

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

March 2, 2017

3:32 p.m.

**MEMBERS PRESENT**

Senator Mike Dunleavy, Chair  
Senator David Wilson  
Senator Cathy Giessel  
Senator John Coghill  
Senator Dennis Egan

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 26

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation of permanent fund dividends; relating to unrestricted state revenue available for appropriation; and providing for an effective date."

- MOVED SB 26 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 2

Proposing an amendment to the Constitution of the State of Alaska relating to an appropriation limit.

- HEARD & HELD

SENATE BILL NO. 48

"An Act creating a fund in the Department of Public Safety; providing for payment of certain medical insurance premiums for surviving dependents of certain police officers or firefighters who die in the line of duty; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 26

SHORT TITLE: PERM. FUND: DEPOSITS; DIVIDEND; EARNINGS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/17 (S) READ THE FIRST TIME - REFERRALS  
01/18/17 (S) STA, FIN  
02/07/17 (S) STA AT 3:30 PM BUTROVICH 205  
02/07/17 (S) Heard & Held  
02/07/17 (S) MINUTE(STA)  
02/16/17 (S) STA AT 3:30 PM BUTROVICH 205  
02/16/17 (S) Heard & Held  
02/16/17 (S) MINUTE(STA)  
02/21/17 (S) STA AT 4:30 PM BUTROVICH 205  
02/21/17 (S) Heard & Held  
02/21/17 (S) MINUTE(STA)  
02/22/17 (S) FIN AT 1:30 PM SENATE FINANCE 532  
02/22/17 (S) -- MEETING CANCELED --  
02/28/17 (S) STA AT 3:30 PM BUTROVICH 205  
02/28/17 (S) Scheduled but Not Heard  
03/02/17 (S) STA AT 3:30 PM BUTROVICH 205

BILL: SJR 2

SHORT TITLE: CONST AM: APPROPRIATION LIMIT

SPONSOR(s): STATE AFFAIRS

01/27/17 (S) READ THE FIRST TIME - REFERRALS  
01/27/17 (S) STA, JUD, FIN  
02/14/17 (S) STA AT 3:30 PM BUTROVICH 205  
02/14/17 (S) Heard & Held  
02/14/17 (S) MINUTE(STA)  
03/02/17 (S) STA AT 3:30 PM BUTROVICH 205

BILL: SB 48

SHORT TITLE: INS. FOR DEPENDS. OF DECEASED FIRE/POLICE

SPONSOR(s): COGHILL

02/03/17 (S) READ THE FIRST TIME - REFERRALS  
02/03/17 (S) STA, FIN  
02/14/17 (S) STA AT 3:30 PM BUTROVICH 205  
02/14/17 (S) Heard & Held  
02/14/17 (S) MINUTE(STA)  
03/02/17 (S) STA AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

PENN R. PFIFFNER, Chairman  
Taxpayer's Bill of Rights (TABOR) Committee  
Lakewood, Colorado  
**POSITION STATEMENT:** Testified in support of SJR 2.

BARRY POULSON, Emeritus Professor of Economics  
University of Colorado  
Boulder, Colorado  
**POSITION STATEMENT:** Testified in support of SJR 2 with added provisions.

MATTHEW MITCHELL, Senior Research Fellow  
Mercatus Center at George Mason University  
Arlington, Virginia  
**POSITION STATEMENT:** Testified in support of SJR 2 and provided suggestions on fiscal policies.

CHRISTA MCDONALD, Staff  
Senator Mike Dunleavy  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Reviewed the CS for SB 48.

PAT HOLMES, representing self  
Kodiak, Alaska  
**POSITION STATEMENT:** Testified in support of SB 48.

BRANDY JOHNSON, representing self and family  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support SB 48.

DAVID PRUHS, City Council Member  
City of Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of SB 48.

PAULA JOHNSON, representing self and family  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of SB 48.

KATHIE WASSERMAN, Executive Director  
Alaska Municipal League  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of SB 48.

SUSAN HECKS, Executive Director  
Southern Region Emergency Medical Services Unit (EMS) Council,  
Inc.

Division of Public Health  
Alaska Department of Health and Social Services  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 48.

