

SENATE FINANCE COMMITTEE

April 9, 2018

9:13 a.m.

[9:13:32 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:13 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Peter Micciche
Senator Donny Olson
Senator Gary Stevens
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Representative Sam Kito, Sponsor; Sara Chambers, Deputy Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Representative Andy Josephson, Sponsor; Senator Cathy Giessel, Sponsor; Jane Conway, Staff, Senator Cathy Giessel; Lori Wing-Heier, Director, Division of Insurance, Department of Commerce, Community and Economic Development; Emily Ricci, Chief Policy Administrator, Division of Retirement and Benefits, Department of Administration; Rachel Hanke, Staff, Senator Peter Micciche; Lisa Parady, Executive Director, Alaska Council of School Administrators; Dr. Karen Gaborik, President, Alaska Superintendents Association; Norm Wooten, Executive Director, Association of Alaska School Boards; Mark Miller, Superintendent, Juneau School District; Mary Wegner, Superintendent, Sitka School District; Sean Dusek, Superintendent, Kenai Peninsula Borough School District; Bobby Bolen, Superintendent, Bering Strait School District; Monica Goyette, Superintendent, Matsu Borough School

District; Kathy Lea, Chief Pension Officer Division of Retirement and Benefits, Department of Administration.

PRESENT VIA TELECONFERENCE

Deena Bishop, Superintendent, Anchorage School District.

SUMMARY

SB 38 PHARMACY BENEFITS MANAGERS

SB 38 was HEARD and HELD in committee for further consideration.

SB 185 REEMPLOYMENT OF RETIRED TEACHERS and ADMIN

SB 185 was HEARD and HELD in committee for further consideration.

HB 273 EXTEND: MARIJUANA CONTROL BOARD

HB 273 was REPORTED out of committee with a "do pass" recommendation and with the previously published fiscal impact note: FN 2(DEC).

HB 278 EXTEND: CERT. REAL ESTATE APPRAISERS BOARD

HB 278 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce, Community and Economic Development.

HB 279 EXTEND: REAL ESTATE COMMISSION

HB 279 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce, Community and Economic Development.

#hb273

HOUSE BILL NO. 273

"An Act extending the termination date of the Marijuana Control Board; and providing for an effective date."

9:15:11 AM

REPRESENTATIVE SAM KITO, SPONSOR, introduced himself.

Vice-Chair Bishop MOVED to REPORT HB 273 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 273 was REPORTED out of committee with a "do pass" recommendation and with the previously published fiscal impact note: FN 2(DEC).

[9:15:51 AM](#)

AT EASE

[9:16:42 AM](#)

RECONVENED

#hb278

HOUSE BILL NO. 278

"An Act extending the termination date of the Board of Certified Real Estate Appraisers; and providing for an effective date."

[9:16:49 AM](#)

Co-Chair MacKinnon discussed the history of the bill.

[9:17:08 AM](#)

AT EASE

[9:18:40 AM](#)

RECONVENED

[9:18:58 AM](#)

Senator Micciche stated that he had a question for the department. He stated that he was looking at the chain of custody issues in the fee analysis. He wondered why the fee analysis was higher than the board's fee analysis.

[9:19:53 AM](#)

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that she would be addressing the Real Estate Appraisers, rather

than Real Estate Commission, therefore she missed a portion of the question.

Senator Micciche stated that he was confused, and would save his question for a later bill.

Vice-Chair Bishop MOVED to REPORT HB 278 out of Committee with individual recommendations and accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 278 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce, Community and Economic Development.

[9:20:42 AM](#)

AT EASE

[9:24:13 AM](#)

RECONVENED

#hb279

HOUSE BILL NO. 279

"An Act extending the termination date of the Real Estate Commission; and providing for an effective date."

[9:24:55 AM](#)

AT EASE

[9:25:08 AM](#)

RECONVENED

[9:25:14 AM](#)

REPRESENTATIVE ANDY JOSEPHSON, SPONSOR, stated that the Senate Labor and Commerce Committee did its due diligence, and made the recommendation to extend the commission.

Senator Micciche wondered why the division's proposal was higher than the board's proposal. He noted that the explanation did not give a reason for the agreement. He asked for further information about the board numbers.

