

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 6, 2013

3:21 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 196

"An Act relating to group insurance coverage and self-insurance coverage for school district employees; 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."

- MOVED CSHB 169(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 196

SHORT TITLE: SCHOOL DISTRICT EMPLOYEE HEALTH INSURANCE

SPONSOR(s): EDUCATION

04/02/13	(H)	READ THE FIRST TIME - REFERRALS
04/02/13	(H)	EDC, L&C
04/05/13	(H)	EDC REFERRAL REMOVED
04/05/13	(H)	FIN REFERRAL ADDED AFTER L&C
04/05/13	(H)	BILL REPRINTED 4/5/13
04/05/13	(H)	EDC AT 8:00 AM CAPITOL 106

04/05/13 (H) <Bill Hearing Canceled>
04/06/13 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 169

SHORT TITLE: RCA REGULATION OF TELEPHONE DIRECTORIES

SPONSOR(s): OLSON

03/15/13 (H) READ THE FIRST TIME - REFERRALS
03/15/13 (H) L&C
04/05/13 (H) L&C AT 3:15 PM BARNES 124
04/05/13 (H) <Bill Hearing Canceled>
04/06/13 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE LYNN GATTIS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor on HB 196.

ERICK CORDERO-GIORGANA, Staff

Representative Lynn Gattis

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 196.

DANA PARAMO, Superintendent

Matanuska-Susitna Borough School District (MSBSD)

Wasilla, Alaska

POSITION STATEMENT: Testified during the discussion of HB 196.

STEVE ATWATER, PhD, Superintendent

Kenai Peninsula Borough School District (KPBSD)

Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 196.

THERESA KEEL, Superintendent

Cordova City School District (CSD)

Cordova, Alaska

POSITION STATEMENT: Testified during the discussion of HB 196.

ROB THOMASON, Superintendent

Petersburg School District (PSD);President

Alaska Association of School Administrators (AASA)

Petersburg, Alaska

POSITION STATEMENT: Testified during the discussion of HB 196.

BECKY HULTBERG, Commissioner
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 196.

MIKE BARNHILL, Deputy Commissioner
Office of the Commissioner
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 196.

ANNA LATHAM, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, Representative Kurt Olson, presented HB 169.

LEONARD STEINBERG, Senior Vice President
Legal Regulatory & Government Affairs
Alaska Communications
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 169.

MARK MODERO
GCI
Anchorage, Alaska

POSITION STATEMENT: Testified in support of CSHB 169, Version U.

ACTION NARRATIVE

[3:21:24 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:21 p.m. Representatives Chenault, Reinbold, Millett, Josephson, Saddler, Herron, and Olson were present at the call to order.

HB 196-SCHOOL DISTRICT EMPLOYEE HEALTH INSURANCE

[3:21:53 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 196, "An Act relating to group insurance coverage and self-insurance coverage for school district employees; and providing for an effective date."

3:22:35 PM

REPRESENTATIVE LYNN GATTIS, Alaska State Legislature, asked to present a bill on behalf of the House Education Standing Committee, which she chairs. She related that the intent of HB 196 is to help Alaska's public schools with the ever increasing cost of health care and life insurance benefits for all employees; all 53 school districts provide health insurance coverage for their certified and classified employees. The number of employees covered by a single school district ranges from 6-6,300 employees. Each school district each must obtain its own insurance policy so coverage and premiums vary widely throughout the state. This bill would bring all schools into one group insurance program, managed by the state. By joining a larger insurance pool, public schools may benefit in two important ways. First, schools can save through cost savings of a volume discount from participation in a health insurance pool. Second, schools can save by joining an agency that exists explicitly to obtain the best possible health care benefits for its members at the lowest possible cost.

REPRESENTATIVE GATTIS predicted that by joining a health insurance pool operated by the state, local school districts would still retain the right to negotiate the level of employer and employee contributions for health and life insurance premiums, which would likely result in cost savings to the employees and employer. In FY 12, employer and employee health insurance premium costs, administrative costs, and [medical] claims costs for self-insured plans for the 53 school districts in Alaska totaled nearly \$282 million. Under this bill, instead of 53 different medical insurance programs, school districts would participate in one health care insurance plan that could serve 19,000 employees. Additionally, reducing the cost of medical insurance would allow districts to reallocate funds to the classrooms, where funds are so desperately needed. She asked members to move the bill to the next committee so that committee can consider the financial impacts and benefits for Alaska's school districts.

