

HOUSE FINANCE COMMITTEE
February 2, 2022
1:36 p.m.

[1:36:19 PM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter via teleconference
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon via teleconference
Representative Sara Rasmussen via teleconference
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Representative James Kaufman, Sponsor; Matthew Harvey, Staff, Representative Kaufman; Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Representative Louise Stutes, Sponsor; Fate Putman, Staff, Representative Stutes; Jerry McCune, Representative, United Fishermen's Association and President, Cordova District Fishermen United; Makena O'Toole, Shellfish Division Representative, Cordova District Fishermen United; Elise Sorum-Burke, Staff, Representative Josephson; Charles Collins, Director, Division of Workers Compensation, Department of Labor and Workforce Development; Scott Jordan, Director, Division of Risk Management, Department of Administration.

PRESENT VIA TELECONFERENCE

Representative Louise Stutes, Sponsor; Forest Bowers, Deputy Director, Commercial Fisheries, Department of Fish and Game; Phil Doherty, Executive Director, Southeast Alaska Regional Dive Association; Ronald Blake, Southeast Alaska Regional Dive Association, Cordova; Mike Mickelson, President, Cordova Fishermen's united; Nicole Reynolds, Deputy Director Tax Division, Department of Revenue; Caroline Schultz, Policy Analyst, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 30 WORKERS' COMP: DEATH; PERM PARTIAL IMPAIR

HB 64 FISHERY DEVELOPMENT ASSOC.; ASSESSMENTS

HB 187 STATE AGENCY PUBLICATIONS

Co-Chair Foster reviewed the agenda for the meeting.

#hb187

HOUSE BILL NO. 187

"An Act relating to the elimination or modification of state agency publications that are outdated, duplicative, or excessive or that could be improved or consolidated with other publications or exclusively delivered electronically; and providing for an effective date."

1:37:31 PM

REPRESENTATIVE JAMES KAUFMAN, SPONSOR, introduced himself. He thanked the committee for hearing his bill. He characterized HB 187 as a "simplification bill" that created cost efficiencies. He read from the sponsor statement:

HB 187 in its current form, is intended to conserve resources expended in the production, processing, transportation, distribution storage and disposal of excess state agency publications.

Representative Kaufman explained that the bill required state agencies to compile a list of publications produced each year and look for opportunities to reduce or eliminate

them. His goal was to prevent the state from doing the same things over and over if unnecessary.

1:39:50 PM

MATTHEW HARVEY, STAFF, REPRESENTATIVE KAUFMAN, reviewed the sectional analysis. He referred to the sectional analysis which he read:

Section 1:

Amends AS 37.07.020 to add a requirement for the governor to submit legislation to remove or amend statutory requirements for publications deemed to be outdated, duplicative or excessive, or that could be consolidated with other publications, and which of those could be delivered in electronic form as directed in Section 2.

Section 2:

Repeals and reenacts AS 44.99.220 requiring state agencies to use a list of publications, which is already statutorily required to be developed, to identify and highlight publications deemed to be outdated, duplicative or excessive, or that could be consolidated with other publications, or which could be delivered in electronic form.

This list of publications, including highlighted publications, is required to be electronically submitted to the governor and both bodies of the legislature.

Section 3:

Provides for an immediate effective date.

Co-Chair Foster asked if members had any questions. He commented that choosing which publications were worthy of publication was subjective. He offered that some publications were widely read, and some were read by a limited number of readers. He wondered how the decisions would be made.

Representative Kaufman answered that the bill created a feedback loop; after the assessment was made and legislation was introduced it was up to the legislative

process to determine whether the publications were viable or not. There would be an opportunity to hear testimony regarding the publications through the public process.

[1:43:01 PM](#)

Representative Edgmon thought similar legislation had already been passed. He recalled discussions regarding balancing the needs to save money and resources and concluding that digital versions were just as useful as hardcopy. He generally approved of the bill and thought it was "well intended." However, he noted that there had been some complications in rural Alaska because of internet connections. He believed that some publications were very important and rural residents were accustomed to receiving the information via mail.

Co-Chair Foster indicated that Representative Rasmussen was online.

Representative Kaufman responded that he considered the issue, which was why the bill did not authorize the executive branch to eliminate the publications. He felt that the bill included a "change management piece" that acted as a check via the legislative process to determine if eliminating a paper publication would unduly affect its readers.

