

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

March 30, 2015

3:17 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Shelley Hughes, Vice Chair  
Representative Jim Colver  
Representative Gabrielle LeDoux  
Representative Cathy Tilton  
Representative Andy Josephson  
Representative Sam Kito

**MEMBERS ABSENT**

Representative Mike Chenault (alternate)

**COMMITTEE CALENDAR**

HOUSE BILL NO. 47

"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 retirement 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 retirement 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."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 47

SHORT TITLE: PERS CONTRIBUTIONS BY MUNICIPALITIES

SPONSOR(S): REPRESENTATIVE(S) FOSTER

01/21/15	(H)	PREFILE RELEASED 1/9/15
01/21/15	(H)	READ THE FIRST TIME - REFERRALS

01/21/15	(H)	CRA, L&C
02/10/15	(H)	CRA AT 8:00 AM BARNES 124
02/10/15	(H)	Heard & Held
02/10/15	(H)	MINUTE(CRA)
02/17/15	(H)	CRA AT 8:00 AM BARNES 124
02/17/15	(H)	-- MEETING CANCELED --
02/21/15	(H)	CRA AT 10:00 AM BARNES 124
02/21/15	(H)	-- MEETING CANCELED --
02/26/15	(H)	CRA AT 8:00 AM BARNES 124
02/26/15	(H)	Heard & Held
02/26/15	(H)	MINUTE(CRA)
03/05/15	(H)	CRA AT 8:00 AM BARNES 124
03/05/15	(H)	Moved CSHB 47(CRA) Out of Committee
03/05/15	(H)	MINUTE(CRA)
03/06/15	(H)	CRA RPT CS(CRA) NT 2DP 4NR
03/06/15	(H)	DP: NAGEAK, SEATON
03/06/15	(H)	NR: DRUMMOND, REINBOLD, HUGHES, TILTON
03/30/15	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE NEAL FOSTER

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Testified as sponsor of HB 47.

PAUL LABOLLE, Staff

Representative Neal Foster

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of the sponsor of HB 47, Representative Neal Foster.

MIKE BARNHILL, Policy Analyst

Office of the Director

Office of Management & Budget (OMB)

Office of the Governor

Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 47.

KATHIE WASSERMAN, Lobbyist; Executive Director

Alaska Municipal League (AML)

Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion on HB 47.

SHANDA HUNTINGTON, City Manager

City of Galena

Galena, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 47.

JON KORTA, Mayor

City of Galena

Galena, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 47.

#### **ACTION NARRATIVE**

[3:17:27 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Josephson, Kito, Tilton, Hughes and Olson were present at the call to order. Representatives Colver and LeDoux arrived as the meeting was in progress.

#### **HB 47-PERS CONTRIBUTIONS BY MUNICIPALITIES**

[3:17:41 PM](#)

CHAIR OLSON announced that the only order of business would be HOUSE BILL NO. 47, "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 retirement 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 retirement 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." [Before the committee was CSHB 47(CRA)]

[3:18:11 PM](#)

REPRESENTATIVE NEAL FOSTER, Alaska State Legislature, speaking as sponsor, introduced himself.

[3:18:29 PM](#)

PAUL LABOLLE, Staff, Representative Neal Foster, Alaska State Legislature, explained the changes in the committee substitute, CSHB 47(CRA) that passed out of committee the House Community and Regional Affairs Standing Committee on 3/5/2015. He referred to Section 1, which would change the rules for applying the new base salaries and exempt one community, the City of Atka. In order to reset the 2008 salary floor, communities must have lost 25 percent or more of their population, with fiscal year (FY) 12 salaries less than their FY (fiscal year) 08 salaries.

MR. LABOLLE directed attention to Section 2, which basically establishes that if the community's base salaries fell below what they were in FY 08, the city was required to pay that amount, with a delinquent amount fee of 8 percent instead of 12 percent. He explained that Senate Bill 125 [, which passed the 25th Legislature in 2008,] enacted that provision. The extra interest rate was intended to be punitive, based on the actuarial amount - the amount required to make the system whole - plus an additional 4 percent. He said that the House Community and Regional Affairs Standing Committee felt that communities that were already paying more than their base salaries into the system didn't really need a punitive rate applied to them and the 8 percent that would make the system whole would be sufficient.