3:25:54 PM

REPRESENTATIVE HERRON asked whether the sponsor contacted the Alaska Municipal League Joint Insurance Association (AMLJIA) to inquire if this organization is interested in expanding its [insurance] pools to provide this service.

REPRESENTATIVE GATTIS replied she did not.

ERICK.CORDERO-GIORGANA, Staff, Representative Lynn Gattis, Alaska State Legislature, deferred to the Department of Administration (DOA) to answer the question on AMLJIA coverage.

[3:26:33 PM](#)

DANA PARAMO, Superintendent, Matanuska-Susitna Borough School District (MSBSD), estimated that the MSBSD currently spends about \$30 million on health insurance benefits each year from its general operating fund, which represents approximately 15 percent of its expenditures. She estimated the average cost of health care has been increasing 12 percent annually so the MSBSD could potentially experience a \$3.6 million increase in health insurance costs. This health insurance cost represents the equivalent of 36 teaching positions. However, the trend of increasing health insurance costs is not new. In fact, over the past 10 years, the MSBSD's health insurance costs have increased by 131 percent. She emphasized the necessity to lower the health insurance growth rate and health care expenditures since the current path is unsustainable.

[3:28:14 PM](#)

MS. PARAMO offered her belief that including K-12 school districts as eligible participants in the statewide benefit plan would significantly spread the covered employees over a much wider base and potentially save all employees, the school district, and the state money. Second, including additional participants in the medical insurance pool could significantly increase the negotiating power of the group with medical providers. Finally, centralizing the benefit plan's administration would eliminate significant duplication of effort and could reduce the associated administrative costs and the burden of administration on all school districts. She reported that the per employee health insurance cost in the MSBSD is \$13.41 per hour. She thanked the committee for hearing testimony on HB 196 and giving public education due consideration.

[3:29:41 PM](#)

STEVE ATWATER, PhD, Superintendent, Kenai Peninsula Borough School District (KPBSD), testified in favor of HB 196. He stated that the KPBSD's health care is self-insured and the district does all it can to contain costs. For example, the

KPBSD has a wellness plan and takes a conservative approach toward setting benefits. Still, the district has not been able to slow the rising cost of health care for its employees. In fact, in 2008, the KPBSD's employees generated close to \$12 million in medical claims. Last year, this amount exceeded \$21 million, which represents a 62-percent increase in just four years. He offered his belief that a statewide health insurance system for all school district employees would lead to health care cost savings for the KPBSD. Further, he said he's convinced that the efficiencies enjoyed by a large pool of participants must be embraced by the state. As it stands today, the KPBSD anticipates a \$2.5 million shortfall in revenue for next year, which is less than the amount needed to maintain the current level of service for students. Additionally, any cost savings the KPBSD can realize from reductions in health care insurance could be used to support classroom instruction. At the district level, the KPBSD has one full-time employee dedicated to the self-insurance plan and several other employees devote part of their day on health insurance-related tasks. Not only would a statewide system save money in claims, it would reduce overall expenditures tied to health care. He acknowledged that a statewide system represents a big step for Alaska; however, he encouraged the committee to recognize it as the right step.

[3:31:32 PM](#)

THERESA KEEL, Superintendent, Cordova City School District (CSD), stated she would like to echo the testimony of Mr. Atwater and Ms. Paramo. She said the CSD's [health insurance issues are similar to] all the other school districts in Alaska, although the CSD is a much smaller district than either the MSBSD or the KPBSD. She said that the average increase for the CSD employee's health care costs has been 11 percent each year. Based on the information from the CSD's carrier, this year the district is bracing for a 15 percent increase. Currently, 12.5 percent or \$813,000 of the CSD's \$6.5 million budget is spent on health insurance. Next year, the CSD projects this cost to increase to 18.3 percent of its \$5 million budget. Further, the CSD is experiencing declining enrollment; however, health insurance costs still continue to rise. It has been very difficult to provide adequate funding for the tools teachers need to do their job in the classroom due to health insurance costs. Any relief the state can give all school districts from insurance costs will be welcome, she said. In conclusion, from her conversations with teachers she believes the CSD teachers concur with her sentiments. The CSD wants to maintain the level

of benefits the school district currently offers, but if another provider can [reduce] the costs of medical insurance, the CSD truly would support those efforts. She thanked the committee.

