

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

March 11, 2008

1:33 p.m.

**MEMBERS PRESENT**

Senator Johnny Ellis, Chair  
Senator Gary Stevens, Vice Chair  
Senator Bettye Davis  
Senator Lyman Hoffman  
Senator Con Bunde

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE JOINT RESOLUTION NO. 25

Urging the United States Congress to support the freedom to choose unions.

MOVED HJR 25 OUT OF COMMITTEE

SENATE BILL NO. 289

"An Act relating to home energy conservation and weatherization for purposes of certain programs of the Alaska Housing and Finance Corporation."

MOVED SB 289 OUT OF COMMITTEE

SENATE BILL NO. 294

"An Act relating to the pay and duties of commissioners of the Regulatory Commission of Alaska, establishing the position of executive director of the Regulatory Commission of Alaska and defining the duties and powers of the position, and placing the executive director and administrative law judges of the Regulatory Commission of Alaska in the exempt service under the State Personnel Act."

HEARD AND HELD

SENATE BILL NO. 297

"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."

HEARD AND HELD

SENATE BILL NO. 160

"An Act establishing an Alaska health care program to ensure insurance coverage for essential health services for all residents of the state; establishing the Alaska Health Care Board to define essential health care services, to certify health care plans that provide essential health care services, and to administer the Alaska health care program and the Alaska health care fund; establishing the Alaska health care clearinghouse to administer the Alaska health care program under the direction of the Alaska Health Care Board; establishing eligibility standards and premium assistance for persons with low income; establishing standards for accountable health care plans; creating the Alaska health care fund; providing for review of actions and reporting requirements related to the health care program; and providing for an effective date."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 25

SHORT TITLE: SUPPORTING RIGHT TO FORM LABOR UNIONS

SPONSOR(S): REPRESENTATIVE(S) HARRIS

05/10/07	(H)	READ THE FIRST TIME - REFERRALS
05/10/07	(H)	STA
05/12/07	(H)	STA RPT 3DP 1NR 2AM
05/12/07	(H)	DP: GRUENBERG, DOLL, LYNN
05/12/07	(H)	NR: JOHANSEN
05/12/07	(H)	AM: ROSES, COGHILL
05/12/07	(H)	STA AT 9:00 AM CAPITOL 106
05/12/07	(H)	Moved Out of Committee
05/12/07	(H)	MINUTE(STA)
01/28/08	(H)	TRANSMITTED TO (S)
01/28/08	(H)	VERSION: HJR 25
01/30/08	(S)	READ THE FIRST TIME - REFERRALS
01/30/08	(S)	L&C, STA, FIN
02/07/08	(S)	L&C AT 1:30 PM BELTZ 211
02/07/08	(S)	-- MEETING CANCELED --
02/09/08	(S)	L&C AT 1:30 PM BELTZ 211
02/09/08	(S)	Heard & Held
02/09/08	(S)	MINUTE(L&C)
02/12/08	(S)	L&C AT 1:30 PM BELTZ 211
02/12/08	(S)	Scheduled But Not Heard
02/16/08	(S)	L&C AT 1:30 PM BELTZ 211
02/16/08	(S)	-- MEETING CANCELED --
03/11/08	(S)	L&C AT 1:30 PM BELTZ 211

BILL: SB 289

SHORT TITLE: HOME ENERGY CONSERVATION

SPONSOR(s): SENATOR(s) HOFFMAN

02/19/08 (S) READ THE FIRST TIME - REFERRALS  
02/19/08 (S) L&C, FIN  
03/04/08 (S) L&C AT 1:30 PM BELTZ 211  
03/04/08 (S) Heard & Held  
03/04/08 (S) MINUTE(L&C)  
03/10/08 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
03/10/08 (S) <Pending Referral>  
03/11/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 294

SHORT TITLE: RCA POSITIONS AND SALARIES

SPONSOR(s): LABOR & COMMERCE BY REQUEST

02/25/08 (S) READ THE FIRST TIME - REFERRALS  
02/25/08 (S) L&C, JUD, FIN  
03/11/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 297

SHORT TITLE: NONUNION PUBLIC EMPLOYEE SALARY & BENEFIT

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/03/08 (S) READ THE FIRST TIME - REFERRALS  
03/03/08 (S) FIN  
03/06/08 (S) L&C REFERRAL ADDED BEFORE FIN  
03/11/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 160

