

HOUSE FINANCE COMMITTEE
March 13, 2008
1:46 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:46:04 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Mike Kelly
Representative Bill Thomas Jr.
Representative John Harris

MEMBERS ABSENT

Representative Bill Stoltze, Vice-Chair
Representative Reggie Joule
Representative Mary Nelson

ALSO PRESENT

Kevin Brooks, Deputy Commissioner, Department of Administration; Chris Christensen, Deputy Administrative Director, Alaska Court System; Bruce Ludwig, Business Manager, Alaska Public Employees Association; Fred Yates, Self; Annette Kreitzer, Commissioner, Department of Administration; Chris Christensen, Staff Counsel, Alaska Court System; Representative Jay Ramras; Suzanne Armstrong, Staff, Co-Chair Kevin Meyer; Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue and Chairman, Governor's Council on the Homeless; Jeff Jesse, Executive Director, Alaska Mental Health Trust Authority; Bryan Butcher, Public Affairs Director, Alaska Housing Finance Corporation.

SUMMARY

HB 324 An Act relating to the Alaska housing trust fund and to the Alaska Council on the Homeless; and providing for an effective date.

HB 324 was HEARD and HELD in Committee for further consideration.

HB 359 An Act relating to probation and the offense of minor consuming or in possession or control of alcohol.

CSHB 359 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached fiscal note #1 by the House Judiciary Committee and new fiscal note by the Alaska Court System.

HB 364 An Act relating to notice and consent for a minor's abortion; relating to penalties for performing an abortion; relating to a judicial bypass procedure for an abortion; relating to coercion of a minor to have an abortion; relating to reporting of abortions performed on minors; amending Rule 24(a), Alaska Rules of Civil Procedure, amending Rule 220, Alaska Rules of Appellate Procedure, and Rule 20, Alaska Probate Rules, relating to judicial bypass for an abortion; and providing for an effective date.

HB 364 SCHEDULED and not HEARD.

HB 417 An Act relating to the compensation for certain public officials, officers, and employees not covered by collective bargaining agreements; relating to pay increments for longevity in state service; and providing for an effective date.

HB 417 was HEARD and HELD in Committee for further consideration.

HOUSE BILL NO. 417

An Act relating to the compensation for certain public officials, officers, and employees not covered by collective bargaining agreements; relating to pay increments for longevity in state service; and providing for an effective date.

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, introduced HB 417 by section. The bill addresses pay issues for non-covered state employees, including employees in the executive, judicial and legislative branches. The bill restates the salary schedule to reflect a 5.5% retroactive increase and identifies several positions that need adjustment.

- Sec. 1 adjusts pay for the members of the Limited Entry Commission from range 26, step C to range 27 with no step designation.
- Sec. 2 conforms HB 417 to the Alaska State Defense Force statute.
- Sec. 3 adjusts pay for the chief procurement officer position, which has been functioning in dual roles,

from range 24 to range 27, consistent with other directors. Senate Bill 171 does the same.

- Sec. 4 removes a step designation for deputy commissioners upon appointment.
- Sec. 5 restates the salary schedule effective July 1, 2007 to reflect a 5.5% increase.
- Sec. 6 provides language adjusting the schedule by 3% for FY 09.
- Sec. 7 adjusts the schedule another 3% for FY 10.
- Sec. 8 creates pay increments computed at a rate of 3.75% for employees who have attained step F. A person could be eligible for a merit increase every two years. A subsection allows the same for legislative staff.
- Sec. 9 moves the Regulatory Commission of Alaska commissioners from range 26C to 27 without steps.
- Sec. 10 repeals longevity steps and replaces them with pay increments.
- Sec. 11 clarifies executive branch pay. Anyone currently receiving a salary override, as well as commissioners whose pay was adjusted three years ago, would not receive the 5.5% or the 3%. There are mechanisms in place that compensates those individuals adequately; the intent is to close the gap.
- Sec. 12 provides for increments for the judicial branch.
- Sec. 13 gives employees of the University salary increases in accordance with the compensation policy of the Board of Regents.
- Sec. 14 stipulates that the salary increments identified earlier are prospective.
- Sec. 15 provides transition language so that no individual is harmed by the bill, but credited for time served.
- Sec. 17 makes the first 5.5% adjustment retroactive.

