

HOUSE FINANCE COMMITTEE
May 10, 2007
8:54 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:54:17 AM](#).

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

Pat Shier, Director, Division of Retirement and Benefits, Department of Administration; Kevin Brooks, Deputy Commissioner, Department of Administration; Virginia Ragle, Assistant Attorney General, Labor and State Affairs, Department of Law; Senator Donny Olson; Denise Liccioli, Staff, Senator Donny Olson

PRESENT VIA TELECONFERENCE

Warren Cummings, Alaska Fire Chiefs Association, Fairbanks; Doug Schrage, Anchorage Fire Department; Steve Belanger, State Fire Marshall, Anchorage; Jack Smith, Barrow Fire Department; Emily Nenon, American Cancer Society

SUMMARY

HB 22 "An Act extending the termination date for the Board of Governors of the Alaska Bar Association; and providing for an effective date."

HB 22 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by Department of Commerce, Community and Economic

Development and with zero fiscal note #2 by the Office of the Governor.

CSSB 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."

CSSB 125 (FIN) was heard and HELD in Committee for further consideration.

CSSB 84(JUD) "An Act relating to the testing and packaging of cigarettes to be sold, offered for sale, or possessed in this state; and providing for an effective date."

CSSB 84 (JUD) was heard and HELD in Committee for further consideration.

[8:54:30 AM](#)

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."

Co-Chair Meyer MOVED to ADOPT Amendment #1:

Page 1, line 6, following "plan;"

Insert "relating to participation in the public employees' defined contribution retirement plan by certain elected officials;"

Page 14, following line 1:

Insert a new bill section to read:

"* **Sec. 22.** The uncodified law of the State of Alaska is amended by adding a new section to read:

PARTICIPATION IN THE DEFINED CONTRIBUTION PLAN OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM BY CERTAIN ELECTED OFFICIALS. (a) If HCS CSSB 123(FIN), passed by the first session of the Twenty-Fifth Alaska State Legislature, is enacted into law, contributions must be deducted under AS 39.35.730 and contributions must be made under AS 39.35.750 by the

(1) state on behalf of an Alaska State Legislator who becomes a member of the Public Employees' Retirement System defined contribution plan established by AS 39.35.700 - 39.35.990 as a result of the enactment of the amendment to AS 39.35.990(16) by sec. 111 of HCS CSSB 123(FIN); contributions must be based on the compensation paid by the state to the member from the date that the member was sworn into office as an elected official until the effective date of this Act;

(2) political subdivision on behalf of the political subdivision's elected official who becomes eligible for membership in the Public Employees' Retirement System defined contribution plan established by AS 39.35.700 - 39.35.990 as a result of the enactment of AS 39.35.725 made by sec. 83 of HCS CSSB 123(FIN), and who has not filed a waiver of participation in that plan or a waiver of participation under AS 39.35.125(a) for service as an elected official of the political subdivision; contributions must be based on the compensation paid by the political subdivision to the elected official for service as an elected official from the date that the elected official was sworn into office until the effective date of this Act.

(b) The period of time covered by contributions made under (a) of this section constitutes membership service for the purposes of determining eligibility for medical benefits under AS 39.35.300 - 39.30.495 and AS 39.36.700 - 39.35.990.

(c) In this section, "compensation" has the meaning given in AS 39.35.990. "

Vice Chair Stoltze OBJECTED.

PAT SHIER, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, explained that the amendment rectifies an issue regarding certain elected officials who, because they were not previously members of PERS, were left out of the new defined contribution (DC) retirement plan. There is no fiscal note accompanying the amendment. Those individuals would have to make up past service cost, as well.

Co-Chair Meyer asked how many people were affected. Mr. Shier said four.

[8:58:44 AM](#)

Representative Hawker questioned what the amendment would do for state legislators.

VIRGINIA RAGLE, ASSISTANT ATTORNEY GENERAL, LABOR AND STATE AFFAIRS, DEPARTMENT OF LAW, reported that a couple new legislators were not covered by the DC plan under SB 123. Representative Hawker concluded that SB 125 would benefit seated legislators. Representative Hawker asked if SB 123 has provisions for future legislators and elected officials to participate in the DC plan. Ms. Ragle replied that is correct. Representative Hawker asked if this is uncodified law. Ms. Ragle said yes.

