

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

March 24, 2009

9:05 a.m.

MEMBERS PRESENT

Senator Linda Menard, Chair
Senator Kevin Meyer, Vice Chair
Senator Hollis French
Senator Albert Kookesh
Senator Joe Paskvan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 23

"An Act relating to the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

MOVED CSSB 23(L&C) OUT OF COMMITTEE

SENATE BILL NO. 129

"An Act relating to state and municipal building code requirements for fire sprinkler systems in certain residential buildings."

MOVED SB 129 OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 19

Recognizing the 20th anniversary of the Exxon Valdez oil spill and supporting the continued practice of accompanying each oil tanker through Prince William Sound with at least a two vessel escort.

MOVED HJR 19 OUT OF COMMITTEE

SENATE BILL NO. 126

"An Act amending the State Personnel Act to place in the exempt service the chief economist and state comptroller in the Department of Revenue and certain professional positions concerning oil and gas within the Department of Natural Resources; relating to reemployment of and benefits for or on behalf of reemployed retired teachers and public employees by providing for an effective date by amending the delayed

effective date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001 and sec. 19, ch. 50, SLA 2005; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 23

SHORT TITLE: REPEAL DEFINED CONTRIB RETIREMENT PLANS

SPONSOR(S): SENATOR(S) ELTON

01/21/09	(S)	PREFILE RELEASED 1/9/09
01/21/09	(S)	READ THE FIRST TIME - REFERRALS
01/21/09	(S)	L&C, STA, FIN
02/12/09	(S)	L&C AT 1:30 PM BELTZ 211
02/12/09	(S)	Heard & Held
02/12/09	(S)	MINUTE(L&C)
02/19/09	(S)	L&C AT 1:30 PM BELTZ 211
02/19/09	(S)	Heard & Held
02/19/09	(S)	MINUTE(L&C)
02/26/09	(S)	L&C AT 1:30 PM BELTZ 211
02/26/09	(S)	Moved CSSB 23(L&C) Out of Committee
02/26/09	(S)	MINUTE(L&C)
02/27/09	(S)	L&C RPT CS 4DP 1NR NEW TITLE
02/27/09	(S)	DP: PASKVAN, MEYER, THOMAS, DAVIS
02/27/09	(S)	NR: BUNDE
03/17/09	(S)	STA AT 9:00 AM BELTZ 211
03/17/09	(S)	Heard & Held
03/17/09	(S)	MINUTE(STA)
03/24/09	(S)	STA AT 9:00 AM BELTZ 211

BILL: SB 129

SHORT TITLE: RESIDENTIAL SPRINKLER SYSTEMS

SPONSOR(S): SENATOR(S) MENARD

02/27/09	(S)	READ THE FIRST TIME - REFERRALS
02/27/09	(S)	CRA, STA, L&C
03/17/09	(S)	CRA AT 3:30 PM BELTZ 211
03/17/09	(S)	Heard & Held
03/17/09	(S)	MINUTE(CRA)
03/19/09	(S)	CRA AT 3:30 PM BELTZ 211
03/19/09	(S)	Moved SB 129 Out of Committee
03/19/09	(S)	MINUTE(CRA)
03/20/09	(S)	CRA RPT 1DP 2NR
03/20/09	(S)	DP: MENARD
03/20/09	(S)	NR: OLSON, THOMAS
03/24/09	(S)	STA AT 9:00 AM BELTZ 211

BILL: HJR 19

SHORT TITLE: OIL TANKER ESCORT VESSELS/OIL SPILL ANNIV
SPONSOR(S): REPRESENTATIVE(S) AUSTERMAN

02/23/09 (H) READ THE FIRST TIME - REFERRALS
02/23/09 (H) RES
03/11/09 (H) RES AT 1:00 PM BARNES 124
03/11/09 (H) Moved Out of Committee
03/11/09 (H) MINUTE(RES)
03/13/09 (H) RES RPT 5DP 2NR
03/13/09 (H) DP: GUTTENBERG, EDGMON, OLSON, SEATON,
TUCK
03/13/09 (H) NR: KAWASAKI, JOHNSON
03/18/09 (H) TRANSMITTED TO (S)
03/18/09 (H) VERSION: HJR 19
03/20/09 (S) READ THE FIRST TIME - REFERRALS
03/20/09 (S) STA
03/20/09 (S) RES REFERRAL ADDED
03/23/09 (S) RES REFERRAL REMOVED
03/24/09 (S) STA AT 9:00 AM BELTZ 211

BILL: SB 126

SHORT TITLE: REEMPLOYMENT OF RETIREES; EXEMPT SERVICE
SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/27/09 (S) READ THE FIRST TIME - REFERRALS
02/27/09 (S) STA, L&C, FIN
03/24/09 (S) STA AT 9:00 AM BELTZ 211

WITNESS REGISTER

BETH ALMEIDA, Executive Director
National Institute of Retirement Security (NIRS)
Washington D.C.

POSITION STATEMENT: Presented research on the relative benefits
of a defined benefit plan for state employees.

JILL SHOWMAN, President
Mat-Su Education Association
Wasilla AK

POSITION STATEMENT: Spoke in support of SB 23.

JIM LEPLEY, President
Anchorage Education Association
Anchorage AK

POSITION STATEMENT: Spoke in support of SB 23.

PAT LUBY, Advocacy Director

AARP Alaska
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 23.

LAWRENCE WEISS, Executive Director
Alaska Center for Public Policy
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 23.

DONALD CALLAHAN, Retiree
Fairbanks AK
POSITION STATEMENT: Spoke in support of SB 23.

LADAWN DRUCE, President
Kenai Peninsula Education Association
Soldotna AK
POSITION STATEMENT: Spoke in support of SB 23.

MELODY DOUGLAS, Chief Financial Officer
Kenai School District
Soldotna AK
POSITION STATEMENT: Spoke in opposition to SB 23.

MICHAEL ROVITO, Staff
to Senator Linda Menard
Alaska State legislature
POSITION STATEMENT: Presented SB 129.

WARREN CUMMINGS, State Vice President
Western Fire Chiefs Association
Fairbanks AK
POSITION STATEMENT: Spoke in opposition to SB 129.

