

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

April 5, 2013

3:20 p.m.

**MEMBERS PRESENT**

Representative Lora Reinbold, Vice Chair  
Representative Mike Chenault  
Representative Bob Herron  
Representative Charisse Millett  
Representative Dan Saddler  
Representative Andy Josephson

**MEMBERS ABSENT**

Representative Kurt Olson, Chair

**COMMITTEE CALENDAR**

CONFIRMATION HEARING(S):

Regulatory Commission of Alaska

Norman Rokeberg - Anchorage

Board of Marine Pilots

Hans Antonsen - Ketchikan

Alaska Workers' Compensation Board

Ronald Nalikak - Anchorage

Board of Pharmacy

Taryl Giessel - Eagle River

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 32

"An Act providing for the issuance of one business license for multiple lines of business; and providing for reissuance of a business license to correct a mistake on the license."

- MOVED CSHB 32(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 150

"An Act extending the unemployment contributions for the Alaska technical and vocational education program."

- MOVED CSHB 150(L&C) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 52(L&C)

"An Act providing that portable electronics insurance is not a service contract; providing that a portable electronics manufacturer's warranty or extended warranty is not regulated as insurance; relating to portable electronics insurance; authorizing the director of insurance to issue a limited producer license to a portable electronics vendor for the sale of portable electronics insurance; and relating to authorization and training of employees and representatives of a vendor to transact portable electronics insurance; and providing for an effective date."

- MOVED HCS CSSB 52(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 121

"An Act relating to the examinations, board, loans, records, and lobbying contracts of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

- MOVED HB 121 OUT OF COMMITTEE

HOUSE BILL NO. 152

"An Act requiring certain employers who terminate participation in the defined benefit retirement plan or the defined contribution retirement plan of the Public Employees' Retirement System to make contributions related to past service liability and pay termination costs; repealing a requirement that employers who terminate participation in the defined contribution retirement plan or the defined benefit retirement plan of the Public Employees' Retirement System pay for a termination cost study; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 169

"An Act relating to the authority of the Regulatory Commission of Alaska to regulate the production and distribution of telephone directories."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 32

SHORT TITLE: LINES OF BUSINESS ON BUSINESS LICENSE

SPONSOR(s): REPRESENTATIVE(s) COSTELLO, HUGHES

01/16/13 (H) PREFILE RELEASED 1/7/13  
01/16/13 (H) READ THE FIRST TIME - REFERRALS  
01/16/13 (H) L&C, FIN  
02/18/13 (H) L&C AT 3:15 PM BARNES 124  
02/18/13 (H) Heard & Held  
02/18/13 (H) MINUTE(L&C)  
03/20/13 (H) L&C AT 3:45 PM BARNES 124  
03/20/13 (H) Scheduled But Not Heard  
04/03/13 (H) L&C AT 3:15 PM CAPITOL 106  
04/03/13 (H) -- MEETING CANCELED --  
04/05/13 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 150

SHORT TITLE: TECHNICAL/VOCATIONAL EDUCATION PROGRAM

SPONSOR(s): REPRESENTATIVE(s) NEUMAN

03/01/13 (H) READ THE FIRST TIME - REFERRALS  
03/01/13 (H) L&C, FIN  
04/03/13 (H) L&C AT 3:15 PM CAPITOL 106  
04/03/13 (H) -- MEETING CANCELED --  
04/05/13 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 52

SHORT TITLE: PORTABLE ELECTRONICS INSURANCE

SPONSOR(s): SENATOR(s) COGHILL

02/13/13 (S) READ THE FIRST TIME - REFERRALS  
02/13/13 (S) L&C  
02/26/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
02/26/13 (S) Heard & Held  
02/26/13 (S) MINUTE(L&C)  
03/21/13 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
03/21/13 (S) Moved CSSB 52(L&C) Out of Committee  
03/21/13 (S) MINUTE(L&C)  
03/25/13 (S) L&C RPT CS 1DP 4NR NEW TITLE  
03/25/13 (S) DP: DUNLEAVY  
03/25/13 (S) NR: OLSON, MICCICHE, STEDMAN, ELLIS  
04/02/13 (S) TRANSMITTED TO (H)  
04/02/13 (S) VERSION: CSSB 52(L&C)  
04/03/13 (H) READ THE FIRST TIME - REFERRALS  
04/03/13 (H) L&C

04/05/13 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 121

SHORT TITLE: COMMERCIAL FISHING & AGRICULTURE BANK

SPONSOR(s): REPRESENTATIVE(s) FEIGE

02/15/13 (H) READ THE FIRST TIME - REFERRALS

02/15/13 (H) L&C, FIN

04/05/13 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 152

SHORT TITLE: PERS TERMINATION COSTS

SPONSOR(s): REPRESENTATIVE(s) THOMPSON

03/04/13 (H) READ THE FIRST TIME - REFERRALS

03/04/13 (H) L&C, FIN

04/05/13 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

NORMAN ROKEBERG, Appointee  
Regulatory Commission of Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** As appointee to the Regulatory Commission of Alaska, testified during the confirmation hearing.

KONRAD JACKSON, Staff  
Representative Kurt Olson  
Chair, House Labor & Commerce Committee  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During the confirmation hearing, testified on behalf of the House Labor & Commerce Committee, chaired by Representative Kurt Olson, for which he is staff.

MARY SCHLOSSER, Staff  
Representative Mia Costello  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Costello, joint prime sponsor of HB 32, answered questions and outlined the changes in the proposed committee substitute (CS), Version Y.

DON HABEGGER, Director  
Division of Corporations, Business & Professional Licensing  
(DCBPL)  
Department of Commerce, Community & Economic Development (DCCED)

Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of HB 32.

REPRESENTATIVE SHELLY HUGHES

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions as one of the joint prime sponsors of HB 32.

CATHY TILTON, Staff

Representative Mark Neuman

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of the sponsor of HB 150, Representative Mark Neuman.

REPRESENTATIVE MARK NEUMAN

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions as sponsor of HB 150.

KONRAD JACKSON, Staff

Representative Kurt Olson

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** On behalf of the House Labor & Commerce Committee, which Representative Kurt Olson chairs, explained the changes in the proposed committee substitute (CS) for HB 150, Version N.

JUDY WALGENBACH, Program Director

Amundsen Education Center/New Frontier Vo-Tech Center

Soldotna, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 150.

