

HOUSE FINANCE COMMITTEE
May 8, 2007
1:48 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:48:10 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Richard Foster
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

None

ALSO PRESENT

Representative Kurt Olson; Sally Saddler, Legislative Liaison, Department of Community and Economic Development; Pat Shier, Director, Division of Retirement and Benefits, Department of Administration; Kevin Brooks, Deputy Commissioner, Department of Administration; Shawna Crondahl, Alaska Municipal League (AML), Juneau

PRESENT VIA TELECONFERENCE

Paul Kendall, Self, Anchorage; Larry Semmens, City of Kenai, Soldotna; Jerome Selby, Kodiak Island Borough, Kodiak; Linda Freed, City of Kodiak, Kodiak; Roy Eckert, Borough Manager, Ketchikan Gateway Borough, Ketchikan; John Stein, Municipal Administrator, City & Borough of Sitka, Sitka; Pat Piney, University of Alaska, Fairbanks; Dave Telerico, Denali Borough; Tim Bourcy, President, Alaska Municipal League, Mayor, Skagway; Shirley Margardt, City of Unalaska; Jeff Jabusch, Finance Director, City of Wrangell, Wrangell; Max Malavansky, City Administrator, City of Saint George; Rhonda Jensen, Assembly Member, City of Yakutat, Yakutat; Shelby Boothe, Bristol Bay Borough; Cris Burch, Anchorage Assembly; Tom Boedeker, Manager, City of Soldotna

SUMMARY

HB 110 An Act extending the termination date for the Regulatory Commission of Alaska; and providing for an effective date.

CS HB 110 (L&C) was reported out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Commerce, Community & Economic Development.

SB 125 An Act relating to the accounting and payment of contributions under the defined benefit plan of the Public Employees' Retirement System of Alaska, to calculations of contributions under that defined benefit plan, and to participation in, and termination of and amendments to participation in, that defined benefit plan; making conforming amendments; and providing for an effective date.

SB 125 was HEARD & HELD in Committee for further consideration.

[1:48:49 PM](#)

#HB110

HOUSE BILL NO. 110

An Act extending the termination date for the Regulatory Commission of Alaska; and providing for an effective date.

REPRESENTATIVE KURT OLSON, SPONSOR, noted that HB 110 would extend the Regulatory Commission of Alaska until June 30th, 2011. There would be an audit requirement in two years. The four year extension was supported by the Governor; he urged the support of the House Finance Committee (HFC).

[1:49:59 PM](#)

SALLY SADDLER, LEGISLATIVE LIAISON, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, offered to answer questions of the Committee.

PUBLIC TESTIMONY CLOSED

[1:51:22 PM](#)

Co-Chair Meyer asked how the four year extension had been determined. Representative Olson replied he would have preferred two years, however, working with the Senate, they preferred four years. The Governor was comfortable with either four to six years and four was chosen, a compromise.

Representative Gara supported either a 4 or 6 year extension.

Co-Chair Meyer referenced the new note from the Regulatory Commission of Alaska and asked if they employed 57 full time employees. Representative Olson said yes.

[1:53:46 PM](#)

Representative Foster MOVED to REPORT CS HB 110 (L&C) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 110 (L&C) was reported out of Committee with "do pass" recommendation and with the new fiscal note by the Department of Community & Economic Development.

[1:54:12 PM](#)

#SB125

CS FOR SENATE BILL NO. 125(FIN)

An Act relating to the accounting and payment of contributions under the retirement plans of the Public Employees' Retirement System of Alaska and the Teachers' Retirement System, to calculations of contributions under those retirement plans, and to participation in, and termination of and amendments to participation in, the defined benefit plans of those systems; relating to employer contributions to the health reimbursement arrangement plan; making conforming amendments; and providing for an effective date.

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Representative Gara asked if the gap issues for those people not covered by either retirement plan had been addressed.

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, explained that the Department is in the process of drafting an amendment to the bill to address that concern.

Representative Gara questioned if it would cost more if done retroactively. Co-Chair Meyer understood it would need to be made optional. Mr. Brooks noted, there are two members, one in the House and one in the Senate and if opting in, the individual would have to catch-up on their contribution calculation.

[1:57:35 PM](#)

PAT SHIER, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, advised that the Attorney General (AG) pointed out under Section 15, when an employee rejoins the plan, they may only participate as a Defined Contribution (DC) member. Previously, he said that if the worker had been employed as a Defined Benefit (DB) employee, they would be able to come back as that and that was not correct information.