JIM HILL, Fire Chief
Ketchikan Fire Department
Ketchikan AK
POSITION STATEMENT: Spoke in opposition to SB 129.

DAVID MILLER
Alaska State Fire Fighters Association
Sitka AK
POSITION STATEMENT: Spoke in opposition to SB 129.

JEFF TUCKER
Alaska and Interior Fire Chiefs Associations
POSITION STATEMENT: Spoke in opposition to SB 129.

JEFF WILCHEK
Chinook Fire Inc
Anchorage AK
POSITION STATEMENT: Spoke in opposition to SB 129.

MIKE CHMIELEWSKI, Council Member
City of Palmer
Palmer AK
POSITION STATEMENT: Spoke in opposition to SB 129.

PAT THOMPSON
Anchorage AK
POSITION STATEMENT: Spoke in opposition to SB 129.

DAVID TYLER, State Fire Marshal
Anchorage AK
POSITION STATEMENT: Spoke in opposition to SB 129.

DAVID R. OWENS, Owner
Owens Inspector Service
Palmer AK
POSITION STATEMENT: Spoke in support of SB 129.

NICK BAKIC, Service Manager
ACCEL Fire Systems
Anchorage AK
POSITION STATEMENT: Spoke in opposition to SB 129.

BOB WEINSTEIN, Mayor
Ketchikan AK
POSITION STATEMENT: Spoke in opposition to SB 129.

PAUL MICHELSON, Director
Alaska State Homebuilders Board
Anchorage AK
POSITION STATEMENT: Spoke in support of SB 129.

ANNIE CARPENETI, Attorney
Criminal Division
Department of Law
Juneau AK
POSITION STATEMENT: Answered questions regarding SB 129.

ERIN HARRINGTON, Staff
to Representative Alan Austerman
Alaska State Legislature
POSITION STATEMENT: Presented HJR 19.

DOROTHY MOORE, City Council Member
Valdez AK

POSITION STATEMENT: Spoke in support of HJR 19.

TOM KUCKERTZ, Project Manager
Prince William Sound Regional Citizen's Advisory Council
Valdez AK

POSITION STATEMENT: Spoke in support of HJR 19.

JOHN VALSCO, Homer Representative
Prince William Sound Regional Citizen's Advisory Council
Homer AK

POSITION STATEMENT: Spoke in support of HJR 19.

JERRY MCCUNE
United Fisherman of Alaska
Juneau AK

POSITION STATEMENT: Spoke in support of HJR 19.

GINGER BLAISDELL, Director
Administrative Services
Department of Revenue (DOR)
Juneau AK

POSITION STATEMENT: Presented SB 126.

ACTION NARRATIVE

[9:05:10 AM](#)

CHAIR LINDA MENARD called the Senate State Affairs Standing Committee meeting to order at 9:05 a.m. Senators Kookesh, Meyer, French, and Menard were present at the call to order. Senator Paskvan arrived shortly thereafter.

SB 23-REPEAL DEFINED CONTRIB RETIREMENT PLANS

CHAIR MENARD announced the consideration of SB 23.

[9:08:04 AM](#)

BETH ALMEIDA, Executive Director, National Institute of Retirement Security (NIRS), Washington D.C., said NIRS is a nonprofit, nonpartisan organization. Its mission is to foster a deep understanding of the importance of retirement security to retirees and the economy as a whole using research, education, and outreach. She will summarize recent research found in their report entitled "Pensionomics." The intent was to measure the economic footprint of state and local pension plans. Defined

benefit (DB) plans can act as an automatic stabilizer for the economy by providing predictable benefits.

[9:10:35 AM](#)

MS. ALMEIDA said NIRS used data from 2006 and found that expenditures made out of state and local retirement benefits supported about 2.5 million jobs nationally and paid \$92 billion in income. The total economic impact was about \$358 billion nationwide and about \$57 billion in state, local, and federal tax revenues. Alaska retirement benefits supported 6,270 jobs that paid \$385 million in income to other Alaskans, not including the value of the pension payments themselves. The total statewide impact was about \$1 billion, with about \$155 million in tax revenues within Alaska. For every \$1.00 paid out in benefits, \$1.25 in total economic activity was supported in the state. Every dollar contributed by taxpayers supported about \$6.35 in economic activity in Alaska. That really speaks to the fact that taxpayer contributions are only one source, and employee contributions and investment earnings on contributions make up the remainder.

[9:12:17 AM](#)

SENATOR FRENCH asked about slide 9 and what she means by taxpayer -- the people who contribute to their own pension?

MS. ALMEIDA said, no. Taxpayer contributions are the employer contributions. State employees are also taxpayers, but the study calls them employee contributions.

[9:13:25 AM](#)

MS. ALMEIDA said the baseline data from the U.S. Census Bureau show that 35,000 Alaskans received pension benefits from state and local plans in 2006. The total received by retired Alaskans was about \$819 million, and the average pension was a little under \$2,000 per month. Over the 13 years of available data, employee contributions comprised about 12.5 percent of total system revenue. Employer contributions comprised just under 18 percent. The remainder, 70 percent, was made up of investment earnings. The economic impact refers to the multiplier effect. One person's spending is another person's income. That gives the other person more spending power. The initial event is the spending of pension payments by retirees and it has a much bigger impact by the multiplier effect. NIRS used publicly available data and software called IMPLAN -- input-output modeling software originally developed for the U.S. Forest Service. It allows the measurement of the relationship among various sectors in the economy as a matrix.

MS. ALMEIDA repeated that the total economic impact of pension payments in Alaska is about \$1 billion. There was about \$155 million in tax revenue impact as shown on slide 15. NIRS looked at the impacts sector by sector and found a deep impact in virtually every industry in the state. The industries with the most impacts were health care, retail trade, and accommodation and food service.

[9:18:01 AM](#)

MS. ALMEIDA said slide 18 provides a detailed breakdown by industry of the total economic impact of each dollar paid out in pension benefits. NIRS calculated the ultimate ripple effect of each dollar, and it translates to about \$1.25 in total economic activity. NIRS calculated the return on contributions made by public employers to state and local pension plans. Because there are employee contributions and investment earnings, this multiplier is large. It is \$6.25.