[9:26:03 AM](#)

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that AS 08.01.065 required the division and the board to work together. She stated that it was required that those decisions were not made independently. She stressed that those efforts occurred with each new fee analysis. She stated that the board offered observations that had not been taken into consideration with the fee analysis, including the desire to reduce the surplus. She stated that the director opted to take the board's recommendation, rather than the analysis. She stated that it was not unusual, and a sign of a healthy process.

Senator Micciche wondered whether the case was properly served during the investigation. Ms. Chambers replied that the investigator reviewed the facts provided in the complaint, and it was determined that it was non-jurisdictional. The senior investigator reviewed it, and agreed with the determination. She stated that the case was reopened, with the stipulation that all parties provided timely information. She stated that the Department of Law would work with the division to determine whether the process was working or whether there would be a required change to the system.

Vice-Chair Bishop MOVED to REPORT HB 279 out of Committee with individual recommendations and accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HB 279 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce, Community and Economic Development.

[9:29:27 AM](#)

AT EASE

[9:30:58 AM](#)

RECONVENED

#sb38

SENATE BILL NO. 38

"An Act relating to the registration and duties of pharmacy benefits managers; relating to procedures, guidelines, and enforcement mechanisms for pharmacy audits; relating to the cost of multi-source generic

drugs and insurance reimbursement procedures; relating to the duties of the director of the division of insurance; and providing for an effective date."

[9:32:05 AM](#)

SENATOR CATHY GIESSEL, SPONSOR, introduced the legislation. She stated that Alaska had the highest health care costs in the country, and furthered that the United States had the highest health care costs in the world. She announced that it was not utilization that drove the cost of health, rather the cost of that health care. She announced that pharmaceutical costs made up of approximately 20 percent of health care costs. She stated that administrative costs were another large cost driver. She remarked that the bill addressed both of those items. She felt that it was imperative that Alaska address those costs. The bill was a consumer protection bill. She explained that pharmacy benefit managers (PBMs) served as middlemen for health insurance plans between pharmaceutical manufactures and retailers. She announced that PBMs were designed to perform administrative duties for insurers; validate patient eligibility; administer plan benefits; and negotiate costs between pharmacies and health care plans. She added that PBMs also audited for fraud. She felt that creating networks of multiple pharmacies, the PBMs had leveraged their size and power to negotiate contracts between drug manufacturers and retail outlets. The PBMs could secure rebates or kickbacks on certain drugs, and were responsible for determining which drugs were covered by different health care plans. She stated that the PBM market had become highly consolidated. The focus seemed to be less about serving consumers and more about increasing company profits. She felt that there was egregious and anticipative behavior by PBMs that had harmed consumers and community pharmacist with increased cost and unreasonable business practices.

Co-Chair MacKinnon wondered whether there would be a sectional analysis or an overview of the bill.

[9:34:53 AM](#)

JANE CONWAY, STAFF, SENATOR CATHY GIESSEL, stated that she would provide an overview.

Ms. Conway discussed, "Pharmacy Benefit Managers" (copy on file).

Ms. Conway looked at slide 2, "SB 38 is a":

- consumer protection bill shines a light on PBM opaque auditing and MAC pricing practices to help drive prescription costs down
- small-business protection bill components of this bill helps ensure viability of critical small-town Alaska pharmacies and access to health care

Ms. Conway highlighted slide 3, "What's a PBM?":

PBMs are multi-billion dollar middlemen

Started in 1970 as claims processors, now intertwined in almost every aspect of the pharmaceutical/pharmacy supply chain

Virtually unregulated, state or federal level

Today, the top PBMs represent some of the most profitable companies in the nation

Ms. Conway addressed slide 4, "Examples of PBM's Market Power/Influence":

CVS/Caremark (AK State Plan Pharmacy Benefit Manager)

2017 - 7th most profitable U.S. company in Fortune 500

2017 Revenue: \$177.5 Billion
Express Scripts Holding

ESH generated \$100.3 billion in revenue in 2017 - Number 22 ranking

Ms. Conway discussed slide 5, "State of Alaska Health Care Plan." She stated that the picture was a State of Alaska health care plan card. She noted that AETNA was the health care plan, and contracted with CVS Caremark to handle the prescriptions.