**ACTION NARRATIVE**

[3:32:47 PM](#)

**CHAIR MIKE DUNLEAVY** called the Senate State Affairs Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Giessel, Wilson, Egan, Coghill, and Chair Dunleavy.

**SB 26-PERM. FUND: DEPOSITS; DIVIDEND; EARNINGS**

[3:33:26 PM](#)

**CHAIR DUNLEAVY** announced the consideration of SB 26.

[3:33:37 PM](#)

**CHAIR DUNLEAVY** closed public testimony for SB 26.

[3:33:41 PM](#)

**SENATOR GIESSEL** moved to report SB 26, version 30-GS1690\A, from committee with individual recommendations and attached fiscal note(s).

**CHAIR DUNLEAVY** asked if there were objections.

[3:33:55 PM](#)

**SENATOR WILSON** announced that he objected.

**CHAIR DUNLEAVY** asked if he wished to speak to his objection.

**SENATOR WILSON** answered yes. He noted that "not wanting to do harm to the local economy" was addressed by economists in other presentations. He asserted that he could not in good conscience pass SB 26 due to the devastating effect a reduced permanent fund dividend has on the local economy.

**CHAIR DUNLEAVY** asked Senator Wilson if he maintained his objection.

**SENATOR WILSON** answered yes.

SENATOR GIESSEL asked Chair Dunleavy to clearly articulate what the committee was voting on.

SENATOR EGAN concurred with Senator Giessel.

CHAIR DUNLEAVY clarified that the committee was voting on whether to move SB 26 out of committee. He noted that Senator Wilson had objected and maintained his objection.

SENATOR GIESSEL asked if a "yes" vote meant to move the bill and a "no" vote meant not to move the bill.

CHAIR DUNLEAVY answered correct.

SENATOR EGAN asked if he could still sign the bill "no recommendation."

CHAIR DUNLEAVY answered yes.

He asked for a roll call vote.

A roll call vote was taken. Senators Giessel, Egan, and Coghill voted in favor of moving SB 26 and Senator Wilson and Chair Dunleavy voted against it. Therefore, the motion to move SB 26 from committee passed by a 3:2 vote.

CHAIR DUNLEAVY announced that SB 26 moved from the Senate State Affairs Standing Committee.

[3:35:53 PM](#)

At ease.

**SJR 2-CONST AM: APPROPRIATION LIMIT**

[3:37:42 PM](#)

CHAIR DUNLEAVY called the committee back to order. He announced the consideration of SJR 2.

He welcomed invited testimony and announced that Mr. Penn Pfiffner from the TABOR Foundation will be the first to address the committee. He detailed that Mr. Pfiffner is a state representative from Colorado's legislature and has served for eight years. He detailed that Mr. Pfiffner's major bills included the enhanced sentences for dangerous pedophiles, the state's full restitution policy, repealed the capital gains tax revision, created performance-based pay for state employees, and wrote major deregulation bills. He added that Mr. Pfiffner has

taught college economics part-time for 13 years, earned a master's degree in finance from the University of Colorado, and currently serves as the chairman of the TABOR Committee and its sister organization the TABOR Foundation.

[3:38:49 PM](#)

PENN R. PFIFFNER, Chairman, Taxpayer's Bill of Rights (TABOR) Committee, Lakewood, Colorado, testified in support of SJR 2. He opined that SJR 2 will receive pushback from people who want to see bigger and bigger government without restriction. He suggested that SJR 2 be recognized as a spending limitation rather than a repeat of Colorado's TABOR. He pointed out that Colorado's TABOR is more ambitious with a larger reach. He noted the differences between TABOR and SJR 2 as follows:

- SJR 2 is state-only where Colorado's TABOR has a restriction on every level of government.
- SJR 2 has no restriction of debt.
- SJR 2 has 14 exceptions.
- SJR 2 is silent on the rebate of taxes that are collected above the cap.
- SJR 2 does not have election provisions.

He remarked that resetting a spending cap with SJR 2 makes a great deal of sense because there is not much point of having a cap that is ineffective.

[3:41:13 PM](#)

He contended that Alaska's effective appropriations cap will mirror that of Colorado's positive experiences. He said the overarching concept is to strike a healthy balance between family budgets and public goods which results in citizens and elected officials asking the right questions. He opined that having a good spending limitation forces people to ask questions that are related to prioritizing within a given budget rather than trying to fund wild dreams. He set forth that the value of everyone living within a budget extends to government with smart and fair measures that limits taxes and expenditures limitations such as SJR 2.