[3:33:43 PM](#)

REPRESENTATIVE MILLETT referred to her letter of April 5, 2013, in members' packets from the Cordova School District and asked whether she still has concerns about a monopoly [if the school districts were under the state's plan].

MS. KEEL responded that in her experience anytime a mandate is created by the state the initial costs decrease, but over time the costs will eventually rise due to a lack of competition. For example, the CSD experienced this with the [NEA-Alaska Health Plan], which the CSD currently uses. The NEA's costs were initially low due to their large insurance pool, but over time these costs have increased [even though] the majority of school districts in Alaska now use this organization's insurance. She concluded that in her experience competition breeds lower costs.

REPRESENTATIVE MILLETT agreed. She asked whether the CSD has any employees that are part of the health insurance plan for Public Employees Local 71.

MS. KEEL answered no.

[3:35:21 PM](#)

REPRESENTATIVE JOSEPHSON pointed out that in the letter dated April 5, 2013, Ms. Keel related her opposition to HB 196; however, he understood from her testimony today that she supports the bill. He requested clarification regarding Ms. Keel's position on HB 196.

MS. KEEL explained that the letter provided information to the committee, including that the school district wants relief from health insurance costs regardless of the source of the relief.

REPRESENTATIVE JOSEPHSON inquired as to the CSD's current cost of health insurance. He offered that the state costs are approximately \$1,330 per employee and asked whether the CSD is paying less than that for its medical insurance.

MS. KEEL answered that the CSD's premium is \$1,712 per employee per month so the state's plan is less.

REPRESENTATIVE JOSEPHSON asked whether teachers have negotiated a share of the cost.

MS. KEEL answered that the teacher's share is 8 percent and the school district's contribution is 92 percent. She informed the committee that the CSD is in the process of negotiating a new contract and has requested a 50-50 split between the employees and the school district for any increases in health insurance costs.

REPRESENTATIVE JOSEPHSON asked whether any comparison has been done to compare benefits offered in the state's health insurance plan to ones offered in the current CSD's health insurance benefit plan.

MS. KEEL answered no, the comparison has been limited to the cost since the overall cost would be \$400 per month less per employee.

[3:37:25 PM](#)

ROB THOMASON, Superintendent, Petersburg School District (PSD); President, Alaska Association of School Administrators (AASA), stated that he echoes the positive comments on HB 196. He said health insurance is essential, but should not be the vehicle that drains the resources from the critical mission of school districts, which is educating kids. The PSD's experience is somewhat similar to [others portrayed today]. He related that in 2010-2011, the PSD used AETNA's plan. At the time, PSD was facing a 40 percent increase or \$250,000 in health insurance costs. The PSD switched to the [NEA-Alaska Health Plan], whose policy was equivalent, but cost \$200,000 less per year. Additionally, the PSD did not have to pay AETNA's proposed \$250,000 increase. However, the PSD is now facing a 15 percent increase with the NEA's plan, which represents an increase of approximately \$150,000 per year.

MR. THOMASON related that currently, the PSD's health insurance costs are approximately \$1,650 per employee, with the school district paying 80 percent and the employee paying 20 percent. He reported that \$1.2 million of PSD's \$8 million budget has been designated for health insurance. He said it is difficult for a school district the size of the PSD to factor in costs in the range of 10-15 percent for health insurance alone. In conclusion, he said he agrees with the Petersburg School Board - anything that can be done by an economy of scale to reduce and

control health insurance costs will allow the district to allocate scarce funds to direct support to educate school children. In conclusion, he said that insurance is critical but it doesn't have to be the Cadillac version.

[3:39:57 PM](#)

REPRESENTATIVE JOSEPHSON said he calculated the PSB's per employee cost at \$1,650 with 20 percent paid by the employee. He said the PSD's cost per employee would total \$1,330 per employee, which is the same rate the state would pay, so the district would break even [under the state's plan.]