[3:21:08 PM](#)

REPRESENTATIVE JOSEPHSON asked for further clarification on what made the 12 percent assessment punitive.

MR. LABOLLE referred to Section 2, of CSHB 47(CRA), which read, "... interest shall be assessed on the outstanding contributions at [ONE AND ONE-HALF TIMES] the most recent actuarially determined rate of earnings for the retirement plan ...." He said the actuarially-determined rate represents the rate to make the system whole and the one-half times was the punitive part of the rate.

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REPRESENTATIVE JOSEPHSON asked for the underlying policy decision for the bill.

MR. LABOLLE stated that it was to provide an incentive for communities to pay the bills on time. Under CSHB 47(CRA), communities that were already paying above the fiscal year (FY)

08 floor will still be subject to the punitive rate, but the assumption was that perhaps communities whose salaries fell under the FY 08 floor simply couldn't pay so it wasn't deemed necessary for them to be subject to punitive rates, but the punitive rates would apply to those communities whose salaries were above the floor who simply chose not to pay, he said.

[3:22:44 PM](#)

REPRESENTATIVE JOSEPHSON asked for further clarification on the exclusion in CSHB 47(CRA).

MR. LABOLLE said that the sponsor found five communities this bill would apply to included Atka, St. George, Pelican, Anderson, and Galena; however, Atka had salaries above the FY 08 floor. Despite Atka's declining population, their salaries were going up, he said. If this bill was applied to Atka, it would have the net effect of increasing the floor rather than decreasing the floor.

[3:23:47 PM](#)

MR. LABOLLE offered to provide a brief historical background. He stated that when Senate Bill 125 passed it provided relief to municipalities that "had gotten underwater" [with unfunded liability] in their PERS [Public Employees' Retirement System]. The method used to remedy that was to take solo systems in which each municipality and the state were considered their own entities in terms of administering their PERS system. He explained that Senate Bill 125 lumped municipalities in one large system, the state appropriated a considerable amount to address the unfunded liability, and required every PERS employer to pay 22 percent of their gross salaries into the system, unless the gross salaries were less than the FY 2008 figures. In those instances the PERS employer was required to pay 22 percent of the FY 2008 salaries, which is also known as the "08 floor." The underlying concern was that without limiting payment requirements to the "FY 08 floor," municipalities would simply layoff workers and hire contract employees to reduce payments into the PERS system. Thus the "FY 08 floor" was put in place to avoid detrimental effects to the system; however, he said that the legislature did not consider legitimate reasons municipalities might have to eliminate employees other than "simple gaming" of the system. For example, after the "FY 08 floor" was set the U.S. Air Force Campion Station in Galena was closed and the community lost 30 percent of its population, but its PERS gross salaries shrunk from \$1.5 million in FY 08 to

[\$765,000] in FY 12 due to the economy. Thus with almost half of its salary base eroded, was impossible for the City of Galena to make the 22 percent payment on the "08 floor." Currently, the City of Galena has been making payment on base salaries, but the state adds the difference between that amount and the "FY 08 floor" to the debt. Thus the net effect has been that the City of Galena can't afford to pay its debt. The only recourse for the state would be to garner its revenue sharing, which has the effect to limit the City of Galena's ability to pay even more.

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MR. LABOLLE said the City of Galena, by law, cannot declare bankruptcy or opt out of the system, but nothing could stop the city from "shutting off the lights and walking out." If so, the state would get "stuck" with the entire liability instead of the portion that the City of Galena finds it is unable to pay.

[3:28:07 PM](#)

REPRESENTATIVE JOSEPHSON asked whether this was statutory language.

MR. LABOLLE agreed it was, noting that the "buck stops" with the state.

[3:28:23 PM](#)

REPRESENTATIVE JOSEPHSON asked whether he meant the City of Galena could go bankrupt.

MR. LABOLLE agreed that for all intents and purposes that would be the effect, although the City of Galena cannot legally declare itself bankrupt.

[3:28:44 PM](#)

REPRESENTATIVE HUGHES asked whether Galena was now paying 22 percent on \$765,000, but not the 22 percent on the \$1.5 million, which created a gap.

MR. LABOLLE answered yes; absolutely.