MS. ALMEIDA concluded that pension plans have a large economic footprint in the U.S. and each state. The ripple effect is significant. Pension plans are important to those who receive them, but it may not be well recognized that other folks in the communities benefit when retirees can make regular expenditures to pharmacies, hardware stores, and doctors. Defined benefit plans are automatic stabilizers because retirees continue to spend on basic needs, providing important economic stimulus during these tough times.

[9:21:04 AM](#)

MS. ALMEIDA spoke next about a NIRS report called "A Better Bang for the Buck; the Economic Efficiencies of Defined Benefit Pensions." This study evaluated claims that defined contribution (DC) plans save money compared to DB plans. NIRS compared the costs of delivering a given amount of retirement income. In many states and in the private sector, employers are examining this. NIRS did a fair apples-to-apples comparison. The study modeled the population of 1,000 female teachers who worked for 30 years with a final salary of \$50,000. NIRS defined a target retirement lifetime benefit of about \$2,200 per month at the age of 62 adjusted for inflation. The study looked at what it would cost to fund this benefit through a DB plan and a DC plan.

[9:23:58 AM](#)

MS. ALMEIDA found that the DB approach saved a lot of money compared to the DC approach. The DB plan does a much better job of pooling longevity risks. Actuaries are good at predicting

life spans of a large population. The DB plan can efficiently manage those risks. Individuals have to over-save because each person doesn't know how long he or she will live, so the DC plan must save money to insure they won't outlive their savings. A DB plan only needs to set aside enough money for the average life expectancy of a large group. That saves a lot of money. Another reason why DB plans save money is that it can maintain better portfolio diversity over time. As people age, their investments need to be more conservative to insure against the downside risk of a market decline. The DB plan always has a mixture of people of different ages, so unlike individuals, the group does not age, so the portfolio can generate an enhanced return, which makes providing the benefits much cheaper.

[9:26:33 AM](#)

MS. ALMEIDA said the third reason that a DB plan saves money is that the investment returns are better because it has professional asset management and lower fees. Not surprisingly, the managers do a better job. There are consistently higher returns, which makes a big difference in the cost of delivering retirement benefits. The cost of providing \$2,200 per month beginning at the age of 62 in the model DB plan is \$12.5 percent of payroll. That same benefit under a DC approach would cost 16 percent by taking into account that individuals would have to save as if they were to live to 100.

[9:28:43 AM](#)

MS. ALMEIDA said the DC plan increases the cost to 17 percent of payroll since the DB plan has more diversified portfolios. The final effect was the largest one. NIRS was very conservative and only assumed a one percent per year difference in investment earnings -- 8 percent for DB and 7 percent for DC. It doesn't seem like much but it compounds over time and drives the cost of the DC plan to 23 percent of payroll. The DB plan in this model population was 46 percent less than the DC plan to deliver a given benefit. There is "something missing" in the assumption that a DC approach reduces retirement plan costs. Such claims are based on evaluations that aren't apples-to-apples. The assets needed on the eve of retirement is \$350,000 for the DB plan, and \$550,000 for the DC plan. "This is real money."

[9:31:31 AM](#)

MS. ALMEIDA summed up her conclusions. A DB approach is more efficient and provides a better bang for the buck. These efficiencies drive significant cost savings for taxpayers and employers. Decision makers should continue to carefully evaluate claims that DC plans will save money.

[9:32:48 AM](#)

JILL SHOWMAN, President, Mat-Su Education Association, said she represents about 1,200 educators, and the administration, teachers, and community are all quite concerned with recruiting and retaining qualified educators. In the past three years finding new teachers and retaining teachers has been a problem. This is primarily due to the DC plan and lack of social security. The district has to go outside the state to find teachers. Each time the district hires a new teacher, it must provide \$100,000 of training and materials. That is a cost that the district would not be burdened with if it retained staff.

[9:35:46 AM](#)

MS. SHOWMAN said she is Tier II and has taught for over 12 years. She may have to change her profession because of the retirement. She teaches an undergraduate education class at the University of Alaska, Southeast. When high school and college students ask her about becoming teachers, "I've got to be honest with them and tell them that it's not as great of a profession as it once was, and that's primarily due to the retirement." She tells them to look outside Alaska or at other professions. That saddens her. She urged passage of SB 23.

[9:37:39 AM](#)

JIM LEPLEY, President, Anchorage Education Association, said he represents over 3,500 teachers in Anchorage. He encouraged the committee to promote this legislation.

PAT LUBY, Advocacy Director, AARP Alaska, Anchorage, said financial security is the cornerstone of the American dream - you work hard and follow the rules and you'll be able to retire without financial worries. However, one quarter of [Alaska] retirees don't participate in social security. A person doesn't outlive social security. In the past it didn't matter so much that Alaska's public employees did not participate, because they had a DB plan that would last as long as they lived. Now, they have no DB or social security. The American dream no longer exists for Alaska's newly hired public employees. It is possible to make the DC plan work "as long as you don't live too long." But most people live into their mid 80s and many into their 90s. If the DC plan is to work, people need to predict their and their spouses' life expectancy.

MR. LUBY said retirees need to know if they will be healthy up until death or if they will need long-term care. Medicare doesn't pay for nursing homes or home care. A person will need

to know if there will be inflation in health care and utility costs. Defined benefits and social security provide annual COLAs [cost of living allowances], but the DC doesn't. The price of fuel oil and gasoline may go up. "You better have a crystal ball to make a defined contribution plan work." Many companies have switched to DCs, but all who work in the private sector have social security that will last as long as they live. No matter how much is saved in a 401k or I.R.A., they will always have the defined benefits of social security. Alaska's public employees used to have the same financial security before SB 141 [of 2005], and no matter how long they lived or what bad luck was dealt them, they would not starve or end up on public assistance. AARP members rely on Alaska's public servants for police assistance, to teach their grandchildren, and to put out fires, and they don't want these honorable public servants to end up worrying about their health coverage and outliving their savings. They deserve better than that. He asked for support for SB 23. Give people the security they deserve.