[1:59:04 PM](#)

SHAWNA CRONDAHL, ALASKA MUNICIPAL LEAGUE (AML), JUNEAU, voiced appreciation for the work done on the bill. The AML offers full support of CS SB 125 (FIN). She commented the problem has been "huge" for some municipalities. The current versions of SB 125 and SB 72, passed by the Senate Finance Committee, combines to form an equitable Public Employees Retirement (PERS) relief package for communities statewide; no borough or municipality objects to those pieces of legislation, including Anchorage & Fairbanks.

Ms. Crondahl added, many municipalities had concerns with the original bill, which were relieved by changes made in the Senate. CS SB 125 (FIN) now addresses original concerns. Those concerns were:

- How the determinations were made & costs calculated if a PERS employer pulled out of the system;
- Removing the 90-day provision for the opting-out classes of employees;
- Adding a provision outlining how an employer can appeal the seizure of funds;
- Establishing FY08 contribution rates below 22% for PERS employers that made contributions in excess of the their required contribution; and
- Holding employers harmless for FY08 - FY12, who would have had rates under 22% during that time, in order to allow time to adjust to higher rates.

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PAUL KENDALL, (TESTIFIED VIA TELECONFERENCE), SELF, ANCHORAGE, commented that there are fundamental flaws with the school infrastructure given through the Teacher's Retirement System (TRS) and that the State should not be offering insurance. He worried about the lack of leadership and lack of vision throughout Alaska. He ascertained that it is vision that determines ones priorities. He stressed that public opinion is where the wealth of the State rests.

[2:08:13 PM](#)

LARRY SEMMENS, (TESTIFIED VIA TELECONFERENCE), FINANCE DIRECTOR, CITY OF KENAI, MEMBER, ALASKA RETIREMENT MANAGEMENT (ARM) BOARD, SOLDOTNA, testified regarding the ARM Board. Last year, the ARM Board established the rates. He pointed out that Governor Palin included \$500.5 million dollars for that budget. The ARM Board has endorsed the concept of reducing the rate the employers pays with the State paying the balance, up to the Board rate. Employers support the 22% rate because it is stable and predictable. The bill helps municipalities now experiencing large increases; municipalities are not getting a "free ride" in the process. He submitted that there are many "moving" parts of the bill. He urged that CS SB 125 (FIN) be passed on.

[2:12:11 PM](#)

JEROME SELBY, (TESTIFIED VIA TELECONFERENCE), KODIAK ISLAND BOROUGH, KODIAK, commended the Committee on addressing the three major issues facing Alaska:

- PERS/TRS
- Revenue sharing
- School funding

He applauded the hard work from the Legislature. He urged that the Committee pass CS SB 125 (FIN) in its current form. The municipalities will be stepping up at the 22% level. The bill is carefully crafted and well balanced.

[2:14:10 PM](#)

LINDA FREED, (TESTIFIED VIA TELECONFERENCE), CITY MANAGER, CITY OF KODIAK, KODIAK, stated that the PERS/TRS issue has been significant for the City of Kodiak. She added that CS SB 125 (FIN) addresses all concerns with the PERS/TRS. The bill creates a stable and predictable, affordable system into the future so that the communities can budget for participating in future costs. The amount Kodiak will pay when it increases to 22% will be over 10% of the City's general fund budget, a large amount of money but an important part of the communities work for public employees. She urged that CS SB 125 (FIN) move from Committee.

[2:16:46 PM](#)

ROY ECKERT, (TESTIFIED VIA TELECONFERENCE), BOROUGH MANAGER, KETCHIKAN GATEWAY BOROUGH, KETCHIKAN, thanked the Committee for addressing the formula. He urged that the bill be kept as it is. The boroughs are facing a fiscal crisis with budgeting, pointing out the already serious increases to property taxes. He urged that the bill pass from Committee unamended.

[2:19:13 PM](#)

JOHN STEIN, (TESTIFIED VIA TELECONFERENCE), MUNICIPAL ADMINISTRATOR, CITY & BOROUGH OF SITKA, SITKA, urged that the bill move out of Committee in its current form. He reiterated that the 22% was a reasonable number and something that the municipalities can handle. He welcomed the predictability and stability built into the plan & that it be maintained. He added support for the hold harmless provision, especially for the smaller communities.