[1:59:31 PM](#)

Representative Gara referred to Sec. 5 and asked how many steps were currently in place. Mr. Brooks answered A through F. Representative Gara asked if the only additional step was the 3.75% every two years. Mr. Brooks explained the current longevity steps and said the bill removes limits on how far a person can go. There was a discussion regarding details of how the steps can be used to address recruitment difficulty. Representative Gara did not think the longevity allowance addressed the difficulty.

[2:05:46 PM](#)

CHRIS CHRISTENSEN, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, pointed out that the judicial branch has the

largest and lowest paid group of non-covered employees in state government outside the University. Approximately 70% of employees are range 15 or below. This means a high turnover rate, which translates to high training costs and other inefficiencies. In spite of this, the employees are hardworking and committed. He noted that over the past three years, court employees have received cost of living adjustments (COLA) substantially lower than the actual rate of inflation. He thought the change in longevity pay would help the courts keep mid-level workers longer.

Mr. Christensen spoke to two provisions in the bill that the court system is not in accord with. First, while the bill gives COLA to magistrates and judges, it does not give them the retroactive pay raise for the current fiscal year, nor does it give magistrates longevity changes. The majority of magistrates are underpaid compared to similar workers in the executive branch. Second, he was concerned about grouping judges together with political appointees in the executive branch. Judges do not get longevity increases, unlike regular state employees, who can get step increases equal to around 35% of their salary over an 18-year career. A judge working for 18 years earns as much as a new judge, making judges uniquely dependent on COLA. In two decades, Alaskan judges have gone from being the highest paid state court judges in the country to next to last. It has become difficult to retain judges and to recruit new ones. He wanted the salaries to keep up with inflation (Statement on File).

[2:12:13 PM](#)

Representative Crawford thought the same story could be told across all state employment.

BRUCE LUDWIG, BUSINESS MANAGER, ALASKA PUBLIC EMPLOYEES ASSOCIATION (APEA/AFT), spoke for two groups within state government, the state supervisors and the confidential employees. The supervisory unit recently completed negotiations, which he described. He referred to a handout (On File) showing average state service. Supervisors are the employees with the highest longevity.

Mr. Ludwig added that APEA/AFT would like to see the bill amended so that it would not be effective for executive branch employees until offered to classified employees as well. The second handout (On File) shows who the bill targets; APEA/AFT proposes amending it so that many more people are affected.

[2:18:00 PM](#)

Representative Harris asked if the members of the groups Mr. Ludwig listed were represented through union negotiations

and contracts. He asked if the people talked about in HB 417 had a bargaining unit. Mr. Ludwig answered that their bargaining unit was the commissioner. He said the longevity increases had been denied in bargaining because it was not authorized. Representative Harris surmised that the only way the people classified under HB 417 would get increases is through statute.

[2:20:03 PM](#)

Co-Chair Chenault sought clarification regarding the offering and denying of the longevity steps. He asked if APEA/AFT had gone to arbitration and accepted the decision. Mr. Ludwig replied that they bargained it with the State.

[2:21:07 PM](#)

FRED YATES, SELF, testified in favor of the bill. He thought the people covered deserve what is being offered. He asked for the longevity steps to be included as incentive to retain people.

[2:23:14 PM](#)

ANNETTE KREITZER, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, described the two tracks for state employees: those represented by collective bargaining and those who are not. The bill is for the later group.

Commissioner Kreitzer clarified some of Mr. Ludwig's remarks. She said the entire offer had to be accepted, which is what the union did. There are many components to a labor contract; it's dangerous to separate one out. The State has the same challenges as any other employer dealing with recruitment and retention. The Department wants to be equitable.

Representative Gara talked about the difference between union and non-union employees. He understood that collective bargaining governs union pay and the bill should govern non-union pay. He stated that the place where the two groups are the same relates to longevity, and thought it made sense for everyone to have a two year increase after reaching the final step.

