

SENATE FINANCE COMMITTEE

April 16, 2014

1:39 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Benjamin Nageak; Angela Rodell, Commissioner, Department of Revenue; Rob Elkins, Deputy Director, North Slope Borough, Anchorage; David Teal, Director, Legislative Finance Division; Representative Lindsey Holmes; Representative Dan Saddler; Sara Chambers, Director, Corporations, Businesses, and Professional Licensing, Department of Commerce, Community and Economic Development; Representative Steve Thompson; Brodie Anderson, Staff, Representative Steve Thompson; Lynne Young, Executive Director, Alaska Athletic Trainers Association, Juneau; LeeAnne Carothers, President, Alaska Physical Therapy Association, Juneau; Kathy Lea, Chief Pension Officer, Division of Retirement and Benefits, Department of Administration; Vasilios Gialopsos, Staff, Representative Charisse Millet; David Scott, Staff, Senator Donnie Olson; Michael Barnhill, Deputy Commissioner, Department of Administration.

PRESENT VIA TELECONFERENCE

Matt Fonder, Director, Tax Division, Department of Revenue; Allan Johnston, Volunteer, Team Network, Anchorage; Kevin Anselm, Director, Division of Banking, Department of Commerce, Community and Economic Development, Anchorage; Lorri Unumb, Executive Director, Autism Speaks, South Carolina; Rebeka Edge, Director, Behavior Matters, Eagle River; Teri Keklak, Division of Behavioral Health, Department of Health and Social Services; Deb Etheridge, Medical Assistant, Division of Health Care Services, Department of Health and Social Services.

SUMMARY

SB 48 PERS CONTRIBUTIONS BY MUNICIPALITIES

SB 48 was HEARD and HELD in committee for further consideration.

SB 220 PERS/TRS STATE CONTRIBUTIONS

SB 220 was HEARD and HELD in committee for further consideration.

CSHB 116(L&C)

PERS CREDIT FOR MILITARY SERVICE

CSHB 116(L&C) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal note: FN1(ADM).

CSHB 160(FIN)

LICENSING OF ATHLETIC TRAINERS

CSHB 160(FIN) was HEARD and HELD in committee for further consideration.

CSHB 278(FIN)am

EDUCATION

CSHB 278(FIN)am was SCHEDULED but not HEARD.

HB 308 ALASKA SECURITIES ACT EXEMPTIONS

HB 308 was HEARD and HELD in committee for further consideration.

HB 361 LICENSING OF BEHAVIOR ANALYSTS

HB 361 was HEARD and HELD in committee for further consideration.

CSHB 379(FIN)

OIL & GAS PROPERTY TAX

CSHB 379(FIN) was HEARD and HELD in committee for further consideration.

HB 385 PERS/TRS STATE CONTRIBUTIONS

HB 385 was SCHEDULED but not HEARD.

#hb379

CS FOR HOUSE BILL NO. 379(FIN)

"An Act relating to the limitation on the value of property taxable by a municipality; and providing for an effective date."

[1:39:52 PM](#)

Senator Olson pointed out that the legislation was the top priority for the North Slope Borough. He shared that the industry did not have a problem with the bill, and there was no loss of revenue to the state.

REPRESENTATIVE BENJAMIN NAGEAK, stated that he was there to answer any questions on the bill. He stressed that his constituents had been waiting a long time for the legislation. He felt that the bill was a workable solution to the issue.

Senator Olson wondered how Representative Nageak, as the former mayor of the North Slope Borough, saw the budget advantages. Representative Nageak replied that the legislation would be very helpful to the borough's operating budget. He remarked that infrastructure was built when the borough was established, and stressed that the legislation would provide the proper maintenance to the infrastructure.

Co-Chair Meyer surmised that the legislation would provide the North Slope Borough more flexibility for use of capital and operating funds. He queried the borough's current mil-rate. Representative Nageak replied that the current mil-

rate was 18.5. He stated that the borough only had one year of a higher, 19.5 mil-rate.

Co-Chair Meyer wondered if there was a proposal to change the mil-rate. Representative Nageak replied that there was no proposal to change the mil-rate. He stressed that the legislation was intended to allow some flexibility of fund usage.

Co-Chair Meyer understood that there was no difference in the amount that the state received from oil proceeds or any difference in the amount that the oil companies paid. Representative Nageak agreed with that summation.

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ANGELA RODELL, COMMISSIONER, DEPARTMENT OF REVENUE, shared that the Department of Revenue (DOR) worked to ensure that the bill was revenue neutral. She recognized that municipalities throughout the state who had oil and gas property may need flexibility to differentiate between their operating and debt service. She felt that the legislation provided the opportunity for the municipalities to address that issue, without impacting the state's financial picture, nor increase the taxes within the communities.

Co-Chair Meyer wondered if the bill would impact the neighboring cities. Commissioner Rodell replied that the bill would affect any community that had oil and gas property.

Co-Chair Meyer asked if the Kenai and Soldotna was included in the legislation. Commissioner Rodell deferred to Mr. Fonder.

Senator Olson wondered if the communities in the unorganized boroughs would be affected by the legislation. Commissioner Rodell deferred to Mr. Fonder.

MATT FONDER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), looked at page 48 of the DOR Revenue Sources Book, and announced that there was a table that indicated the breakdown of property taxes and how they were shared. He stated that the chart indicated that the Kenai had oil and gas property. The tax was \$19.8 million in the year prior was \$19.8 million, and the local share was \$9.7

million, so the state received \$10.1 million in property taxes on the oil and gas property in Kenai. He stated that the unorganized boroughs did not assess property taxes, so the local share on the unorganized line of the chart was zero. The tax on oil and gas property in unorganized boroughs was \$58.9 million, and was wholly contributed to the state.