MR. THOMASON agreed, but offered his belief that it is also important for employees and the district to have access to something better.

[3:40:47 PM](#)

REPRESENTATIVE MILLETT asked whether anyone from the Public Employees Local 71 would be testifying to clarify the three optional plans for their health care.

CHAIR OLSON answered yes; noting the Public Employees Local 71 is scheduled to testify at a later hearing.

[3:41:36 PM](#)

BECKY HULTBERG, Commissioner, Department of Administration (DOA), commented that the only accurate way to compare plan coverage is by an actuarial value of the plan. She explained that the comparison should not only consider the monetary contribution, but the actual benefits that are offered or not offered in the medical insurance plans. Again, she cautioned that without an actuarial comparison it can get very difficult to compare health insurance coverage. She reported the department spends an inordinate amount of time managing health care costs. She offered her belief this is the second most pressing economic issue in the state and emphasized the importance of grappling with health care costs. Alaska has experienced a greater increase in health insurance plan costs than many other states. Managing expenses has been one of the core functions of the department since health care costs are subject to some of the largest and fastest growing rate increases. The state currently manages several health care plans, but she offered to focus on the active and retiree's health insurance plans which cover approximately 85,000 people.

She noted that approximately 40 percent of retirees reside outside Alaska. The combined annual cost for the plan is \$600 million. Both state health care plans are self-insured with claims managed by a third-party administrator, which processes the claims, negotiates network discounts, and receives payment on a per-member per-month basis.

[3:44:57 PM](#)

COMMISSIONER HULTBERG then turned to the costs for health care plans. First, health insurance costs depend on the network of providers and the discounts offered. Second, the health insurance premiums are based on a per-member per-month cost. The number of high cost claimants also affects the overall cost of medical care as does the "per unit" cost, which is essentially medical inflation. Finally, costs are based on utilization or the frequency in which members use the services, and the types of services used. However, almost all of the costs can be impacted by the volume or the number of people in the plan. She reiterated the AlaskaCare active plan has 16,400 members, including dependents. In its current form, this bill would add an estimated 47,000 members to the existing plan. Theoretically, this increased volume could be advantageous since the pool size could be used to leverage deeper discounts and lower the third-party administrator's costs. In fact, larger pools can reduce risk so the impact of high-cost claimants is more leveled out over time. Additionally, a larger pool could also impact a per-unit cost for services and utilization. Finally, the plan design can affect use which in turn affects the overall costs. She concluded that the department's focus is to provide value for state employee members, which means the cost of services, the quality of services, and the value to the state.

[3:46:56 PM](#)

COMMISSIONER HULTBERG indicated that the state pays a large percentage of the health insurance costs for employees, but it also pays for employees as retirees. Thus, the state is not only responsible for a considerable amount of funding for the plan today, but for the experience of these plans in the future. Therefore, the state has a vested interest in the employee's health, the plan design, and in the overall cost of the healthcare plan. Currently, the state has been taking a fragmented, uncoordinated approach to managing health insurance within the school districts, including that in some school districts multiple plans may exist. For example, the Juneau

School District (JSD) offers four different plans within the school district. She questioned whether it is better to manage the plans in a fragmented way or to explore managing them in a cohesive and integrated manner. In response to a question, Commissioner Hultberg answered that the state has 6,500 active state employees, but including dependents the total [covered] is 16,400. This bill would add an additional 47,000 members to the pool. In further response, she added that the state covers approximately 60,000 retirees.

[3:48:17 PM](#)

REPRESENTATIVE MILLETT referred to the fiscal note, which would add 12 additional staff. She wondered if these additional positions will also cover the growing retiree pool.

COMMISSIONER HULTBERG answered that the state is already working to address the retirees. Currently, the state is working to address how to manage the state's active employees. In response to a question, Commissioner Hultberg answered that the state manages four health insurance plans, including one small plan with seven members. She informed the committee that the small, specific plan would be eliminated this year.

[3:50:16 PM](#)

COMMISSIONER HULTBERG, in response to Representative Josephson, identified what the state considers to control costs, including network discounts, administrative fees, high cost claimants, medical inflation, and utilization. In reference to the administrative fees, she noted that an Institute of Social and Economic Research (ISER) study identified that \$1 of every \$10 spent on health care is spent on health insurance administration, which isn't an insignificant burden in terms of costs. She highlighted that appropriate utilization means having the right care available at the right time.