[2:20:56 PM](#)

PAT PINEY, (TESTIFIED VIA TELECONFERENCE), UNIVERSITY OF ALASKA, FAIRBANKS, indicated support for the stability of the legislation. The University supports the solution; however, she noted that funding had been stripped for the University's TRS system, which leaves the University with a \$3.6 million dollar budget shortfall. The University supports the solution budget implication. She pointed out that the FY07 rate was 20.58%; currently, it is set at 22%. All funding increases were stripped for the PERS increase. She hoped that there would be a solution for the University's budget situation. Representative Kelly commented that a fix was being considered.

[2:23:04 PM](#)

MAX MALAVANSKY, (TESTIFIED VIA TELECONFERENCE), CITY ADMINISTRATOR, CITY OF SAINT GEORGE, voiced support for CS SB 125 (FIN). He urged continuation of the hold-harmless provision and asked that the bill not be included in a differentiation between it & revenue sharing.

[2:24:14 PM](#)

DAVE TELERICO, (TESTIFIED VIA TELECONFERENCE), DENALI BOROUGH, testified in support of CS SB 125 (FIN) and urged that it be passed out of Committee unamended.

[2:24:57 PM](#)

TIM BOURCY, (TESTIFIED VIA TELECONFERENCE), PRESIDENT, ALASKA MUNICIPAL LEAGUE, MAYOR, CITY OF SKAGWAY, applauded the work done on the bill to date and requested that it be passed out of Committee as soon as possible.

[2:25:52 PM](#)

SHIRLEY MARQARDT, (TESTIFIED VIA TELECONFERENCE), MAYOR, CITY OF UNALASKA, spoke on behalf of leaving CS SB 125 (FIN) as it came into Committee. The hold harmless clause is very important for the smaller communities. She appreciated that

the PERS/TRS issue was kept separate from the revenue sharing. The need for revenue sharing is a stand alone program and is fully supported by the AML membership. She encouraged moving the bill from Committee.

[2:27:53 PM](#)

JEFF JABUSCH, (TESTIFIED VIA TELECONFERENCE), FINANCE DIRECTOR, CITY OF WRANGELL, encouraged that the proposed bill pass from Committee in its current form in order that the small towns in Alaska can continue to survive the economical obstacles before them.

[2:30:27 PM](#)

RHONDA JENSEN, (TESTIFIED VIA TELECONFERENCE), ASSEMBLY MEMBER, CITY OF YAKUTAT, urged that the Committee leave CS SB 125 (FIN) without changes, including the hold harmless clause in tact and move it out of the House Finance Committee.

[2:31:24 PM](#)

SHELBY BOOTHE, (TESTIFIED VIA TELECONFERENCE), BRISTOL BAY BOROUGH, testified in support of CS SB 125 (FIN) and SB 72. The bills provide needed stability to the personnel costs and revenue streams. With escalating fuel, utility, freight and health care costs, without the support provided by the legislation, services will be reduced. He stressed that SB 125 should not be considered as a part of revenue sharing.

[2:32:58 PM](#)

CRIS BURCH, (TESTIFIED VIA TELECONFERENCE), CHAIR, ANCHORAGE ASSEMBLY LEGISLATIVE COMMITTEE, ANCHORAGE, echoed concerns and support voiced by previous testimony on CS SB 125 (FIN) version of the bill. He noted that the City of Anchorage strongly supports CS SB 125 (FIN), which would hold TRS rates at 12.5% of total payroll & PERS rates at 22%, the State covering the remainder.

[2:34:20 PM](#)

TOM BOEDEKER, (TESTIFIED VIA TELECONFERENCE), CITY MANAGER, CITY OF SOLDOTNA, stressed the importance of the hold harmless provisions as written into CS SB 125 (FIN). He urged that the bill be moved out of Committee unchanged.

PUBLIC TESTIMONY CLOSED

[2:36:04 PM](#)

Co-Chair Meyer asked about the 22% current rate and increase in five years, if it was possible to "bump" it up. Mr.

Brooks responded that the approach taken in the bill is to wait for five years, to allow for the individual employers to make arrangements. One consideration regarding PERS moving to a blended rate is no-set rate. He noted that it is a complicated & complex issue but could be done.

Co-Chair Meyer commented that at that rate, those that have over paid at the higher rate should be stepped down. Mr. Brooks explained that the determination has been a collaborative work in progress.

[2:39:03 PM](#)

Representative Gara requested to make a conceptual amendment. Representative Hawker wanted to see any amendment in writing in order to avoid complications. Co-Chair Meyer agreed.

[2:39:51 PM](#)

SB 125 was HELD in Committee for further consideration.
#

ADJOURNMENT

The meeting was adjourned at 2:40 P.M.