He said Colorado has seen a very successful economy and noted that the state did not have a successful economy before 1992. He stressed that he was not suggesting causation as much as recognizing that some of TABOR's opposition claimed that it would damage the state's economy. He pointed out that Colorado has a roaring economy.

MR. PFIFFNER noted that Colorado has program stability by recognizing the natural inclination for government to grow too fast in good times and to over promise and set up the base that is far too high when fiscal challenges come. He said Colorado has seen its fiscal crises limited, especially when compared to states such as California and Illinois, states that have grown their budgets immensely and then had to adjust to fiscal challenges.

[3:44:21 PM](#)

He addressed typical challenges to government limitation where budgets and K-12 spending will be damaged. He disclosed that Colorado's fiscal and spending policies have compared favorably to its neighboring states. He added that naysayers have said Colorado does not have enough money, but noted that Colorado is one of four states that spends more on a local basis than on a state basis.

[3:47:43 PM](#)

He addressed SJR 2 and opined that some things have been done that he thought would help gain support and allow citizens to understand the measure better. He opined that there really is no issue about rebasing to a lower level. He disclosed that Colorado has dealt with a troubling aspect through the courts to its voter approval requirement for new taxes where "fees" are used. He said SJR 2 avoids the "fee" problem. He added that states with successful expenditure limitations place them in their constitution and SJR 2 does that. He summarized that SJR 2 takes the right step as a good and effective measure.

CHAIR DUNLEAVY stated that he wanted to contrast what Colorado has done and what SJR 2 tries to accomplish. He asked if Colorado's TABOR exists on both state and local levels.

MR. PFIFFNER answered correct. He pointed out that Colorado's TABOR pertains beyond what Chair Dunleavy queried. He detailed that Colorado has more than 3,400 special districts, mostly for road, water and sewer, in addition to library and cemetery districts.

[3:51:42 PM](#)

CHAIR DUNLEAVY noted that SJR 2 strictly pertains to state spending. He asked if in Colorado, any type of revenue measure must be voted on by the people.

MR. PFIFFNER described Chair Dunleavy's query as an overstatement. He explained that new taxes, sunseting taxes and an increase in tax rates must be approved by voters, but fiscal policy modifications that do not result in an increase in revenues are exempt. He added that pension plan funding and items that deal with fees are also exempt.

CHAIR DUNLEAVY asked if the same guidelines apply to local and district levels as well.

MR. PFIFFNER answered correct. He detailed that local districts specify their need for more debt or raising taxes and pointed out that local measures have passed more than 80 percent of the time.

[3:54:24 PM](#)

BARRY POULSON, Emeritus Professor of Economics, University of Colorado, Boulder, Colorado, testified in support of SJR 2 with added provisions. He detailed that he is also an advisor to the American Legislative Exchange Council (ALEC). He disclosed that Chair Dunleavy asked him to address Colorado's "Taxpayer Bill of Rights" (TABOR) and experience with "Tax and Expenditure Limits" (TEL) in other states.

He explained the Colorado's history with TELs as follows:

- Colorado was one of the first states to introduce a TEL in the 1970s.
- Colorado's TEL in the 1970s was not effective because state legislators chose to exempt major parts of the budget from a limit.
- Colorado's spending was not constrained in the 1980s and the state was a lot like California where government spending grew more rapidly than the private economy.
- Colorado's TABOR constitutional amendment initiative was enacted in 1992.

He said TABORs turned out to be one of the most effective tax and spending limits in the country through substantive constraints and procedural constraints. He detailed that substantive constraints limit the growth of spending by any jurisdiction to the sum of inflation plus population growth. He added that any revenue above the limit must be rebated to taxpayers. He specified that procedural constraints require voter approval for any increase in taxes, tax-base, or increase in debt.

He disclosed that Colorado's TABOR resulted in surplus revenue in the late 1990s where over \$3 billion was rebated to taxpayers. He added that the TABOR set the stage for significant tax reductions at all levels of government where Colorado ended up with one of the best business tax climates that resulted in the state experiencing the second highest rate of economic growth of any state in the country.