[3:51:40 PM](#)

REPRESENTATIVE JOSEPHSON said he was curious about differentials in the rural school districts where services are more expensive in rural Alaska. He acknowledged that perhaps changing to a statewide plan would soften some [the higher expense for services in rural Alaska]. However, he surmised that others would have to absorb those [higher costs].

COMMISSIONER HULTBERG highlighted that currently the state covers many state employees, including some in very rural areas of the state. Therefore, the state has some level of experience with the cost of providing care in rural Alaska. Although she agreed the cost of serving employees who reside in villages is more expensive, absent claims data on those individuals [the state is serving in rural Alaska] it is difficult to make a very detailed analysis on the impact.

[3:53:06 PM](#)

REPRESENTATIVE REINBOLD asked for further clarification on the number of state employees as she thought there are more than 6,500.

COMMISSIONER HULTBERG answered that the state employs approximately 6,500 employees and including dependents totals 16,400. However, she confirmed that there are more than 6,500 state employees. Currently, the state funds four union health trusts for which the state provides a per member per month payment to the trust and the trust provide health care to the employees. As in the school district context, those are contractual arrangements through the bargaining process. Commissioner Hultberg related that the [department] has been transparent regarding wanting to have those employees in the state's pool as the department also believes it would be in the state's advantage to have the union employees in the pool. She acknowledged that would be something that would have to be addressed at the bargaining table.

[3:54:33 PM](#)

REPRESENTATIVE REINBOLD asked whether the exempt employees would receive the same coverage as the general government unit (GGU) plan.

COMMISSIONER HULTBERG clarified that she thinks Representative Reinbold is referencing a different bill before the legislature that would extend provisions bargained for in the current contract to the non-covered employees, which includes leave, pay increments, and the cost-of-living adjustment.

REPRESENTATIVE REINBOLD asked how that bill would impact the state's budget.

COMMISSIONER HULTBERG answered that the aforementioned bill will have a fiscal note. She offered to further discuss the bill with Representative Reinbold at a later time.

[3:55:34 PM](#)

REPRESENTATIVE SADDLER asked whether any other states have coordinated or consolidated health care coverage by combining educational employees with state employees, and if so, what has been the experience.

MIKE BARNHILL, Deputy Commissioner, Office of the Commissioner, Department of Administration, answered that he has not done a state-by-state analysis; however, he recalled that Indiana offered an optional program for school districts to opt into its active health care plan. In further response to a question, he answered that he did not have any additional information.

[3:56:43 PM](#)

REPRESENTATIVE HERRON asked whether the administration supports this concept and whether it makes sense to create an insurance pool.

COMMISSIONER HULTBERG answered that currently the [administration] is not taking position on HB 196, but would like to speak from a philosophical standpoint on the value of insurance pooling.

[3:57:15 PM](#)

REPRESENTATIVE SADDLER asked whether any factors in Alaska specifically work in favor or against this type of health insurance plan in Alaska.

COMMISSIONER HULTBERG mentioned three factors in Alaska as unique. First, Alaska is unique in its geography. Second, Alaska has a small population. Third, some areas of Alaska have a significant concentration of medical care. She offered her belief that addressing these specific factors can be challenging; however, she thinks [health care plans] could be better addressed through larger pools of employees, rather than negotiating [coverage] for small pools of employees.

[3:58:09 PM](#)

REPRESENTATIVE CHENAULT asked whether all state employees are required to have state health insurance.

COMMISSIONER HULTBERG answered yes.

[3:58:27 PM](#)

REPRESENTATIVE CHENAULT suggested one possible savings the state might consider. He highlighted double coverage exists, such as one person might be an employee of a school district, but his/her spouse is a state employee, and the coverage creates double coverage. He suggested that offering choices for some employees to select one good policy could result in cost savings.

REPRESENTATIVE HERRON asked whether the private sector health insurance pools should be considered as an option. He referred to the pool insurance previously mentioned through the AMLJIA, which provides various pool insurance for facilities, municipalities, and workers' compensation.