Senator Dunleavy surmised that the state would not be financially impacted by the legislation. Commissioner Rodell replied in the affirmative, if the locals kept their property taxes the same.

Senator Dunleavy asked if there would be an impact to the state if the boroughs made changes to their current property taxes. Commissioner Rodell replied that there could be an impact to the state, because that was written in statute.

Senator Dunleavy wondered if the legislation would change the borough's status negatively or positively. Commissioner Rodell responded that it was possible that certain communities could receive a positive impact, if they have very low tax rates. She stated that any municipalities that was at the 20 mil rate would not see any change.

Senator Dunleavy surmised that Valdez would not be harmed by the legislation. Commissioner Rodell agreed.

Senator Dunleavy asked if the Fairbanks Northstar Borough would be affected by the legislation. Commissioner Rodell responded that the borough should not be harmed by the bill.

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Senator Hoffman wondered why the law was initially enacted for 9.08 mil-rate for the operating budget, and the difference for the capital budget. Commissioner Rodell asked for clarification.

Senator Hoffman wondered why the current statute was set at 9.08 mil-rate. Commissioner Rodell responded that she understood that the 9.08 mil-rate was set by the local communities. The state had a statute that directed all localities, whether or not there was oil and gas property tax, at a rate of 30 mils. She stated that the number was

adjusted through the multiplier factor into a corresponding mil-rate. The North Slope Borough had a 9.08 mil-rate for the operating budget.

Senator Hoffman looked at the third paragraph of a document provided by the sponsor, which stated that the restriction applied to the 18.5 rate. The current law required the municipalities to spend \$9.8 million on operating costs and \$9.45 million capital costs. He queried the reason for that restriction. Commissioner Rodell replied that the multiplier put a cap on oil and gas property was because of an issue of fairness and equity. The state had a desire to help some communities that did not have oil and gas property.

Senator Olson pointed out that the sponsor statement clearly pointed out the restrictions of the tax revenue usage.

ROB ELKINS, DEPUTY DIRECTOR, NORTH SLOPE BOROUGH, ANCHORAGE, stated that the committee was dealing with the mil-rate for the current operating year. The mil-rate was determined through the calculation, which was a statewide per capita value multiplied by the 225 percent currently in statute. It was then multiplied by the total number residents, to arrive at an equivalent tax base. The equivalent tax base was then multiplied by the 30 mil-rate cap. He stated that the calculation provided a maximum dollar amount that could be spent on operations. The amount was then converted into a mil-rate based on the total assessed value. He stated that the North Slope Borough had continued to limit itself with the 18.5 mil rate.

Senator Olson wondered why the original formula was established, which used so much money for debt service. Mr. Elkins responded that he understood that the statute was put in place in order to achieve equity. It would limit the borough's ability to sell debt.

Co-Chair Meyer asked why the fiscal note was indeterminate. Commissioner Rodell replied that the fiscal note was indeterminate. The fiscal note would be zero if the communities continue to operate as they were currently. There could be positive adjustments to the state, if the communities lowered their mil-rate to take advantage of the greater operating flexibility. Adversely, if the community

raises their mil-rate, it will have a negative impact to the state.

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AT EASE

[2:01:53 PM](#)

RECONVENED

Co-Chair Meyer CLOSED public testimony.

Vice-Chair Fairclough announced that she would like to hear testimony on the legislation from the State Assessor's Office.

CSHB 379(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Meyer handed the gavel to Co-Chair Kelly.

[2:03:07 PM](#)

AT EASE

[2:16:47 PM](#)

RECONVENED

#sb220

SENATE BILL NO. 220

"An Act relating to additional state contributions to the teachers' defined benefit retirement plan and the public employees' defined benefit retirement plan; and providing for an effective date."

[2:17:39 PM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, discussed some slides dated 4/16/14 (copy on file). He stated that there was a presentation of the Teacher Retirement System (TRS) on the previous day, but there was some additional information received in the meantime. He drafted a graph based on some of the information from the actuaries. He stated that the chart was very similar to the graph that was presented on the previous day. He looked at the slide titled, "Cumulative Costs of Options to Eliminate PERS and TRS Unfunded Liability (\$ millions)". He stated that the graph was a combination of TRS and PERS. He noted

that the base case showed the lowest cost in the early years and the highest total cost. The dark blue line represented the governor's proposal, which deposited \$3 billion total cash infusion, and ended up costing less in the long run. He stated that the graph showed two scenarios for PERS. He stressed that the graph would be too muddled if he addressed level-dollar and level-percent for each of the options. He remarked that the graph was only a sample of an outcome. He shared that a \$4 billion cash infusion would be expensive initially, but would become the cheapest over time. He stated that a \$3 billion cash infusion, as requested by the governor, but went to level-percent of pay-amortization, it would be cheaper than the base case by approximately \$500 million per year. He stressed that it would pass the level dollar, and would end up slightly more expensive than a \$4 billion cash infusion. He remarked that there was always an opportunity to increase the cash infusion, or make other changes to the system. He noted that the lines in the future were far from a reliable prediction or projection.

Mr. Teal looked at the slide titled, "PERS and TRS Combined." He stated that the slide represented the previous graph, but in number-form.