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MR. POULSON detailed that Colorado ran into problems with TABOR in 2001 when the state experienced a sharp recession with an 18 percent fall in revenue that resulted in the "ratchet effect" where surplus revenue was rebated to taxpayers prior to the state fully recovering from the recession. He disclosed that a referendum in 2005 resulted in a timeout for TABOR from 2005 through 2009 and TABOR was applied again in 2010. He pointed out that Colorado's economy recovered well from its recession and the state is now growing more rapidly than most other states. He opined that Colorado's positive tax climate has been a significant factor in the state's rapid recovery and economic growth.

He addressed procedural limits in TABOR regarding voter approval for increased taxes, tax-base, and debt at all level of government. He said for two decades, Colorado citizens have been voting on hundreds of measures proposing increased taxes and increased debt. Measures at the municipal level have passed about 50 percent of the time, but at the state level taxpayers have been more stringent. He disclosed that only two minor-tax increases and a debt increase have been approved over the past two decades. He set forth that citizens have been able to constrain the growth of government significantly at all levels and especially at the state level because of both the procedural limits and the substantive limits in TABOR.

He reiterated that he serves as advisor to ALEC and disclosed that model legislation for tax and spending limits was drafted by ALEC using Colorado's TABOR as a model. He detailed that refinements were made in ALEC's model legislation to include providing for an emergency fund and a capital fund via surplus revenue. He added that additional surplus revenue is rebated or offset by tax cuts.

[4:02:39 PM](#)

He opined that Alaska's TEL is poorly designed and as a result the limit has increased more rapidly than state revenue so the TEL never constrains anything. He said a TEL must be carefully

designed to achieve a desired result. He concurred with Mr. Pfiffner that SJR 2 appears to be a well-designed tax and spending limit that will be much more effective than the TEL that Alaska currently has in place. He opined that imposing the limit on appropriation based on population growth and inflation will constrain the growth of state spending very effectively in addition to providing a much more stable spending growth over the business cycle. He said Alaska, like many energy states, has revenue volatility that results in spending volatility. He said SJR 2 is an important step in the right direction. He added Alaska's emergency fund and capital construction fund should also assist in what the state is attempting to achieve.

[4:04:27 PM](#)

MR. POULSON addressed problems that Alaska might expect with SJR 2 as follows:

- TELs often put pressure on the state to fund programs with fees.
- SJR 2 only constrains spending at the state level.

He suggested that the state address "fees" by having a very strict definition of user fees and distinguish user fees from taxes so that the state is sure to only restrict tax revenues and expenditures. He added that unfunded mandates should be limited by the state on local governments and suggested that the restriction be included in SJR 2.

He recounted that he has suggested in the past that Alaska legislators consider requiring a procedural limit that would require voter approval for increased taxes and debt. He noted that he has been told that his suggestion was a step too far. He said legislators should reconsider his voter-approval suggestion as either part of SJR 2 or as separate legislation. He asserted that the procedural limits that require voter approval for increased taxes and debt have proven to be very important in Colorado and other states. He opined that the procedural limits really do allow citizens to determine how much government they want and how much they are willing to finance in terms of government spending. He pointed out that outside of the U.S., citizens of Switzerland have been voting on increased taxes and debt for more than a century and they have created one of the strongest fiscal systems in the world.

[4:07:50 PM](#)

CHAIR DUNLEAVY asked that Mr. Poulson explain how TABOR has either negatively or positively impacted Colorado's private economy.

MR. POULSON replied that he often answers Chair Dunleavy's question by contrasting Colorado and California. He explained that Colorado and California had very similar government spending patterns in the 1980s where government spending grew much more rapidly than the state economy; in fact, both states introduced tax and spending limits. He disclosed that California gutted their tax and spending limits by shifting many state programs and expenditures off budget to avoid tax and spending limits. California ultimately experienced a continued rapid growth of government spending where the state ended up with high deficit and debt levels where their economy has underperformed over the last two decades compared to Colorado. He said his experience is that with an effective tax and spending limit in place, Alaska can create a better business-tax climate with the right incentives created for business investment and growth, a scenario that Colorado continues to do due to the success of constraining government growth.

[4:09:57 PM](#)

CHAIR DUNLEAVY asked if Colorado's improved business climate is due to businesses not having to worry about a predatory tax regime.

