

HOUSE FINANCE COMMITTEE

March 27, 2018

1:34 p.m.

1:34:26 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Paul Seaton, Co-Chair  
Representative Les Gara, Vice-Chair  
Representative Jason Grenn  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Dan Ortiz  
Representative Lance Pruitt  
Representative Steve Thompson  
Representative Cathy Tilton  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Sheldon Fisher, Commissioner, Department of Revenue; Representative Chris Tuck, Sponsor; Kendra Kloster, Staff, Representative Chris Tuck; Ken Alper, Director, Tax Division, Department of Revenue; Marie Marx, Director, Worker's Compensation, Department of Labor and Workforce Development; Heidi Drygas, Commissioner, Department of Labor and Workforce Development; Representative Charisse Millett.

PRESENT VIA TELECONFERENCE

Susan Foley, President, University of AK Foundation; Doug Walrath, Northwest Alaska Career and Technical Center; Tommy Sheridan, Silver Bay Seafoods, Cordova; Karen Matthias, Council Of Alaska Producers, Anchorage; Bradley Moran, Dean, College of Fisheries and Ocean Science, UAF,

Fairbanks; Greta Schuerth, Alaska Red Dog Mine, NANA Regional, Anchorage; Kayla Kade, Self, Anchorage; Debbie Even, Self, Anchorage; Cynthia Bradley, Self, Anchorage; Gretchen Cusack, Alaska Integrated Care Actions, Eagle River; Greg Weaver, Self, Knik.

SUMMARY

HB 233 EDUCATION TAX CREDITS; SUNSET; REPEALS

HB 233 was HEARD and HELD in committee for further consideration.

HB 303 WORKERS' COMP; REHAB/REEMPLOYMENT

HB 303 was HEARD and HELD in committee for further consideration.

^CONFIRMATION: COMMISSIONER, DEPARTMENT OF REVENUE: SHELDON FISHER

[1:35:58 PM](#)

SHELDON FISHER, COMMISSIONER, DEPARTMENT OF REVENUE, currently served as the commissioner designee. He explained that within the Department of Administration (DOA) the department looked at how it could save money for the state. The department was in the process of implementing shared services. The department also consolidated information technology services. The department also attempted to provide resources across the state. One example within the Division of Motor Vehicles was to streamline things such that the wait time across the state had improved, on average by 13 minutes. He visited the topic of the Department of Revenue (DOR). He expressed concerns about the fiscal uncertainty in the state. He thought the first step in that direction was to use a Percent of Market Value (POMV). He was a strong supporter of a rational POMV plan however, he understood that a POMV structure was only part of the fiscal solution and that it would not close the fiscal gap. He thought that state needed to expand its revenue sources. He believed part of the problem was that the state was too dependent of. He thought more consistency was needed for businesses. He hoped to help with making rational decisions easier.

Representative Wilson wondered whether a tax would rise to a level that would have a "less negative impact" on constituents.

Commissioner Fisher understood her question to be related to whether there was a certain type of tax that would be preferable, because of the revenue received versus the impact on the economy.

Representative Wilson responded, "Yes."

Commissioner Fisher stated that he did not have a specific recommendation. He felt that various taxes had different characteristics, and impacted different segments of the economy and populous. He remarked that there could be an effort to tax non-citizen groups. He noted that there were some places where the non-resident worker or visitor would pay a different tax. He remarked that each tax had its merits and challenges. He stated that he did not come to the discussion with a recommendation for a preferred tax.

Representative Wilson queried the process. She asked whether there was a study or information to better inform the legislature of the impact of all types of taxes. She felt that she did not always receive the information that could be justified on the impact of whether or not the money would slow the economy enough to receive less than the projection.

[1:45:36 PM](#)

Commissioner Fisher shared that there was a special session that had a bill related to a wage tax. The information from about that wage tax included contrasting information about a few different kinds of taxes. He agreed to have further discussions about providing more information.

Representative Wilson responded that on the flip side, as a resource based state, she wondered if the administration had looked at other resources from which to draw, especially related to the Department of Natural Resources (DNR).

Commissioner Fisher asked her to rephrase her question.

Representative Wilson noted that there was always a discussion about how to receive more money from Alaskans,

because Alaska had more resources than any other state. She remarked that DNR was in charge of the majority of the state's resources, so she wondered how DOR was coordinating with that department to utilize resources.