[1:45:16 PM](#)

Representative Wool recalled that Representative Edgmon was referring to a bill introduced by Representative Kreiss-Tomkins. He recollected the discussions concerning the benefits and drawbacks of electronic versus hard copies. Although he agreed with the idea of saving paper and resources, he was inclined to read hard copies of reports he received versus being informed that the information was available online. He determined that if it required active investigation to find a report, he might not seek the information out. He deemed that there was a passive versus active component to consider. He believed that printed publications still had value. He agreed that there were likely too many publications. He favored striking a balance between publications in various forms.

[1:47:07 PM](#)

Representative Carpenter thought that the value of the bill was not the paper that would be saved, it was the "habit changes" within the various agencies that would challenge established thinking on how to do things more efficiently. He thought the bill helped to move people towards the digital age of the younger generation and changed organizational thinking regarding how to do things better and more efficiently as a new habit.

[1:48:34 PM](#)

Co-Chair Foster commented that the local paper in Nome was very popular and heavily relied on. He observed that the state was putting less announcements in newspapers as a cost saving measures. He asked if any provisions in HB 187 affected announcements placed in the classified sections. Representative Kaufman responded in the negative. He recounted that the intent of the bill focused on publications within the executive branch and created an opportunity to review whether a publication had value.

Representative LeBon asked if the sponsor had an opinion about the potential savings resulting from the bill.

[1:51:46 PM](#)

Mr. Harvey answered that Representative Kreiss-Tompkins had a similar bill requiring that all reports were digitally delivered. He indicated that he obtained the savings information from the work done for Representative Kreiss-Tompkins' bill. He relayed that the state had 189 statutes that required reports and the savings for printing was estimated at over \$585,000. He qualified that since HB 187 was not a blanket mandate to deliver all publications electronically, he anticipated less cost savings. Representative LeBon commented that in the banking business financial statement delivery was evolving into all digital formats.

[1:52:59 PM](#)

Representative Josephson relayed his understanding of the bill and thought that it put the legislature on the "defensive." He asked whether the legislature would have to "step up to the plate" and decide on publications for each of the reports the executive branch identified for elimination or modification.

Representative Kaufman replied that the governor's bill had to be moved through the legislative process by the legislature. He did not perceive it as a defensive position since it would be moved through the legislative process by the will of the legislature. However, he thought that would be the benefit of HB 187 - to determine what publications were being valued through debate and discussions.

Representative Josephson cited a document in members' files ["Research Brief" "State Agency Reports Required by Alaska Statute LRS Report 15.248" (copy on file)]. He pointed to the listed "Annual Report on Mining Activity in the State" and deduced that it would warrant a "tremendous amount of interest" and would likely be safeguarded. Representative Kaufman answered in the affirmative. He reminded Representative Josephson that the purpose was not to "get rid of things" it was to access and avoid repetitive ways of doing things. He hypothesized that the mining report may be duplicative and all the costs of not only publication, but of distribution and disposal had to be factored in. He concluded that bill ensured that the publications were delivering value.

[1:56:25 PM](#)

Representative Thompson thought the bill was a great idea. He guessed that the 2015 research would currently include many more mandated reports. He relayed his experience attempting to determine the number of reports required by school districts in a cost saving exercise. He discovered that sometimes "the reports went into a file" and were not used and wondered what the additional savings in personnel costs could be achieved. Representative Kaufman emphasized the lack of job satisfaction in producing something that was not valued. He determined that loss of job satisfaction had a cost as well as other value added work the employee could perform instead. The savings could be much deeper than the production costs.

Co-Chair Foster relayed that there was a fiscal note associated with the bill.

[1:58:57 PM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, relayed that the Office of the Governor fiscal note (FN2 (GOV) was zero. He explained that

it was determined that the Office of Management and Budget (OMB) would accommodate the additional workload of compiling a list of publications with existing resources.

Representative Kaufman commented that the bill was better than a zero fiscal note by actually creating savings.