[9:01:57 AM](#)

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, added that HB 141 inadvertently omitted several categories. Two individuals will benefit, but will have to catch up "out of pocket".

Representative Gara asked if anyone else has been inadvertently excluded. Mr. Brooks explained that only a small group of people were affected.

Vice Chair Stoltze WITHDREW his objection. There being NO OBJECTION, it was so ordered.

Co-Chair Meyer asked if Amendment #2, which will come up at a later time, would impact the fiscal note. Mr. Brooks said it would not.

[9:04:46 AM](#)

Mr. Brooks addressed fiscal note #2 by the Department of Administration. He explained that \$193,113.2 is the total appropriation for FY 08. There is currently \$180 million in HB 95, which would require an additional appropriation of \$13.1 million. The bill provides a "hold harmless" provision for PERS employers currently paying below the 22 percent level, which comes to \$5.4 million. The bill also provides a "rebate" provision for employers who have made additional contributions, which totals \$7.2 million. Those two combined equal \$12.6 million, and the actuarially determined rate at 22 percent, required \$180.5 million. There is \$180 million in the appropriation bill, so the differential of \$500,000 with the other two pieces, brings it up to \$13.1 million. It contemplates a rate of 32.5 percent, which the Alaska Retirement Management Board (ARM) supports. If the legislation passes, there will always be a blended rate for PERS employers.

[9:07:41 AM](#)

Co-Chair Meyer asked if fiscal note #1 is dated 3/16 and fiscal note #2 is dated 5/3. Mr. Brooks said yes.

Mr. Brooks explained that fiscal note #1 shows no cost to the Division of Retirement and Benefits; however, an appropriation would be required to comply with the cost share provisions of the bill.

Co-Chair Meyer noted that fiscal note #2 does not show the \$180 million already in the operating budget. Mr. Brooks pointed to the information on page 2 of the fiscal note that addresses that amount.

Co-Chair Meyer requested an explanation of Amendment #2. Mr. Shier explained that Amendment #2 would prevent prejudicing of possible recovery in a suit about the previous actuary. There is language that states any contributions of the state should not be considered as an offset for any future recovery. The purpose is to protect the state's interest.

Representative Crawford asked for clarification. Mr. Shier explained that if there is a court action and one party recovers from another party, but they have also "recovered" from another source, that can diminish the court award. The amendment would prevent that from happening.

Co-Chair Meyer set CSSB 125 (FIN) aside.

CSSB 125 (FIN) was heard and HELD in Committee for further consideration.

[9:11:23 AM](#)

CS FOR SENATE BILL NO. 84(JUD)

"An Act relating to the testing and packaging of cigarettes to be sold, offered for sale, or possessed in this state; and providing for an effective date."

SENATOR DONNY OLSON, sponsor, explained that a fire in a small village is very devastating. He related a personal story about a fire in Nome to explain why he sponsored SB 84. SB 84 mandates that only self-extinguishing cigarettes can be sold in Alaska.

DENISE LICCIOLI, STAFF, SENATOR DONNY OLSON, related that the bill provides that only self-extinguishing cigarettes can be sold in the state. It also establishes testing and certification requirements. These cigarettes are designed to be less likely to ignite soft furnishings. The bill also requires cigarette packaging to be marked, identifying them as self-extinguishing.

Ms. Liccioli continued to say that cigarettes are the leading cause of home fire fatalities in Alaska and in the United States. The most common materials first ignited are mattresses and bedding, upholstered furniture and floor coverings. She shared a story about a recent fire in Juneau.