MR. POULSON answered yes. He disclosed that Colorado's tax climate rates among the top-ten states in terms of business climate. He opined that TABOR allows citizens to decide how much taxes they are willing to pay, how much spending they are willing to incur, and how much government they want and are willing to pay for.

CHAIR DUNLEAVY asked Mr. Poulson to address Colorado's debt and how it relates to having TABOR in place.

[4:12:33 PM](#)

MR. POULSON admitted that the state has figured out a way around debt limits. He explained that Colorado's original constitution prohibited any new debt without citizen approval. He detailed that state and local governments have used non-general obligation debt; for example, certificates of participation designate a specific revenue stream to pay off debt and the courts have ruled that the debt is not a general obligation debt and therefore not subject to the TABOR limit or to the original constitutional limit. He said Colorado has not necessarily

constrained debt in the way that many might anticipate, but the state has limited debt compared to what would have occurred without TABOR. He revealed that Colorado has proposed five different measures over the last two decades to increase debt and only one measure has passed. He remarked that TABOR has been important, but has not been 100-percent successful in constraining debt.

[4:14:06 PM](#)

CHAIR DUNLEAVY asked Mr. Poulson if TABOR's restraint on Colorado's growth of government has placed more money in citizen's pockets and encouraged new business development.

MR. POULSON answered yes.

CHAIR DUNLEAVY pointed out that SJR 2 is not based on ALEC's model legislation, but rather a modification of the existing constitutional amendment that has been in place in Alaska since 1982 and reaffirmed in 1986. He reiterated that the amendment was a result of increased government spending when the state started to receive large sums of oil revenue in the 1970s; however, the formula would require \$10 billion in unrestricted general funds to hit the limit. He said the idea is to revisit the constitutional amendment to reflect today's new realities to restrain government's growth and encourage investment from other industries. He emphasized that the discussion on SJR 2 will continue.

[4:16:22 PM](#)

MATTHEW MITCHELL, Senior Research Fellow, Mercatus Center at George Mason University, Arlington, Virginia, testified in support of SJR 2 and provided suggestions on fiscal policies. He disclosed that the Mercatus Center has been studying fiscal policies and institutions that govern them for several years. He detailed that the Mercatus Center has consulted decades of peer-reviewed academic research in addition to their own analysis using comprehensive data sets and the best empirical techniques that are available.

He set forth that there are three lessons to concentrate on:

1. Rules matter and rules are often a better alternative to everyday politics:
  - Sustainable solutions to budget problems require institutional change versus short term remedies.
  - Institutional change:

- Changes to the rules that shape the political legislative and budgeting process.
- States with good institutions or good rules are more likely to make good budgetary decisions.

2. Rule details make a big difference and small changes can set states on very different paths:

- Characteristics that make for a good tax and expenditure limit (TEL):
  - Effective TELs have a statistically significant effect on state spending as measured by per capita spending.
  - Effective TELs target spending rather than revenue. Alaska's TEL targets spending.
  - Effective TELs limit budget growth via formula that looks at the sum of inflation and population growth. Alaska's TEL is focused on inflation and population growth.
  - Effective TELs are codified into the constitution, as is Alaska's.
  - Effective TELs require a super majority or public vote to be overwritten, as is Alaska's. A lot of states have tax and expenditure limits that can simply be overwritten with simple majority vote.
  - Effective TELs prohibit unfunded mandates to lower governments, Alaska's does not.
  - Effective TELs immediately refund any revenue collected more than taxpayers' limits, Alaska's does not. Returning money does not provide the state with a chance to spend as well as giving people some "skin in the game" in terms of tax and expenditure limits.
- Use an appropriate base by picking a year that is neither extraordinarily high in revenue, extraordinarily tight, or a recession year. The base should be founded on a year where spending was deemed prudent. The base should not be "just the previous year" in order to avoid the "ratcheting effect." Alaska's TEL is based on 1981 and the Legislature should make sure the year is appropriate.

3. Alternative rules for fiscal budgeting other than tax and expenditure limits:

- Item reduction vetoes are effective. States that have item reduction vetoes spend less. Alaska has item reduction vetoes.

- Separate spending and taxing functions into two separate committees in each chamber. States with separate taxing and spending committees spend between \$300 and \$400 less per person and tend to spend more prudently.