Mr. Teal highlighted the slide titled, "Cumulative Costs of Options to Eliminate PERS Unfunded Liability (\$ millions)." He stated that the graph showed some changes that were caused by the differential between the rate that was charged to employers, which was 12.56 percent in PERS, but the normal cost was 12 percent. He stressed that there was very little difference between the full-employer rate and the normal cost of the program. He stated that the rate cap in TRS was 22 percent, and the normal cost was approximately 10 percent, so there was a drastic difference. He stated that there was more money flowing from employers, as the defined benefit employees were replaced with defined contribution employees. He stated that a \$3 billion cash infusion into PERS would mean that the debt would be paid off in five years. He felt that the option may not be wise, because the rates would drop to zero.

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Mr. Teal looked at the slide titled, "PERS options." He stated that the numbers showed the same outcomes as the

graphs. He felt like the numbers showed an unreliable degree of accuracy. He felt that the graphs helped determine the overall spread between the different options.

SB 220 was HEARD and HELD in committee for further consideration.

[2:24:18 PM](#)

AT EASE

[2:30:37 PM](#)

RECONVENED

#hb308

HOUSE BILL NO. 308

"An Act relating to the exemptions under the Alaska Securities Act and to securities issued by Native corporations; and providing for an effective date."

[2:31:01 PM](#)

REPRESENTATIVE LINDSEY HOLMES, explained the legislation. She stated that HB 308 removed the reporting requirements and fees for three types of exempt security transactions: sales by an issuer to not more than 10 persons in the state; sales by an issuer to not more than 25 persons in the state; an offer to existing security holders of the issuer. Under current law, if the security issuance qualifies as exempt from registration under AS 45.55.900(b), issuers are currently still required to file a form and pay a fee to the Department of Commerce, Community and Economic Development (DCCED). She stated that DCCED collected the information and reviewed it, however it did not appear to add any protections to the state or the investors. Often small business owners hire lawyers to navigate the form which caused expense and can slow down the process. While removing the reporting requirements, the bill still required the business issuing the securities to provide required information to investors in compliance with the Securities Act so that they could make an informed investing decision. The bill kept the act's consumer protection language intact and did not inhibit the Division of Banking and Securities from investigating violations or the investor seeking damages through the court system. The bill also changed the amount of time DCCED had to review rescission offers from only two days to ten days and had

several conforming language changes. The bill further sought to clarify that stock issued by the Alaska Native Claims Settlement Act (ANCSA) corporations to Alaska Natives born after December 18, 1971 or issued after the original stock offering in compliance with federal law were exempt from registering under AS 45.55.070. This clean up responded to a report done by the United States Government Accountability Office that was concerned that Alaska statutes were not treating newly issued ANCSA corporation stocks the same as the initial offering.

ALLAN JOHNSTON, VOLUNTEER, TEAM NETWORK, ANCHORAGE (via teleconference), testified in support of the legislation. He stated that he had volunteered in various organizations in Anchorage and across Alaska. He had worked to create "Angel Funds" from the federal government, which would be matched by the private sector. He stated that the Banking and Securities Division had done a remarkable job in assisting in education, because many people were unfamiliar with securities laws. He stated that Alaska was 50th in the country for its capital, and third in median family income. He stressed that the gap would be closed by encouraging the residents to invest locally and create local businesses.

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KEVIN ANSELM, DIRECTOR, DIVISION OF BANKING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, ANCHORAGE (via teleconference), introduced herself. She offered to outline the legislation, but felt that Representative Holmes had summarized the bill accurately.

Co-Chair Meyer asked if DCCED had any comments on the legislation. Ms. Anselm replied that there was a PowerPoint presentation in the packet, which was an overview of the securities requirement. She stated that the legislation eliminated the paperwork and filing fees with the Banking and Securities Division for the small offerings and for offerings to existing securities holders. She added that there were two clean-up items were related to rescission offers allowing the division more time to ensure that it met its consumer protection requirements.

Co-Chair Meyer CLOSED public testimony.

HB 308 was HEARD and HELD in committee for further consideration.

#hb361

HOUSE BILL NO. 361

"An Act relating to licensing of behavior analysts."

2:40:00 PM

REPRESENTATIVE DAN SADDLER, explained the legislation. He stated that Autism was a significant and growing problem in Alaska. Statistics show that one in 110 Alaska children, about 1 percent, are born with this developmental disability, characterized by a diminished ability to communicate, social isolation, and other symptoms. While not curable, autism was treatable. Scientific, peer-reviewed studies show that early intensive treatment in the form of Applied Behavioral Analysis (ABA) offered the best opportunity to help people with autism improve their ability to function productively in society. He stated that ABA was recognized as the basis for the most effective form of treatment for autism by the U.S. Surgeon General, the National Institute of Child Health, and the American Academy of Pediatrics. One can best understand ABA as behavior modification therapy: It sought to encourage appropriate behavior by assessing and managing the relationship between the environment and the desired behavior. Forty years of research showed that nearly half of people with autism who received intensive early intervention and treatment did not require lifelong services and support, and half could achieve normal functioning after two to three years. This could mean a lifetime savings of \$200,000 to \$1.1 million for a person through the age of 55-years-old. One of the most important elements in successful autism treatment is having it provided by those who hold the nationally recognized credential of Board-Certified Behavioral Analyst (BCBA). To qualify as a BCBA, applicants must have a minimum of a master's degree, plus extensive training and experience requirements of up to 1500 hours of supervised practice in the field, 225 hours of graduate-level classroom work, or a year's experience teaching ABA at the university level. They must also pass the challenging BCBA certification examination. The Board-Certified Assistant Behavioral Analyst, or BCABA credential, required slightly lower standards. The state already supported the training of BCBAs through a grant to eh Center for Human Development at UAA. There were currently approximately 20 to 30 BCBAs and

BCABAs in Alaska, although not all of those were currently working in the field. Under current state law, Alaskans with BCBAAs could not bill health insurance companies or Medicaid for their services at a rate that reflected their high degree of training and professional skill because there were not formally licensed. He announced that BY 361 addressed that situation by providing for those holding the BCBA or BCABA credentials in Alaska to be licensed by the Division of Professional Licensing, in the DCCED. He announced that 14 other states currently provided licensing and regulated behavior analysts. The approach had the strong support of Alaska BCBAAs and the national autism advocacy groups. By ensuring licensing and higher standards of practice for BCBAAs and BCABAAs, HB 361 would do the following: encourage more people to provide autism services in Alaska; offer higher reimbursement rates for professional providers, provide better outcomes for Alaska children with autism; save the state money by avoiding the need for costly institutional care; and improve the quality of life for hundreds of Alaskans and their families.