Commissioner Fisher responded that administration. had spent time considering the tax policy of the various sectors. He stated that there was probably less time taken to examine the economic development strategy for those sectors, and agreed to further examine that strategy.

Representative Wilson responded, "That would be a nice change. Thank you."

Vice-Chair Gara recalled a memo from Ken Alper, Director, Tax Division, Department of Revenue, that said that that the state received no production taxes on the average new fields at prices below \$73 per barrel. He queried comment on that assertion.

Commissioner Fisher replied that he was not familiar with the referenced memo, and had not deeply examined the issue. He believed that the correct next step for the state was to broaden the tax base. He felt that the question about revisiting the current oil and gas tax regime was a frequent question. He stated that his goal was to pursue a process where the question was addressed in a manner that would be fair to both the state and the oil companies; and could provide a sense of confidence to both entities, and provide a long-term solution.

Vice-Chair Gara remarked that for new oil in the average North Slope field paid no production tax at prices below \$73 per barrel. He remarked that there would be new oil in Alaska National Wildlife Refuge (ANWR), and the state would receive no production tax on oil below \$73 per barrel for seven years. He asked whether that was a reasonable tax policy.

Commissioner Fisher replied that he had not deeply examined the issue, so he was uncomfortable providing a statement. He would rather pursue a process to examine the entire regime in a thoughtful way that would result in a regime that was fair and sustainable for the state and industry.

[1:51:38 PM](#)

Vice-Chair Gara would provide Commissioner Fisher the memo. He remarked that the two most unstable oil taxes were the ones that were too high and the ones that were too low. He felt that the current tax regime was too low, so it was unstable. He recalled a study that stated that by reducing the capital budget by \$300 million, the state would lose approximately 4500 jobs.

Commissioner Fisher responded that it was his understanding.

Vice-Chair Gara asserted that one of the impacts of declaring no new taxes might be the continued job losses from budget cuts and budget reductions.

Commissioner Fisher replied that the administration had supported a more sustainable capital budget. He stated that the governor's budget was a multi-year budget that was intended to address deferred maintenance. He remarked that choosing deferred maintenance was because it impacted every community, so it would be broadly distributed across the state. He noted that it did not increase the "footprint" of the state, instead it was maintaining the current assets. He noted that, unlike some mega projects, deferred maintenance was often performed by local businesses. He remarked that the proposal was supported by a broad based tax. He felt that it was an important opportunity for the state to expand its economic base.

Vice-Chair Gara had additional questions but would wait.

[1:54:27 PM](#)

Representative Grenn requested involvement in the genesis of the idea an process related to the creation of the oil tax bonding bill.

Commissioner Fisher replied that he agreed to provide the governor with a set of alternatives that might be able to address the concern about the taxes. He felt that the governor wanted to find a solution that provided certainty to the industry, so they could receive their payment in a timely fashion and go back to work. He remarked that there were various resources and expertise in determining financial instruments and the ways to pay off the debt. He remarked that there was initially a hope to provide multiple solutions, but it was concluded that the only

prudent solution was the proposal. He noted that the other considered funds had associated concerns. He remarked that it was a fairly large "chunk" of money, so it was too large a percentage of the overall fund to satisfy the prudent investment rule.

1:57:15 PM

Representative Kawasaki complimented the commissioner on his efforts regarding shared services. He posed the question about whether it was the year to purchase a snow machine or a new washer and dryer. He asked for his feedback regarding the size of the state operating budget.

Commissioner Fisher replied that he liked to put the budget into categories: formula programs; life and health safety; education; and the other departments. He shared that people often thought about government in terms of the departments. He remarked that there was an idea that there was much opportunity to continue to reduce costs. He stated that most of those departments, on a UGF basis, had cuts from between 30 percent and 40 percent; and a combination of UGF and DGF basis was closer to a cut of 25 percent. He felt that there was always an opportunity for improvement and efficiency, but felt that the declining department budget provided a declining opportunity for improvement. He remarked that DOR had various groups within the department. He felt that, for example, cutting the tax division would result in a loss of revenue. He remarked that the Permanent Fund Division was working toward more online filings, so there was an opportunity to save money. He stressed that improvements usually required cost to the state. He remarked that there was a sense among Alaskans to devote more attention to health and safety. He felt that Alaskans wanted to see a better outcome for the money spent on education, and remarked that there was not a strong desire to decrease education funding. He felt that there was an opportunity for some interesting strategies around health care. He encouraged the legislature to examine how to improve health care costs.