[4:26:48 PM](#)

MR. MITCHELL noted that there are some rules that do not always work the way people think they will. He pointed out that states that have biannual budgets spend significantly more than states that have annual budget cycles. He detailed that states with an annual budget cycle spend \$120 less person per year.

CHAIR DUNLEAVY asked Mr. Mitchell to identify a "model state" that have separate taxing and expenditure committees that seems to work well.

MR. MITCHELL replied that Arizona, Colorado, Utah, and Nevada have separate taxing and spending committees.

[4:29:06 PM](#)

CHAIR DUNLEAVY held SJR 2 in committee.

[4:29:26 PM](#)

At ease.

**SB 48-INS. FOR DEPENDS. OF DECEASED FIRE/POLICE**

[4:30:03 PM](#)

CHAIR DUNLEAVY called the committee back to order. He announced the consideration of SB 48, and noted that the bill has a committee substitute (CS).

[4:30:11 PM](#)

SENATOR GIESSEL moved to adopt the work draft CS for SB 48, version O.

CHAIR DUNLEAVY objected for discussion purposes.

[4:30:31 PM](#)

CHRISTA MCDONALD, Staff, Senator Mike Dunleavy, Alaska State Legislature, Juneau, Alaska, reviewed the CS for SB 48. She summarized the changes from the CS as follows:

- Changed the term "police officer" to "peace officer" in order to extend the benefits to probation and correctional officers.
- Consistently uses the term "major medical" throughout the bill's work draft.
- Changed the annual deadline for the commissioner to determine the amount of money sufficient to pay premiums to December 15.
- Eliminates the gap of coverage by removing the requirement for the surviving dependent having to apply to the commissioner. After the date of death of a peace officer or firefighter, the commissioner will have 30 days to determine continued eligibility.
- Requires annual determination of continued eligibility by the commissioner. The commissioner may require a surviving dependent to provide relevant information to determine continued eligibility.
- Clarified the term year-round by replacing it with, "Fulltime position for which the state or municipality paid or expected to pay the employee for 12 month each year."
- Established that a surviving spouse becomes permanently ineligible for premium payments upon receiving 10 years of premium payments, becoming eligible to receive major medical insurance, or by reaching the age of 65, whichever of those come first.
- Removed the word "immediately" to clarify that the municipality may elect to participate in the fund at any time.
- Expanded the definition of "firefighter" to, "An employee of the state or municipality whose primary duty is to perform fire suppression services."
- Replaced the definition of "police officer" with a new definition for "peace officer."

[4:32:37 PM](#)

CHAIR DUNLEAVY removed his objection and announced that the CS was adopted without objection.

SENATOR COGHILL, sponsor of SB 48, explained that the CS is a result of trying to find ways to bring the bill in consistent language; for example, the use of the terms, "medical" and "major medical," the two terms have different meanings. He specified that "major medical" was coverage without eye care and dental care.

He opined that the care should be continuous, but with limitations. He said he did not know if 10-year eligibility is perfect, but determined that the period is consistent across the U.S. as well as being used in a previous bill. He added that he did not want the youngsters caught up in the 10-year limitation by providing eligibility until age 26 or if insurance is obtained from a job.

SENATOR COGHILL asserted that the legislation allows for the best way to provide immediate care. He remarked that he was disturbed when he heard that the month a trooper died his family found out that they were without health insurance.

He provided additional details on SB 48 as follows:

- The presumption is coverage is provided until the commissioner determines that there is an eligibility problem, an easier determination for a commissioner to make.
- Expands to correctional officers because they transport dangerous criminals to and from jail.
- Allows municipalities to figure out a way to retroactively pick up those that previously had the unfortunate circumstances found in the bill.
- Requires the commissioner to annually tell the Legislature what is in the fund.
- The fund rolls over and grows rather than being swept back into the Constitutional Budget Reserve (CBR); however, appropriation is up to the Legislature.
- Annual review by the commissioner determines continued eligibility due to marriage, turning 65, or hitting the 10-year mark. The review by the commissioner is a way to make sure that there is communication.
- Changed eligibility from year-round employee to fulltime employee. Providing coverage for a person that does dangerous, fulltime work for 5 months or 8 months is appropriate.

