM](#)

MR. RAMOS, in response to a question from Representative Lynn, said he is a school psychologist.

[9:57:34 AM](#)

REPRESENTATIVE RAMRAS suggested that part of the reason that the state may be facing a potential increased liability is that House members worked to increase the state retirement contribution by 2 percentage points over the original intent of SB 141. He said, "As we go forward, we're going to find that that extra 2 percent contributes mightily to the accrued retirement benefits under this program. For as long as the state transitions to a defined contribution plan there will be more state resources that are going into the retirement accounts of NEA members and members of ... TRS."

MR. RAMOS told Representative Ramras that he is aware of that.

[9:59:14 AM](#)

KATHY WIGHT-MURPHY noted that she is a member of the National Education Association (NEA) in Washington D.C. and, thus, is involved with NEA-Alaska. She said she is a teacher in the Matanuska-Susitna Valley. She urged the committee to set aside HB 475. She said it is apparent that the issue before the committee is a complex one, and she urged the committee to postpone the implementation of SB 141 until 2008, in order for further studies to be done to ensure an effective retirement system for future employees of Alaska. She said this is essential for both recruitment and retainment.

[10:01:01 AM](#)

VICE CHAIR GATTO asked Ms. Wight-Murphy if she would rather the committee did not clarify SB 141 but "simply work to set it aside," or if she thinks "this is a benefit that we should pass and deal with the other issue later."

MS. WIGHT-MURPHY responded that she would appreciate the committee's allowing more actuarial studies and looking at the details of the defined contribution plan in the tiered systems to ensure that it is being implemented correctly. She said she doesn't want to see another rush through a complex issue as occurred last year. In response to a question from Vice Chair Gatto, she said, "I would like to seek a substitute that would be a companion bill to the senate bill that is already introduced."

[10:02:44 AM](#)

REPRESENTATIVE GARDNER said she agrees with NEA-Alaska's position on SB 141 and said she would certainly support postponing its implementation. She asked, "... In the event that that effort doesn't happen and the fact that SB 141 is now law, would you support HB 475 or not?"

MS. WIGHT-MURPHY answered that she would need more time to review HB 475, and she indicated that she would need to wait until all the amendments to it had been made.

[10:03:38 AM](#)

CHAIR SEATON expressed hope that Ms. Wight-Murphy and the other testifiers representing NEA-Alaska would view HB 475 not as an entire bill to support or oppose, but rather as a whole series of "changes, cleanups, [and] clarifications." He said he would appreciate their feedback.

MS. WIGHT-MURPHY said that she appreciates the committee's addressing the issues that were not addressed in SB 141 that would impact future employees, and she said she is certain that NEA-Alaska will assist the committee in giving recommendations.

CHAIR SEATON indicated that he would particularly like NEA-Alaska to review the aforementioned provision regarding the 12-month window.

MS. WIGHT-MURPHY replied, "We certainly will."

[10:06:53 AM](#)

VICE CHAIR GATTO announced that HB 475 was heard and held.

[VICE CHAIR GATTO turned the gavel back over to Chair Seaton.]

HJR 25-SUPPORTING VETERANS HOME OWNERSHIP ACT

10:07:17 AM

CHAIR SEATON announced that the last order of business was HOUSE JOINT RESOLUTION NO. 25, Urging the United States Congress to enact the American Veterans Homeownership Act of 2005.

10:08:12 AM

HANNAH McCARTY, Staff to Representative Beth Kerttula, Alaska State Legislature, on behalf of Representative Kerttula, sponsor, paraphrased from the following written sponsor statement:

Alaska is one of five states participating in the Veterans Homeownership Program, which makes low-interest home loans available to veterans who served before 1977 and apply within 30 years of leaving active military duty. Unless Congress takes action to extend the program, its effectiveness will dwindle as less and less veterans qualify.

With about 70,500 veterans, Alaska has the largest per capita population of veterans in the United States. Approximately 11,700 Alaskan veterans have benefited from the program since 1983. During the first three years of the program, over 1,000 veterans per year qualified for the loan. Last fiscal year, the number was down to 57.