CHRIS REITAN, Superintendent

Galena School District (GSD)

Galena, Alaska

**POSITION STATEMENT:** Testified in support of HB 150.

FRED VILLA, Associate Vice-President

Workforce Programs

University of Alaska Fairbanks (UAF)

Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 150.

RYNNIEVA MOSS, Staff  
Senator John Coghill  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Senator Coghill,  
prime sponsor of SB 52.

KARI NORE, Intern  
Senator John Coghill  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Senator Coghill,  
prime sponsor of SB 52.

STEPHEN MCDANIEL  
Asurion Wireless Insurance  
Tallahassee, Florida

**POSITION STATEMENT:** Testified during the discussion of SB 52.

MICHAEL PASCHALL, Staff  
Representative Eric Feige  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Representative Eric  
Feige, sponsor of HB 121.

LELA KLINGERT, President  
Alaska Commercial Fishing and Agriculture Bank (CFAB)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 121.

JANE W. PIERSON, Staff  
Representative Steve Thompson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Representative Steve  
Thompson, sponsor of HB 152.

LUCINDA MAHONEY, Chief Fiscal Officer (CFO)  
Municipality of Anchorage (MOA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 152.

LUKE HOPKINS, Mayor  
Fairbanks North Star Borough (FNSB)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 152.

SALLIE STUVEK, Director  
Human Resources  
Fairbanks North Star Borough (FNSB)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 152.

KATHIE WASSERMAN, Executive Director  
Alaska Municipal League (AML)  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 152.

**ACTION NARRATIVE**

[3:20:31 PM](#)

**VICE CHAIR LORA REINBOLD** called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Josephson, Saddler, Herron, and Reinbold were present at the call to order. Representatives Chenault and Millett arrived as the meeting was in progress.

**CONFIRMATION HEARING(S):**  
**Regulatory Commission of Alaska**  
**Board of Marine Pilots**  
**Board of Pharmacy**  
**Alaska Workers' Compensation Board**

[3:21:13 PM](#)

**VICE CHAIR REINBOLD** announced that the first order of business would be confirmation hearings for the Regulatory Commission of Alaska, Board of Marine Pilots, Board of Pharmacy, and the Alaska Workers' Compensation Board.

[3:22:04 PM](#)

**NORMAN ROKEBERG**, Appointee, Regulatory Commission of Alaska (RCA), stated that his primary goal as a member of the RCA will be to make an immediate and lasting contribution to the RCA by bringing his experience working in the private sector as a small businessman in Alaska for 40 years, as a state legislator for 12 years, and his reputation and conduct as a lifelong Alaskan. The RCA impacts each Alaskan every day of their lives with oversight of its infrastructure, he said.

[3:23:26 PM](#)

REPRESENTATIVE JOSEPHSON recalled a bill before the legislature that would create a small diameter gasline from the North Slope to Nikiski that would change some of the oversight for the RCA. He asked whether Mr. Rokeberg has a position on this.

MR. ROKEBERG answered that this project is a major issue before the state. He currently is and will continue to be a member of the RCA, [if confirmed] and as such is not at liberty to speak to any issues that will come before the RCA. In fact, the RCA has been monitoring the pending legislation, HB 4, and while he can't speak for the commission, he offered his belief that the RCA has a role in the oversight of all pipelines under its current statutory regime, which will continue with the pending bill. He said the nature of a contract carrier would represent a new concept in Alaska; however the Federal Energy Regulatory Commission (FERC) oversees contracts in the Lower 48.

[3:25:00 PM](#)

REPRESENTATIVE JOSEPHSON recalled as a former legislator, Mr. Rokeberg twice sponsored legislation to create an electric consumer's bill of rights. He asked if those bills passed.

MR. ROKEBERG answered no; however, he did introduce a consumer's bill of rights for health insurance that passed, but not one for utility customers.

[3:25:48 PM](#)

REPRESENTATIVE JOSEPHSON, recalling that as a legislator Mr. Rokeberg was focused on utility regulation legislation, asked Mr. Rokeberg to discuss his philosophy of regulation.

MR. ROKEBERG replied that the purpose of regulation is to align private and in Alaska's case, the service providers' behavior with the public interest. The public interest is a composite of the economic efficiency, political accountability, and public expectations of fairness and problem solving. In essence, he said that is basically his understanding of regulatory oversight. Recently, part of his daily routine has been to become educated on RCA matters since the position of commissioner is very demanding and complex.

[3:27:00 PM](#)

REPRESENTATIVE SADDLER inquired as to what special skills Mr. Rokeberg will bring to the job, which gaps he will fill, or places that he will provide complementary skills.

MR. ROKEBERG answered the current RCA is comprised of a group of people possessing strong leadership. He characterized the commissioners as people with sharp minds and an excellent legal background. He offered his belief that he will bring long-term experience in the private sector due to his business background. He noted that he had a successful career in real estate brokerage and development and also served 12 years in the legislature where he focused in the House Labor & Commerce Standing Committee on many utility issues. He said he also chaired working groups on the Railbelt Energy Grid Authority hearings through the Alaska Power Authority (APA) as well as on the Integrated Regional Plan after he left the legislature. Thus, he has kept abreast of issues and been part of the solution. He acknowledged the legislature is currently seeking to resolve major challenges.

[3:28:44 PM](#)

VICE CHAIR REINBOLD asked about the composition of the RCA.

MR. ROKEBERG answered that three lawyers and members of the Alaska Bar Association serve on the RCA. He said that although he and Commissioner Pickett are the non-lawyers on the RCA, they both have private and public experience and a broad spectrum of experience. He also did not mind - if the Vice Chair so chose to do so - being called the honorific "Representative" since he is very proud of his service in the legislature.

[3:29:48 PM](#)

REPRESENTATIVE CHENAULT commended Mr. Rokeberg for putting his name forward as he brings a diverse background beyond the lawyers. He said he will support him.

MR. ROKEBERG appreciated that his law-making experience versus being an attorney brings a different perspective to his role. He said he is pleased the governor has confidence in him and with Representative Chenault's support.

[3:31:19 PM](#)

REPRESENTATIVE CHENAULT related that the legislature will deal with the policy issues and the RCA can handle the RCA's issues.

MR. ROKEBERG answered that is a point well taken.