COMMISSIONER HULTBERG answered that the state offers a pool for political subdivisions, which is managed by AETNA. She recalled the private sector also has one managed by Premera. The challenge has been some people are moving between the two pools.

MR. BARNHILL remarked that the issue is one of scale. The larger scale pool has lower risk in insurance pooling. Additionally, the larger scale pool has more options to leverage the coverage into better discounts. The state has a pretty large pool, but one could argue it could be larger, he said. This year the state experienced some high-cost claimants, which increased the state's total costs by an additional \$8-9 million. These high-cost claimant's costs are spread throughout the pool; however, if it was a bigger pool the costs could be spread further and would tend to decrease the overall health care costs for everyone.

[4:01:23 PM](#)

REPRESENTATIVE MILLETT requested a breakdown between urban and rural state employees.

COMMISSIONER HULTBERG offered to provide the information.

[4:02:01 PM](#)

REPRESENTATIVE REINBOLD asked for clarification on the number of union trust employees.

COMMISSIONER HULTBERG answered the union trust employees probably number about 11,000 employees. She assumed the state has approximately 17,000 state employees and dependents. She offered to ask the Division of Personnel for the exact number of employees.

[4:03:33 PM](#)

REPRESENTATIVE SADDLER asked whether any benefits exist to making the health insurance become portable. He wondered if it would be helpful in circumstances in which an employee who is covered by one school district moves to another school district.

COMMISSIONER HULTBERG agreed it would make moving from one position to another more seamless. She pointed out that some school districts have separate plans for the administrative component, the teachers, and the support staff, yet the plans can have wide variations in terms of the cost and the coverage. She concluded that it would be helpful to have portable health insurance.

[4:04:36 PM](#)

CHAIR OLSON asked for clarification of the fiscal note.

MR. BARNHILL referred to the DOA's fiscal note for \$100 million [dated 4/5/2013]. He explained that this bill contemplates 47,000 additional people added to the health insurance pool, which would quadruple the size of the pool. He said that typically, the administration for a pool would have 3-4 months of reserves, to protect the pool against claims spiking. The department's rough estimate for 47,000 additional people would be \$100 million. He provided a brief summary of the fiscal note calculation, noting in FY 12, the total health insurance cost for all school districts was \$282 million. This bill will take effect in FY 15, with some people moving into the health insurance plan in FY 15 and the remainder in FY 16. The rough estimate of costs covering four months of reserves totals \$100 million.

[4:06:20 PM](#)

MR. BARNHILL said HB 196 contemplates the \$100 million could be drawn from the public education fund over a 10-year period to

pay costs. To begin with the state doesn't know anything about the health of the pool of 47,000 school district employees. It could be a healthier population than the state's current pool or it could be a less healthy population. However, even if the state knew the health of the proposed incoming population, the state still wouldn't be able to predict the relative health of that population in two or three years. Thus, having access to the \$100 million is of vital importance since the state doesn't want to run its current reserves dry. Further, in order to hold the public education fund harmless, there is a payback. The state would bill the school districts for the first four months of claims and the school district would have ten years to pay. Once the state receives the payback, it would be funneled back to the public education fund. He pointed out the fiscal note shows the draw on the public education fund all in the same year for ease of reference, but in reality the draw would happen over a period of years. The fiscal note reflects \$10 million in each year anticipating the state collecting the funds back over a ten-year period and subsequently depositing it to the public education fund.

[HB 196 was held over.]

[4:08:35 PM](#)

The committee took an at-ease from 4:08 p.m. to 4:09 p.m.

HB 169-RCA REGULATION OF TELEPHONE DIRECTORIES

[4:09:39 PM](#)

CHAIR OLSON announced that the final order of business would be 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."

[4:09:47 PM](#)

ANNA LATHAM, Staff, Representative Kurt Olson, Alaska State Legislature, stated HB 169 would eliminate the requirement for regulation and production of telephone directories by the Regulatory Commission of Alaska (RCA). Currently, the Alaska Administrative Code (AAC) requires the RCA oversight on the production and distribution of white page directories. She specified that this bill only applies to the white pages and not to the yellow page directories. With the widespread use of cell phones, people now create their own directories with address

books on their phones and other mobile devices and no longer rely on white page directories. According to a 2008 Gallup survey, only 11 percent of households across the U.S. rely on white page directories. These directories are increasingly incomplete since they are cyclical, distributed only once per year, and do not include mobile listings.