[9:41:52 AM](#)

LAWRENCE WEISS, Executive Director, Alaska Center for Public Policy, Anchorage, said he is a Tier I TRS retiree. He has heard different large figures on Alaska's unfunded liability, and this way of looking at the pension plan obscures the facts and creates a panic about the actual status. A person buying a house with a 30-year mortgage would develop heart palpitations by looking at the total owed. The other way to look at it is that there will be reasonable monthly payments over 30 years. The unfunded liability on pensions is very similar. The liability is defined at a given date. It is not useful harping on it at any one point in time, especially now.

[9:44:26 AM](#)

DONALD CALLAHAN, Retiree, Fairbanks, said he is in Tier I of PERS. He is 68 and worked as a city engineer. He went to the University of Alaska and graduated as a civil engineer. At the age of 41 he became a paramedic and retired after 30 years in the city system with what he thought was a great retirement. He has lost about 30 percent of his retirement due to inflation. If he had to live on his mutual funds as if he were in a DC plan, he would run out in about 3 years and would have to sell his house and move south. Every union retiree gets a better retirement than he does. He son has become a teacher in Alaska and worked for a year for free as a student teacher. His pay is over \$40,000. He got his Masters Degree last summer. He had a difficult time finding a house he could qualify for. Retired teachers in Fairbanks do a lot of community work.

9:46:43 AM

LADAWN DRUCE, President, Kenai Peninsula Education Association, Soldotna, said she represents over 600 certified teachers and specialists in the Kenai Peninsula Borough school district. She noted NEA's fight on the national level to right the injustice of the windfall elimination provision. She wants to tell new teachers that the legislature will return to the DB program. "We need a cost analysis for all parties involved, including the retirees." But she said to not get lost in the numbers -- there are some things that are priceless. Public employees provide priceless services to Alaska communities. Young people coming out of college are educated about their retirement and are being cautioned to plan for a secure future. "Let's not wait until it's too late." She asked the committee to move SB 23.

9:48:28 AM

MELODY DOUGLAS, Chief Financial Officer, Kenai School District, Soldotna, said the district has expressed concern about PERS and TRS since 2003. "This is an ability-to-pay issue." She thanked the legislature for the funding in fiscal year 2008, and \$17.2 million was for TRS retirement. The funding is 41.4 percent for TRS. There were 596 full-time equivalent teaching staff in 2008. Salaries and benefits are 80 percent of the budget. Class sizes would have doubled in the district. None of the new hires or exiting teachers has expressed concern over the DC plan. The district hired 76 teachers in 2008, 107 in 2009, and she expects 75 in 2010. The next time the numbers are released, the unfunded liability will be about \$10 billion. The public sector can no longer fund a DB plan. The DC plan has only been in place for three years and should be evaluated later.

9:50:38 AM

CHAIR MENARD said there is a second fiscal note. It went from \$17 million to \$782 million.

SENATOR PASKVAN said the fiscal note of March 16 is \$14 million for fiscal year 2011, and the revised note was \$752,000 for 2010. He believes that for 2011 "it is an extra \$84,000, and I believe that those are just additional transition costs." Those are thousands not millions.

SENATOR MEYER said this is an important subject and it seems like the committee is moving rapidly, but many have heard this in a previous committee, and numerous changes were made to meet his concerns. He moved to report CSSB 23(L&C) from committee

with individual recommendations and attached fiscal note(s). There being no objection, CSSB 23(L&C) moved out of committee.

[9:53:10 AM](#)

The committee took a brief at ease.

SB 129-RESIDENTIAL SPRINKLER SYSTEMS

[9:56:21 AM](#)

CHAIR MENARD announced the consideration of SB 129.

MICHAEL ROVITO, Staff to Senator Menard, Alaska State Legislature, said SB 129 is in response to a national movement to mandate fire sprinkler systems in single or double-family residences. These systems will cost from \$3.00 to \$5.00 per square foot if they are built into a new home. It is excessive and will put a financial burden on a homebuyer. Changes in residential construction, like emergency escapes, circuit breakers, fire blocking, and draft stopping, have dramatically dropped the number of fatal fires in the United States. About 33 percent of Alaska residents are on private wells, and sprinklers will require larger wells and other costly changes. A sprinkler can be set off erroneously and can cause mold -- a serious health risk. Smoke alarms have a proven track record, and if they malfunction they won't douse the home with water. Homebuilders and real estate agents support the bill. "Many citizens have contacted us concerned about the added cost to a home because of any mandating of sprinkler systems."

[9:59:45 AM](#)

SENATOR KOOKESH asked if there is a looming mandate. Why are we doing this?

MR. ROVITO said this is a proactive response to a national movement. The International Residential Code (IRC) "is often adopted widely throughout the United States. The individuals involved in determining these codes have pushed the mandate." So the bill is an attempt to stop anyone mandating sprinklers.

CHAIR MENARD said those who oppose this bill do so because they want to keep the decision at the local level.

[10:01:20 AM](#)

SENATOR PASKVAN said his concern is that "a municipality may not require a fire protection system." And subsection (b) says it "applies to home rule and general law municipalities." He spoke with a building official in Fairbanks and he understands why the

legislature could tell state fire marshals they can't mandate sprinklers for Alaska's districts, but he asked why it shouldn't be left at the local level. He appreciates being proactive, but even if there were valid reasons for requiring sprinklers in the future, this would prohibit it.

MR. ROVITO said the original intent was to prevent general mandates. He understands what Senator Paskvan is saying about making decisions on a case-by-case basis.

SENATOR PASKVAN said if technology is at a point that it can be done, a municipality would be barred from saying it is reasonable to include sprinklers in a residence. "Why is the state telling us we can't make a decision at the local level?"

[10:04:06 AM](#)

CHAIR MENARD said there are firefighters that will testify. The bill doesn't prohibit anyone from installing a sprinkler system. "It's just one of those mandates that we're trying to avoid."