[3:31:35 PM](#)

VICE CHAIR REINBOLD thanked him for service to the legislature and for being willing to serve [on the RCA]. As chair of the Joint Committee on Administrative Regulation Review Committee, Vice Chair Reinbold said she looks forward to better understanding the process and expressed hope that some improvements could be made.

[3:32:17 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Chair, House Labor & Commerce Standing Committee, Alaska State Legislature, on behalf of the House Labor & Commerce Standing Committee, referred to a draft memorandum dated April 5, 2013, from the committee to the Chief Clerk listing the appointees and the board or commission to which they have been appointed. He said that all of the committee members have had an opportunity to review the resumes and have expressed no further concerns with the qualifications of any of the appointees. He read the following names of the appointee's to the specified board/commission:

**Board of Marine Pilots**

Hans Antonsen

**Alaska Workers' Compensation Board**

Ronald Nalikak

**Board of Pharmacy**

Taryl Giessel

**Regulatory Commission of Alaska**

Norman Rokeberg

MR. JACKSON reminded members that signing the reports regarding appointments to boards and commissions in no way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

VICE CHAIR REINBOLD, after first determining no one else wished to testify, closed public testimony on the confirmation hearing.

[3:34:12 PM](#)

REPRESENTATIVE CHENAULT moved to advance the confirmations for the aforementioned named appointees referred from the House Labor and Commerce Standing Committee to the joint session of the House and Senate for consideration. [He noted that each member's signature on the committee's report in no way reflects the member's vote during the joint floor session]. There being no objection, the confirmations were advanced.

The committee took an at-ease from 3:34 p.m. to 3:35 p.m.

**HB 32-LINES OF BUSINESS ON BUSINESS LICENSE**

[3:35:37 PM](#)

VICE CHAIR REINBOLD announced that the next order of business would be HOUSE BILL NO. 32 "An Act providing for the issuance of one business license for multiple lines of business; and providing for reissuance of a business license to correct a mistake on the license."

[3:35:51 PM](#)

MARY SCHLOSSER, Staff, Representative Mia Costello, Alaska State Legislature, speaking on behalf of one of the joint prime sponsors of HB 32, Representative Costello, stated that under current law a separate business license is required for each line of business or business activity. This bill would allow companies with multiple lines of business to obtain only one business license for their operations. After further consultation with the department, the sponsor agreed to changes embodied in the proposed committee substitute, including changing the lines of business to trade, service, profession, or activity throughout the bill, she said.

[3:36:53 PM](#)

REPRESENTATIVE CHENAULT moved to adopt the proposed committee substitute (CS) for HB 32, labeled 28-LS0192/Y, Martin, 3/19/13, as the working document. There being no objection, Version Y was before the committee.

[3:37:22 PM](#)

MS. SCHLOSSER, continuing her review of Version Y, pointed out that on page 1, line 13, the language, "primary and secondary

trade, service, profession, or activity" was inserted. This language, she explained, was crucial to the department to lower the fiscal note. On page 2, line 8, a new subsection was added to allow reissuance of a business license without additional fees. Additionally, on page 2, line 13, the grace period for the timeframe in which the department retains the business name in the database was shortened from the 90-day grace period previously considered to 30 days. This goal of the bill, she specified, is to make it possible to license the business rather than limit it to the line of business. She characterized this bill as a business-friendly bill as the sponsor wants to make Alaska friendly to business. She suggested this bill might help Alaska's rankings in terms of business-friendly states. She reminded members of a CNBC poll that ranked Alaska 47th out of 50 and a Forbes poll that ranked Alaska as 42nd in the nation.

VICE CHAIR REINBOLD objected for the purpose of discussion.

[3:39:29 PM](#)

DON HABEGER, Director, Division of Corporations, Business, and Professional Licensing (DCBPL), Department of Commerce, Community, & Economic Development (DCCED), said he appreciated the sponsor's willingness to work through the issues.

[3:40:13 PM](#)

REPRESENTATIVE CHENAULT referred to the fiscal note and reasons the fiscal note changed, including that the department wants to be able to capture the old business licenses. He asked for clarification on the specific change in the fiscal note.

MR. HABEGER responded that one of the big drivers is the amount of data the database can handle. The original bill would have required the department to maintain a number of lines of business. He recalled the maximum number is about 11 lines of business with subcategories under it. He suggested the recording and tracking was rather burdensome and the department anticipated increased costs to maintain the database. However, once the requirement to track was limited to the primary and secondary business, which is subsequently printed on the license, it reduced the effort necessary to maintain the database and the department could accommodate the needs of the statute.

[3:41:46 PM](#)

REPRESENTATIVE JOSEPHSON said he supports this bill. He asked whether the cost would be under \$10,000.

MR. HABEGER answered yes. While the proposed CS will still require some changes to the database, the division already has the primary and secondary methodology in place to track the information. These changes are not as cumbersome as tracking multiple lines of business, which he has been advised include up to 19 lines of business. He concluded that using the tracking currently in place will reduce the cost to implement the bill.

[3:42:40 PM](#)

REPRESENTATIVE SHELLY HUGHES, Alaska State Legislature, as a prime joint sponsor of HB 32, offered her support for HB 32. She said that it is important to streamline the process such that one business name and one business license makes sense, in particular for the small business owner who has limited margins. Hence, if the state can help by allowing them to put their money into expanding their businesses rather than paying license fees, then this is a good thing.

[3:43:53 PM](#)

VICE CHAIR REINBOLD, after first determining no one else wished to testify, closed public testimony on HB 32.

VICE CHAIR REINBOLD removed her objection.

[3:44:10 PM](#)

REPRESENTATIVE CHENAULT moved to report the proposed committee substitute (CS) for HB 32, labeled 28-LS0192\Y, Martin, 3/19/13, out of committee with individual recommendations and the accompanying fiscal note and letter of intent. There being no objection, CSHB 32(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 3:44 p.m. to 3:46 p.m.

**HB 150-TECHNICAL/VOCATIONAL EDUCATION PROGRAM**

[3:46:35 PM](#)

VICE CHAIR REINBOLD announced that the next order of business would be HOUSE BILL NO. 150 "An Act extending the unemployment

contributions for the Alaska technical and vocational education program."