Ms. Conway highlighted slide 6, "PBMs were designed to:"

reduce administrative costs for insurers

validate patient eligibility

administer plan benefits

negotiate costs between pharmacies and health plans

audit pharmacies for fraud

Ms. Conway discussed slide 7, "PBM's Impact on Pharmacy and Patients":

PBMs develop pharmacy provider networks with contracts

Pharmacies must accept a PBM contract

Many contracts truly are "take it or leave it."

If they don't sign it, they lose all the customers covered by that plan

PBMs influence what drugs are dispensed regardless of what a physician prescribes by using a list of PBM-approved drugs known as "formularies"

PBMs receive rebates from drug manufacturers for putting their drugs on a given formulary

Ms. Conway looked at slide 8, "PBM's Impact on Pharmacy and Patients":

PBMs dictate how much pharmacies will be paid for the drugs they dispense regardless of the pharmacies' acquisition costs

PBMs have free reign to dictate what pharmacies are permitted to do in a given network thereby driving patients to particular pharmacy options

PBMs operate their own mail-order pharmacies and can incentivize or mandate that customers obtain their medications only through the mail-order option

[9:38:59 AM](#)

Ms. Conway addressed slide 9. She noted that there were three aspects to the scenario in terms of the transactions. She explained how the drug was priced out.

Ms. Conway highlighted slide 10, "National Academy of State Health Policy:"

- 80 pieces of legislation currently introduced in state legislatures across the country to regulate PBM practices. Even the White House is paying attention.
- The fair audit provisions of SB 38 are consistent with legislation in other states
- The PBM requirements for setting pharmacy drug reimbursement rates, including appeals, are similar to other states

Ms. Conway looked at slide 11, "Fair Pharmacy Audit Legislation in the States." She noted that Alaska was one of the few states that had not adopted fair pharmacy legislation.

Ms. Conway highlighted slide 12, "States With Generic Drug Pricing Transparency Legislation Enacted." She stated that the blue dots had enacted generic drug pricing transparency, and noted that Alaska was in the minority on that map.

Ms. Conway discussed slide 13, "Maximum Allowable Cost (MAC)":

A "maximum allowable cost" or "MAC" list refers to a payer or PBM -generated list of products that includes the upper limit or maximum amount that a plan will pay for generic drugs and brand-name drugs that have generic versions available ("multi-source brands").

A PBM may have several different MAC lists, depending on the plan

Essentially, no two MAC lists are alike and each PBM has free reign to pick and choose products for their MAC lists.

Sometimes the MAC list is confused with the "formulary."

A Formulary is a list of all the drugs that are covered by a particular insurance plan. Generally it has no pricing attached to it. A formulary will usually contain both Brand and Generic Drugs.

9:44:19 AM

Ms. Conway highlighted slide 14, "PBM Use of MAC as Revenue Stream":

Because of this lack of clarity, PBMs can use their MAC lists to generate significant revenue

Typically, they utilize an aggressively low MAC price list to reimburse their contracted pharmacies and a different, higher list of prices when they negotiate prices with their clients or plan sponsors

Essentially, the PBMs reimburse low and charge high with their MAC price lists, pocketing the significant spread between the two prices

Most plan sponsors are unaware that multiple MAC lists are being used and have no real concept of how much revenue the PBM retains

Ms. Conway looked at slide 15, "MAC Pricing":

When the PBMs fail to update MAC lists in a timely manner, pharmacies are often forced to dispense at a loss, sometimes as high as \$100 or more on a single prescription, or not dispense at all

(The MAC lists can be updated at any time - usually decreased- so real time prices are often obsolete and less than what the pharmacist expected)

When prices increase, PBMs often wait weeks or even months before updating MAC lists and rarely, if ever, reimburse pharmacies retroactively, yet the PBMs act swiftly to update MAC list when drug costs decrease

This significantly jeopardizes financial viability of community pharmacies

In fact, 84 percent of pharmacists said the acquisition price spike/lagging reimbursement trend is a "very significant" impact on their ability to remain in business and to continue serving patients

Ms. Conway looked at slide 16, "MAC Pricing":

MAC legislation is designed to reasonably address concerns by:

Providing clarity to plan sponsors and pharmacies with/regard to how MAC pricing is determined and updated

Establishing an appeals process by which a dispensing pharmacist can contest a listed MAC price

Providing standardization for how products are selected for inclusion on a MAC list

The MAC process provides no transparency for plan sponsors or contracted retail network pharmacies.