SHORT TITLE: MANDATORY UNIVERSAL HEALTH CARE

SPONSOR(s): SENATOR(s) FRENCH

04/23/07 (S) READ THE FIRST TIME - REFERRALS  
04/23/07 (S) HES, L&C, FIN  
09/10/07 (S) HES AT 1:30 PM Anch LIO Conf Rm  
09/10/07 (S) Heard & Held  
09/10/07 (S) MINUTE(HES)  
01/30/08 (S) HES AT 1:30 PM BUTROVICH 205  
01/30/08 (S) Heard & Held  
01/30/08 (S) MINUTE(HES)  
02/18/08 (S) HES AT 1:30 PM BUTROVICH 205  
02/18/08 (S) Moved CSSB 160(HES) Out of Committee  
02/18/08 (S) MINUTE(HES)  
02/19/08 (S) HES RPT CS 3DP 1DNP NEW TITLE

02/19/08 (S) DP: DAVIS, THOMAS, ELTON  
02/19/08 (S) DNP: DYSON  
02/26/08 (S) L&C AT 1:30 PM BELTZ 211  
02/26/08 (S) Heard & Held  
02/26/08 (S) MINUTE(L&C)  
02/28/08 (S) L&C AT 1:30 PM BELTZ 211  
02/28/08 (S) Heard & Held  
02/28/08 (S) MINUTE(L&C)  
03/11/08 (S) L&C AT 1:30 PM BELTZ 211

**WITNESS REGISTER**

SENATOR HOFFMAN  
Alaska State Capitol  
Juneau, AK  
**POSITION STATEMENT:** Sponsor of SB 289.

DANA OWEN  
Staff to Senator Ellis  
Alaska State Capitol  
Juneau, AK  
**POSITION STATEMENT:** Commented on SB 294.

TONY PRICE, Chairman  
Regulatory Commission of Alaska (RCA)  
Anchorage, AK  
**POSITION STATEMENT:** Supported SB 294 with a few changes.

RICH GAZAWAY, Commissioner  
Regulatory Commission of Alaska (RCA)  
Anchorage, AK  
**POSITION STATEMENT:** Supported SB 294 with a few changes.

SENATOR LISEL MCGUIRE, Chairman  
Regulatory Commission of Alaska Task Force  
Alaska State Capitol  
Juneau, AK  
**POSITION STATEMENT:** Supported SB 294.

ANNETTE KREITZER, Commissioner  
Department of Administration (DOA)  
Juneau, AK  
**POSITION STATEMENT:** Supported SB 297.

KEVIN BROOKS, Deputy Commissioner  
Department of Administration (DOA)  
Anchorage, AK

**POSITION STATEMENT:** Presented SB 297.

CHRIS CHRISTIANSON, Deputy Administrative Director  
Alaska Court System  
Juneau, AK

**POSITION STATEMENT:** Didn't agree with magistrate pay and retroactivity for judges provisions in SB 297.

CHRISTINE SCHLOUSS, Attorney  
Anchorage, AK

**POSITION STATEMENT:** Supported SB 297.

MARGO LACHAPELLE, Employee Representative  
Bethel Supervisory Unit (SU)  
Bethel, AK

**POSITION STATEMENT:** Would support SB 297 contingent on making longevity language consistent with her unit's contract.

SENATOR FRENCH  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Sponsor of SB 160.

MARY RAYMOND, representing herself  
Homer, AK

**POSITION STATEMENT:** Supported SB 160.

PATRICK DALTON, representing himself  
Delta Junction, AK

**POSITION STATEMENT:** Commented on SB 160.

#### **ACTION NARRATIVE**

**CHAIR JOHNNY ELLIS** called the Senate Labor and Commerce Standing Committee meeting to order at [1:33:10 PM](#). Present at the call to order were Senators Davis, Hoffman and Ellis.

#### **HJR 25-SUPPORTING RIGHT TO FORM LABOR UNIONS**

[1:34:12 PM](#)

CHAIR ELLIS announced HJR 25 to be up for consideration.

SENATOR DAVIS moved to report HJR 25 from committee with individual recommendations and zero fiscal note. There were no objections and it was so ordered.

#### **SB 289-HOME ENERGY CONSERVATION**

[1:35:22 PM](#)

CHAIR ELLIS announced SB 289 to be up for consideration.

SENATOR HOFFMAN, sponsor of SB 289, said he had had no additional comments.