[3:46:42 PM](#)

CATHY TILTON, Staff, Representative Mark Neuman, Alaska State Legislature, speaking on behalf of the sponsor, Representative Neuman, explained that HB 150 relates to the Alaska Technical and Vocational Education Program (TVEP), which was created in 2000 under AS 23.15.840 and sunsets on June 30, 2014. This bill will extend the sunset date. The TVEP was created to provide financial assistance and support facilities throughout the state for technical and educational programs for industry-specific training. In 2008, a bill passed that updated the TVEP by creating a vocational education account comprised of funds collected from unemployment insurance contributions at a rate of .15 percent. These funds are then allocated according to the statute, which is illustrated in a flow chart in members' packets entitled, "State of Alaska Tax Flow Chart". In 2008, the unemployment rate in Alaska was 50 percent above the national average. Figures recently released by the state Department of Labor & Workforce Development (DLWD), relate that the unemployment rate in Alaska for December 2012 was at 6.6 percent, while the national average was at 8.1 percent. In fact, Alaska has maintained a lower than national average rate for 46 months, which is a good indicator that the technical and vocational training programs work. From 2006-2011, 63 percent of youth who graduated from Alaska's high schools attended some college. In part, the TVEP program works since it allows youth to train in their local communities and also live and work where they were raised. In 2012, DLWD tracked nearly 18,000 training program students as they moved into the work force. The department discovered that 67 percent of the students who completed the program had salaries and employment in the fourth quarter. Additionally, these participants earned 29 percent more during that time [as compared to those not in the program].

[3:49:16 PM](#)

MS. TILTON pointed out Alaska's workforce is an aging workforce. As the baby boomers retire a lack of skilled workers and tradesmen exist to meet the growing demand for replacements. In 2008, 9.9 percent of construction workers and 11.8 percent of mining and logging workers were between the ages of 55-65. As this group retires the state will need skilled tradesmen to fill their spots. The Anchorage Daily News (ADN) on March 21, 2013, reported that the U.S. is not producing enough qualified workers

to meet the needs of the mining and energy sectors, which is another reason to continue with these vocational education training programs.

REPRESENTATIVE MARK NEUMAN, Alaska State Legislature, speaking as the sponsor of HB 150, stated that this is a great program with federal funds for vocational education programs. He asked members for their support.

[3:50:45 PM](#)

REPRESENTATIVE SADDLER moved to adopt the proposed committee substitute (CS) for HB 150, labeled 28-LS0599\N, Mischel, 4/4/13, as the working document.

VICE CHAIR REINBOLD objected for the purpose of discussion.

[3:51:11 PM](#)

REPRESENTATIVE SADDLER asked the sponsor to identify the most effective vocational education training program.

REPRESENTATIVE NEUMAN replied it would depend on the university or job skills a student would like to pursue. He related that this program funds a multitude of vocational education programs, such as nursing, mining, heavy equipment, construction, electricity, and almost every trade.

[3:51:50 PM](#)

VICE CHAIR REINBOLD referred to the fiscal note and asked for clarification.

REPRESENTATIVE NEUMAN directed attention to the explanation attached to the \$5.4 million fiscal note. He then explained the fiscal note is an estimate since the state is unsure of the amount of the program's funding.

VICE CHAIR REINBOLD asked whether the fiscal note represents growth or if the program has been steady.

REPRESENTATIVE NEUMAN answered that the program has been fairly steady. Unfortunately, as less people are working, less money goes into this program. He explained the program increased from approximately .10-.15 percent six years ago once the core of the fund had grown to a point where additional funds could be distributed for vocational education without affecting the core.

[3:53:35 PM](#)

REPRESENTATIVE CHENAULT commented that he supports workforce development and vocational education training. He wondered if some of the funds should be spent in K-12 or if additional funding should be applied to the K-12 sector. He expressed an interest in having high school students consider vocational education as an option rather than waiting until students are of college age. He said he likes the bill, but he thinks the state needs to do more in the education system at an earlier time to promote vocational education.

VICE CHAIR REINBOLD stated she previously lived in a country that promoted vocational education and it was fascinating to see kids choose a college path or vocational path in 9th grade.

[3:54:46 PM](#)

REPRESENTATIVE CHENAULT asked for an explanation of the changes in the proposed committee substitute (CS) for HB 150, Version N.

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of the House Labor & Commerce Standing Committee, Representative Kurt Olson, Chair, explained the changes in Version N. Referring to page 1 line 6, he pointed out that the immediate effective date would change from 2014 to 2024 to help prevent any lapse in funding for the funding.

REPRESENTATIVE NEUMAN interjected that he wanted to address HB 150 this year to avoid any lapse in funding.

VICE CHAIR REINBOLD removed her objection. [No further objection was stated and the committee treated Version N as before it.]

[3:56:12 PM](#)

JUDY WALGENBACH, Program Director, Amundsen Education Center/New Frontier Vo-Tech Center, began by thanking the members for the TVEP funding, which allowed expansion of the programs. For instance, now there is a professional medical coding program on the peninsula, which is a national certification. The average salary students receive ranges from \$13-\$15 per hour with benefits. She then pointed out that the Alaska Commission on Post-Secondary Education just approved an Internet Technology network technician program which will allow the center to

attract more students from the village. The center also provides support to assist students as they transition in from the villages to the program; the center hopes to obtain more residential housing for students. She indicated the center has been assisting students seeking new careers. A new facility was donated to Amundsen Education Center this fall and TVEP enabled the center to have adequate teaching staff as it expands its program. She reported the TVEP grant has been a great benefit to the organization and the center appreciated being awarded a grant to cover operating expenses.

VICE CHAIR REINBOLD remarked that she understood that the number of medical codes will increase from 10,000 to over 100,000 under the [new proposed] federal law.

[3:58:17 PM](#)

CHRIS REITAN, Superintendent, Galena School District (GSD), spoke in support of HB 150. He explained that the GSD uses the TVEP funding to build a bridge program, primarily for rural Alaska Native students, for long-term post-secondary training opportunities. The GSD has a high school boarding school where students are engaged in one of the career and technical education programs. Further, students can transition into a post-secondary program. For example, the TVEP funds support the GSD's aviation program and students can transition and obtain their private pilot's license and instrumentation certification in Galena, and then move on to more advanced training at the university level. Additionally, students can work toward cosmetology certification, primarily at the high school level to obtain hours and then transition into Galena's fifth year post-secondary program. These TVEP funds have been hugely important to Galena, in terms of building programs that high school students can use to begin working towards certification. Upon graduation students can move into post-secondary certification programs, which are relatively short-term programs [due to the vocational technical training they receive in Galena]. He said GSD is in full support of HB 150. He offered his belief that this funding has created a great model in Galena to offer post-secondary education and training to high school students, which allows them to move on to final certification upon graduation.