2:03:29 PM

Representative Guttenberg complimented Commissioner Fisher for his efforts within the Division of Motor Vehicles. He wondered whether other efficiencies had been implemented or considered for the rural areas of the state.

Commissioner Fisher suggested that the state had tried to improve efficiencies. He agreed that there was room for improvements in some areas. He remarked that the DOA had gone through a process of streamlining the leasing of property. He noted that there was a substantial reduction of the time to turn around a lease.

2:09:09 PM

Representative Guttenberg noted that there was a feeling that the sense was "behind the curve on the technology", and delivering broadband. He was waiting for a vision to be outlined, other than putting more effort into fixing computers and printers. He remarked that the state had an antiquated telecommunication infrastructure. He felt that the issue was about moving the state into tomorrow. He remarked that the state had not responded adequately.

Commissioner Fisher wondered whether the antiquated remark referred to the network of the state government or the telecommunication infrastructure of Alaska.

Representative Guttenberg responded that he was referring to both systems separately and together.

Commissioner Fisher responded that he felt that the state government's network was not severely antiquated. He shared that there was a rebuilding recently of the core network. He remarked that the effort was done without a capital appropriation, because the cost savings were structured within the project. The vender provided a financing instrument to purchase the equipment. He understood that the state network was not "cutting edge", but felt that it was not an antiquated system. There were efforts to ensure that the system was functional and up-to-date. He understood that the system within the state as a whole was struggling to delivering adequate broadband services to all the communities. He remarked that the large challenge was the middle mile. He noted that the last mile was the weak link in most jurisdictions, but in Alaska it was the middle mile. He noted that much of rural America had highly dispersed populations, so it was difficult to deliver the last mile. He remarked that Alaska had villages that were relatively densely population in a location, but was a large distance from the next village. Therefore, there were not broad rural communities like the rest of the country.

He shared that there was a broadband task force, and a number of people from the industry had conversations on the subject. He remarked that there was a high amount of money, in the excess of \$1 billion to build and improve the middle mile network. He shared that there was a question about whether there was a better way to use the money currently spent on telecommunications.

Co-Chair Foster indicated Co-Chair Seaton comments would be the last.

Co-Chair Seaton wanted to further discuss oil taxes. He mentioned worldwide consulting.

[2:18:14 PM](#)

Commissioner Fisher guessed that noted that there was a range within the averages of different jurisdictions with different cost structures, and the division of the share depending on the cost structure. The right solution was to broaden the state's tax structure. He believed that the state budget would require additional revenue.

Co-Chair Seaton wondered whether there was an appropriate level in the tax credits, and whether there was a desire to have the current deficits with the tax amount.

Commissioner Fisher was not prepared to answer the question. He would want to engage in another level of analysis before he commented on the regime.

[2:22:48 PM](#)

AT EASE

[2:23:22 PM](#)

RECONVENED

Co-Chair Foster recommended that Commissioner Fisher name be forwarded to the full body for confirmation. There being NO OBJECTION, it was so ordered.

[2:23:54 PM](#)

AT EASE

[2:24:38 PM](#)

RECONVENED

#hb233

HOUSE BILL NO. 233

"An Act relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit; providing for an effective date by repealing the effective dates of secs. 3, 5, 7, 10, 14, 16, 18, 21, 23, 25, 28, 30, 32, 35, 37, 39, 42, 44, 46, 49, 51, 53, and 55, ch. 92, SLA 2010, sec. 14, ch. 7, FSSLA 2011, secs. 15, 17, 19, 21, 23, and 25, ch. 74, SLA 2012, sec. 49, ch. 14, SLA 2014, secs. 37, 40, 43, and 46, ch. 15, SLA 2014, and secs. 26 and 31, ch. 61, SLA 2014; providing for an effective date by amending the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014; and providing for an effective date."

[2:25:09 PM](#)

REPRESENTATIVE CHRIS TUCK, SPONSOR, introduced the PowerPoint presentation, "House Bill 233 Education Tax Credits" (copy on file). He thanked the committee.