Commissioner Kreitzer described her job as looking at the full cost of each negotiated contract and judging whether the cost was sustainable.

Representative Gara restated his concern regarding longevity as a problem that applied to union as well as non-union employees. He wanted the bill to address the problem for both groups.

Commissioner Kreitzer maintained that she would not separate out one piece of a contract. Representative Gara asked if union employees had the same problem with getting stuck after reaching the final step. Commissioner Kreitzer acknowledged that they did.

[2:30:35 PM](#)

Commissioner Kreitzer commented that the union had accepted the agreement. Representative Gara questioned whether the employees meant to convey that they were satisfied with the longevity situation. Commissioner Kreitzer reiterated that she had to keep union and non-union issues separate.

Representative Kelly pointed out that union members pay dues to get someone to bargain. He thought it would be a serious mistake to legislate that process.

[2:33:55 PM](#)

Representative Hawker tried to find a broader perspective. Although he thought non-union employees deserved the recognition proposed in the bill, he understood the State had to prioritize financially. He talked about important human service workers who have endured pay freezes for many years and wondered how Commissioner Kreitzer prioritized giving a raise to the highest paid state employees.

[2:37:17 PM](#)

Commissioner Kreitzer disagreed that the people targeted in the bill were the highest compensated employees. She stressed that the bill is about non-covered employees. She described the aging of the workforce and the pressures to solve the retention and recruitment problems as soon as possible. She suggested moving one step at a time. She thought HB 417 was a reasonable step forward.

[2:39:53 PM](#)

Representative Hawker stated that he was not comfortable with the legislation, given the resources available to the State in relationship to the State's greatest needs.

Representative Kelly said he could support a bargaining/non-bargaining wage freeze, but he could not support saving money on just one group. He did not want the Legislature to interfere with union activity.

[2:43:23 PM](#)

Representative Crawford asked about the 40-hour work week and wondered if what was given up for that. Commissioner Kreitzer responded that many state employees are already

working more than 40 hours. The service steps were the inducement for the 40-hour work week. Her goal was to move towards the 40-hour work week for non-union employees and later for management, although it would be expensive.

[2:47:06 PM](#)

PUBLIC TESTIMONY CLOSED.

Co-Chair Meyer MOVED to ADOPT Amendment #1.

Page 5, line 3: Following "employees", Insert "and magistrates"; Page 5, line 4: Following "than":, Delete "magistrates and judicial officers", Insert "justices and judges"; Page 5, line 11: Following "employees", Insert "and magistrates"; Following "than":, Delete "magistrates and judicial officers", Insert "justices and judges"; Page 5, line 13: Following "courts":, Insert "and"; Page 5, line 14: Following "courts":, Delete ",and magistrates"; Page 5, line 16: Following "AS 22.15.220":, Delete "(b) and".

Representative Hawker OBJECTED.

Mr. Christensen said the Amendment would allow the judicial branch magistrates to get the retroactive pay and to participate in the longevity step increases.

Co-Chair Chenault asked if the new fiscal note would be adjusted to the Amendment. Mr. Christensen said the size of the note would increase by \$217,000.

[2:49:16 PM](#)

Representative Thomas asked for clarification regarding the Amendment.

Representative Hawker WITHDREW his OBJECTION.

There being no further OBJECTION, Amendment #1 was ADOPTED.

Co-Chair Meyer referred to the changes needed in the fiscal notes.

HB 417 was HEARD and HELD in Committee for further consideration.

[2:51:33 PM](#)

HOUSE BILL NO. 359

An Act relating to probation and the offense of minor consuming or in possession or control of alcohol.

Representative Hawker MOVED to ADOPT Amendment #1.

Page 2, line 11: After "AS 12.55.051;", insert "and";
Page 2, line 13: After "probation", Delete "; and",
Insert "."; Page 2, line 14-15, Delete "(5) continuance
of the probation would interfere with the
rehabilitation and growth of the person."

Co-Chair Meyer OBJECTED for discussion purposes.

Representative Hawker explained the amendment follows up on previous Committee conversation regarding the vagueness of the phrase "rehabilitation and growth of the person."