REPRESENTATIVE SADDLER remarked that he was part of a trip that the Community and Regional Affairs Standing Committee took last year to Galena. He said he was very impressed by the auto shop and aviation technology program. He offered his support for the bill, in part, to assist Galena in its continued efforts.

4:01:07 PM

FRED VILLA, Associate Vice-President, Workforce Programs, University of Alaska Fairbanks (UAF), stated that UAF has over 200 workforce development programs in three areas, including pre-college programs to connect youth with career pathways; the certificate degree and occupational endorsement; as well as professional development of students across the state with priority areas for economic and community development, career pathways, and high demand jobs. He related that the UAF program uses the TVEP money as one-time funds to keep technology current, startup funds for programs that meet the immediate needs of employers in the regions and across the state through grants or other resources until sustainable sources of funding are found. The office implements the program using a comparative process with the university campuses that aligns with the state priorities as identified by the Workforce Investment Board and use the TVEP's rules and guidelines to develop proposals. Then the proposals are vetted through the provost and the chief academic officers of each university to ensure the program meets the campus priorities. The UAF's review committee includes representatives from each university and the Department of Labor & Workforce Development (DLWD). He characterized this effort as one that uses the state perspective to help prevent duplication of programs.

4:03:38 PM

MR. VILLA offered his belief that all of the educational training programs are associated with industry standards and criteria or certificates. For example, in the pre-college area, the robotics program has gone statewide and is almost viral at this point. The robotics program helps introduce kids to the fun and creativity of robotics, but may also generate interest in more students becoming engineers. The dual credit tech-prep program and the professional development journeyman apprenticeship program allows credit for prior learning for associate degrees by using experience students obtained during the journeyman training. He pointed out that high demand areas are programs in health, mining, and a mining core drilling program - which is an apprenticeship program. The new mine training offered in Juneau and in the oil and gas sectors are process technology provided in partnership with the Pipeline Training Center. He offered his belief that this funding has been critical funding and wisely used by the university. He thanked members for their time.

VICE CHAIR REINBOLD remarked that the robotics programs have just started at the high school in her district. She said she also loves the science, technology, engineering, and math (STEM) program, as well. She said after listening to the testimony on workforce development, she believes the philosophy and training is aligned with the needs of Alaskans.

VICE CHAIR REINBOLD, after first determining no one else wished to testify, closed public testimony on HB 150.

[4:05:54 PM](#)

REPRESENTATIVE SADDLER moved the proposed committee substitute (CS) for HB 150, labeled 28-LS0599\N, Mischel, 4/14/13, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 150(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took a brief at-ease.

#### **SB 52-PORTABLE ELECTRONICS INSURANCE**

[4:08:27 PM](#)

VICE CHAIR REINBOLD announced that the next order of business would be the CS FOR SENATE BILL NO. 52(L&C) "An Act providing that portable electronics insurance is not a service contract; providing that a portable electronics manufacturer's warranty or extended warranty is not regulated as insurance; relating to portable electronics insurance; authorizing the director of insurance to issue a limited producer license to a portable electronics vendor for the sale of portable electronics insurance; and relating to authorization and training of employees and representatives of a vendor to transact portable electronics insurance; and providing for an effective date."

[4:08:40 PM](#)

RYNNIEVA MOSS, Staff, Senator John Coghill, Alaska State Legislature, informed the committee that Senator Coghill's staff, Kari Nore, is a student from Gonzaga University serving as an intern through the University of Alaska Southeast (UAS). Ms. Nore drafted and researched the bill, prepared documents, and has been presenting the bill to committees.

KARI NORE, Intern, Senator John Coghill, Alaska State Legislature, introduced herself.

[4:09:29 PM](#)

REPRESENTATIVE CHENAULT moved to adopt the proposed House committee substitute (CS) for SB 52, labeled 28-LS0461\O, Bailey, 4/5/13 as the working document.

VICE CHAIR REINBOLD objected for purpose of discussion.

[4:09:49 PM](#)

MS. NORE stated that this bill would establish portable electronic insurance under AS 21. This bill would attempt to bring structure to the electronics insurance market and protect consumers by adding portable electronic insurance not included under a service contract, but regulated through the Division of Insurance. Section 2 would add a new subsection, AS 21.03.021(g), to clarify that Title 21 does not apply to a portable electronics manufacturer's warranty or extended warranty. Section 3 would add a citation to reflect the addition of the portable electronic insurance that is outlined in Section 4. Section 4 would add a new paragraph (8) [to AS 21.27.150(a)] to allow the state's director, Division of Insurance (DOI), to issue a portable electronics limited producer license to a vendor that sells or offers portable electronics insurance. The license would cover the vendor and employees for all locations in the state where the vendor sells the products. The employees do not have to be licensed so long as they are not solely compensated based on the sale of insurance. The vendor would have a training program and will maintain a registry, she said.

[4:11:09 PM](#)

MS. NORE related that Section 5 would define portable electronics insurance, list the materials that must be presented to the consumer in writing, define the procedure for modification of the terms of the insurance, define the procedures to terminate the insurance, and list the types of devices that will be covered under portable electronics insurance. Section 6 would provide an effective date of January 1, 2014, to allow the DOI time to complete installation of a new software program for data entry. This will prevent the bill from having a fiscal impact, she said.

[4:12:18 PM](#)

REPRESENTATIVE SADDLER, referring to Section 3, asked for clarification as to whether the employees who are not solely compensated have to be licensed.

MS. NORE referred to page 5, line 29, which read:

(i) the employees or authorized representatives are not compensated based primarily on the number of customers enrolled for coverage; however, an employee or authorized representative may receive compensation for activities under the license that is incidental to the employee's or authorized representative's overall compensation;

MS. NORE explained that the employees will receive salaries, and the vendor can offer a bonus if they choose to do so. Thus, this bill does not mandate it.

[4:13:32 PM](#)

REPRESENTATIVE SADDLER asked if an employees are commissioned, the salaries are not compensated based primarily on the number of customers enrolled for coverage. He asked whether this is solely for salaried employees or if it would also apply to commission sales.

MS. NORE related her understanding that this bill would apply to salaried employees.

REPRESENTATIVE SADDLER remarked it would be easier to manage.