SENATOR DAVIS moved to report SB 289 from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

**SB 294-RCA POSITIONS AND SALARIES**

[1:36:52 PM](#)

CHAIR ELLIS announced SB 294 to be up for consideration.

DANA OWEN, staff to Senator Ellis, explained this measure is the result of the work of the Regulatory Commission of Alaska (RCA) Task Force. Two of the recommendations were singled out for this bill because they had broad support.

[1:37:25 PM](#)

SENATOR BUNDE joined the committee.

MR. OWEN explained that Sections 1, 2 and 3 stipulate that a new executive director will be part of the exempt service and it moves administrative law judges into the exempt service (from partially exempt). Section 3 changes the pay levels for commissioners from a Step C, Range 26, to Step F, Range 30. The remainder of the bill authorizes the commission to employ an executive director in an administrative position.

[1:40:05 PM](#)

CHAIR ELLIS asked the RCA chair's opinion of this legislation.

TONY PRICE, Chairman, Regulatory Commission of Alaska, supported SB 294 with a couple of changes. One is that it's not clear who employs administrative law judges; it could be either the commission or the executive director. He also proposed adding language stating "The executive director shall not participate in the adjudication of any matter to come before the commission." This would address issues that arose in past commissions.

His final recommendations were first to AS 42.05.254(a) to increase the RCA cap from what it is presently at .7 percent to .9 percent. Some people say they don't want to increase the cap, but their budget is set; this allows him to collect the revenue

to feed it. He said he didn't think they would be at the cap, but he didn't know what next year's revenues would be. He also suggested increasing the RCA cap in AS 42.06.286(a) from .7 percent to .9 percent for the same reason.

[1:42:46 PM](#)

SENATOR STEVENS joined the committee.

CHAIR ELLIS asked him to submit those suggestions in writing. He then asked him to comment on the commission's overall needs, underfunding and understaffing and why this should be compelling legislation.

MR. PRICE responded that his presentation to the Task Force was 86 minutes, but he would give them a briefer version. At this level of staffing they have three engineer positions, but only one is filled. They need all three. The commission's utility financial analyst needs to have a very high skills set regarding accounting and financial review; it has five of those positions and only two are filled - with staff that have been there for over five years, and "their docket load is oppressive to say the least." He explained that they are in the situation where they have taken staff that were legal office assistants to the commissioners, redefined their jobs and put them in the ALJ section to help move orders out; the commissioners now have no support. However, he said, the commissioners can do their own filing.

Complicating all this is another change that has dramatically increased the workload. Besides all the other statutory deadlines, last year another bill imposed a six-month deadline on all things that did not otherwise have one. They are completing dockets virtually days before the statutory deadline or on the day of. They don't have the revenues or the staff. Alternatively, they will have to hire consultants from the Lower 48 and pay them at a much higher rate.

CHAIR ELLIS said Mr. Price's concerns are not unique to the RCA and he was personally convinced they needed to take some action. He said that most legislators had not heard his comments. Positions throughout state government are having trouble recruiting people.

[1:50:06 PM](#)

RICH GAZAWAY, RCA commissioner, agreed with Mr. Price's comments.

CHAIR ELLIS said he would have a committee substitute prepared with some of his proposed changes.

1:50:51 PM

SENATOR LISEL MCGUIRE, chair of the RCA Task Force, wanted to add "a little bit of soul" to Mr. Price's comments. She said the RCA is one of the most important commissions in the state. It deals with highly technical complex matters that affect consumers in the state more than any other commission. Yet it has a great challenge recruiting and retaining staff including the highly technical positions and the commissioners themselves. She said RCA commissioners effectively act as a Supreme Court judge because they preside over for example, the TAPS tariff case affecting billions of dollars to consumers and producers. But they are at the lower level salary in looking at the marketplace.

SENATOR MCGUIRE said you want folks with juris doctorate degrees, CPAs, business backgrounds and experience in the private sector. These are the kinds of individuals who will come from the private sector and those make a lot more money.

She said she thought the commission needed an executive director who would act as a manager. Currently, one of the five commissioners serves as chair, but he also has the administrative function of hiring and firing and the rudimentary business part of the commission.

SENATOR MCGUIRE emphasized that she was very disturbed as a lawmaker to see the volumes of rate cases with which they are dealing. One department has only one person who has only two years on the job in the office.