WARREN CUMMINGS, State Vice President, Western Fire Chiefs Association, Fairbanks, said he is submitting written testimony. Sprinklers are not as expensive as was mentioned. He put an addition on his house and the sprinkler system cost \$2,786, and he has had no accidental discharges in the 30 years he's had it.

CHAIR MENARD asked the square footage of his house.

MR. CUMMINGS said his house totals 2,800 square feet, and it all has the sprinkle system. The original system was installed in 1979 and the addition was in 1994. It was done by a contractor.

MR. CUMMINGS said he is sending a newspaper article of a family of five perishing in a trailer fire. It is a good example of what can be prevented by sprinkler systems.

JIM HILL, Fire Chief, Ketchikan Fire Department, Ketchikan, said sprinkler systems save lives. "We've been fighting this battle for years and years." He would like to keep the discretion at the local level. Rural communities and places without water systems may have issues. Working with builders and residents is good. "Don't take our local powers away from us."

[10:07:52 AM](#)

CHAIR MENARD asked if he has a sprinkler system in his home.

MR. HILL said, no, but he would love to install one.

DAVID MILLER, Alaska State Fire Fighters Association, Sitka, said the association is opposed to SB 129. That decision ought to be left at the local level. Houses are being built closer together again. As a fire starts, it is harder to keep it away from neighboring houses. The faster those fires can be attacked, the better. Sprinklers can save other structures and lives. A fire in Washington started in one structure and four others burned down. New lightweight construction materials burn quicker. When he started fighting fires 25 years ago, there was about 17 minutes to get to the fire and stop it. It is now only 4 or 5 minutes.

10:09:38 AM

JEFF TUCKER, Interior Fire Chiefs Association, said he opposes this bill. There is no national mandate to require residential sprinkler systems. The state has no power to adopt it. This bill prohibits local options from adopting this proven technology.

JEFF WILCHEK, Chinook Fire Inc, Anchorage, spoke in opposition to SB 129. The cost of a sprinkler system is comparable to carpeting a home. It gives a home immediate fire protection. It saves lives, including firefighter lives. He has a sprinkler system and has never had an accidental discharge. It gives peace of mind for him and his family.

10:11:48 AM

MIKE CHMIELEWSKI, Council Member, City of Palmer, spoke in opposition. Because of home rule status, Palmer adopts the building code with exceptions. This is the first time that a local option is being taken away. The bill said it applies to home rule. He can't speak to the merits of sprinklers, but clearly there is enough merit to warrant discussion. He doesn't have a sprinkler system in his home, but this discussion has generated thoughts of putting one in.

PAT THOMPSON, Anchorage, said this is an unnecessary step by the legislature. The codes are developed nationally and adopted locally, and there is always the option to amend, adjust, and delete whatever suits the local codes. "And I don't think that the legislature or this committee should ... get mired in this discussion, nor should it get mired in discussions with things like R-values of insulation or snow loads for roofs." Smoke alarms have been touted as great things, and they have cut fire deaths in half. They started out being expensive, and the same people who are saying that smoke alarms are great today are the same ones who were fighting them back then. In the 1970s smoke

alarms cost \$200 each, and that is \$1,000 in today's money. Eventually they became standard, and he can't imagine anyone in a house without a smoke alarm.

10:15:01 AM

DAVID TYLER, State Fire Marshal, Anchorage, said previous testimony stated that he had the authority to bring the IBC in place. That is not true; he gets his authority from statute, which specifically limits him on what code he can adopt. One concern with SB 129 is the effect on assisted living and daycare facilities that provide care between 10 p.m. and 6 a.m. He would not be allowed to require sprinkler systems for those. "That's the heart of what we try to do is protect citizens and, in this case, citizens that don't necessarily have the ability to protect themselves."

DAVID R. OWENS, Owner, Owens Inspector Service, Palmer, said he is also representing the Mat-Su Homebuilders. He has been a building inspector for 25 years, and 10 of those years were with the municipality of Anchorage. He supports SB 129. With the upgrades in building standards in the last 10 years, including smoke and CO detectors, fire separation between the house and garage, and "the [indecipherable] protection that we do build very safe one and two-family dwellings." It is unreasonable to ask the general public to install sprinklers.

NICK BAKIC, Service Manager, ACCEL Fire Systems, Anchorage, said he is opposed to the bill. Three months ago the governor's operating budget stated that Alaska has a history of tragic fire loss, and the state is experiencing an increase in civilian fatalities due to fire. Fire deaths increased from 12 in fiscal year 2004, to 20 in 2006, and to 24 in 2007. All but three occurred in residential structures. Residential fires continue to be Alaska's largest number of structure fires, accounting for 75 percent of the state's total. Of 14 deaths, 13 occurred in residential dwellings. The Division of Fire and Life Safety has no authority to enforce single family code requirements. This bill would keep them from being able to, and there will continue to be a rise in deaths. Smoke detectors are easy to disable by pulling out the battery. The sprinkler system doesn't require a battery and is always there. There was a 10-year study in Scottsdale, Arizona, and requiring sprinklers saved lives and money. It is proved beyond doubt that sprinklers save money for the municipality. The International Association of Fire Chiefs has definitions for reactive and proactive fire protection. Reactive is traditional fire protection where a problem occurs because of building codes, and there is hope that the fire

department can beat the clock and arrive soon enough to have a positive impact. Proactive fire protection is embracing new technology, like automatic sprinklers and early detection systems, combined with aggressive code enforcement and strong public education.

10:20:52 AM

BOB WEINSTEIN, Mayor, City of Ketchikan, said Ketchikan is not a bastion of over-regulation by the government. The city recently went through an extended public process for updating the fire and building codes. One of the largest issues was whether sprinklers should be required in residential buildings. After extensive dialogue with the local builders association, the city developed mutually-agreeable language so that sprinklers would be required in homes that have no access to fire fighting equipment and no reasonable alternative. It is a very important issue in Ketchikan where many homes are on wooden staircases or steep terrain. "We have lost such homes to fire because of lack of access." The fires threaten neighboring homes as well. SB 129 would veto the actions of the Ketchikan city council and have an adverse impact on the safety of the citizens. Please let communities make their own decisions.