[4:13:53 PM](#)

MS. NORE explained that on page 2, line 2, of CSSB 52(L&C) portable electronics was included as tangible personal property; however, through discussions, the sponsor decided this was unnecessary since portable electronics were already considered as personal property. Therefore, Version 0 does not include the language "including portable electronics" on page 2, lines 2 and 8.

[4:14:57 PM](#)

MS. NORE pointed out that originally the language on page 10, line 10, of CSSB 52(L&C) read: "a service contract governed by

AS 21.03.021(e);" which was found to be confusing. Thus, the language was reworded in Version 0 to read: "(i) A service contract described in AS 21.03.021 (e);" in order to clarify it.

VICE CHAIR REINBOLD removed her objection. [No further objection was stated and the committee treated Version 0 as before it.]

[4:15:46 PM](#)

STEPHEN MCDANIEL, Asurion Wireless Insurance Services [Asurion], said he is available to answer questions. He stated that Asurion is a provider of this portable electronics insurance and works with wireless carriers to provide this protection program to customers. He stated he is here in support of the bill.

[4:16:34 PM](#)

REPRESENTATIVE SADDLER asked whether he could describe the most common losses.

MR. MCDANIEL answered he was unsure, but probably damage to the device from dropping it, which is from his personal experience. He said the program would cover physical damage, loss, and theft of the devices.

VICE CHAIR REINBOLD, after first determining no one else wished to testify, closed public testimony on SB 52.

[4:17:45 PM](#)

REPRESENTATIVE CHENAULT moved to report the proposed House committee substitute (CS) for CSSB 52(L&C), labeled 28-LS0461\O, Bailey, 4/5/13, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 52(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 4:18 p.m. to 4:21 p.m.

**HB 121-COMMERCIAL FISHING & AGRICULTURE BANK**

[4:21:03 PM](#)

VICE CHAIR REINBOLD announced that the next order of business would be HOUSE BILL NO. 121, "An Act relating to the examinations, board, loans, records, and lobbying contracts of

the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

4:21:08 PM

MICHAEL PASCHALL, Staff, Representative Eric Feige, Alaska State Legislature, speaking on behalf of the sponsor of HB 121, Representative Feige, stated that HB 121 pertains to the Commercial Fishing and Agriculture Bank (CFAB), which he characterized as a great success. The program was started 21 years ago with an initial investment of \$32 million from the state, with the provision that the state would be reimbursed for the money put into the bank. The statutes initially created by the enabling legislation made the CFAB independent of all the other banking rules. Thus a specific set of statutes regulates one bank, which is a private bank, operating as a cooperative; however, the CFAB does not fall under existing banking laws. The CFAB's board desires to change the operation slightly so it can better serve its members and customers, he related.

4:22:34 PM

REPRESENTATIVE MILLETT said she has a potential conflict since one of her family members is a fisherman.

REPRESENTATIVE SADDLER objected.

4:22:56 PM

MR. PASCHALL offered to provide a sectional analysis of the bill. Section 1 would adjust the lending power of the bank by eliminating the borrowing limits on certain types of loans. It also would remove the residency requirement for certain types of capital loans if the facility is located within the state as well as expand the types of loans that may be given to nonmembers. Section 1 would also make loans available for certain tourism operations and for operations dedicated to the development or exploitation of natural resources. Section 2 would add commercial agriculture to the current provision thereby allowing loans to nonmembers for commercial fisheries in certain areas. Section 3 would change the dollar limitation on loans to nonmembers from \$25,000 to \$50,000. Section 4 would increase the debt to capital ratio from 8 percent to 25 percent. Section 5 is conforming language pertaining to bank examinations added in Section 7, and it also would correct a typographical error in statute. Section 6 would allow the bank to make available a list of those eligible to serve on the board of

directors of the loan to those members eligible to vote. Section 7 would provide that the Department of Commerce, Community, and Economic Development (DCCED) shall audit the bank at least once every 36 months, which is a standard practice in the industry. Section 8 would repeal AS 44.81.020(f), which sets director compensation, and AS 44.99.030(a)(2), which prohibits lobbying by the bank. Section 9 would delay the audit established in Section 7 until one year after the effective date. Finally, Section 10 would establish an immediate effective date.

[4:25:01 PM](#)

REPRESENTATIVE JOSEPHSON, referring to pages 3 and 4, he asked whether the CFAB has \$35 million in assets.

MR. PASCHALL deferred to the bank to answer. He said there was an initial investment by the state, which was \$32 million and was repaid to the state by the bank through its earnings through the repurchase of stock in the bank.

[4:26:21 PM](#)

REPRESENTATIVE JOSEPHSON asked how stiff the competition for available funds is today, without HB 121.

LELA KLINGERT, President/CEO, Alaska Commercial Fishing and Agriculture Bank (CFAB), answered that she was unsure whether he was referring to competition in the industry for loans.

REPRESENTATIVE JOSEPHSON asked whether the CFAB issues a finite amount of loans.

MS. KLINGERT related that the \$35 million previously mentioned equals the total loan volume or the amount of loans that are outstanding. She explained that CFAB borrows from CoBank, which is a national cooperative bank headquartered in Denver. For every loan CFAB makes, CoBank will advance funds. For example, for every \$100 in loans that CFAB issues, CoBank would advance \$80, and the remainder would come from CFAB's capital.

[4:28:03 PM](#)

REPRESENTATIVE JOSEPHSON asked how much capital CFAB has that is not outstanding.

MS. KLINGERT answered approximately \$20 million.

[4:28:15 PM](#)

REPRESENTATIVE JOSEPHSON asked how much competition exists for the \$20 million in CFAB loans and whether sufficient applicants for the loans are simply not available.

MS. KLINGERT answered that the entire amount of the \$35 million has been lent, which represents CFAB's \$20 million plus the \$15 million from CoBank. She explained that through that process, CFAB could lend another \$70 million using CFAB's capital as leverage. She was unsure of the specific competition in question and whether he was referring to competition with other banks.

REPRESENTATIVE JOSEPHSON offered that he is curious why CFAB would extend loans to corporations and individuals who are not Alaskans. If there is not much interest in loans in Alaska, that would answer his question, he said.

MS. KLINGERT replied that the demand is not in extending loans to nonresidents. First, that portion of CFAB loans is limited. In fact, loans would not be opened to all nonresidents for any reason since loans would be limited only to those with a facility located in Alaska, such as a fishing lodge or if a party wanted to acquire the lodge structure. She explained that CFAB's typical borrower may be one that is not attractive to commercial banks, and thus CFAB would create alternative financing.