CHAIR ELLIS said he supports this legislation. He thinks it is necessary to pay quality wages to the commissioners, but considers the position on of public service as well. While he supported the entire package, the staff vacancies and staff pay were more important to him.

SENATOR MCGUIRE thanked the RCA commissioners who are looking out for the state's best interests.

**SB 297-NONUNION PUBLIC EMPLOYEE SALARY & BENEFIT**

1:58:27 PM

CHAIR ELLIS announced SB 297 to be up for consideration.

ANNETTE KREITZER, Commissioner, Department of Administration (DOA), said the state has the same challenges with recruitment and retention that other employers have. The governor has tasked the executive working group created under AO 237 to review the issue of recruitment and retention. That report is available on the department's web page. She said the labor negotiations are one part of addressing recruitment and retention, but those decisions are made at the bargaining table. The contracts have been offered to seven unions and she has agreements with four so far. These contracts are the best in 15 years.

She said that changes in compensation for state employees not covered by a bargaining agreement must be accomplished through legislation and that's what SB 297 does. Each union contract is unique and there are other elements of pay in addition to COLA or service steps contained in each one; her job is to look at the final full effect of the monetary components of each and consider the fiscal impact on the state. She said her proposed budget will be reduced this year.

COMMISSIONER KREITZER said the criticism that this bill has service steps not offered to one particular union is disingenuous in her opinion. Because one of the five offers she made to that union included service steps in addition to a 40-hour work week.

She said the changes in the offers she has made will help the state retain the professional knowledgeable state employees. Each negotiation is different and one can't simply pick out one element of an offer that a union refused and say you can't offer that to anyone else because we turned it down. The estimate of the cost of the service steps she offered to the SU (which she brought up today because of a full-page ad in today's Juneau Empire on this topic.) was \$1.9 million for FY09. That is still a big number and so is the \$8.5 billion unfunded liability for state employee and retiree pensions and health benefits.

COMMISSIONER KREITZER said she wanted to set the stage by saying they are all dealing with the same issues of trying to build a bridge to a gas line with production declining at a rate of 6 percent a year. She is trying to hold down spending while trying to do sustainable contracts.

SENATOR BUNDE said the legislature recently passed a supplemental bill that included a substantial amount of money for these negotiations and asked what impact that had on her negotiations.

MS. KREITZER replied that she had concluded negotiations with GGU and with the supervisory unit and that is in the supplemental. The supervisory unit has ballots out now to decide on whether or not to accept that offer with a closing time of tomorrow.

[2:02:40 PM](#)

KEVIN BROOKS, Deputy Commissioner, Department of Administration (DOA), walked them through SB 297. He said it restates salary schedules and identifies a number of positions that are specifically set in statute. Section 1 raises limited entry commissioners from Range 26, Step C to Range 27 and no step reference. Section 2 is conforming language addressing the Alaska State Defense Force. Section 3 raises the chief procurement officer from a Range 24 to a Range 27. Section 4 addresses the step limitation for deputy commissioners who are appointed. Current language says they are appointed at not less than Step A or more than Step F and new language deletes the reference to steps because it's limiting when people come to the state from the private sector or are promoted from other positions.

[2:05:53 PM](#)

MR. BROOKS said Section 5 restates the salary schedule contained in Title 39 to reflect a 5.5 percent increase. Sections 6 and 7 provide for raising the salary schedule by 3 percent in July 1, 2008 and 3 percent more in July 1, 2009.

Section 8 adds a new subsection that allows for pay increments every two years beyond Step F; currently an individual would progress from Steps A through F annually and after that adds more years between steps according to AS 39.27.022.

He explained in 1972 longevity steps A-F were added to statute to reward people for longer service, but now that is more of an obstacle and extra steps are needed to keep employees on longer. It is tied to an annual "good" review rating.

[2:08:43 PM](#)

SENATOR BUNDE asked if people ever receive less than good or adequate reviews and why are they retained.

MR. BROOKS answered that some individuals receive a low acceptable or unacceptable rating. There is a process for them to go through of identifying areas that need improvement and

developing a plan. In some cases they are retained and others not.

SENATOR BUNDE asked if a majority of reviews are good or better.

MR. BROOKS answered it was safe to say a majority of review are mid-acceptable or higher.

SENATOR BUNDE asked if the range is unacceptable, acceptable and good.

MR. BROOKS replied there are five different rankings within "entirely unacceptable" and "outstanding."