REPRESENTATIVE JAY RAMRAS, SPONSOR, said the Judiciary Committee had wrestled with the same issue. He agreed the language was ambiguous.

Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was ADOPTED.

[2:54:51 PM](#)

Representative Thomas MOVED to ADOPT Amendment #2 (25-LS1377\L.4, Luckhaupt, 3/10/08). Representative Hawker OBJECTED for discussion purposes.

Representative Gara expressed his support for the Amendment.

Representative Thomas explained the Amendment would reduce probation for the first and second offenses to up to a year instead of five years mandatory. It does not change the penalty for the third offense, which includes probation until 21.

[2:56:42 PM](#)

Representative Ramras thought the Amendment improved the bill.

Co-Chair Meyer expressed concern with inconsistencies in the Amendment, especially that judges could apply it differently and unfairly.

SUZANNE ARMSTRONG, STAFF, CO-CHAIR KEVIN MEYER, reported that the Department of Law was concerned about setting the probation for up to one year for the first offense. Magistrates could give zero through up to a year. The Department of Law felt a set standard, such as one year, should be applied across the state.

Representative Gara reminded the Committee that the first two violations are not a crime. This is the only finable

offense with automatic probation. He thought judges should have the freedom to discern the length of the probation depending on the individual situation. He also wanted flexibility for minors who are just under 21 years old. He stated he would vote for the bill.

[3:00:19 PM](#)

Ms. Armstrong said the Department of Law had also raised the point of the minor's ability to petition the court for termination of probation. It could take six months for the minor to complete the requirements of the termination.

Representative Kelly thought there should be something in the bill that punishes the minor. He did not want the option of no probation. He did not support the Amendment.

[3:02:40 PM](#)

Representative Crawford related a personal story about his son. His son did not get charged because the penalties pertaining to probation were too harsh, but he still learned a valuable lesson. Representative Crawford thought that the statute as it stands is not workable and he said he supported the bill and the Amendment.

Representative Gara wondered what should be done about probation for someone who is nearly 21. He suggested the Amendment could say one year or until the age of 21.

[3:05:08 PM](#)

Representative Thomas related a personal story. In smaller towns the magistrate knows the kids involved and can apply that knowledge when determining the length of probation.

Representative Ramras stated his concern regarding a minor consuming that would turn 21 during the probation period. He wanted punishment. He thought a condition of a full year's probation should be maintained even after the legal age is reached. He mentioned a crime bill that intends to introduce three days of jail time for someone who contributes by purchasing alcohol for a minor. He said he supported the Amendment.

[3:08:54 PM](#)

Representative Hawker removed his OBJECTION.

Representative Kelly OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Thomas, Crawford, Harris, Gara, Hawker

OPPOSED: Kelly, Chenault, Meyer

Absent from the vote: Joule, Nelson, Stoltz

The MOTION PASSED (5/3). Amendment #2 was ADOPTED.

[3:10:41 PM](#)

Representative Gara informed the Committee that when the original bill passed, it was written so that the fine would be as stiff as possible without requiring a public defender, which would be too expensive. The Court said that went too far, and put in five years probation, even though the offense is not a crime. Now the Public Defender represents the kids. The only way to remove the Public Defender cost is to impose a fine of \$500, with \$1000 for the second offense, for example. He did not think there should be probation with a fine, although probation for the third offense made sense. He preferred getting rid of the whole probation requirement.

Co-Chair Meyer thought the topic might pertain to another bill. He wanted to deter underage drinking.

Representative Ramras commented on the seriousness of minors consuming any amount.

Representative Gara stated for the record that he disagreed that it was a condemnable offense for a 20-year old to have a beer. He thought it was a family matter. Co-Chair Meyer wanted tough laws to back parents up.

[3:13:47 PM](#)

Co-Chair Meyer referred to the new fiscal note from the Courts.

Co-Chair Chenault MOVED to report CSHB 359 (FIN) out of Committee with individual recommendations and attached fiscal note #1 by the House Judiciary Committee and new fiscal note by the Alaska Court System.