KENDRA KLOSTER, STAFF, REPRESENTATIVE CHRIS TUCK, provided a history of the Education Tax Credit on slide 2, "Education Tax Credit":

1987: Education Tax Credit (ETC) established to encourage private businesses to make charitable contributions to Alaska educational institutions and facilities

2010: Credit increased from 50% to 100% on contributions between \$101-\$300k; maximum annual credit expanded from \$150k to \$5 million (SB236)

2011 and 2014: List of institutions and programs eligible for donation were expanded; eligibility varies by tax-type (SB84 and HB278)

2014: ETC sunset established for Dec 2018 as part of newly established Indirect Expenditure Report (HB306)

Ms. Kloster reviewed what the bill did on slide 3, "Education Tax Credit":

HB233 extends the effective date for the repeal of the education tax credits from December 31, 2018 to January 1, 2025.

Ensures that the credit that exists in statute today will be maintained until January 1, 2025, instead of narrowing in scope and decreasing in value on January 1, 2021.

Ms. Kloster continued to slide 4, "Education Tax Credit":

Today, there are many opportunities to make private donations to a variety of educational institutions, facilities and programs  
However, there are specific eligibility requirements for both organizations and tax type

Selection of eligible entities:

Non-profit, public or private accredited Alaska two-year or four-year colleges

Non-profit elementary or secondary schools and school districts

State operated vocational education and training schools

Non-profit regional vocational training centers

Apprenticeship programs

Alaska higher education investment fund

Postsecondary institutions providing dual-credit courses

Ms. Kloster further discussed the credit on slide 5, "Education Tax Credit":

Non-transferable, non-refundable credit that a donor can apply against the following categories of State of Alaska taxes. The use and deductibility of contributions varies by tax type:

Corporate Income Tax

Fisheries Business Tax / Fisheries Resource  
Landing Tax

Insurance Premium Tax / Title Insurance Premium  
Tax

Mining License Tax

Oil and Gas Production Tax

Oil and Gas Property Tax

General Credit Provisions:

50 percent of annual contributions up to \$100,000

100 percent of the next \$200,000

50 percent of annual contributions beyond  
\$300,000

Total annual credit per taxpayer, across all tax  
types not-to-exceed \$5 million

Ms. Kloster detailed why Education Tax Credits are  
important on slide 6, "Why Are ETC Important?":

ETC allows a need to be filled directly.

Encourages private industry to partner with education  
institutions, creating more opportunity in our state.

Expanding our educational programs to provide more  
opportunities for our students.

Training our future workforce for Alaskan jobs.

[2:30:12 PM](#)

Ms. Kloster discussed slide 7, "Benefits to Education:  
Summary of 2015." She indicated that Mr. Alper was  
available to answer any detailed information. The chart  
showed what was coming into the state's system. It was  
money that the state was seeing going into the education  
system.

Ms. Kloster moved to slide 8, "Benefits to Education: Summary of CY 2017 - Alaska Education Credits."

Ms. Kloster reviewed the industry investment in education on slide 9, "Industry Investment in Education":

In 2000, members of the At-Sea Processors Association began making private contributions to support student fellowships and to fund sustainable oceans and fisheries research

Association members established the Ted Stevens Professorship of Marine Policy

UA and the At-Sea Processors created the Pollock Conservation Cooperative Research Center (PCCRC) within the College of Fisheries and Ocean Sciences at UAF

The PCCRC has put over \$20 million into marine research and education since 2000, the largest single contributor to marine research at the University of Alaska.

The work done over the years has had an impact far beyond what the University could have accomplished alone.

Participating companies have included Trident, American, Starbound, Glacier Fish, Arctic Storm, and the Coastal Villages Region Fund

Representative Wilson asked about the donations and whether they had to be made to Alaska nonprofits and Alaska schools. She also looked at page 9, and wondered whether the student fellowships were required for Alaskans.

Ms. Kloster responded that they must go to programs within Alaska, and benefitted Alaskans. She shared that the private industry would give the donation to the educational program or university; and that entity would put it toward their tax.

Representative Ortiz returned to slide 2. He wondered if it included the ability to make contributions to private Alaska education institutions.