10:22:46 AM

PAUL MICHELSON, Builder and Director, Alaska State Homebuilders Board, Anchorage, said he is a member of the ICC and the NAHB code board. "Fire sprinklers do go to sleep." What is to prevent a homeowner from shutting it off like shutting off a toilet? Deaths have been reduced nationally by over 70 percent in the past 20 years due to the better quality of homes being built in America. The fire in Washington that was mentioned above would not have been helped by a sprinkler system "because a sprinkler supposedly protects the inside of the residence not the outside." If a house burns from the outside, a sprinkler is not going to do a thing for it. There are a lot of older homes in Alaska. "If the statistics were brought forth accurately, you will see that the fire deaths occurring in Alaska are in houses that are older than 20 or 25 years old. They don't even have proper water systems, no less the ability to put a sprinkler system in." The sprinkler system code is targeted at new construction and not at trailers. Trailers can't have sprinklers because there isn't enough insulation in the walls to keep the water from freezing. Smoke alarms and education save lives. "If the fire coalition put some of their efforts into education of the public; telling them about smoke detectors; telling them about exit routes; telling them about safety of fires, I think it would be a much more reasonable request than to request

sprinkler systems." Today's testifiers said that sprinklers are not law now, and that is correct. The law was passed last September to be put into the main body of the 2009 IRC. From 2000 to 2006 it was in the appendix. The appendix is just a guideline. Now the fire coalition was successful in getting it into the body of the code. Once the state adopts the IRC - there is talk in the legislature now about adopting a state code - and the state fire marshal adopts the code, then the local jurisdictions will not have the authority to amend it out. A local jurisdiction can amend or adjust the code to be more stringent, not less. He is in favor of the bill. "We don't want to take the risk of having to come down here in a year from now and then talk about throwing the entire code out, which is happening in various states." This same bill has passed in North Dakota and is awaiting a signature from the governor.

[10:27:04 AM](#)

SENATOR MEYER said he agrees that most homes in Anchorage that catch fire are old homes and mobile homes. Smoke detectors give false alarms. Can the same thing happen with the sprinklers?

MR. MICHELSON said the heat has to melt the metal to release the spring. They can be broken very easily with Frisbees, tennis racquets, and clothes hangers. "That is the fear, and by law a homeowner is not allowed to shut the water system off if a sprinkler system activates." A person of authority has to come and shut it down. It flows from six to nine gallons per minute, so mold and heavy condensation will be a problem.

[10:29:02 AM](#)

CHAIR MENARD said she built a professional building with a firewall. She asked him to describe firewalls.

MR. MICHELSON said they are called fire separation walls for commercial buildings. "That is happening on residential where someone said the houses are getting closer and closer together." The code has been reduced from five feet to three feet between properties. At three feet, eaves have to be protected by sheetrock and fire-rated plywood. In some instances fire glass is required. These are options. A person can install fire-rated sidings. The exterior can have stucco. There are many options besides fire sprinklers. Sprinklers create a false sense of security to the occupant. Assisted living and day care centers aren't regulated under this bill because they are commercial.

[10:31:00 AM](#)

SENATOR PASKVAN said the Ketchikan mayor said they dealt with the issue on a local level.

MR. MICHELSON said he flew to Ketchikan four times to testify. The local authority tried to require sprinkler systems for all residential houses. "The building official has told the people, well you got your way last year, but it's in the code now, so we'll have it again." That is the wrong attitude because it was a good discussion. Ketchikan has steep wooden steps and walkways. It was agreed that those areas would have sprinklers because of access problems. But a block and a half away it wasn't necessary. A subdivision in Anchorage has been mentioned. A block below it and the one above it do not require a sprinkler system; just one block does because that is the agreement that the developer made with the municipality to get the subdivision. "They could've put hydrants in; they could have put assist pumps; they could put better quality construction; so there's pros and cons that this does not take away from the municipality. The option is always there."

[10:33:26 AM](#)

SENATOR PASKVAN asked if Mr. Michelsohn believes that a local jurisdiction should have a say in adopting any building code.

MR. MICHELSON said he is in favor of any municipality adopting the code and being able to amend it as it sees fit. But if the state adopts the IRC in its entirety, then no jurisdiction in the state will be able to amend out fire sprinklers.

CHAIR MENARD asked if he sees this as a proactive bill.

MR. MICHELSON said he sees the bill as preventative maintenance. "I foresee some other issues coming down the road."

SENATOR KOOKESH asked if "we would be preempted from doing anything" if the state adopts that code. In order to adopt something, a decision would be made. "It doesn't just get forced on us; we'd have the same discussion."

[10:35:08 AM](#)

MR. MICHELSON said the codes that are currently adopted in the state are the IBC, UPC, UMC, IFC, NEC, and the IECC.

SENATOR KOOKESH said he is not talking about those; he is talking about the one--

MR. MICHELSON interrupted and said the IRC. "I don't know your process. We're trying to figure that out right now. What is the process to get a code adopted statewide?"

SENATOR KOOKESH said if the legislature had to adopt a code statewide, "we, the legislature, would have that determination in front of us." Nobody else would, so the legislature would have an option--

MR. MICHELSON interjected, "I don't know if that's a true statement, sir."

SENATOR KOOKESH asked who makes a decision that would override the state legislature.

MR. MICHELSON said he asked someone in the Department of Labor because the codes are split with it and the state fire marshal. He doesn't know if it goes in front of the legislature or not.

SENATOR KOOKESH said, "OK, then for you to come here and say that it's going to be adopted is a misnomer because you don't even know that."

MR. MICHELSON said, "I said we're trying to prevent this in the event that it gets adopted, because a lot of the areas are going to try to get this code adopted. It's in right now, being proposed."