[3:29:28 PM](#)

REPRESENTATIVE KITO asked for the City of Galena's current total outstanding debt.

MR. LABOLLE said that according to his figures that as of FY 14, the debt was \$1.5 million.

[3:29:59 PM](#)

CHAIR OLSON suggested the fiscal notes needed to be updated.

MR. LABOLLE replied that it requires an actuary to calculate the debt so the department was waiting until the bill was in a more final form prior to updating the fiscal note.

[3:30:51 PM](#)

REPRESENTATIVE TILTON clarified that the House Community and Regional Affairs Standing Committee requested an updated fiscal note, but since it requires an actuary, which is costly, the committee held off until the bill goes to the next committee of referral.

MR. LABOLLE surmised it was a good idea, considering the changes the House Community and Regional Affairs Standing Committee made to the bill.

[3:31:32 PM](#)

MR. LABOLLE directed attention to Section 2, noting the handout in members' packets entitled "Explanation of Changes from Version A to Version N" covered the changes.

[3:32:03 PM](#)

CHAIR OLSON asked whether it was the "one and one-half times" language in the bill.

MR. LABOLLE clarified that was the original rate. He explained that instead of paying "one and one-half times" they would pay interest at "one times" the rate of earnings.

MR. LABOLLE referred to the retroactive clause in Section 3, noting it would go back to 2009 and forgive the delinquent amount up to the date of passage of the bill, he said.

[3:32:59 PM](#)

REPRESENTATIVE JOSEPHSON asked where cost was reflected in fiscal note.

MR. LABOLLE answered that it was not currently reflected, but it will be reflected in the forthcoming fiscal note from the actuary. He explained the retroactive clause in Section 2 would provide a straight forgiveness for communities who are paying below the floor [FY 08] and lost [25 percent] of their population. However, the delinquent amounts for communities without the exemption would be charged interest at 8 percent instead of 12 percent.

[3:34:10 PM](#)

REPRESENTATIVE KITO clarified that this does not represent a cash cost to the state, but reflects revenue that will not be collected by the state.

MR. LABOLLE agreed. He said that the system was legally bound not to make cash distributions other than for retirement costs. He characterized it was foregone revenue.

[3:34:41 PM](#)

CHAIR OLSON related his understanding that it would not have an impact until the person reaches retirement.

MR. LABOLLE agreed.

[3:34:47 PM](#)

REPRESENTATIVE HUGHES asked whether the state would make up the difference if municipalities contribute less.

MR. LABOLLE deferred to the Office of Management and Budget to respond.

[3:35:18 PM](#)

MIKE BARNHILL, Policy Analyst, Office of the Director, Office of Management & Budget (OMB), Office of the Governor, stated that if the state doesn't collect revenue in a particular year, with all other things being equal, it will count as an actuarial loss for the year. He stated that the actuary calculates all gains and losses and amortizes them over a 25-year period. Therefore, it would add to the unfunded liability and to the state assistance that the state pays per the statute.

[3:36:10 PM](#)

CHAIR OLSON said that basically it will cost the state at the "back end."

MR. BARNHILL answered that the amount would be rolled into the state assistance in the next fiscal year.

CHAIR OLSON asked whether it was safe to assume the new fiscal note will be higher than \$187,000.

MR. BARNHILL replied that the fiscal analysis was completed by the actuarial analysis last week and the fiscal note will be provided to the committee. He suggested that the amount will go down somewhat, which may be the result of Atka being exempt.

[3:36:59 PM](#)

REPRESENTATIVE HUGHES suggested that if the rate was also being reduced from 12 to 8 percent that it seemed like the revenue will also be reduced and the state assistance will increase.

MR. BARNHILL suggested that the committee wait for the fiscal note before holding further discussions.

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CHAIR OLSON asked whether the retroactivity would have an impact.

MR. LABOLLE answered yes; that the fiscal impact for the first fiscal year will be substantially larger than the fiscal impact for subsequent years due to retroactivity, with four years being lumped into one.

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MR. BARNHILL stated that the administration supports this bill in concept. Since 2008, the state has continuously examined the appropriate relative participation by the state and the collective municipalities to pay down the unfunded liability. This bill was just one more piece after the legislature held fairly protracted discussions last session. With the \$3 billion appropriation and the extension of the amortization for an additional nine years, municipalities participated at a greater level than previously in paying down the unfunded liability. This happens with the extension of the time in which municipalities will pay at 22 percent. He considered this as

yet another instance in which the state was examining the relative share and in this instance this bill considers the relative share and the cost shifting as being fairly small.