He summarized as follows:

It's a little different approach than what the other body is doing, but I'm trying to stay independent and just think through, "Okay, if I was a mayor and I had to hire them, how would I deal with this thing?" because what we are doing is we are actually paying a premium for somebody to get an extended benefit, which

I think is entirely appropriate, but it should have some limitations and I'm trying to decide the best limitations that we can do and still make sure that people are being taken care of well, it's just a way to honor people the best way we can.

[4:38:44 PM](#)

SENATOR GIESSEL noted that in section 1, page 3, lines 6-9, the sentence says, "On the day employee's death, the employee was employed by the state or a municipality that was elected to participate in a permanent fulltime position for which the state or municipality paid or expected to pay the employee for 12 months each year." She asked if an individual worked in a seasonal position for only four months that had an unfortunate loss of life would be eligible.

SENATOR COGHILL clarified that a permanent-fulltime employee would be covered. He noted that he would verify if a permanent employee that worked seasonally would be covered.

SENATOR WILSON commented that he appreciated the change from "police" to "peace officer" so that correctional and probation officers are included.

SENATOR COGHILL explained that the focus is on people who are in unpredictable and dangerous circumstances to make sure families are not left high and dry. He conceded that fallen firefighters or troopers have other benefits, but health care was a dramatic empty spot. He explained that he was made aware when the wife of a fallen trooper, constituents of his, was left languishing. He said he made a commitment to do whatever he could to find the best way to move forward. He explained that the coverage is outside of the Public Employee Retirement System (PERS) because the coverage cannot actuarially work in Alaska. He said the good news is the state has too few people, but the bad news is there are people that need coverage and the state must make sure they are taken care of. He specified that the fund allows both municipalities and the state to add into the fund that can be drawn out immediately to pay the premiums for health care.

[4:42:31 PM](#)

CHAIR DUNLEAVY opened public testimony for SB 48.

[4:43:23 PM](#)

PAT HOLMES, representing self, Kodiak, Alaska, testified in support of SB 48. He asked that Fish and Game field-staff be

considered for coverage as well. He disclosed historical fatality records for Fish and Game field-staff.

[4:46:45 PM](#)

BRANDY JOHNSON, representing self and family, Fairbanks, Alaska, read the following statement in support of SB 48:

I am testifying in support of SB 48 on behalf of myself, my three daughters, my deceased husband, Scott Johnson, surviving families of past and future line-of-duty state troopers as well as law enforcement officers in the State of Alaska.

On May 1, 2014, my husband, Scott Johnson and Gabe Rich were murdered while in the performance of their job in Tanana, Alaska. Scott's job was that of a sergeant with the Alaska State Troopers, he had worked as a state trooper for over 21 years with a total of over 23 years vested in the public employee's retirement system. He could have retired with 20 years of service; however, Scott and I decided that he should work another 5 years to gain the medical benefits for our family after the 25-year mark as a Tier II employee, it was while trying to obtain this promised benefit goal that Scott was ambushed and killed. Scott would have retired this past October with major medical benefits for himself and our family.

I had asked the state troopers assisting me after Scott was killed if my family still had health insurance, I initially was told that I was set for life by one lieutenant; however, that was not the case. I was later told that my family's benefits would expire at the end of the month. I was disappointed and angry, my choices were to pay \$1,150 per month for the retirement, major medical health care that he would have received in a year and a half at no cost as a retirement benefit, or \$1,700 for full-coverage [Consolidated Omnibus Budget Reconciliation Act] (COBRA). What is frustrating is the person who shot my husband to death and his father, who desecrated my husband's dead body, while incarcerated have medical care available at no cost to them as their families also have free health care. I felt Scott's last three years of service were all for nothing.

Scott always took his responsibilities very seriously to protect the people of Alaska. I believed upon his death the state would also take responsibility to now take care of his family; graciously, the State of Alaska has these two and a half years until the gap in law could be resolved. Our family has paid the price for this benefit. We have paid into the PERS retirement system. We have paid with the endless call-outs whether it be K-9, [Special Emergency Reaction Team] (SERT), or one of the many other specialized emergency responses Scott was involved with; this is called, "To give of yourself for the sake of others."