SENATOR BUNDE said the positions in this bill are non-bargaining unit.

MR. BROOKS replied yes, but many of them would receive an annual review using a standard form for classified people.

SENATOR BUNDE said he thought merit pay was a good idea, and that he would like more information on how many are acceptable and unacceptable.

MR. BROOKS said he could get some data on that; it was important to tie it to a certain level of performance and one of the items the task force talked about was bring accountability to the workforce.

COMMISSIONER KREITZER added that this won't be done all in one year. The working group report talks about improvements to the merit system and how it can't work without a co-effort to prepare proper evaluations. She is trying to figure out how to make the evaluation process simpler for supervisors so they will see the value in it and do them.

SENATOR BUNDE said he is trying to avoid a Lake Woebegone situation where everyone is above average.

MR. BROOKS said Section 8 had a couple of subsections; subsection (i) ties this to the pay plan that is in Title 39.25. Subsection (j) allows for the legislature and independent agencies within the legislative branch to choose to apply these types of merit increases to their staff or not. Section 9 addresses pay for commissioners within the RCA as mentioned previously.

[2:14:16 PM](#)

Section 10 repeals former AS 39.27.022 that addressed the longevity steps that are now in section AS 39.27.011. Section 11 covers executive branch salary overrides. He explained that a number of employees in the executive branch are exempt, partially exempt and classified, and he identified the exempt ones on a salary override. In other words they are not being paid off of the salary schedule; they are being paid some amount that has been determined by their employer to be appropriate and adequate. The goal is if someone has already had their pay adjusted, it won't be adjust again at 5.5 percent. It applies to commissioners and others who are not part of the salary system.

MR. BROOKS said Section 12 covers judicial employees. It also mistakenly groups magistrates with judges and he had suggested language for that. Section 13 addresses the University and states that they are under the policies that are adopted by the Board of Regents and not covered by this bill. Section 14 provides prospective application of the steps to not harm someone in the middle of his salary schedule. Section 15 is more transition language.

[2:17:35 PM](#)

He said the retroactivity addresses the first 5.5 percent increase going back to July 1, 2007.

MR. BROOKS wrapped up that he has heard the statement "high level employees" and this bill really covers about 1,500 people - 14 commissioners, 75 directors, but it includes a lot of rank and file folks. It's much broader than he has heard characterized.

SENATOR ELLIS asked why this bill was introduced on March 3.

MR. BROOKS answered that the administration has been working on this since the fall; they could have offered it earlier and have been running different scenarios, but they have been in active negotiations with different unions.

SENATOR ELLIS asked if the specific timing related to any negotiations with public employees.

MR. BROOKS answered no.

SENATOR BUNDE asked if language on page 4, line 3, applies to legislative staff.

MR. BROOKS answered it applies to all legislative employees including the Legislative Affairs Agency (LAA).

2:20:19 PM

CHRIS CHRISTIANSON, Deputy Administrative Director, Alaska Court System, said all employees in the judicial branch are non-covered. It is the largest group of non-covered employees outside of the University and the lowest paid branch of government; approximately 70 percent of its employees are Range 15 or below. Largely because of this they have a very high turnover rate which translates into high training costs, a high ratio of supervisors to clerks and other inefficiencies. Notwithstanding the pay, he said, many of them are hard working employees.

He said over the last 15 years state employees have received COLA adjustments much less than the rate of inflation. In today's dollars what he pays a Range 10 today is substantially less than what he paid to a Range 10 twenty years ago.

In addition to the COLA the bill proposes to change the scheme of longevity pay which addresses a very real problem of retaining long term employees. He stated that most entry level employees at the court system are a Range 8 or 10. The highest ranking person at the court might be a Range 16. So there is not a lot of upward mobility to get people to stay a long time.

2:22:28 PM

MR. CHRISTIANSON said he didn't agree with two provisions in this bill: one was magistrate pay. They don't have their salaries set in statute and are ordinary state employees on a salary schedule. However, he has received indication that change would be supported.

The other provision is the retroactivity for judges. The bill lumps judges together with political appointees in denying them retroactive pay for the current fiscal year. Judges, unlike most other state employees, do not get longevity pay. A normal employee over the course of an 18-year career will have increases equal to 40 percent of their salary; a judge who has worked for 18 years gets exactly the same pay as a brand new judge. They are uniquely dependent on getting cost of living adjustments from the legislature for their pay raises.