The American Veterans Homeownership Act, repealing the pre-1977 service requirement, was inserted into the Tax Reconciliation Bill last year. The U.S. House of Representatives approved a version of the Tax Reconciliation Bill with the language, but the U.S. Senate's version doesn't have the language.

HJR 25 urges Congress to approve the American Veterans Homeownership Act language in the U.S. House version of the Tax Reconciliation Bill. This program is a way for our nation to express its gratitude to those who have served in the armed forces and should be extended to benefit current and future veterans.

10:09:50 AM

CHAIR SEATON directed attention to the title of the bill, which read:

Urging the United States Congress to adopt the United States House of Representatives version of the Tax Relief Extension Reconciliation Act of 2005, including sec. 303.

CHAIR SEATON said he doesn't know enough about the U.S. House version of the act to ask U.S. Congress to accept it. He asked, "Is the purpose of this to really have us urge adoption of Section 303 ...?"

MS. MCCARTY said she thinks perhaps the title doesn't appropriately reflect the resolution language. In response to a question from Chair Seaton, she said the sponsor would not object to an amendment to change the title to reflect the language in the body of the bill.

[10:11:52 AM](#)

BRYAN BUTCHER, Director, Governmental Relations and Public Affairs, Alaska Housing Finance Corporation (AHFC), related AHFC's support of HJR 25. He indicated that the five states that participate in the Veterans Home Ownership Program have been working to get the restriction removed that only allows the program's housing loans to those veterans who served before January 1, 1977. He likened the effort to "banging our heads into the wall." However, he said this year appears promising.

[10:12:59 AM](#)

CHAIR SEATON inquired as to how the program works and requested an explanation of the fiscal note.

MR. BUTCHER said he does not currently have a fiscal note, but offered his understanding that it is a zero fiscal note. In response to a follow-up question from Chair Seaton, he explained that there is a list in the committee packet showing the number of loans that AHFC has done. He said, "So, there is no actual cost to the corporation - it's a benefit to the corporation - because not only does it benefit veterans who can take advantage of the program, but it also benefits the corporation ..., because we get increasing mortgage loans." The chart illustrates the gradual reduction of loans to veterans, with each passing year since the year that veterans qualified. He

said the point has arrived where the program is not much use at all to Alaska, Oregon, and Wisconsin; however, Texas and California still contain "a fair pool of veterans."

CHAIR SEATON asked how the program differs from the Veterans Administration (VA) loan.

MR. BUTCHER said the program allows the five participating states to sell tax-exempt bonds to fund mortgages, which translates into a break on the regular mortgage rate. He added that it requires federal action to be allowed to do that.

[10:15:53 AM](#)

MR. BUTCHER, in response to a question from Representative Gatto, explained that only five states are eligible to sell tax-exempt bonds to fund the Veterans Homeownership Program.

[10:16:23 AM](#)

JOHN WILKINS, Director of Services, Disabled American Veterans - Alaska, explained that his job is to ensure that veterans get what they deserve. He stated that [the Veterans Homeownership Program is a good one. He reported that veterans in his age group have benefited from the program. He said he purchased his first home in Alaska through the program, which is cheaper than the VA loan. He said the 1986 federal tax code hurts all veterans [who served] from the end of the Vietnam War to present. Since 1977, the U.S. has been involved in a number of conflicts and wars; the veterans from these wars are not included in the program and pay higher rates with a VA loan. Many of today's military have families to support and worry about them when deployed. He asked the committee to support HJR 25.

[10:19:31 AM](#)

CHAIR SEATON closed public testimony.

[10:19:46 AM](#)

CHAIR SEATON moved that the committee adopt Conceptual Amendment 1, as follows:

Page 1, line 2:
Delete ", including sec. 303"

Page 1, line 1:
Between "adopt" and "the"
Insert "sec. 303 of"

CHAIR SEATON asked if there was any objection to Conceptual Amendment 1. There being none, it was so ordered.

10:20:46 AM

REPRESENTATIVE LYNN moved to report CSHJR 25(MLV), as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHJR 25(STA) was reported from the House State Affairs Standing Committee.

10:21:27 AM

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 10:21 a.m.