CHAIR OLSON suggested he will have additional questions once the fiscal note is released.

[3:40:12 PM](#)

REPRESENTATIVE HUGHES related her understanding that it was important to set the floor so employees will not be laid off and replaced with contract employees. She asked whether there was any way to follow staffing changes when the population was declining and the salaries being paid out are also reduced.

MR. LABOLLE offered his belief she was referring to two different things. First, the bill helps to ensure that the state continues to have a backstop against municipalities hiring contract employees instead of municipal employees who must pay into PERS [the Public Employee's Retirement System], which is one reason the FY 08 floor was reset to FY 12 instead of "going away." Secondly, he directed attention to a list in members' packets [entitled PERS Employer Salaries for FY 08-FY 12] that lists communities affected by the floor. He next directed attention to the far left column that indicates the employee count [changes] in FY 2008, and the column on the far right lists the employee count for FY 2012. Further, this chart also lists the gross salaries from FY 2008 to FY 2012. For example, the City of Galena's employees were reduced from 35 to 17 since the municipality could not afford to pay them.

[3:42:36 PM](#)

REPRESENTATIVE LEDOUX asked what the problem would be if some municipalities hire contract employees instead.

MR. LABOLLE answered that municipalities would still be required to pay 22 percent of the FY 2012 salaries. Even if the municipalities cut all of its employees, the municipalities would still need to make a 22 percent payment to the PERS system based on FY 08 figures, he said.

[3:43:28 PM](#)

REPRESENTATIVE LEDOUX asked for the effect on municipalities if this bill passed and whether municipalities without contract

employees would pay less, but if they had contract employees the rate would stay at 22 percent.

MR. LABOLLE answered that any existing contract employees would be unaffected by the bill since HB 47 will only affect PERS employees. Referring to the City of Galena, with 35 PERS employees in FY 2008, but 17 in FY 2012, the new floor will be based on the 17 employees, he said.

[3:44:30 PM](#)

REPRESENTATIVE LEDOUX said she was unsure how contract employees were involved.

MR. LABOLLE reiterated that Senate Bill 125 created the current PERS system floor payment of FY 2008, set as a backstop, as a disincentive for municipalities to fire PERS employees and replace them with contract employees in an effort to reduce their liability to the PERS.

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REPRESENTATIVE COLVER asked for further clarification on declining employment and the liability accrued for paying the PERS. He recalled that the termination study means municipalities can't even delete a position. He suggested that this was a single fix for communities that fall within these guidelines. He asked for the "big picture" in terms of unfunded liability for cities and school districts.

MR. BARNHILL answered that what he was referring to was termination studies, which is not encompassed by this bill. He explained that in 2008, there were basically two backstops to secure a certain level of participation by participating employers and the unfunded liability. One was the 2008 salary floor that required payment at the FY 2008 floor for each employer at 22 percent. The other related to termination costs so if an employer terminates a group classification or department, it would trigger a termination study to figure out the new unfunded liability. The employer would need to pay that plus all of the past service costs associated with the terminated positions, not capped, until the unfunded liability was extinguished. He reminded members this time period was extended from 2031 to 2039 last legislature.

MR. BARNHILL acknowledged this issue has been an issue in the past that the legislature may wish to continue, but it is not part of this bill.

MR. LABOLLE added that those termination studies applied whether or not those terminations would bring the municipality below the FY 08 floor.

[3:48:20 PM](#)

CHAIR OLSON commented that it was a flat charge for the employee.

MR. BARNHILL said the cost of the study was from \$2,500 to \$5,000, but the study would also identify the costs.

CHAIR OLSON suggested that it was a pretty healthy disincentive.

[3:48:55 PM](#)

MR. BARNHILL said he was not sure he could comment on whether it was an incentive or disincentive, but it has certainly been perceived by the municipal employer community as a burden that impairs their ability with to be flexible in how they staff their governments.