[10:36:31 AM](#)

ANNIE CARPENETI, Attorney, Criminal Division, Department of Law, said she works with the fire marshal to adopt these codes. The process begins with the fire marshal sending her the codes that are adopted by reference, "and you have to go through the codes because they except from the adoption by reference various sections of the code that the fire marshal does not want to adopt by reference." She believes that the fire marshal would not be able to adopt any provision that deals with one and two-resident buildings, because that is not part of the statutory authority given to the fire marshal. "They are not allowed to regulate residences under four units." These are adopted by regulation, which first go through the regulatory process of public notice, hearings, and comments. She goes through the codes, section by section. She showed a book of the regulations adopted by the fire code and it has the IBC with exceptions. The exceptions go on for pages and pages. The legislature has the authority to change them.

10:39:09 AM

SENATOR KOOKESH said he saw a lot of letters of support. There was a lot of testimony in opposition, so he asked if Chair Menard got any letters in opposition.

CHAIR MENARD said, "We did not."

MR. ROVITO said he was contacted by the AML [Alaska Municipal League], "and just had a brief conversation, and that was the end of that. None of these people had ever contacted me."

SENATOR KOOKESH said he never expected that much opposition because it wasn't in the record.

SENATOR PASKVAN asked for clarification. If the state fire marshal cannot regulate a building under four units, is there any need for this?

CHAIR MENARD said that is a good question.

SENATOR PASKVAN asked why the local jurisdictions shouldn't fight the battles based upon their own issues. Since the fire marshal cannot regulate these buildings, he wondered if this is even necessary.

10:41:17 AM

SENATOR KOOKESH said he likes local options, and he hasn't yet seen a problem here that needs to be corrected.

CHAIR MENARD said the next committee of referral is the Senate Labor and Commerce committee.

SENATOR MEYER asked the chair if she wanted to move the bill and do the clean-up work in the next committee. He moved SB 129 with attached fiscal notes from committee with individual recommendations.

SENATOR KOOKESH objected. This bill has problems and he hopes to see it worked on in the Labor and Commerce committee. He is concerned about local options, the definitions, and whether this is really needed. This is not a lurking problem. He said he has always been opposed to legislation that just adds to the bureaucracy. He removed his objection and SB 129 moved out of committee.

10:43:21 AM

The committee took a brief at-ease.

HJR 19-OIL TANKER ESCORT VESSELS/OIL SPILL ANNIV

10:45:30 AM

CHAIR MENARD announced the consideration of HJR 19.

ERIN HARRINGTON, Staff, to Representative Alan Austerman, Alaska State Legislature, sponsor, said today is the anniversary of the Exxon Valdez oil spill. There are many people around the state who are keenly interested in HJR 19, which recognizes the spill and supports the continued practice of accompanying each laden oil tanker in Prince William Sound with a two-vessel escort. The Exxon Valdez ran aground on Bligh Reef 20 years ago today and spilled nearly 11 million gallons of crude oil. It oiled 1,300 miles of coastline, reaching as far away as Chignik which is 700 miles away. The death toll included 250,000 sea birds, 2,800 sea otters, 300 harbor seals, 250 bald eagles, up to 22 killer whales, billions of salmon and herring eggs, and many intertidal plants and animals. Many species are still recovering today. In 1990 Congress passed the Oil Spill Prevention Act (OPA-90). It addresses preventing, responding to, and paying for oil pollution. One outcome was that laden tankers with a single hull had to be escorted by two vessels.

10:48:38 AM

MS. HARRINGTON said that is not a panacea, and the Coast Guard studied what would have happened if the Exxon Valdez had been double-hulled. It concluded that there would have still been at least a 4-million-gallon spill, which would have been catastrophic as well. Alaska also passed legislation following the spill, so shippers now must have oil spill prevention and contingency plans -- an exhaustive process for preventing and responding to an oil spill. These plans are not set in statute, but the current plan requires a two-vessel escort for all laden tankers in Prince William Sound, single or double hulled. The plans are reviewed every five years, and they can be amended by the Department of Environmental Conservation but are not outlined in law. She provided a photo of a two-tug escort. One tug is tethered to the ship. Without it the tanker can take up to two miles to stop in an emergency.

10:51:16 AM

SENATOR KOOKESH asked if OPA-90 will be amended to eliminate the escorts.

MS. HARRINGTON said OPA-90 only requires single-hulled tankers to have escorts. The last of the single-hulled tankers will be

gone from Prince William Sound by 2012 or earlier. So there will no longer be any federal requirement for the two-tug escorts. She noted editorials in Alaska papers, and there is interest in pursuing legislation that would require the escort regardless of the hulls.

SENATOR KOOKESH asked if this resolution will just send a message to Congress to continue the two-tug escorts.

MS. HARRINGTON said yes.

[10:53:22 AM](#)

DOROTHY MOORE, Council Member, City of Valdez, said she is a former history teacher and a life-long resident of Valdez. She is on the city council and is its representative to the Prince William Sound Regional Citizen's Advisory Council. She urged passage of HJR 19. "We have 20 years of experience that worked. I don't think we need to fix something that isn't broken. We need to learn from the past to protect Prince William Sound for all of Alaska."

TOM KUCKERTZ, Project Manager, Prince William Sound Regional Citizen's Advisory Council, Valdez, said there are 18 member entities on the council. Its mission is to promote environmentally safe transportation of oil from the Alyeska terminal. The system in place has done very well over the past 20 years. "We think that two tugs are very important," and on behalf of the council, he urged passage of HJR 19.

CHAIR MENARD asked if anyone is opposing the bill.

MR. KUCKERTZ said he knows of no opposition, but the Coast Guard would like to do a risk assessment. His group believes that that is not needed because risk assessments tend to be biased toward those who are paying for them, "but it can be worse than that." The risk is determined by multiplying the probability of something happening by the consequences -- a very small number by a large number. The small number is the one big accident out of the 15,000 tanker trips. So the probability of an accident is determined to be 1 in 15,000. "The folks that want to do a risk assessment will tell you that we don't want to use that number because it is too large - we want to use one in a million. Well, we know it's not one in a million."

[10:57:16 AM](#)

SENATOR KOOKESH said a lot of money has been spent since the spill to build double-hulled tankers. What was that purpose of

that if we will continue to use two tugs? Who pays for the tugs? "I'm all for safety but I'm really thinking that we've maybe crossed that threshold a little bit of a ways back by saying everybody's required now to build double-hulled tankers. I'm sure that's a huge expense to somebody."