Ms. Kloster pointed to the document in the packet that listed all of the organizations that received a tax credit, and felt that it would help to explain the eligibility.

Co-Chair Seaton referred to page 7 and wondered what the \$2.26 million was directed toward under "Corporate Income Tax."

Ms. Kloster responded that the "other" might refer to the nonprofits, and deferred to Mr. Alper for more information.

[2:35:02 PM](#)

KEN ALPER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, stated that the graph was page 2 of a three-year report. He stated that DOR provided a cover letter, a table, and a detailed list of recipients. He stated that the list of recipients contained the list of the so-called "other." That "other" list consisted of the various nonprofits, watershed partnerships, and anything that would be eligible to receive the tax credit donations that were not either a university or vocational program. He stressed that the education tax credits was a rich area of legislative involvement. The list of eligible entities had evolved dramatically over the year. He noted that there were several boutique line items, which were added for various reasons. He stressed that the list was not the donors, rather it was the recipients who received the donations. He shared that those who made the donations were tax payers of some sort, but that information was confidential.

[2:37:04 PM](#)

AT EASE

[2:37:20 PM](#)

RECONVENED

Representative Guttenberg asked why Alaska Business Weekly and Granit Construction were eligible.

Mr. Alper replied that it did not necessarily mean the two entities were eligible, it was not a refundable tax credit. He detailed that when a company made a donation, DOR did

not know about it until the tax was paid and it went through the department's review process. He guessed it was a job training or apprenticeship program. He noted that Senator Click Bishop had taken an interest in the type of program over the years.

Representative Guttenberg looked forward to the follow up.

Representative Tilton asked if the entities were all Alaska-based.

Mr. Alper answered that the statutory language stated that there must be an entity in Alaska. He guessed the Smithsonian had a research project in Alaska, but the recipient was the home office in the Smithsonian.

[2:40:17 PM](#)

Representative Ortiz queried the amount of discussion regarding the allowance of public funds to go to private institutions, and the annual amount that went to private institutions.

Mr. Alper responded that it would be in the other category, but could not report the actual amount by recipient. He stated that the section was subsection 1, and believed that it was the original language from the 1980s. He did not know whether it had evolved over the years to include the reference to public or private entities. He stated that there had been a dozen or more amendments over a thirty-year period

Ms. Kloster added that on slide 4 showed a list of eligible entities.

[2:45:00 PM](#)

SUSAN FOLEY, PRESIDENT, UNIVERSITY OF AK FOUNDATION (via teleconference), thanked members for their service. The University of Alaska and the University of Alaska Foundation strongly supported HB 233. The programs that received contributions were not directed or established by industry. Regarding research opportunities, often times research opportunities reached beyond the scope of the donor program. She invited questions.

Co-Chair Seaton wondered whether the tax credit for sports tournament should continue.

Ms. Foley responded in the affirmative.

2:50:06 PM

DOUG WALRATH, NORTHWEST ALASKA CAREER AND TECHNINICAL CENTER (via teleconference), spoke in support of the bill. He stated that the loss of federal funding, with the elimination of earmarked appropriations and the constriction of stage UGF had made the education tax credit increasingly important to the technical center operations and programming. The tax credit contributions accounted for on-third of its annual operating budget. He stated that since 2009 it had actively pursued industry partnership.

2:53:20 PM

TOMMY SHERIDAN, SILVER BAY SEAFOODS, CORDOVA (via teleconference), reported that Silver Bay Seafoods strongly supported the bill. He read a prepared statement:

Silver Bay Seafoods, LLC (Silver Bay, or SBS) is writing to support Alaska House Bill 233, "An Act relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit."

SBS is a vertically integrated, primarily fishermen-owned processor of frozen salmon, herring, and other seafoods products for both domestic and export markets. Silver Bay began in 2007 as a single salmon processing facility in Sitka, Alaska, and has since grown into one of the largest seafoods companies in Alaska. Silver Bay has state of the art, high volume processing and freezing facilities throughout Alaska, currently operating in Sitka, Craig, Valdez, Naknek and Metlakatla. SBS is dependent upon a large and diverse workforce, the likes of which can and do receive their training through the University of Alaska Southeast's (UAS) School of Career Education, which includes the following programs of relevance to

Silver Bay's operations: Construction Technology, Diesel Technology, Welding, and Fisheries Technology.