[4:30:28 PM](#)

REPRESENTATIVE CHENAULT answered that CFAB loans may not be as attractive as ones from regular commercial lenders. He asked whether CFAB lends at a higher rate than a normal lender or if CFAB has options on setting interest rates on loans.

MS. KLINGERT answered that the interest rates other banks charge varies. She offered her belief that from a competitive standpoint, if CFAB contemplated a loan that a commercial bank wanted to make, the commercial bank would likely be in a better position to offer a lower rate than CFAB.

REPRESENTATIVE CHENAULT surmised that is CFAB's opportunity to take into consideration the applicant's credit worthiness and ability to repay the loan.

MS. KLINGERT stated her agreement.

[4:31:49 PM](#)

REPRESENTATIVE JOSEPHSON asked whether CFAB has made loans to smaller businesses, fishing enterprises such as Trident Seafoods, large mining companies, or larger corporations.

MS. KLINGERT answered that CFAB is typically not a place that a large operation such as Trident Seafoods or a large mine would seek financing, but in theory CFAB could issue that type of loan. However, CFAB's size limits its dealings with larger companies, which would tend to concentrate the risk in one type of loan and not be wise.

VICE CHAIR REINBOLD, after first determining no one else wished to testify, closed public testimony on HB 121.

[4:33:16 PM](#)

REPRESENTATIVE CHENAULT moved to report HB 121 out of committee with individual recommendations and the accompanying fiscal note. There being no objection, HB 121 was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 4:33 p.m. to 4:36 p.m.

#### **HB 152-PERS TERMINATION COSTS**

[4:36:18 PM](#)

VICE CHAIR REINBOLD announced that the final order of business would be HOUSE BILL NO. 152, "An Act requiring certain employers who terminate participation in the defined benefit retirement plan or the defined contribution retirement plan of the Public Employees' Retirement System to make contributions related to past service liability and pay termination costs; repealing a requirement that employers who terminate participation in the defined contribution retirement plan or the defined benefit retirement plan of the Public Employees' Retirement System pay for a termination cost study; and providing for an effective date."

[4:36:33 PM](#)

JANE PIERSON, Staff, Representative Steve Thompson, Alaska State Legislature, speaking on behalf of the sponsor of HB 152,

Representative Thompson, said the state's termination studies, laws, and regulations make it difficult and more expensive for municipal employers to deliver their programs and services by requiring an employer that terminates participation of a department group or other classification of employee to pay a series of actuarially-determined costs. The municipalities are working toward modernizing and standardizing job classifications and although that may result in fewer job classifications, it may not necessarily result in fewer employees. Current law unnecessarily requires termination studies and costs for such actions. The municipalities really need the operational flexibility to effectively manage and deliver programs and services while continuing to contribute toward paying off their debts associated with the Public Employees' Retirement System (PERS). Paying off the unfunded PERS liability is predicated upon a stable and reasonably growing system-wide salary base. System-wide salaries for defined contributions and defined benefits have increased by \$325 million or 18.6 percent over the base salary floor, which was established in 2008 by Senate Bill 125 in the 25th legislature. As a result, contributions for the unfunded liability have increased at a rate greater than the actuarially assumed annual growth rate of 4 percent. This bill would maintain the PERS contribution floor while employers must pay whichever is greater, 22 percent of their current combined defined benefit and defined contribution salary base or an amount based on their total payroll for the period ending June 30, 2008.

[4:39:28 PM](#)

MS. PIERSON said HB 152 would replace the requirement for termination studies with formula driven partial termination cost, as follows: 20 percent flexibility for employers whose total payroll is greater than \$5,000,000, which is 93 percent of employers in FY 12; 50 percent flexibility for employers whose total payroll is between \$1-\$5 million, which was 6 percent of employers in FY 12; and the study would not be applicable for employers whose total payroll is less than \$1,000,000, which was 1 percent of employers in FY 12. Using the data that is readily available, the amount by which an employer's terminated salaries are calculated to exceed the 20-50 percent threshold would be applied to the current past service contribution rate, which is currently 24.19 percent, and would then be paid annually until the unfunded PERS liability is paid off.

[4:40:24 PM](#)

MS. PIERSON provided a brief sectional analysis of the bill. Section 1 would retain the minimum requirement for employers to make contributions based on 22 percent of the greater of their current salary base or the salary base as of 6/30/2008 regardless of termination participation from the defined benefit plan. Section 2 would place the requirement for termination costs studies performed by the actuary with termination costs determined via formula as follows: partial termination thresholds, based on 20 percent for employers whose total payroll is greater than \$5,000,000 and 50 percent for employers whose total payroll is greater than \$1-5 million; [termination costs] are not applicable for employers whose total payroll is under \$1 million. Section 2 would establish a rolling-tier period for which costs from partial terminations would be determined, it use readily available data, and establishes the formula for determining termination costs. Thus any terminated salary beyond the threshold of 20-50 percent would be applied to the current past service contribution rate and be paid annually until the past service liability is paid in full. The formula is simple and does not require any consultant fee. She explained it would be an amount by which an employer's salary base exceeds its salary base from two years prior by 20-50 percent, depending on the current salary base level multiplied by the past service contribution rate multiplied by the total years to pay down the total unfunded liability. For example, \$100,000 multiplied by 24 would equal \$24,000 annually multiplied by 30 years would equal \$720,000, she said.

[4:42:18 PM](#)

MS. PIERSON related that Sections 3, 4, and 5 correlate to Section 2, but pertain to the defined contribution plan. Section 6 would repeal language requiring a termination study for an employer that requests termination from the plan altogether, but such an employer would still be subject to the base floor. This would also annul the regulation that covers the calculation of termination cost studies. Sections 8 and 9 would add applicability retroactively to allow employers to discontinue any payments after the effective date of the act in which an employer would not have had to pay if a new formula were in place after June 30, 2008. The last section, Section 10, would add the effective date.

[4:43:07 PM](#)

REPRESENTATIVE JOSEPHSON asked for clarification on the amount of the fiscal note.

MS. PIERSON answered that the fiscal impact is \$6,772,000 for FY 14 and continues to FY 19 in the amount of \$7,462,000. She acknowledged this bill has quite a hefty fiscal note.