[3:49:36 PM](#)

KATHIE WASSERMAN, Lobbyist; Executive Director, Alaska Municipal League (AML), stated that the AML has been working with PERS for many years. She added that the AML worked closely with the Senate Finance Committee in creating Senate Bill 125 in 2008. She recalled the 22 percent figure was used since the state had no ability to separate out the cost per municipality. Therefore, all municipalities and the state were lumped together and a price was negotiated at 22 percent, which seemed to be fair and enough to pay off the unfunded liability.

[3:50:55 PM](#)

MS. WASSERMAN stated that the legislature appropriated a \$3 billion infusion last year, which AML supported, even though it included some aspects that may not be entirely positive for municipalities. Since municipalities believe they can handle an extended amortization rather than all at once, nine years was added, and municipalities will pick up an additional \$2.5 billion at the end of amortization. She offered her belief that

municipalities are picking up their fair share of the costs, but the below the floor issue has proven to be a bad business process. Due to the state's deficit, municipalities will see more cuts and many small communities simply have no wiggle room. Most of these communities cannot afford to hire a contract employee. She stated that the City of Pelican reduced its employees to three employees, with the top one earning \$12 per hour. She emphasized that these communities do not have money to pay their salaries, much less this bill. It's just not going to happen, she said, adding that municipalities do not have any means for bankruptcy.

[3:52:51 PM](#)

MS. WASSERMAN said the AML would like to see this bill pass. These are the communities in dire need [the foregoing 23 cities listed]. For example, the City of Galena received its first bill four to five years ago for \$194,000, which has since escalated due to interest rates. Further, there isn't much that can be taken away from these communities, she said. She hoped the committee would pass the bill.

[3:53:54 PM](#)

CHAIR OLSON stated that these communities do not have much of a tax base.

MS. WASSERMAN agreed, noting that tribal lands also limit some of the communities' ability to achieve a tax base.

[3:54:12 PM](#)

REPRESENTATIVE LEDOUX asked how much it would cost to save the four communities.

MS. WASSERMAN said she did not know the annual payment.

[3:54:46 PM](#)

REPRESENTATIVE LEDOUX said she didn't understand how it saves the communities so much money.

CHAIR OLSON acknowledged that could be addressed when the next fiscal note was released.

MS. WASSERMAN commented that the relative percentage of money to the City of Galena may not look like much from the state's

perspective, but it is a lot for the City of Galena. She recalled that in reducing its staff from [35] employees to 17, meant it reduced about half its staff. Thus, the municipality will pay below the FY 2008 floor on half of its employees.

[3:56:21 PM](#)

SHANDA HUNTINGTON, City Manager, City of Galena, said she was a life-long resident of Galena. She provided some information on the population decline. First, the US Air Force base officially closed in 2008, following a multi-million dollar "draw down." In 1990, prior to the base realignment, Galena's population was 847. Galena has always been a small city and the military base was an economic driver. According to the 2000 census the population was 675, but it dropped to 470 in 2010. She stated that 205 people may not seem a lot, but it represents a 30 percent decline in the city's population between the two census periods. Although 30 percent of the population moved away, the decline in the city's economic activity was much greater. In FY 2008, the City of Galena's salary total was \$1.5 million for 36 employees, with a required minimum annual contribution of \$332,000. In FY 12, the amended floor year, the City of Galena's payroll was \$765,000 for 17 employees. Between FY 2008 to FY 2012, Galena's payroll was cut in half reflecting the decrease in population and economic activity.

MS. HUNTINGTON said that the City of Galena's minimum annual PERS contribution represented nearly half of the city's FY 2012 total payroll cost. In FY 2012 the City of Galena's minimum PERS contribution to the state was \$168,000. However, the difference in PERS contribution between FY 2008 and FY 2012 actual payroll was \$164,000. This difference will continue going forward creating an ever increasing obligation, she said. By statute any unpaid amount will accrue interest at 12 percent. This ever increasing obligation adds to the city's already stressed situation. She said the city's financial situation was so severe in FY 2009 that the City of Galena had to acquire a low-interest loan through the Alaska Municipal Bond Bank to deal with a severe cash flow crisis, which prevented the city from securing fuel, heat, and electricity. Simply put, if Galena can't pay its bills, the lights will go out, she said.