I am here today asking for your support of SB 48; this bill is more than what I have advocated the Legislature for as a health benefit. SB 48 provides full-coverage health insurance that takes care of young surviving families that need the well-child check-ups. The retirement health-care plan was not a long-term solution; it was a band-aide so to say and a safety net in case of a major-medical emergency. SB 48 will ensure that another surviving spouse does not have to experience what I have; they will have the assurance that their children will be taken care of if there was a health emergency.

I would like to state my concern over one word in the legislation, the word is "may" on page 3, line 27. As a surviving spouse, I wouldn't want to hear "may elect to participate." I have been left wondering about so much in regard to life. By changing one word to "shall" would provide a great sense of security and comfort to past and future surviving spouses.

Thank you for your time and your consideration of this important legislation.

[4:50:36 PM](#)

SENATOR COGHILL noted that Ms. Johnson had referenced the bill's older version prior to the CS.

SENATOR GIESSEL pointed out that the language Ms. Johnson referenced was on page 4, line 6.

[4:51:47 PM](#)

DAVID PRUHS, City Council Member, City of Fairbanks, Alaska, testified in support of SB 48. He shared that the City of

Fairbanks also had a tragedy with the passing of Officer Brandt where his insurance terminated immediately. He disclosed that the City of Fairbanks took it upon itself to fund Mr. Brandt's family's insurance for 2016, 2017, and most likely in 2018. He noted that he did not review the CS for SB 48. He said he was concerned about unfunded mandates to the City of Fairbanks and possibly for carrying the cost of insurance to the Brandt family through 2038. He asked that he have an opportunity to meet privately with Senator Coghill to find a solution. He added that the City of Fairbanks is talking about having a specific insurance policy in its contracts with police officers to have their insurance premiums funded throughout the life of their spouses and for children up to the age of 26.

SENATOR COGHILL replied that SB 48 is not a mandate. He explained that the bill has an opt-in for municipalities that allows for a retroactive "look back." He detailed that the fund is managed by the state, but the municipalities would have to fund. He suggested that Mr. Pruhs review the bill's CS.

4:54:14 PM

PAULA JOHNSON, representing self and family, Fairbanks, Alaska, read the following statement in support of SB 48:

Good afternoon, my name is Paula Johnson. Scott was my brother in-law for almost 22 years until he was murdered in the line of duty in Tanana, Alaska on May 1, 2014. Upon Scott's death, he was past his 20 years with the state and could have retired prior to May 1, 2014. Prior to Scott's passing, he stood in his house in a personal conversation and told me he is choosing to put the extra five years in so he could retire with full medical benefits for his family. Scott prided himself in taking care of his family being the sole wage earner so Brandy could stay home and raise their three girls, this was very important to him and Brandy. If Scott had not died in the line of duty on May 1, 2014, he would have already retired and his family would have full medical benefits. To fund SB 48 is the right thing to do for the family of slain officers.

4:55:45 PM

KATHIE WASSERMAN, Executive Director, Alaska Municipal League, Juneau, Alaska, testified in support of SB 48. She said AML appreciates that the bill is not an unfunded mandate. She noted that many municipalities are behind in their worker's

compensation bills and new bills will simply not be paid. She opined that every municipality seems to have had a police or firefighter tragedy, but have "stepped up to the plate" and in turn made communities stronger.

[4:57:56 PM](#)

SUSAN HECKS, Executive Director, Southern Region Emergency Medical Services Unit (EMS) Council, Inc., Division of Public Health, Alaska Department of Health and Social Services, Anchorage, Alaska, testified in support of SB 48. She explained that the State of Alaska is divided into seven-EMS regions and the Southern Region EMS Council is one of the seven. She stated that she was representing the seven regions. She added that the EMS Regional Coordinators/Directors support SB 48 in addition to her testimony. She stated that she supported the definition change of "firefighter," but remarked that there was one aspect missing from the bill regarding EMS personnel. She explained that there are many EMS personnel who are not firefighters, but they are also exposed to the same dangerous situations. She asked that EMS personnel be included in SB 48.

[5:00:49 PM](#)

CHAIR DUNLEAVY stated that he would hold SB 48 for future consideration, and public testimony would remain open.

[5:01:34 PM](#)

There being no further business to come before the committee, Chair Dunleavy adjourned the Senate State Affairs Standing Committee at 5:01 p.m.