CSHB 359 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached fiscal note #1 by the House Judiciary Committee and new fiscal note by the Alaska Court System.

There was a discussion regarding how many votes were needed in Committee to pass an amendment.

HOUSE BILL NO. 324

An Act relating to the Alaska housing trust fund and to the Alaska Council on the Homeless; and providing for an effective date.

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE AND CHAIRMAN, GOVERNOR'S COUNCIL ON THE HOMELESS, explained that HB 324 would create a housing trust fund within the Alaska Housing Finance Corporation to address homelessness in Alaska and codify the role of the Governor's Council on the Homeless. He has learned a great deal regarding the issue of homelessness and the costs associated. Society is paying a heavy price for homelessness; incarceration is more expensive than housing.

[3:19:44 PM](#)

JEFF JESSE, EXECUTIVE DIRECTOR, ALASKA MENTAL HEALTH TRUST AUTHORITY, reviewed a few points regarding homelessness:

- 45% of the homeless in Alaska are families with children.
- The average age is nine years.
- The price paid for homelessness includes poor performance in school, emergency room visits, and criminal justice system involvement.

Mr. Jesse emphasized that the most important feature of the housing trust is the linking of support services to housing. Over 30 states have developed housing trusts with excellent results.

[3:22:47 PM](#)

BRYAN BUTCHER, PUBLIC AFFAIRS DIRECTOR, ALASKA HOUSING FINANCE CORPORATION pointed out a change in a fiscal note.

Co-Chair Meyer asked if the appropriations were for one year or five years. Mr. Butcher said one year, for projects with a five-year cycle. Mr. Jesse restated the importance of combining support services with housing. Out of the first year's appropriation of ten million dollars, some of the resources would be obligated for five to ten years of support service funding. Otherwise, non-profit partners would not participate in developing the services.

[3:25:33 PM](#)

Representative Hawker wanted clarification regarding the one-time \$10 million appropriation. He thought the testimony earlier in the session indicated a sequence of \$10 million appropriations for ten years. Mr. Jesse agreed that the intent was for the appropriation to be annual. The \$10 million on the table is for the first year, but the process is on-going. He thought \$15 million per year for ten years would better address the current homeless problem.

Mr. Fauske added that he is convinced there is a problem. He thought the problem would grow worse as the cost of heating oil rose. He agreed with Mr. Jesse that the problem will not be solved with a one-time \$10 million appropriation, but it would start the trust.

[3:29:45 PM](#)

Representative Gara asked for more information. Mr. Jesse said the trust was not being set up on an endowment model. Mr. Fauske said there was currently a \$10 million line item in the capital budget. Mr. Butcher clarified that the item is in the mental health bill which is within the capital budget. Mr. Jesse said there were roughly 3500 homeless people statewide on any given night and outlined the strategic plan.

[3:34:45 PM](#)

Mr. Fauske said there has been \$2 million in the capital budget for homelessness for many years. He pointed out that most people coming out of jail don't have a place to stay. He would like better coordination to address the issues.

Representative Crawford asked for more information on how to identify homeless people and give them a hand. Mr. Jesse described the process of setting up housing units and then providing case management to help people solve a wide variety of problems that contribute to their homelessness. He gave examples of skills that people need to learn. He described how the Gates Foundation approached assisting homeless families.

[3:41:11 PM](#)

PUBLIC TESTIMONY CLOSED.

HB 324 was HEARD and HELD in Committee for further consideration.

HOUSE BILL NO. 364

An Act relating to notice and consent for a minor's abortion; relating to penalties for performing an abortion; relating to a judicial bypass procedure for an abortion; relating to coercion of a minor to have an abortion; relating to reporting of abortions performed on minors; amending Rule 24(a), Alaska Rules of Civil Procedure, amending Rule 220, Alaska Rules of Appellate Procedure, and Rule 20, Alaska Probate Rules, relating to judicial bypass for an abortion; and providing for an effective date.

HB 364 was SCHEDULED but not HEARD.

ADJOURNMENT

The meeting was adjourned at 3:43 PM.