They are required to blindly agree to contracts.

Ms. Conway skipped slide 17, "MAC Pricing."

Ms. Conway discussed slide 18, "SB 38: What Does A MAC Transparency Bill Do?"

Sets reasonable standards

Requires regular reporting of MACs to a pharmacy in useable format

Provides for a defined MAC appeals process

A MAC Transparency Bill Does NOT:

Mandate that a PBM reimburse a pharmacy at a higher amount

Represent an administrative burden on the PBM

Mandate that a PBM approve a pharmacy's MAC appeal

Result in increased costs to the healthcare system

There is no documented evidence or analysis nationally that MAC pricing legislation has increased healthcare costs.

Ms. Conway looked at slide 19, "SB 38 - What Does a Fair Audit Bill Do?"

Brings fairness to the unregulated and expanding practice of pharmacy audits

Does not allow audits during the first seven calendar days of each month because of the high patient volume, unless the pharmacy and auditor agree otherwise

Prevents the targeting of minor clerical or administrative errors here no fraud, patient harm, or financial loss has occurred

Establishes submission of data/medical record standards to allow for clarification where discrepancies are identified

Establishes a reasonable time frame for the announcement of an audit to allow proper retrieval of records under review

Ms. Conway highlighted slide 20, "What Does a Fair Audit Bill Do?"

Establishes an audit appeals process for pharmacies

Establishes guidelines for PBMs to follow regarding patient confidentiality

Prohibits extrapolation in assessing fees/penalties

Allows Alaska pharmacists to provide mail-order service to their customers without penalization

Local mail-order service keeps Alaska dollars in Alaska

Legislation does not prevent the recoument of funds where fraud, waste, and abuse exist

[9:50:06 AM](#)

Ms. Conway discussed slide 21, "SB 38: Summary":

40 states have enacted fair audit legislation

34 states have enacted Maximum Allowable Cost (MAC) transparency legislation

Bill will also include:

Registration of PBMs with the State of Alaska Division of Insurance Set-up guidelines for generic drug maximum allowable cost (MAC) pricing by PBMs

Establish a mechanism for a pharmacy to appeal MAC pricing appeal denials

Don't audit local pharmacies out of business. Their services are crucial in our rural areas.

Ms. Conway highlighted slide 22, "This legislation has been the Alaska Pharmacists":

Association's Number 1 Priority bill for past 10 years.

Sponsored by Senator Kim Elton, Senator Dennis Egan, and now, Senator Giessel

In your packets you will see numerous articles. Those are just the tip of the iceberg.

Nationally, the opaque "black box" practices of PBMs are now under intense scrutiny.

All one needs to do is Google "Pharmacy Benefit Manager" and you will see countless articles on this emerging concern. NCSL is now tracking these trends.

In a few states now, PBMs have sued states because of their PBM legislation and have lost.

It is even more crucial to support this legislation in Alaska because of the critical service that independent pharmacies provide to its rural clientele.

- Rich Holt - Chair, AK State Board of Pharmacy
- Barry Christensen - AK Pharmacist Association Legislative Chair
- Emily Ricci - Dept. of Administration, Retirement and Benefits
- Lori Wing-Heier - Director, Division of Insurance

Senator von Imhof looked at slide 20, and looked to the third bullet point, "prohibits extrapolation in assessing fees and penalties." She explained that the extrapolation was a federal issue with Medicaid. She felt that the PBMs were not directing that issue. Ms. Conway replied that the Medicaid plans and audits did not apply under the bill. She shared that the Department of Health and Social Services (DHSS) hired private contractors to conduct those audits.

Senator von Imhof surmised that there could technically be two different audits for pharmacy: one for private insurers that would not use extrapolating techniques; and one auditor under Medicaid that would use extrapolation techniques. Ms. Conway agreed, but deferred to the experts available online.

Senator Stevens assumed that the native corporations were also exempt in the bill. Ms. Conway replied in the affirmative. She stated that they were more internal with the clinics and hospitals that were regulated on a federal level.