During the 20-year period prior to the 2006 pay raise, inflation ran about 77 percent and judges got pay raises equal to about 50 percent. They went from the highest paid state court judges in

the country down to the 48<sup>th</sup> ranked in the country. The results were very negative; they had judicial positions for example in Bethel that couldn't be filled because qualified people wouldn't apply. Also, the courts face smaller applicant pools that tend to be much younger and less qualified than in the past. The legislature realized there was a problem two years ago. He remarked between the day the judges got that pay raise and the end of the current fiscal year the inflation rate is going to be between 7 and 8 percent; so judges will lose roughly 7 to 8 percent of the amount the legislature thought was a suitable amount two years ago. He advised to not start down the path they took 20 years ago when judges' pay was gradually chipped away because small COLA adjustments were not made on a regular basis and large adjustments have to be made every few decades after having lots of problems.

CHAIR ELLIS remarked that he was talking to legislators who are a Range 10, plus some per diem; so they would try to keep it in perspective.

2:25:48 PM

CHRISTINE SCHLOUSS, Anchorage Attorney, said she used to be an assistant public defender and a member of the Teamsters Union. She is very pro-union, but on this issue she disagreed with union people who speak out against this bill because a union contract did not contain the longevity steps. That is what she wanted to focus her comments on.

MS. SCHLOUSS said she started as a public defender in the 70s and 80s where salaries were competitive with those in private practice. That is no longer even remotely the case. What she sees frequently now because she litigates against the DAs and public defenders is that the state is losing the brightest and the best. These folks often come out of law school \$150,000 to \$200,000 in debt and they start out by not being able to keep up with their debt. She knows of an assistant district attorney who drives a cab at night to make ends meet. The Public Defender Agency just lost a terrific well qualified attorney who went to work as a sales representative for an online legal resource organization because it pays her 2.5 times her salary as a public defender.

She urged the legislature to recognize that the state needs to have the kind of lawyers who want to work in public service but could make 2.5 more in private practice. These longevity steps don't do enough, but they do something. She urged them to recognize the worth of rank and file employees who want to stay

working with the state by giving them the opportunity to have at least small step increases.

[2:30:12 PM](#)

MARGO LACHAPELLE, Employee Representative, Bethel Supervisory Unit (SU), said she is also a supervisor for the Division of Public Health Nursing, Department of Health and Social Services (DHSS). She said the SU has been negotiating with the state since December 06 and the administration refused to include the longevity steps in their final contract offer. Four days after her members voted to accept the contract, this bill was introduced offering a better deal to political appointees. By doing so, she felt the administration did not value the state employees with the SUs. In addition to denying the SU members the longevity steps during negotiations, the administration waited until after the ballots went out to publish the Governor's Recruitment and Retention Task Force Report. She said, "It echoed all the things we've been saying for the last year at the bargaining table. We can't hire enough qualified people to staff our positions because the pay is too low...."

She asked that this bill be amended so that the extra longevity steps for the non-unionized employees of the executive branch are contingent upon the same steps being applied to the unionized employees of the executive branch.

CHAIR ELLIS thanked everyone for the comments and held the bill for further work.

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#### **SB 160-MANDATORY UNIVERSAL HEALTH CARE**

[2:34:14 PM](#)

CHAIR ELLIS announced SB 160 to be up for consideration. The committee had CSSB 160(L&C), 25-LS0728\T to consider.

SENATOR FRENCH, sponsor of SB 160, said he would comment on CSSB 160(L&C), 25-LS0728\T. He said it makes six changes, some small and some fairly significant. The first change is on page 3, lines 15-17, that broadens the view points that are represented on the Health Care Board. Concerns were heard from insurers that the definition of entities that would make up the insurance representatives on the board was too narrow. So now the two representatives are one large scale wholesaler and small scale retailer. He explained the retailer is called an "insurance

producer," an industry term that refers to the customer oriented on-the-ground insurance retailer.

2:36:20 PM

The second change is on page 5, lines 6-8, and clearly gives the duty to the board of making a plan that can effectively protect an individual from severe financial hardship in times of medical need - taking into account a household's income and other relevant financial criteria. He said, "It will make certain that insurance is meaningful for each Alaskan since a \$10,000 deductible health care plan isn't much use to a household that earns \$15,000 a year."