LORRI UNUMB, EXECUTIVE DIRECTOR, AUTISM SPEAKS, SOUTH CAROLINA (via teleconference), spoke in support of the legislation. She stated that she was involved in various autism advocacy groups. She felt that the bill took in many considerations including people who were moving from other states to practice behavior analysis. She remarked that the bill outlined some exemptions for people who need not have a license, such as a family member of a person with autism. She stated that the legislation relied on the existing national board certification, which was the appropriate structure for a licensing bill. She announced that she had worked on various state's legislation that created licensure for behavior analysts. She stated that there were currently 15 state that licensed behavior analysts, and Tennessee had just passed a behavior analyst licensing bill, so there were almost 16 states that license behavior analysts. She remarked that the legislation contained disciplinary mechanisms to ensure adequate consumer protection and created a temporary license for those who had already been practicing within the state.

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REBEKA EDGE, DIRECTOR, BEHAVIOR MATTERS, EAGLE RIVER (via teleconference), testified in support of the legislation. She announced that she was a parent of two children with

autism. She stated that in her position as director of Behavior Matters, she had a staff of 24 that served clients Anchorage, Mat-Su, Talkeetna, Kenai, and Juneau. She felt that the legislation would allow her business to continue to work with their current families while provided a professional weight that was consistent with their training and expertise.

Co-Chair Meyer wondered if the bill would pertain to other behavioral issues other than autism. Representative Saddler replied that that the legislation would pertain to other behavioral issues. He stated that the principles of applied behavioral analysis have applicability to dealing with various development disabilities like children with fetal alcohol spectrum disorder (FASD).

Co-Chair Meyer wondered how many people would seek a license in behavioral analysis. Representative Saddler replied that there were approximately 25 people that would seek a license, but agreed to provide further information.

Co-Chair Meyer asked if other states had a similar program. Representative Saddler responded that 16 states had instituted behavioral analysis licenses.

SARA CHAMBERS, DIRECTOR, CORPORATIONS, BUSINESSES, AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself.

Co-Chair Meyer wondered if she had drafted the attached fiscal note. Ms. Chambers replied that she did not draft the fiscal note, but she was familiar with it.

Co-Chair Meyer remarked that the fiscal note was indeterminate. He looked at the third paragraph fiscal analysis, and saw that the financial impact to health care and Medicaid services could be significant. He asked for further explanation regarding that statement. Ms. Chambers responded that the fiscal note that he was referencing was from the Department of Health and Social Services (DHSS). She stated that DCCED supplied a fiscal impact note.

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Vice-Chair Fairclough stated that there was an issue of recovering the fees for licensing in Alaska. She remarked that the fiscal note was very low from DCCED. She queried

the fee estimate. Ms. Chambers responded that the fiscal note reflected the additional appropriation that was needed to implement the program, and it was not the total cost of the program. She announced that she had been working with the bill sponsor to provide additional information that would be an estimate of anticipated additional costs based on similarly situated programs. She stated that it was determined that the additional cost plus the fiscal note could result in a license that would cost around \$500 to \$600 per license.

Vice-Chair Fairclough stressed that Alaska had faced issues of investigation, as far as the boards to use the information that DCCED provided to manage the funds. Representative Saddler replied that the fee would be significantly lower after the first year. He observed that it would be small number of licensees, so the likelihood of investigation would be substantially low.

Vice-Chair Fairclough stressed that there was a flat rate of how the departments spread cost over licenses. Representative Saddler agreed that he would not argue statistics.

TERI KEKLAK, DIVISION OF BEHAVIORAL HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), stated that the Division of Health Care Services created the DHSS fiscal note. She stated that the fiscal note was indeterminate because until licensure occurs, it was difficult for the department to estimate the utilization that might occur. She stated that DHSS required approval that the coverage would be paid to the independent practitioners under benefits. She stated that the licensees were not currently listed in the Medicaid statute as independent practitioners. She stated that there would be some analysis of the medical necessity, utilization, and determine services.

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Vice-Chair Fairclough looked at page 2 of the fiscal note, and saw that it indicated 1838 under the age of 21 with a diagnosis of autism. She queried an estimate of the cost of one person receiving services. Ms. Keklak replied that DHSS could not currently estimate that cost. She stated that there needed to be a determination of the specific services that would be covered.

Vice-Chair Fairclough understood that there was a wide range of services, so she asked for an estimate range of the cost of services. Ms. Keklak replied that she could not address a range of costs.

DEB ETHERIDGE, MEDICAL ASSISTANT, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), responded to a question from Vice-Chair Fairclough. She stated that the persons who were diagnosed with autism would undergo an initial assessment that would be eligible for and need service. She remarked that, in comparison to other states, the assessment cost would be around \$175. If it was estimated that 100 percent of persons under the age of 21 with a diagnosis of autism, the total health assessment cost would be around \$320,000. She stated that the service cost estimate would require some eligibility determinations.