With regards to the lattermost program, industry funding made possible through education credits have resulted in increased training opportunities for Alaskan youth. For example, in fall of 2017 36 Alaskan high school students took UAS courses, thanks to financial assistance from the At-Sea Processors Association (APA) and Goldbelt Inc. APA previously assisted with a pilot UAS program in spring 2017, allowing 13 high school students to complete four credits of college coursework. Goldbelt Inc. has worked to engage Juneau-based Alaska Native students in the sciences, beginning with a summer 2017 oceanography learning experience and culminating with 22 students taking an iPad-based Introduction to Oceanography class for University of Alaska General Education credit. Altogether, in 2017 APA and Goldbelt Inc. helped over 50 high school students take on university-level coursework all over the state, from Kodiak, Juneau, and Sitka to Unalaska, Galena, and Petersburg.

I personally benefitted from similar financial assistance several years ago as a student in UAS's Fisheries Technology Program. With financial assistance made possible by donations from Icicle Seafoods, I completed an Undergraduate Certificate in Fisheries Technology before going on to complete graduate-level programs at Oregon State University.

Extension of the education tax credit program through House Bill 233 will continue to promote private investment in Alaskan higher education, which is essential to ensuring that Alaskans learn the skills needed to sustain and grow Alaska's commercial fishing industry. Our thanks to you for sponsoring this important bill.

[2:56:44 PM](#)

KAREN MATTHIAS, COUNCIL OF ALASKA PRODUCERS, ANCHORAGE (via teleconference), read a prepared statement:

The Council of Alaska Producers (CAP) is writing to support Senate Bill 116, "An Act relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit."

CAP is a non-profit trade association formed in 1992 to represent the interests of large metal mines and mine developmental projects in Alaska. CAP informs members on legislative and regulatory issues, supports and advances the mining industry, educates members, the media and the general public on mining related issues, and promotes economic opportunity and environmentally sound mining practices.

CAP's members have welcomed the opportunity to partner with the State of Alaska and provide funding directly to Alaska's higher education projects and programs that support and enhance the mining industry. Between 2011 and 2017, mining companies in Alaska education tax credit program to invest \$19.6 million in programs such as:

- UAF Mining Engineering research endowment
- UAF Mining Engineering scholarship fund
- UAA Geology Scholarships
- Mining and Petroleum Training Services (MAPTS), UAF Cooperative Extension Services, Anchorage, Soldotna, Juneau
- UAS Pathways to Mining
- UAA Institute of Social and Economic Research
- Northwest Arctic Borough School District
- Angoon High School Vocational Technical program

MAPTS and the Pathways program provide educational opportunities and training that lead directly to good jobs in the industry. The importance of these educational and training programs is underscored by a survey of Alaska's mining workforce which revealed that there is considerable aging of skilled employees; for example, 47.1 percent of mechanics, 51.1 percent of mining materials engineers and 65.4 percent of mining machine operators are 45 years of age or older.

Faced with the challenges of attrition and aging within the current workforce, and competition from the global mining industry, the mining industry embarked on a workforce development planning process which resulted in the Alaska Mining Workforce Development Plan.

SB116 extends the education tax credit program so it will continue to promote private investment in higher education in our state, an essential component of realizing the objective of ensuring that Alaskans learn the skills needed to sustain and grow Alaska's mining industry.

Thank you for sponsoring this bill. We hope that it will be scheduled soon for a hearing in the Labor and Commerce Committee.

[2:59:32 PM](#)

BRADLEY MORAN, DEAN, COLLEGE OF FISHERIES AND OCEAN SCIENCE, UAF, FAIRBANKS (via teleconference), spoke in support of the legislation. He noted that his college had utilized the education tax credit for nearly twenty years with great benefit with over \$25 million in support for research, scholarship, fellowships, and outreach funding. He thanked the legislators who had worked to continue the program for the benefit of the university and the state.

Vice-Chair Gara asked if his school was a non-profit.

Mr. Moran responded in the affirmative.

Vice-Chair Gara asked if contributions to the university treated as nonprofit contributions.

Mr. Moran replied that the contributions went through the University Foundation.

Vice-Chair Gara noted that a company would get a federal tax deduction for donating. He wondered whether the same amount of money would not come in, even without the smaller state tax credit.