MR. KUCKERTZ said both tugs are paid by industry. There has always been a single-tug escort. There can be a long discussion regarding the merits and deficiencies of double hulls. The double hulls lessen the release of oil with a low-energy grounding, such as the side-swiping of a bridge by the Cosco Busan [in San Francisco Bay in 2007], and chances are that it would not have leaked if it were double hulled. In a high energy grounding, such as the Exxon Valdez, double hulls could reduce the leak by 60 to 40 percent. "But we haven't really done the experiment." Half of the bottom ripped out of the Exxon Valdez, and a double hull might not have done that much better. Double hulls ride higher in the water, so the oil is under gravitational force to leak more.

[10:59:39 AM](#)

SENATOR PASKVAN surmised that this is just a resolution because of a federal preemption under the commerce clause.

MR. KUCKERTZ said he is an engineer not a lawyer, but he thinks that is the case. He hopes the resolution will help make sure Alaska's resources are protected.

JOHN VALSCO, Homer Representative, Prince William Sound Regional Citizen's Advisory Council, said HJR 19 is not against the oil industry. He has seen how oil tax dollars have built Homer's infrastructures. He worked on the construction of the pipeline, and now he and his son both fish commercially. The oil industry has to share Alaska waters with other users. HJR 19 is a first step in codifying using two tugs in Prince William Sound.

[11:02:13 AM](#)

JERRY MCCUNE, United Fisherman of Alaska, said he is also the president of Cordova District Fishermen United. The groups support this resolution. Prevention is the key. Two escorts make everybody happy and give them the peace of mind that the tanker can be moved or towed.

SENATOR KOOKESH asked the additional cost of the tug and what the industry's position is.

MR. MCCUNE said he can't speak for the oil industry, but the resolution says they are neutral.

[11:03:39 AM](#)

SENATOR PASKVAN moved to report HJR 19 from committee with individual recommendations and attached fiscal note(s). There being no objection, HJR 19 moved out of committee.

The committee took a brief at-ease.

SB 126-REEMPLOYMENT OF RETIREES; EXEMPT SERVICE

[11:06:09 AM](#)

CHAIR MENARD announced the consideration of SB 126.

GINGER BLAISDELL, Director, Administrative Services, Department of Revenue (DOR), said SB 126 has three parts: two positions in DOR; 23 positions in the Department of Natural Resources (DNR); and an extension of a sunset for the retiree/rehire program. The positions for DOR include the state comptroller and the chief economist. The economist is in a classified position in the supervisory bargaining unit, and after multiple recruitments the position has been unfilled for a year and a half. The bill will exempt the position so the state can increase the pay. The state comptroller has turned over four times in four years because the employee has left for a higher paying job. The bill will move it into exempt status instead of partially exempt "so that we could use a different pay scale." The positions in DNR are professional level, which are out-marketed. Market-based pay in the private sector is significantly higher than what the state can offer. "So we're looking at taking them from temporary-project service into full-time exempt status for a long-term project." The retiree/rehire program has had two different terms. This one will sunset on June 30, so on July 1 the few employees that are retirees would have to make a choice of retaining their positions and stop receiving their retirement benefits, or they would have to retire, making those positions vacant.

[11:09:24 AM](#)

CHAIR MENARD said the first retiree/rehire program started in 2001 and was continued in 2005. What was the original intent?

MS. BLAISDELL said it was to fill positions that were difficult to fill.

CHAIR MENARD asked if retirees, prior to 2001, were prohibited from returning to state work in any capacity.

MS. BLAISDELL said once state workers retire, they receive retirement benefits. If they return to work with the same plan, they forfeit retirement pay and receive regular position pay.

[11:10:24 AM](#)

CHAIR MENARD surmised that there would be 23 employees affected.

MS. BLAISDELL said those are at DNR and are not rehired retirees. The 23 employees in that program are listed in a report that the committee has. There are 77 TRS active retirees and 47 PERS active retirees employed by state and local governments.

CHAIR MENARD asked how this affects young employees who want to climb up the ladder.

MS. BLAISDELL said there have been questions on upward mobility, but the retiree/rehire program is only allowed if there are fewer than five candidates for any given position. It is not a shoe-in for the retiree to get that job. There are only 36 positions using the program, and the state has 15,000 to 17,000 employees.

CHAIR MENARD said she has always had a problem with retirees taking the slots of new hires who have potential. It shuts out opportunities.

SENATOR PASKVAN asked if there are 124 in TRS and PERS, and the bill is to expand it with 23 positions in DNR.

MS. BLAISDELL said no. There are two separate actions in SB 126. The DNR and DOR positions are just being changed to exempt service to use a different pay scale. The retiree/rehire program is separate.

[11:14:14 AM](#)

SENATOR PASKVAN asked the average age of retirement for the 124 people.

MS. BLAISDELL said she doesn't know.

CHAIR MENARD asked about making it two separate bills.

MS. BLAISDELL said the bill has two topics, but both are personnel related. She is not sure why the governor chose to put them in one bill.

[11:14:58 AM](#)

SENATOR FRENCH asked if this is "must-have legislation."

MS. BLAISDELL said if the portion that allows the positions to become exempt were deleted, the DNR positions would remain in temporary status, and the DOR positions would likely remain vacant or become vacant. Those positions are critical to the needs of the state. The retiree/rehire program will sunset on July 1 if the bill doesn't pass. So, 124 people will need to make the choice of staying in their positions without drawing retirement benefits or leaving.

SENATOR FRENCH asked if those 124 would stop getting retirement if they stayed in their jobs.

MS. BLAISDELL said that is correct; they would just be receiving their regular pay.

[11:16:22 AM](#)

SENATOR FRENCH asked if it is a must-have bill for the governor.

MS. BLAISDELL said she doesn't know.

SENATOR FRENCH said he has many questions and would like to address it later.

CHAIR MENARD agreed. In the interest of time, the committee will take it up on Thursday.

SB 126 was held over.

[11:17:23 AM](#)

CHAIR MENARD adjourned the Senate State Affairs committee meeting at 11:17 a.m.