HB 361 was HEARD and HELD in committee for further consideration.

[3:02:12 PM](#)

AT EASE

[3:09:24 PM](#)

RECONVENED

#hb160

CS FOR HOUSE BILL NO. 160(FIN)

"An Act relating to the licensing and regulation of athletic trainers."

[3:10:04 PM](#)

REPRESENTATIVE STEVE THOMPSON, stated that the legislation would amend current statutes to establish licensing and regulations of athletic trainers. He stated that athletic trainers were multi-skilled, midlevel medical care providers that provided a unique combination of injury and illness treatment, rehabilitation, and injury prevention. Athletic trainers were similar to nurse practitioners, midwives, physician assistants, neuropathic physicians, and physical therapists. He stressed that all of those positions were licensed in Alaska, in order to provide immunity for health care providers. Certification was

provided through the National Organization of National Athletic Trainers Association. There were specific requirements before certification was issued: 1) mandatory post-secondary degree; 2) formal instructions in extensive basic and applied sciences; 3) specific professional content; and 4) comprehensive national examination through the Board of Certification Inc. He stated that HB 160 would require people using the title "Athletic Trainer" who were working cooperatively under the supervision of a doctor to be licensed. Alaska was one of two states that did not currently license athletic trainers. Athletic trainers in Alaska asked for the legislation, because they understood the need to be licensed in order to be recognized as health care providers. He urged the committee's support of the legislation.

Vice-Chair Fairclough stated that her staff had met with the sponsor's staff regarding the current language. She felt that the legislation may have ramifications on school districts and other athletic programs for children and adults throughout the state. She wondered if that was the intent of the legislation. Representative Thompson deferred to Mr. Anderson.

BRODIE ANDERSON, STAFF, REPRESENTATIVE STEVE THOMPSON, announced that he was working with the committee co-chairs' staff to draft a committee substitute that would directly address the concerns of fitness trainers and coaches, and the relationship in an exemption.

Vice-Chair Fairclough thanked a constituent who had sent a solution to the issue via email.

Co-Chair Meyer asked if Mr. Anderson was working with his staff on the committee substitute. Mr. Anderson replied in the affirmative.

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LYNNE YOUNG, EXECUTIVE DIRECTOR, ALASKA ATHLETIC TRAINERS ASSOCIATION, JUNEAU, testified in support of the legislation. She remarked that athletic trainers were highly qualified, educated, and multi-skilled health professionals who collaborate with and work under the supervision of physicians. The services provided by athletic trainers consist of prevention, emergency care, clinical assessment, therapeutic intervention, and

rehabilitation of injuries and medical conditions. Individuals who want to become athletic trainers must have a bachelor's degree at an accredited athletic training university. Once the individual meets the requirement, they were eligible to sit for the Board of Certification Inc. exam. Upon completion of the exam, the individual would be a certified athletic trainer. Once the individual was certified, they must maintain their credentials by taking 50 continuing education units (CEUs) every two years in addition to maintaining an emergency cardiac care course at the professional rescuer level or above. The CEUs were approved by the Board of Certification Inc., and ten of the CEUs needed to be evidence-based medical courses.

Senator Bishop wondered if the CEUs could be conducted in the state. Ms. Young replied that there were over 300 accredited universities to become athletic trainers, but none of those universities were in Alaska. There were some online courses and clinics in the state that provided access to CEUs.

[3:21:52 PM](#)

Vice-Chair Fairclough asked if the licensure would get different benefits from insurance providers and billing of hours. Ms. Young replied that there was current outreach through schools and universities, but did not directly bill insurance providers. She furthered that there were some athletic trainers that worked with physicians in the clinic setting, and if they were used to assist the provider was billed under "Incident 2." She explained that the specific in that bill was parallel with medical assistants, etc. She stated that athletic trainers had a national provider identifier that allowed them codes regarding billing for rehabilitation.

Vice-Chair Fairclough wondered if the law to license would affect the billable hours. Ms. Young responded that the licensure would be recognized as a health care professional, but have no other association.

LEEANNE CAROTHERS, PRESIDENT, ALASKA PHYSICAL THERAPY ASSOCIATION, JUNEAU, stated that she supported licensure of health care providers for the protection of the public, she announced some concerns with the bill. She looked at the use of the word "rehabilitation" in the proposed scope of practice and in definitions in Sections 8.07.030(d) and

08.07.090(4). She felt that use of the word "rehabilitation" would have potential to cause consumer confusion. She stated that physical therapists were currently considered the most qualified practitioners for rehabilitation. She suggested the inclusion of language that specifically limited the role of the athletic trainers to injuries sustained or exacerbated while participating in a sport or sports-related activity, and/or was designated for the purpose of returning the patient to athletic participation. She also expressed concern of the use of language with definitions as they pertain to illness. She urged the inclusion of language that clarified that the treatment of limited to injuries or conditions associated with participation in sport. There were significant differences in the education and training for athletic trainers and physical therapists. The entry level degree required for athletic trainers was a bachelor's degree and the entry level degree for physical therapists was a doctorate degree.

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Co-Chair Meyer felt that there would be changes to the bill in a forthcoming committee substitute.

Co-Chair Meyer CLOSED public testimony.

Co-Chair Meyer looked at the fiscal note, and remarked that the fiscal note may not cover the actual cost of the legislation.

Vice-Chair Fairclough stated that the Legislation Budget and Audit (LB&A) had created a joint subcommittee on the issue.

CSHB 160(FIN) was HEARD and HELD in committee for further consideration.