[9:55:26 AM](#)

LORI WING-HEIER, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, noted that the subject had been in legislation in many different states. She stated that the organizations allowed for little insights. She noted the concerns from the pharmacists about the costs of what was reimbursed; the extrapolations; and the costs of the audit. She stated that PBMs initially saved money, but were initially mail-order pharmacies. Eventually PBMs changed to community pharmacists that adjusted the prices. She remarked that there was no insight into the PBMs, and there was a desire

to control without inadvertently increasing the cost of health care.

[9:57:21 AM](#)

EMILY RICCI, CHIEF POLICY ADMINISTRATOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, Noted that the bill had been around for a significant number of years. She shared that there was work with the independent pharmacists, the contractor AETNA, and CVS Caremark. She noted that the division had a relationship with the PBM; and that PBM had contractual relationships with different pharmacies. The pharmacies had additional contractual relationships with wholesale distributors and purchasing services administrative organizations. She furthered that the PBMs had additional contractual relationships with the drug manufacturers. She stressed that none of those entities were privy to the relationships of the other entities. Therefore there was a narrow perspective of the drug claims paid on the state's side. She stressed that there was a fiduciary responsibility to the plan.

Senator von Imhof noted that PBMs and pharmacists had recently attempted to come to an agreement, and wondered whether there was success in that effort. Ms. Ricci replied that she was aware of an effort two or three years prior, and did not know the content of those discussions. She assumed that the effort was not successful.

SB 38 was HEARD and HELD in committee for further consideration.

#sb185

SENATE BILL NO. 185

"An Act relating to reemployment of persons who retire under the teachers' retirement system."

[10:01:38 AM](#)

AT EASE

[10:02:11 AM](#)

RECONVENED

[10:02:21 AM](#)

SENATOR PETER MICCICHE, SPONSOR discussed the bill. He stated that the bill allowed teacher's to be paid normal retirement, while not accruing additional benefits in the system. There would be no additional cost to school district.

Senator Stevens thought the bill was good in many ways. He asked about the bill provision related to the age of the teacher.

Senator Micciche stated that the provision had to do with a ruling of the IRS. He deferred to those who could address the specifics of that issue.

[10:06:16 AM](#)

RACHEL HANKE, STAFF, SENATOR PETER MICCICHE, discussed the Sectional Analysis (copy on file):

Section 1

Adds new section to AS 14.20:

AS 14.20.136(a) allows school districts to rehire educators that have retired under the defined benefit plan or the defined contribution plan when;

AS 14.20.136(b)(1) the retired member certifies that there was no prearrangement of reemployment made prior to retirement;

AS 14.20.136(b)(2) the member has been retired at least 60 days if they are 62 years of age or older or six months if the member is younger than 62 years of age;

AS 14.20.136(c) the school district has adopted a rehire policy by resolution and has publicly advertised the position for 10 business days and is actively recruiting to fill the position with a person other than a retired member.

AS 14.20.136(d) reemployment contracts may not exceed 12 consecutive months.

AS 14.20.136(e) the school district that hires a retiree must provide the administrator with a copy of the resolution and policy required by (e) as well as a report stating the retiree's name, description of

circumstances, and actions taken to comply with the policy. The school district is also required to make contributions to AS 14.25.070.

AS 14.20.136(f) certain requirements of the section don't apply to a rehire member that's eligible for restoration of tenure rights.

Section 2

Allows retirees who are rehired, as permitted by section 1, to continue to receive retirement benefits during the period of reemployment unless they become an active member.

Sections 3

Makes retirees who are reemployed, as permitted by section 1, ineligible to receive additional retirement benefits based on their service and salary during the period of reemployment.

Section 4

Clarifies that a member who is reemployed does not become an active member, the member will continue to receive retirement benefits, deductions under TRS will not be made to their salary and reemployed educators will not receive credited time for service during reemployment. This section also ensures that a retired and rehired teacher will be eligible to receive the group health plan coverage that is provided to active members employed by the school district if they so choose.

Section 5

Inserts reference to section 1 which will require the employer to make TRS contribution for reemployed retirees at a rate of 12.56 percent.