[4:00:14 PM](#)

MS. HUNTINGTON said that reasonably adjusting the floor for several cities does not mean the city will only pay the minimum amount. She said that modifying the floor year changes the City

of Galena's annual contribution from \$332,000 to \$168,000, but the actual contribution might be higher. In fact, FY 2013, the City of Galena had an amended minimum for its total payroll for 18 employees at \$895,000. She said that for FY 2013, the City of Galena's contribution would have been above the 2008 floor by \$30,000. She stated that this bill recognizes the drastic population decreases experienced by some Alaskan cities using a clearly defined metric of a 25 percent decrease in population.

MS. HUNTINGTON said that the base closure has been very difficult for the City of Galena. For the past several years, its finances have stabilized; however, it isn't possible to say what will happen to Galena's long-term population, but she hoped it has turned a corner. Although its finances have improved, the City of Galena PERS contribution could weaken the City of Galena and threatens its ability to provide any contribution to PERS. The City of Galena has been cautiously optimistic that the city will become strong and even grow over time to the 2008 levels. If that occurs, the City of Galena will be required to pay a PERS contribution comparable with that size and that payroll and will do so; however, it is not that city right now, she said. The oversize PERS contribution inhibits it becoming so. She offered that recognizing the drastic declining population was a matter of simple fairness. This bill recognizes this and ultimately promotes the PERS' goals to ensure that Alaska municipalities continue to contribute their fair share to the system. She thanked members for the opportunity to testify.

[4:03:31 PM](#)

JON KORTA, Mayor, City of Galena, thanked the committee for taking time to listen to his explanation of the importance of HB 47. He stated that the US Air Force base was closed effective in October 2010, although the closure was in process for four years. The Air Force base was the main source of employment for Galena residents so when the base closed the population was reduced by 50 percent in 2010. He reported that Galena was again struck by hardship in 2013 when ice dammed the Yukon River and inundated the city leading to a federal disaster declaration. The FY 2008 floor established by current law exists to prevent a municipality from gaming the PERS system by contracting out work previously performed by municipal employees in order to avoid making ongoing contributions to PERS. The current minimum PERS contribution was based on a level of salaries that existed in 2008. It does not account for the City of Galena's situation. It was not intended for, nor did it

contemplate municipalities with sharply declining populations. Although this bill does not change the PERS policy, it recognizes communities who have suffered a minimum of 25 percent decline in population between 2000 and 2010, such as Galena. He offered that a 25 percent threshold would represent the loss of 75,000 people from Anchorage or 8,000 people from Juneau. Further, he wondered what would happen to Fairbanks if its population declined by 30,000 or if Eielson Air Force Base and Ft. Wainwright were closed.

[4:06:03 PM](#)

MR. KORTA said that this bill would move the floor from 2008 to 2012 for those communities that experience huge loses. However, it does not provide a loophole that allows any community to "game the system." He stated that Galena's FY 2015 salaries fall above the 2012 amount for 17 employees. He said that the City of Galena's circumstances are not the result of any choices being made. Base closure and loss of close to one-third of the city's population was entirely involuntary, he said.

[4:06:59 PM](#)

MR. KORTA said the relationship between declining population and declining payroll is clear. Based on the FY 2008 floor, the City of Galena was required to pay an amount equivalent to the amount paid by cities substantially larger than Galena. In fact, the City of Galena's required PERS contribution approaches nearly half of the city's entire payroll. He said that the FY 2008 floor does not account for all situations, including cities that have suffered massive population contractions. This bill furthers the underlying policy goals of the regulatory structure, and helps ensure that the municipalities are able to continue contributing to PERS while recognizing that a city cannot and should not have to make a contribution of a city with a significantly larger population. Recognizing that City of Galena is not the same city it was before the base closed and 30 percent of its population moved away is simply good policy; policy that helps ensure that City of Galena can continue to contribute to PERS and recognizing sharply declining populations is just plain fair.

[4:08:19 PM](#)

CHAIR OLSON pointed out that nearly all members of the House Labor and Commerce Standing Committee live in smaller

communities and one member currently residing in Anchorage previously lived in Kodiak.

[4:08:57 PM](#)

CHAIR OLSON, after first determining no one wished to testify, kept public testimony open for HB 47.

[HB 47 was held over.]

[4:09:34 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:09 p.m.