#hb116

CS FOR HOUSE BILL NO. 116(L&C)

"An Act relating to the use of credited military service by retired peace officers and firefighters to meet certain requirements for major medical insurance coverage; and providing for an effective date."

[3:29:00 PM](#)

KATHY LEA, CHIEF PENSION OFFICER, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, introduced herself.

VASILIOS GIALOPSOS, STAFF, REPRESENTATIVE CHARISSE MILLET, explained the legislation. He announced that Honorably discharged members of our nations' military service who come to work for the State of Alaska are currently allowed to purchase qualifying time within the PERS system for their previous military service. Under current law, this purchased time may not be used to satisfy the credited service requirements for normal retirement. This exemption precludes persons from using their purchased time to qualify for health care benefits. He state that HB 116 proposes that peace officers or firefighters be allowed to use the time they purchase for normal retirement. Already these brave individuals have served their country. They have then made a career providing public safety and rescue in one of the most hazardous working environments to be found. Their service to others, by placing themselves in harm's way on a continuous basis, merits consideration in the development of Alaska's retirement and benefit system. He announced that HB 116 makes a minor, and tightly tailored, modification to our retirement laws to allow a person to use their purchased service to qualify for normal retirement benefits. The intent of HB 116 is that peace officers or firefighters who choose to purchase the service time bear the cost to the state that the additional benefits will create. He stated that HB 116 creates an appropriate recognition of their service to their country and their state by ensuring the have a fair retirement in their future.

Vice-Chair Fairclough queried the length of time it takes for a firefighter or police officer to qualify for benefits. Ms. Lea replied that a police officer or firefighter could reach eligibility for retirement benefits with 20 years of service; but they needed to have 25 years of service to have system-paid medical coverage if they are in tiers 2 or 3.

Vice-Chair Fairclough remarked that there was a disparity between what was required to acquire a pension and medical coverage in tiers 2 and 3. Ms. Lea agreed, and stated that the five extra years was required to gain system-paid premium health care. She stated that there was access to

health care, but they must have five extra years in order for the system to pay for the premiums.

Vice-Chair Fairclough wondered if an honorable discharge was recognized under military service. Ms. Lea replied that the military service required an honorable discharge.

Co-Chair Meyer wondered if Vice-Chair Fairclough was concerned about "double dipping."

3:33:48 PM

Vice-Chair Fairclough stressed that she was attempting to determine what benefit would be achieved, and what the individual was currently receiving. She stressed that there was a 25 percent buy back over 20 years, and a 25 percent buyback with the 25 year requirement. She understood that there was an actuarially draw for the pension, but felt that there was a possible allowance for double benefits. Ms. Lea replied that she could not speak to the intent of the legislation. She announced that there were some restrictions within the system for claiming benefits under the military category, if one was already eligible for retirement benefits from one's military service. A person with 20 years of military service that would qualify for a federal benefit could not claim the service if they were tier 2 or 3. She furthered that she was unsure about the health care benefits related to that issue.

Mr. Gialopsos looked at AS 39.35.340(a):

A vested employee is entitled to credited service for active military service in the armed forces of the United States, either by enlistment or induction, if the employee received a discharge under conditions and was not entitled to receive retirement benefits from the United States government for the same service.

Senator Olson wondered what efforts were being made for the tier 4 employees. Mr. Gialopsos responded that, because tier 4 was a defined contribution system, the provisions of health care after a person left service were fundamentally different.

Ms. Lea agreed with Mr. Gialopsos, and furthered that, under tier 4, there were no provisions to claim any type of service in the plan. There were no predications on years of

service to claim service. A tier 4 employee must retire directly from the plan, must have at least 10 years of service, and be Medicare age eligible to receive retirement health coverage.

Vice-Chair Fairclough stated that, usually, when a policy or bill was considered, the reason was because an individual was adversely affected. She wondered if there was an adversely affected individual who may have influenced the drafting of the bill. Mr. Gialopsos replied that there were several peace officers and firefighters who purchased their military time, under the assumption that it would bring them full retirement. He stated that there were several letters of support who were looking to retire early that would like to purchase their medical time, because they recognized that they were a liability to their colleagues because of their age.

[3:38:53 PM](#)

Vice-Chair Fairclough asked if the individual's payments into the plan would count toward their health benefits. Ms. Lea replied that those were two different calculations. The calculation to use military service to increase the number of years of service to increase their retirement benefit was partially subsidized by the employer, so it was a flat percentage of their vesting year salary. The legislation outlined an additional cost, if the member wanted to claim it for pension purposes and health care services.

Vice-Chair Fairclough wondered if there would be a negative impact to those that were already in the system, because there was a change to the cost of the system. Ms. Lea replied that there would be no impact on the remainder of the population in the system, because the claimant would pay the full cost for the coverage.

Vice-Chair Fairclough surmised that the calculations were based on a certain set of assumptions. Ms. Lea agreed.

Senator Bishop queried the cost of the full five years. Ms. Lea replied that the cost would be approximately \$60,000 to \$70,000, depending on age, circumstances, and number of years purchased.

Senator Hoffman wondered what other categories under tiers 2 and 3 could be a net zero. Ms. Lea replied that there

were other types of claim service that were full actuarial costs. She stated that purchasing temporary service to be used for retirement eligibility already existed in statute. She stated that the legislation was similar to the statute, and furthered that there was a public service benefit that was full actuarial cost.

Senator Hoffman surmised that all other programs already had the option to purchase in tiers 2 and 3 for other categories of 20 and 30 years for buyback. Ms. Lea responded that all others did not have the specific provision to purchase military time to be used toward their 30 year retirement.