Section 6

Applies the bill's provisions to contracts made on or after the effective date.

[10:09:32 AM](#)

Co-Chair MacKinnon looked at page 2, lines 12 and 13, and noted that the intent was twelve months. She wondered whether a retired teacher could move between districts, begin a new contract, and continue to accrue benefits.

Senator Micciche replied that all teachers' contracts were for twelve months or less. Those teachers could have other contracts, but the districts would go through the same process. The intent was not to replace existing teachers. He remarked that the bill was about filling a position.

Co-Chair MacKinnon wondered what would happen when a retired teacher exited at \$50,000 per year, and a new teacher was hired at \$35,000 a year. She asked whether the new teacher that would be rehired and receiving benefits received \$35,000 or \$50,000.

Senator Micciche replied that each instructor was hired on an individual basis, so the negotiation would occur with the districts. He stated that he had managed large organizations, so he asserted that the position with the smaller salary would be the first choice.

Co-Chair MacKinnon noted that there were specific provisions in statute that would not allow to come back with the retirement wage.

Senator Stevens felt that the negotiation was between the district and the individual teacher; therefore the salary could not be at a specific commitment.

Senator Micciche agreed, and stated that there would be no additional benefit beyond the pay of the position. He announced that there was a hope that all positions be filled with new teachers, but districts were struggling to fill those positions.

Co-Chair MacKinnon shared that the state paid what the districts negotiate. She remarked that it was the committee's job to appropriately understand the impact.

Senator Stevens understood that the state paid that bill. He wondered why the University of Alaska was not included in the legislation.

Co-Chair MacKinnon shared that she had not planned to bring the university into the discussion, and encouraged Senator Stevens to communicate with the bill sponsor.

[10:16:16 AM](#)

LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, (ACSA) spoke in support of the bill. She felt that it was a tool to help school districts in a time to fill vacancies with high quality staff. She felt that it was not a "silver bullet", but could provide some relief as a stop gap. She remarked that SB 185 would allow for the reemployment retired educators to help districts fill vacancies; and was a necessary tool to help meet district personnel needs in both urban and rural districts. She thanked Kathy Lee for work to ensure that the bill envelopes the necessary IRS Treasury regulations and other important issues in the bill. She felt that the legislation was vital because of the shortage of staff in the state. She recalled that preparing, attracting, and retaining teachers.

Co-Chair MacKinnon wondered when the previous legislation had concluded. Ms. Parady replied that the bill sunset was 2009.

[10:24:28 AM](#)

Co-Chair Hoffman queried the hiring provisions between 2001 and 2010, and whether those differed from the proposed legislation. Ms. Parady responded that the bill was structured based on the previous legislation. She furthered that the current regulations were included by the IRS letter ruling that included the waiting periods. She stressed that there were sufficient requirements to greatly reduce the likelihood that the bill would impact a current TRS member's decision to retire, because of the bona fide separation of employment.

[10:26:12 AM](#)

DR. KAREN GABORIK, PRESIDENT, ALASKA SUPERINTENDENTS ASSOCIATION, spoke in support of the bill. She felt that the bill would positively impact every public school student in the state. She remarked that Fairbanks had experienced teacher shortages in positions that had previously been filled. She remarked that there were frequently unfilled vacancies in special education positions, and were constantly recruiting and traveling for those positions. She stressed that, recently, there were regular education teacher vacancies in areas such as high school math, science, physics, calculus, music, etc. She

remarked that it was not good for students to face a revolving door of substitute teachers to fill that gap.

Senator Stevens surmised that the rules currently restricted the hiring of a retired Alaska school teacher. He remarked, however, that a retired teacher could be hired from another state. He felt that was unfair. Ms. Gaborik replied that there were people who had taught in the community to fill those positions.

Senator Stevens stressed that the issue was unfair. Ms. Gaborik agreed.

[10:30:06 AM](#)

DEENA BISHOP, SUPERINTENDENT, ANCHORAGE SCHOOL DISTRICT (via teleconference), spoke in support of the bill. She stressed that her district had accessed the experience of retired educators by allowing for temporary or part time employee. Nevertheless, the efforts to access the workforce was limited without a full-time provision of reemployment of retirees. She assured the committee that the reemployment of retired teachers was not intended to avoid the hire of new teachers. She stressed that retirees filled gaps when properly certified staff could not be hired in those hard to fill areas.