2:36:50 PM

SENATOR FRENCH said the third change came in response to a concern of Senator Stevens. It removes a few words from what was subsection 7 on page 6. It used to say that Indian Health Service (IHS) benefits had to meet or exceed the benefits for essential health care services as defined in the legislation. That has been removed to make it clear that individuals who are satisfied with the care they receive through IHS facilities won't be subject to the requirement to have additional coverage - even if the IHS benefits don't line up exactly with essential health care services. To a large extent, this alleviates the fine decisions the board would have to make as to each IHS recipient and whether the benefits they receive met or exceeded those adopted by the plan.

He said he worked with tribal representatives, and the important facts to keep in mind when looking at the interplay between SB 160 and the IHS system are first, that any third party payer will be first in line if an IHS beneficiary with third-party insurance walks into a clinic anywhere if they have third party insurance. The second thing to remember is that the amount of money dedicated by the federal government to IHS beneficiaries is fixed every year; it is distributed at the beginning of the year and that's the end of it. It is not limitless. They have enough money for day-to-day clinic visits and check ups, but when it comes to bone marrow transplants or a knee replacement or heart surgery, they may be "rationed out," because the amount of money allocated that year has been used up. So in essence SB 160 helps add to the care of any IHS beneficiary in the state.

SENATOR FRENCH said IHS beneficiaries receive on average about \$2,000 per individual spread across the entire population whereas someone outside the IHS receives about \$4,000 to \$5,000. SB 160 allows any IHS beneficiary to join the plan if they

choose or not depending on how satisfied they are with their own personal situation. Senator French said, "SB 160 will not back out a single federal dollar that is currently being received in Alaska for the benefit of IHS beneficiaries." He said this was the most complex change even though it was just the reduction of a few words.

The fourth change was on page 6, lines 11-14, that has to do with concerns on behalf of the Christian Science Religion who eschew modern medical practices. So SB 160 has allowed an exemption for those individuals. If they can demonstrate to the board that their deeply held religious beliefs are contrary to this program, they don't have to participate. Exemptions will be rigorously granted.

SENATOR FRENCH said the next change is how "employees" and the "employer levy" are defined. There was concern that "employee" was defined too broadly. Imagine a business that employed nothing but military spouses or spouses of state or federal employees - all covered by health insurance. There is absolutely no need to apply an employer levy against that employer, because not a single one of those individuals needs health insurance. So an "employee" is defined as someone who is required to participate in the Alaska Health Care Plan on page 8, lines 11-20 and that means they don't have coverage anywhere else.

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He said the second change is with counting the number of employees, because you get into problems of defining how many hours a week that is. So, they went with the payroll number, which is roughly equal to what one would imagine 10 full-time employee equivalents is - the \$500,000 figure. He explained if your total payroll of employees that don't have coverage anywhere else is \$500,000 or less, no levy whatsoever. If it's between \$500,000 and \$1,000,000 it's 1 percent; if it's over \$1,000,000 it's 2 percent. This is more business friendly and easier to understand.

Finally, he said language on page 12, line 18, changes the effective dates to comport with concerns Legislative Legal had regarding adoption of regulations.

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MARY RAYMOND, representing herself from Homer, said after listening to task forces and various bills to get affordable insurance for the last 20 years this is very exciting. Her concern that it was promoted as compulsory had been addressed.

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PATRICK DALTON, Delta Junction, representing himself, agreed with the public oversight provision. He also suggested having two alternative health professionals on the Health Care Board - naturopath or herbologist. However, he asserted the legislature has no constitutional authority to require a citizen to contract into any health care plan whatsoever.

Second, Mr. Dalton said, an element of hypocrisy exists because SB 160 requires everyone to have a health care card and then it turns around and denies coverage to any Alaskan who does not have one. He said the "preamble" of the bill clearly states that all Alaskans are eligible for this and he suggested just expanding health care coverage to any Alaskan who can prove they are a citizen or a resident. That way compliance doesn't have to be forced. Furthermore, he asked what criminal penalties there are for not partaking in the system. Finally, he said if they have to require health care coverage, even though he doesn't think they have the right to do that, he suggested having an opt-out system. He also asked how someone can demonstrate they have a firmly held religious belief that being a subjective matter.

CHAIR ELLIS thanked everyone for sharing their thoughts and said he would hold SB 160 for further work. There being no further business to come before the committee, he adjourned the meeting at [2:49:27 PM](#).