Mr. Moran replied that he was not an expert in the tax laws. He stated that through the tax credit, it allowed for the corporations to invest in the college.

Representative Thompson queried the amount of leveraged federal grant money.

Mr. Moran responded that in FY 17, the college brought in approximately \$43 million in federal research dollars. He furthered that a large portion of that money was the operation of the research vessels operated in the university.

Representative Thompson asked if it was a 50/50 match, or whether there was more leverage.

Mr. Moran responded that it was not a 50/50 match.

Co-Chair Foster OPENED Public Testimony

[3:04:49 PM](#)

GRETA SCHUERTH, ALASKA RED DOG MINE, NANA REGIONAL, ANCHORAGE (via teleconference), spoke in favor of the legislation. She stated that multiple Nana subsidiaries provided support services to the mine operations providing many jobs to the Nana shareholders and other Alaskans.

Representative Wilson asked how many Alaskans were able to get education assistance.

Ms. Schuerth agreed to provide that information.

Co-Chair Foster CLOSED Public Testimony.

Co-Chair Foster indicated amendments were due in his office by Thursday at 5:00 PM.

HB 233 was HEARD and HELD in committee for further consideration.

#hb303

HOUSE BILL NO. 303

"An Act relating to workers' compensation benefits for the rehabilitation and reemployment of injured employees."

[3:10:34 PM](#)

Representative Wilson MOVED to ADOPT proposed committee substitute for HB 303, Work Draft (30-GH2709\J, Wallace 3/16/18). There being NO OBJECTION, it was so ordered.

[3:12:11 PM](#)

MARIE MARX, DIRECTOR, WORKER'S COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, there was only one change. It inserted language that the one-year time limit on benefits paid before parties agreed to a training plan.

[3:13:32 PM](#)

HEIDI DRYGAS, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced herself and indicated that Ms. Marx would review the presentation.

Ms. Marx introduced the PowerPoint presentation: "Workers' Compensation Reemployment Benefits: HB303, House Finance Committee March 22, 2018" (copy on file).

Ms. Marx slide 2: "What is Worker's Compensation?"

A system of insurance that protects workers and employers from some of the losses caused by on-the-job accidents and job-related illnesses.

Ms. Marx slide 3: "The Grand Bargain."

An employer provides prompt, necessary medical and wage loss benefits to an injured worker for a work related injury.

In exchange, the injured worker receives limited benefits and gives up the right to sue the employer.

Ms. Marx slide 4: "Mission."

To ensure the quick, efficient, fair and predictable delivery of indemnity, medical, and vocational rehabilitation benefits to injured workers at a reasonable cost to employers

Ms. Marx slide 5: "Benefits Provided."

- Medical Care
- Indemnity (Wage Loss) Benefits

- Death Benefits
- Reemployment (Retraining) Benefits

Ms. Marx reviewed slide 6: "Reemployment Benefits."

Intended to return an injured worker to work when the worker cannot return to the job of injury or to jobs for which the worker has relevant training or experience.

Ms. Marx moved to slide 11: "Alaska Reemployment Benefits Flow Chart: Current Law." She stressed that the bill did not address instances where an injured worker returned to work and received medical care. The retraining benefits were related to situations where an injured worker was off work for at least 90 consecutive days, and a doctor opined that they could not return to their job of injury or other relevant jobs.

[3:15:23 PM](#)

Ms. Marx explained that the bill was introduced because of current challenges. She reviewed a list of challenges on slide 7: "Current Challenges." She read the slide:

- Mandatory reemployment benefits eligibility evaluations
- Maximum plan cost of \$13,300
- Retraining plans focus on quickest return to work option, regardless of worker's interest in that vocational goal
- Declining pool of rehabilitation specialists
- No rehabilitation specialist fee schedule

Ms. Marx reviewed the benefits of HB 303 on slide 8: "HB 303." She read the slide:

- Improves the delivery of reemployment benefits to injured workers
- Provides eligible employees with more choices in reemployment goals and plans
- Encourages injured employees' early return to work
- Helps employers control costs

[3:17:55 PM](#)

Representative Guttenberg queried the number of individuals who were hurt on the job and not eligible.

Ms. Marx explained that one of the provisions of the bill would no longer permit an injured worker to settle reemployment benefits with their employer. She stated that the following slides showed the statistics about the policy call.