[9:15:04 AM](#)

Ms. Liccioli reported statistics relevant to the danger of cigarettes. She pointed to a handout (copy on file) which demonstrates the self-extinguishing property. She shared statistics about legislation in ten other states regarding this issue. SB 84 is supported by the Association of Alaska Fire Chiefs Association, the Alaska Firefighters Association, and the Department of Public Safety, Division of Fire Protection. She reported that during the first six months since New York has had this law, there has been a significant reduction in the number of cigarette-related fires. SB 84 will save lives, as well as reduce injuries and damage to property in Alaska. It will have a positive impact because it allows a fee to be charged which would more than cover the expense of the program.

[9:18:32 AM](#)

Co-Chair Meyer asked if fees or receipts could be used for the program. Ms. Liccioli said that is the intent. The fiscal notes for the Departments of Revenue and Public Safety need to be revised to show that.

Vice Chair Stoltze asked if this bill would regulate the sale of papers for rolled cigarettes. Ms. Liccioli said it would not. Vice Chair Stoltze asked if the paper is the self-extinguishing substance. Ms. Liccioli replied that there are several ways that this could be accomplished. "Speed bumps" are built into the cigarettes themselves. In response to a question by Vice-Chair Stoltz, she reported no loss of tax revenue due to decreased smoking. Vice Chair Stoltze stated support for the bill.

[9:22:08 AM](#)

Co-Chair Meyer asked if the cigarettes cost more. Ms. Liccioli said there is no additional cost. Co-Chair Meyer asked if there is a difference in the taste. Ms. Liccioli reported that studies show no difference in taste or health impact. Co-Chair Meyer asked if the cigarette would burn out at rest. Ms. Liccioli explained how the speed bumps in the cigarettes work.

Representative Gara noted that the American Lung Association supports the bill.

Representative Crawford asked about an additive in the paper that would make a cigarette burn continuously. He asked how long it would continue to burn between speed bumps. Ms. Liccioli thought the additive was in the tobacco, not the paper. Soon after the speed bump, the filter is reached.

[9:26:22 AM](#)

In response to a question by Representative Joule, Ms. Liccioli referred to the transitional section, which states the affective date when the old cigarettes would need to be out of the stock.

Representative Hawker observed that "reverse ignition propensity" is very appropriate. Ms. Liccioli corrected "reduced ignition propensity" is appropriate. Representative Hawker said RIP is appropriate.

In response to a question by Co-Chair Meyer, Ms. Liccioli reported that the tobacco industry is in support of the legislation. The industry's wish is that all states have similar legislation.

[9:29:54 AM](#)

STEVE BELANGER, STATE FIRE MARSHALL, ANCHORAGE, stated support for SB 84. He related statistics caused by cigarette fires.

DOUG SCHRAGE, ANCHORAGE FIRE DEPARTMENT, spoke in support of SB 84.

[9:32:57 AM](#)

JACK SMITH, BARROW FIRE DEPARTMENT, testified in support of SB 84. He related personal experience with fires caused by cigarettes.

WARREN CUMMINGS, ALASKA FIRE CHIEFS ASSOCIATION, FAIRBANKS, testified in support of the bill.

[9:35:53 AM](#)

Co-Chair Meyer turned to the fiscal notes. Ms. Liccioli noted a change to fiscal note #3, which would move money out of the general fund. The money would come from receipt supported services instead.

[9:36:36 AM](#)

At-ease.

[9:38:50 AM](#)

Ms. Liccioli clarified the change in fiscal note #3. The fiscal note by the Department of Revenue, which is where the expenditures are, should come from receipt supported services, which is the revenue that is shown in the fiscal note by the Department of Public Safety.

EMILY NENON, AMERICAN CANCER SOCIETY, testified that there does not seem to be evidence that the new cigarettes would have a negative affect on a person's health.

CSSB 84 (JUD) was heard and HELD in Committee for further consideration.

[9:42:00 AM](#)

HOUSE BILL NO. 22

"An Act extending the termination date for the Board of Governors of the Alaska Bar Association; and providing for an effective date."

Vice Chair Stoltze MOVED to REPORT HB 22 out of Committee. There being NO OBJECTION, it was so ordered.

HB 22 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by Department of Commerce, Community and Economic Development and with zero fiscal note #2 by the Office of the Governor.

ADJOURNMENT

The meeting was adjourned at 9:43 AM.