Senator Hoffman wondered why other positions or categories of employment were not offered the option to purchase the time for a 30 year retirement, if it was a net zero. Mr. Gialopsos replied that it was the sponsor's intent to look at a particular segment within tiers 2 and 3, who post the highest risk in the actuarial pool. He could not specifically address the reasons why it would not directly apply to the purchase of a 30 year retirement.

[3:44:48 PM](#)

AT EASE

[3:46:11 PM](#)

RECONVENED

Co-Chair Meyer CLOSED public testimony

Vice-Chair Fairclough MOVED to REPORT CSHB 116(L&C) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 116(L&C) was REPORTED out of committee with a "do pass" recommendation and with previously published zero fiscal note: FN1(ADM).

[3:47:07 PM](#)

AT EASE

[3:48:39 PM](#)

RECONVENED

Co-Chair Meyer handed the gavel to Vice-Chair Fairclough.

#sb48

SENATE BILL NO. 48

"An Act requiring each municipality with a population that decreased by more than 25 percent between 2000 and 2010 that participates in the defined benefit plan of the Public Employees' Retirement System of Alaska to contribute to the system an amount calculated by applying a rate of 22 percent of the total of all base salaries paid by the municipality to employees of the municipality who are active members of the system during a payroll period; reducing the rate of interest payable by a municipality with a population that decreased by more than 25 percent between 2000 and 2010 that is delinquent in transmitting employee and employer contributions to the defined benefit plan of the Public Employees' Retirement System of Alaska; giving retrospective effect to the substantive provisions of the Act; and providing for an effective date."

[3:48:53 PM](#)

DAVID SCOTT, STAFF, SENATOR DONNIE OLSON, SB 48 seeks to provide relief to those communities that have faced hardship due to the PERS "salary floor" established in SB 125 of the 25th Legislature. He stated that SB 125 changed the PERS system from a 'multiple employer plan' to a 'cost share plan'. That is, SB 125 transferred the individual liability of the 160 PERS employers and consolidated that liability so that all the employers share in that liability. He announced that SB 125 also created what is commonly referred to as the 2008 salary floor. That is, every PERS employer will have a penalty imposed on them if their salary base is below that of 2008. This was instituted to ensure that the system could not be "gamed". This is to keep municipalities from hiring people on a contract basis and, therefore, allowing the base payments into the system from shrinking. Many municipalities, due to circumstances beyond their control, have found themselves under the 2008 floor for a number of years. Most of these are very small remote communities. Some of the affected communities are simply trying to lower their budgets by actively laying-off or not re-hiring due to attrition. Some communities lost employees due to a base closure or a regional clinic closure. To further make the point, there

is currently one community that owes \$420,000 at 12 percent interest. He stressed that SB 48 was introduced to help communities in this situation. He stated that SB 48 will address this issue in two ways: 1) Changes the "2008 floor" to 2012 for those communities that have lost 25 percent of their population between 2000 and 2010; and 2) Provides relief to those communities that are delinquent in transferring contribution if their population decreased by more than 25 percent between 2000 and 2010. He remarked that SB 48 does not intend to repeat the "2008 floor" debate, but rather provide relief to those communities affected by the arbitrary line that SB 125 created.

Vice-Chair Fairclough handed the gavel to Co-Chair Meyer.

[3:56:11 PM](#)

Senator Olson understood that the communities were facing a financial burden that they would never overcome. He queried the efforts of various communities who were attempting to remedy this financial problem. Mr. Scott replied that there were some communities that had lost 25 percent of their populations from 2000 to 2010, like Pelican. He stated that Pelican, Anderson, and Atka did not have any outstanding delinquent contributions. He stressed that the only two communities that had delinquent contributions were Galena and St. George, who had also lost populations by more than 25 percent between the two censuses.

Co-Chair Meyer surmised that the bill asked the state to cover those communities' share of the PERS contribution. Mr. Scott replied that the legislation would forgive the delinquent contribution penalty and cover the cost of the contribution. He stressed that the bill to the PERS system would continue to grow from 12 percent on \$690,000, which was up from the year prior at \$420,000.

Co-Chair Meyer wondered if there was any hope that the communities would be able to pay that amount. Mr. Scott replied that Galena had taken a loan interest loan through the bond bank to attempt to cover their community costs, while recovering from a flood. He felt that Galena would not be able to cover that cost, because the interest was making the debt grow rapidly.

Senator Bishop stressed that Galena was under severe financial stress from various entities. Senator Olson agreed.

[4:00:32 PM](#)

MICHAEL BARNHILL, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION, stated that the bill's fiscal note reflected a retroactive effect. He stated that the communities would see a benefit of a decreased rate of interest that had an impact on the system, which was detailed in the fiscal note.

Vice-Chair Fairclough pointed out that the fiscal note from the Department of Administration (DOA) showed \$180,000 in FY 14; \$176,000 in FY 15; \$167,000 in FY 16; \$157,000 in FY 17; \$148,000 in FY 18; \$139,000 in FY 19. She felt that it appeared that the contribution by the state would decrease. She looked at the estimated supplemental FY 13 costs of \$706,000. Mr. Barnhill replied that the supplemental cost reflected the impact of the retroactivity of the bill. He stressed that the costs were amounts that the state would not collect under existing law, if the bill were passed into law.

Co-Chair Meyer wondered if the money would ever be collected. Mr. Barnhill responded that it was difficult to speculate the future for communities like Galena, but one could not rule out that perhaps Galena's fortune may turn positive at some point.

Senator Olson stressed that Galena recently suffered a flood, and some people could not even move back into their homes. He pointed out that there was a significantly decrease in the general population and school membership. He reiterated that it was very improbably that Galena would be able to afford to pay the debt.