[4:44:20 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the fiscal note is indefinite until the terminated employees are deceased.

MS. PIERSON answered that it would be indefinite until PERS and the Teachers Retirement System (TRS) of \$11 billion in unfunded liability is paid off.

[4:44:53 PM](#)

REPRESENTATIVE JOSEPHSON asked whether this would add to the \$11 billion.

MS. PIERSON clarified that it would not add to the \$11 billion but rather would be a shift away from municipalities to the state.

REPRESENTATIVE JOSEPHSON asked whether some municipalities have instituted plans to stay on top of these obligations while others have not.

MS. PIERSON related her understanding that every municipality is now required to adhere to same standards, but some have not been able to pay their portion of the unfunded liability.

[4:45:38 PM](#)

REPRESENTATIVE JOSEPHSON noted that he filed a bill that would increase revenue sharing to municipalities; however, he expressed concern. He recalled that in 2008 or 2010 the legislature devised a plan that was curative and supposed to solve this problem.

MS. PIERSON replied that in 2008, the state discovered the actuarial figures were not accurate. At the time a base rate was put on all municipalities and termination studies were required when an employee is terminated. However, she recalled a scenario in which the Municipality of Anchorage (MOA) transferred its weatherization department to another [municipal] agency and although no employees were actually terminated, the MOA still had to pay termination costs and studies.

[4:47:15 PM](#)

LUCINDA MAHONEY, Chief Fiscal Officer (CFO), Municipality of Anchorage (MOA), stated at the time termination studies were implemented in 2008, there was a concern that employers might contract out municipal positions to avoid the 22 percent PERS cost, thus shrinking the PERS base needed to pay off the unfunded liability. As Ms. Pierson indicated this has not happened, she said. In fact, since 2008, on a system-wide basis, the salaries have increased by \$325 million, which is at a rate which is higher than what the actuary uses in determining and calculating the unfunded liability. In essence, the fear that initiated the change in statute in 2008 has not materialized. As the CFO of the largest city in Alaska, it is important the MOA has flexibility to manage its workforce. For example, the MOA may not receive a state or federal grant, and if so, may need to lay off employees when the federal grant is not received. Additionally, the MOA may transfer employees within job classifications and a job classification may no longer be used, which would also trigger a termination study; however, the MOA has been standardizing many of its job classifications, which may not result in fewer employees, but may result in fewer classifications. Therefore, the aforementioned could trigger a termination study and cause the MOA to unnecessarily pay into the program. She asked members to consider this bill since municipalities, such as the MOA and very small cities, are being punished for creating efficiencies to modernize the workforce.

[4:51:12 PM](#)

REPRESENTATIVE JOSEPHSON questioned whether this legislation would be necessary, if the administration had not introduced Administrative Order (AO) 37 in early February.

MS. MAHONEY answered that the bill has no effect on AO 37.

REPRESENTATIVE JOSEPHSON questioned whether the MOA would still need to cover some of the prior PERS if some of the MOA municipal workforce is privatized as the MOA will not have the salary base.

MS. MAHONEY answered that if the MOA were to privatize any portion of workforce, the bill would look to the sliding scale proposed. For example, the MOA would consider the average two years' worth of salaries and if the change is greater than 20

percent, the MOA would pay for that component of the PERS termination study and would pay the liability until 2030. In brief, this bill recognizes the goal of municipalities to continue to contribute to help bring down the unfunded liability. However, the MOA has suggested a sharing of the cost depending on triggers and the size of the community.

[4:53:20 PM](#)

LUKE HOPKINS, Mayor, Fairbanks North Star Borough (FNSB), offered the FNSB's support for HB 152. He acknowledged that the unfunded liability needs to be paid off and agrees to fairly sharing these obligations. However, in considering the PERS termination aspect based on the number of employees, the salary floor is important. He pointed out that the salary has increased about 19 percent and the termination study, law, and regulations have created unintended consequences, which adversely impact municipalities with regard to managing their workforce. He offered his belief that this bill, with its sliding scale, would be a fair and equitable method to continue to pay the FNSB's portion of the debt as it has done each year. He reiterated support for HB 152.

[4:54:57 PM](#)

SALLIE STUVEK, Director, Human Resources, Fairbanks North Star Borough (FNSB), stated that HB 152 is a positive bill that addresses serious concerns with the existing statutes relating to the triggering of termination studies. Management of municipal employees is dynamic and fluctuates based on service needs. She said that flexibility is necessary, based on programs and services that are offered. For example, the FNSB might need to hire additional librarians based on public demand, but may need fewer lifeguards this year. This type of flexibility is critical for efficient delivery of services. She offered her belief that tying the need for a termination study to the base salary makes more sense than tying it to the classification, department, or division. As Ms. Mahoney testified earlier, the FNSB shares concern about the lack of flexibility. She thanked members for consideration of HB 152.

[4:56:14 PM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML), stated the AML is in support of HB 152. She emphasized the main thing is to get this topic on the table. She reminded the committee that the AML represents all 162 municipalities in

the state who feel the repercussions from this statutory structure. Accordingly, the biggest outcome is municipalities cannot manage their personnel. For example, [termination costs] affect small municipalities, such that if a municipality has four employees and the population decreases or finances are reduced and one person is placed in layoff status, it will trigger a termination study. Under AS 39.35, this means the municipality must pay termination costs over the long term until the liability is paid off. This could take up to 25 years and represents a huge expense for a small community. For this reason, the state needs to find a solution to work with the municipalities to resolve this issue. She acknowledged this may not be easy, since the unfunded liability represents an \$11 billion shortfall; however, the termination study provision adversely impacts all communities and prevents them from managing their personnel. In fact, some municipalities have decided not to lay off employees since they can't afford the outcome, which seems backwards. She remarked that it has taken her many years to get to the point of fully understanding this issue since it is complicated.

[4:58:30 PM](#)

REPRESENTATIVE JOSEPHSON understood this bill raises two issues. First, it raises the issue of the cost of termination studies and second, it raises the issue of the even greater cost of funding vested liability for those employees not on payroll.

MS. WASSERMAN answered yes. In further response, she said the obligation is not based on the individual, but on the position that no longer exists. For example, this first came to the AML's attention when a municipal fire chief position was changed to an emergency medical services director, but the person was retained by the municipality, yet the change triggered a termination study since the position was dissolved.

[HB 152 was held over.]

[5:00:21 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:00 p.m.