Ms. Marx pointed to slide 9: "Reemployment Benefits Eligibility Statistics FY 17."

- 564injured workers were referred for a reemployment benefits eligibility evaluation
- 148injured workers were determined eligible for reemployment benefits
- 14injured workers completed reemployment plans

Ms. Marx turned to slide 10: "Reemployment Benefits Settlement Statistics FY 17."

164injured workers settled reemployment benefits

48 of those injured workers settled reemployment benefits before an eligibility determination was made

80 of those injured workers settled reemployment benefits before completing a retraining plan

36 of those injured workers settled reemployment benefits after being found ineligible for benefit

[3:22:00 PM](#)

Representative Guttenberg asked about the change. He wanted to understand that instead of the money going to the individual it would go to the school. He noted that much of the controversy was that the injured worker needed money to pay their mortgages. The person took the benefit money but did not use the money for its intended use. .

Ms. Marx explained that it allowed an injury worker to receive the benefit.

Representative Guttenberg wanted to confirm that the lump sum would not be paid to an individual.

[3:26:08 PM](#)

Co-Chair Foster OPENED Public Testimony.

[3:26:59 PM](#)

KAYLA KADE, SELF, ANCHORAGE (via teleconference), was a vocational rehabilitation specialist. She did not agree with some of the current regulations in place. She did not agree with paying an individual lump sum.

[3:31:04 PM](#)

DEBBIE EVEN, SELF, ANCHORAGE (via teleconference), spoke in opposition of the bill. She disagreed with the provision that did not allow for a lump sum to be distributed.

Representative Wilson asked if Ms. Even would getting a sum of money plus help with schooling.

Ms. Evan decided to settle with Worker's Compensation because of the time frame.

[3:33:05 PM](#)

CYNTHIA BRADLEY, SELF, ANCHORAGE (via teleconference), opposed the legislation. She was injured on the job at the end of 2011. She settled her claim. She disagreed with the statistic provided by the department. She received a lump sum settlement. She indicated she had been making \$50 per hour at the job where she was injured. She was trained for a job where she only made \$18.

[3:37:25 PM](#)

GRETCHEN CUSACK, ALASKA INTEGRATED CARE ACTIONS, EAGLE RIVER (via teleconference), opposed HB 303. She relayed that there were many misconceptions. She provided some of her background and was well-versed in the field. She appreciated a couple of the changes.

Co-Chair Foster encouraged additional testimony.

[3:44:22 PM](#)

Representative Wilson asked how much it took for a worker to have a plan made up and to follow through to succession.

Ms. Cusack thought it would be difficult to say because of several factors. Plans could range from \$3000 to \$20,000. A person needed to be medically stable. She asked the committee to be aware of the complexity of each case.

3:46:05 PM

Representative Guttenberg asked whether all rehabilitation specialists were the same. He asked how to set the rates. He wondered if it was by plan or qualifications.

Commissioner Drygas responded that the specialists were required to have master's degrees. She stated that the department could receive different reports from different specialists.

Ms. Marx responded that one of the things the system struggles with was that a specialist might not meet the statutory requirement. Ultimately both would reach plans within the statutory requirements.

Representative Guttenberg wondered whether the payment was because of the billed appointments.

Ms. Marx responded in the affirmative.

3:50:50 PM

GREG WEAVER, SELF, KNIK (via teleconference), indicated he had been an injured worker. He provided a background of his injury. He spoke about a huge black hole in Worker's Compensation. He provided details about his experience. He continued to provide information about his personal experience. He wanted people in Alaska that were injured on the job to be treated fairly.

Co-Chair Foster CLOSED Public Testimony.

Co-Chair Foster relayed that amendments were due by Friday, March 30, 2018 at 5:00 PM.

Representative Wilson wondered whether there could be a delay in the amendment deadline, because she did not fully understand the legislation.

Co-Chair Foster relayed that he would hold off on the amendment deadline.

Commissioner Drygas thanked those that testified on the bill and indicated that it was difficult to find a balance. She wanted to see workers back in the workforce rather than drawing on public assistance.

Co-Chair Foster reviewed the agenda for the following meeting.

HB 303 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

4:01:18 PM

The meeting was adjourned at 4:01 p.m.