Vice-Chair Fairclough wondered how the issue of fairness to the state picking up the costs of one municipality on not that of another municipality. She remarked that the Municipal League had asked the legislature to eliminate the termination studies for other cities. She felt that there was a problem in determining what communities were considered "winners" and "losers." She felt that there were many communities across the state that were burdened by the 2008 salaries costs, in regards to contributions. Mr.

Barnhill responded that he was not diminishing the substantial burdens that Galena and other communities were facing. He stressed that the issue was statewide for smaller communities' ability to sustain participation and TRS on an ongoing basis.

[4:05:55 PM](#)

Vice-Chair Fairclough stressed that the issue of pension liability was a burden for everyone, which was why the governor had suggested a cash infusion. She stated that there were municipalities that had discussed the termination study. She felt empathy, but felt that solving the issue for one community may be at a disadvantage for a dozen other communities or the entire system. The state was transitioning from meeting its obligations to withdrawing reserves. She felt that the bill was an entire year's worth of conversation to determine the best method. She felt that it was reasonable to reduce the interest rate, when communities were struggling. She wondered how the state would react, if the city failed to make the payments. She specifically wondered if those employees would not be entitled for benefits. Mr. Barnhill replied that, to date, the process was to send notices of delinquency on a periodic basis. The statute provided DOA the authority to intercept municipal revenue sharing, but had never exercised that right. As the delinquency list continued to grow, the state's reticence to exercise that intercept needed to be examined.

Senator Olson wondered if the employees would not receive their retirement benefits, if there were delinquent payments. Mr. Barnhill responded that the employees were still participants in the system, and were still entitled to their benefits.

Senator Hoffman remarked that \$420,000 for a community of 470 people, it would take approximately 12 or more years of revenue sharing to pay that debt. He stated that the community was probably utilizing the revenue sharing to keep their offices open. He stated that most of the communities of 100 to 500 people used their revenue sharing to keep their municipal office in operation. He furthered that, in 2010, there were 470 people in Galena, so a family of required to pay in excess of \$3500 dollars. He stressed that Galena was greatly impacted, much more than other small communities in the state.

4:11:27 PM

Co-Chair Meyer wondered if there were any PERS employees in Galena. Mr. Barnhill replied that there were PERS employees in Galena, and deferred to Mr. Scott for the exact number of employees.

Mr. Scott stated that there were 17 PERS employees in Galena.

Co-Chair Meyer queried the economic activity in Galena. Senator Hoffman responded that the current economic activity was focused on home repair.

Co-Chair Meyer stated that the military base in Galena had closed, with no effort toward reopening.

Mr. Scott announced that Galena had 17 current PERS employees, however the community's contribution to the state was for 36 employees, which was the 2008 floor.

Vice-Chair Fairclough surmised that there would be 36 total employees that would be retired from the PERS system. Mr. Scott replied that the 36 employee contribution was considered the 2008 floor.

Co-Chair Meyer stressed that it was an important issue, and felt that it would not be resolved in the current session. He hoped that Mr. Barnhill could assist in a solution during the interim. Mr. Barnhill replied that he was willing to explore solutions.

Vice-Chair Fairclough wondered if the 25 percent loss in the census was an accurate measurement to assist all Alaskan communities. Mr. Barnhill replied that there was a census table that outlined population loss employer by employer. He stated that the table would show how many participating employers were added at the 25 percent level, 20 percent level, and so forth.

Mr. Scott stated that he would provide the graph to the committee at a later date.

Vice-Chair Fairclough whether the 25 percent threshold was better than the 20 percent threshold. Mr. Barnhill

responded that he was not prepared to respond to the inquiry.

Vice-Chair Fairclough asked if there was a different criteria that the Senate should study. Mr. Barnhill replied that there should be an examination of a prospect for a sustainable revenue base within the community that could support continued participation in the system over the next ten or twenty years.

Senator Hoffman noticed that Mr. Barnhill had stated that there was an option of intercepting Galena's revenue checks. He wondered if the department would withhold that particular implementation of the law, until the legislature was able to address the issue the following year. Mr. Barnhill replied that the state needed to reexamine its reticence in utilizing the revenue intercept. He stressed that he would look some solutions that would avoid using the revenue intercept.

SB 48 was HEARD and HELD in committee for further consideration.

#hb278

CS FOR HOUSE BILL NO. 278(FIN) am

"An Act increasing the base student allocation used in the formula for state funding of public education; relating to the exemption from jury service for certain teachers; relating to the powers of the Department of Education and Early Development; relating to high school course credit earned through assessment; relating to school performance reports; relating to assessments; establishing a public school and school district grading system; relating to charter schools and student transportation; relating to residential school applications; relating to tenure of public school teachers; relating to unemployment contributions for the Alaska technical and vocational education program; relating to earning high school credit for completion of vocational education courses offered by institutions receiving technical and vocational education program funding; relating to schools operated by a federal agency; relating to a grant for school districts; relating to education tax credits; establishing an optional municipal tax exemption for privately owned real property rented or

leased for use as a charter school; requiring the Department of Administration to provide a proposal for a salary and benefits schedule for school districts; making conforming amendments; and providing for an effective date."

CSHB 278(FIN)am was SCHEDULED but not HEARD.

#hb385

HOUSE BILL NO. 385

"An Act relating to additional state contributions to the teachers' defined benefit retirement plan and the public employees' defined benefit retirement plan; and providing for an effective date."

HB 385 was SCHEDULED but not HEARD.

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ADJOURNMENT

[4:18:35 PM](#)

The meeting was adjourned at 4:18 p.m.