Co-Chair MacKinnon requested a telephone conversation with her office. Ms. Bishop agreed.

[10:32:29 AM](#)

NORM WOOTEN, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, testified in support of the bill. He stated that his organization had a resolution in place to support retire rehire of teachers and administrators since 2008, which the previous provision was scheduled to sunset. He stressed that there was a nationwide shortage of teachers and administrators. He remarked that it was especially the case with hard to fill positions.

Senator Stevens stressed that administrators were included in the bill. Mr. Wooten agreed.

[10:35:23 AM](#)

MARK MILLER, SUPERINTENDENT, JUNEAU SCHOOL DISTRICT, spoke in support of the legislation. He shared that he only had two options when he had an open position: attempt to fill that position with a substitute or fill with a new teacher. He stated that on any given day there would be students supervised by someone, because there was no teacher to substitute during that period. He stated that he could also contact a company in the lower 48 to contract to send someone to fill services that could not be filled internally. He stressed that the Alaskan tax dollars would be spent outside of Alaska. He felt that it was a resource issue.

[10:38:08 AM](#)

MARY WEGNER, SUPERINTENDENT, SITKA SCHOOL DISTRICT, spoke in support of the bill.

[10:41:01 AM](#)

SEAN DUSEK, SUPERINTENDENT, KENAI PENINSULA BOROUGH SCHOOL DISTRICT, testified in support of the legislation.

[10:43:26 AM](#)

BOBBY BOLEN, SUPERINTENDENT, BERING STRAIT SCHOOL DISTRICT, spoke in support of the bill.

Senator Olson wondered what would occur when the qualified positions were lost. Mr. Bolen replied there was much time spent in the lower 48 looking for teachers. He stated that there were teachers that needed to fill those empty spaces.

Senator Olson noted that Golovan had some substitute teachers who were recently graduated, because of the teacher shortage.

Senator von Imhof wondered how much teacher housing a contributing factor was to hire and maintaining a workforce. Mr. Bolen replied that there was not a current problem of housing, because there were no teachers to fill that housing.

[10:47:45 AM](#)

MONICA GOYETTE, SUPERINTENDENT, MATSU BOROUGH SCHOOL DISTRICT, spoke in support of the bill.

Co-Chair MacKinnon noted that the statement of the three year educational certification was an individual district policy. Ms. Goyette agreed.

Co-Chair MacKinnon CLOSED public testimony.

[10:49:39 AM](#)

KATHY LEA, CHIEF PENSION OFFICER DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, stated that she was available for questions. She also stated that the Department of Administration's position on the bill was neutral.

Co-Chair MacKinnon queried the fiscal note.

[10:50:17 AM](#)

Ms. Lea explained the fiscal note.

Senator Stevens requested the point of the IRS regulation of the difference between six months and sixty days. Ms. Lea replied that in any plan, because of the tax qualified plan, there must be a mark at which it would be considered a "normal retirement" for any time of government or private sector plan. She explained that it was because the contributions made to the plan were made on a pre-tax basis. The IRS would then examine when it could receive the tax for the pre-tax contributions.

Vice-Chair Bishop requested a meeting with his office.

[10:55:06 AM](#)

Co-Chair MacKinnon asked for an explanation of the indeterminate fiscal note. Ms. Lea replied that the fiscal note was indeterminate, because it was not known how many people would participate in the program, nor was it known which group they might participate.

[11:00:48 AM](#)

Senator Stevens noted that some districts were hiring retired teachers at 24.9 percent or less, which was acceptable under the rules of the retirement system. Ms. Lea replied that under the existing rules, a teacher or

administrator was mandated to be in TRS if they had at least a 50 percent contract.

Co-Chair MacKinnon wondered whether there was additional cost to the state, if there was not an effect on insurance. Ms. Lea replied that she had not analyzed it, because it occurred on an ad hoc basis.

Co-Chair MacKinnon announced that amendments were due on Wednesday. She discussed the agenda for the afternoon meeting.

SB 185 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[11:02:39 AM](#)

The meeting was adjourned at 11:02 a.m.