MS. LATHAM said according to the National Center for Health Statistics, in 2009, one of every four households did not have a land line and relied completely on cell service. She explained that many customers with land lines request their numbers be unlisted, and therefore, the phone numbers are unpublished; sometimes [the amount of unpublished numbers] reaches 40 percent. Consumers have expressed strong opinions about receiving printed directories and often return them. Many consumers express concern over environmental implications of distributing paper directories, which are immediately recycled. Finally, many places throughout the state do not offer recycling and these directories go directly to landfills. In an effort to modernize Alaska's regulatory requirements, HB 169 would allow telecommunication providers to directly meet the wants and needs of their customers.

[4:12:05 PM](#)

REPRESENTATIVE RENIBLD moved to adopt the proposed committee substitute (CS) for HB 169, labeled 28-LS0593\U, Nauman, 4/5/13, as the working document.

[CHAIR OLSON treated it as though he had objected for the purpose of discussion.]

MS. LATHAM explained that the proposed committee substitute, Version U, eliminates [subsection c] and thus deletes the definition for "competitive local exchange market". The rationale was to streamline the legislation and eliminate the possibility of phone wars.

[4:13:00 PM](#)

REPRESENTATIVE SADDLER said he uses the white pages. He asked if the RCA requires a telephone service provider to issue white pages.

MS. LATHAM answered that all telecommunications providers within the state are required to distribute and produce telephone

directories. In further response, she agreed this bill would make it optional.

REPRESENTATIVE SADDLER asked whether any white page directories will be distributed once it becomes optional.

MS. LATHAM recalled 16 states plus the District of Columbia have adopted similar legislation, but all have optional programs. Each state offers options to address the lack of a directory. She recalled Ohio has a call center and California requires every phone bill must include the phone number for customers to request a phone directory.

CHAIR OLSON removed his objection. There being no further objection, Version U was before the committee.

[4:14:29 PM](#)

LEONARD STEINBERG, Senior Vice President, Legal Regulatory & Government Affairs, Alaska Communications, stated that he would like to testify in support of HB 169, which he said will correct an ambiguity in the law. The Alaska Public Utility Act, AS 42.05, specifically describes the boundaries of RCA's authority. With respect to telecommunications, the statute precisely defines the technical characteristics of the services to be regulated. He said the RCA's jurisdiction does not extend to the production and distribution of telephone books, yet for years local exchange telephone companies have been required by the RCA to produce printed copies of white page telephone directories. This bill would provide needed clarification by removing this issue from the RCA's purview. Telephone books lack the usefulness they once had and are largely unwanted by customers. In fact, telephone directories do not include wireless numbers, or those used by Skype, Face Time or other voice-over-Internet providers. Numerous land line customers have requested their numbers be unlisted and as more customers use personal, digital, and Internet-based directories, customers have become increasingly upset about receiving unwanted telephone directories. The RCA recently granted partial and temporary relief from the mandatory regulations, allowing an opt-in for subscribers to request continued deliveries of white pages, but the results in Anchorage are very telling. Of 120,000 subscribers less than 5,000 requested continued delivery of the book from the prior cycle.

[4:17:25 PM](#)

MR. STEINBERG said while the RCA has granted limited relief, the need for subsequent rulemaking means the final outcome is uncertain and will take at least four to five years of regulatory oversight and proceedings to determine. The additional proceedings would create unnecessary work for Alaska Communications Systems (ACS) and similarly situated companies and for the RCA, particularly in light of the questionable authority to regulate telephone directories. The ACS strongly believes AS 42.05.145 never contemplated the regulation of phone books and urges the legislature to act now to make that clear and to ensure that white-page directories are not subject to further regulatory oversight. He said ACS supports the proposed committee substitute for HB 169, Version U.

MARK MODERO, General Communication Incorporated (GCI), stated that GCI supports Version U.

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 169.

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REPRESENTATIVE REINBOLD moved to report the proposed committee substitute, (CS) for HB 169, labeled 28-LS0593\U, Nauman, 4/5/13, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 169(L&C) was reported from the House Labor and Commerce Standing Committee.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:20 p.m.