Representative Wool asked if the bill was about not printing reports or not writing the reports at all. He presented a scenario where he was reminded the committee requested a report in the previous year and they had forgotten about it. He asked whether they were reducing report requirements or only the printing of them. Representative Kaufman responded that the bill encompassed the total production of reports and may result in the elimination of some reports. He believed that in a large and complex organization it was "usually" easy to find efficiencies if mechanisms were created to start the discussion. He reviewed the "total existence of a report;" from the conceptualization, compiling information, writing, transmission, or delivery that included transportation emissions to disposal with possible landfill issues, etc. He noted the layers and layers of benefits from halting doing something unnecessary. The discussions in the review cycle would include all publishing options and all the ramifications. Representative Wool wondered how simple it would be to eliminate the statute requiring a report. He noted the fiscal note was zero. He wondered if there was a fiscal aspect or why the finance committee was referred the bill. Representative Kaufman responded that the fiscal note was zero but was likely a savings bill. He believed that agencies knew the number of reports that were required and their intrinsic value and therefore the list was not a burden. He guessed that the referral was an "artifact", but he viewed it as an opportunity to discuss ideas such as this.

Co-Chair Foster indicated he would set the bill aside and thanked the bill sponsor.

#hb64

HOUSE BILL NO. 64

"An Act relating to regional fishery development associations; and relating to developing fishery management assessments."

2:05:41 PM

Co-Chair Foster indicated there were several people available online for questions.

2:06:42 PM

FATE PUTMAN, STAFF, REPRESENTATIVE STUTES, provided the committee with an overview of the bill. He explained that HB 64 established regional fisheries development associations to support commercial fishing management assessments in order to facilitate new or developing fisheries within a geographic region. The developing fisheries were perspective fisheries that were not currently regulated or controlled by the Alaska Commercial Fisheries Entry Commission (CFEC). The definition of a developing fishery was designated as an area where the optimum yield of the resource had not been reached or the sustained yield has not been estimated, and annual stock assessments were not conducted. He furthered that declining state funding hindered the Department of Fish and Game's (DFG) ability to manage and establish new and developing fisheries. He delineated that DFG managed state fisheries by performing annual surveys and assessments of fisheries resources in order to identify the biomass and the sustainable yield of seafood as required by the state's Constitution Article 8, Section 4 called the "Sustained Yield Principle." In the case of new and developing fisheries the funding to perform assessment surveys and studies was lacking and prohibited the fisheries from opening. He shared that the Speaker's office had been contacted by a constituent in Prince Willian Sound that wanted to fish for Tanner Crab, which remained closed for 30 years due to lack of funding for current assessments. He indicated that annual surveys were currently being conducted and the stocks were adequate for a commercial fishery. The fishery was recently opened and anyone that wanted to fish could obtain an interim use permit from CFEC. He elucidated that HB 64 was designed to let developing fisheries open by providing a source of funding for the annual biomass survey. Currently, the constituent could fish for Tanner Crab in Prince William Sound, however; legislation was necessary for other developing or new fisheries. The bill created a fund that allowed for management of new and developing fisheries and allowed the creation of regional fisheries development associations, which were non-profit organizations representing the

stakeholders. He conveyed that the associations may elect to levy an assessment that would fund the DFG studies. The fees called "management assessments" were collected at the time of sale so that the buyer would submit the assessments on a quarterly basis to the Department of Revenue (DOR) who would remit the funds back to the Regional Fishery Development Associations (RFDA). The RFDA would develop an annual operating plan in tandem with DFG in order to conduct the surveys. He noted a similar association with the dive fisheries in the state; the Southeast Alaska Regional Dive Fishery Association developed by statute had used the model since 1998 to manage geoduck, sea urchin, and sea cucumber fisheries. The bill was developed using the dive fisheries statute that granted the developing fisheries the mechanism to fund themselves in order to become an established fishery. He listed the benefits of commercial fisheries in the state and noted the job creation and revenue potential.

Co-Chair Foster indicated there were no questions on the sectional analysis.

Co-Chair Foster noted the committee had been joined by Representative Johnson.

Representative Edgmon asked for an explanation of the difference between a regional seafood association and a regional fishery association. Mr. Putman deferred the answer.

[2:14:01 PM](#)

FOREST BOWERS, DEPUTY DIRECTOR, COMMERCIAL FIAHERIES, DEPARTMENT OF FISH AND GAME (via teleconference), asked that the representative restate his question. Representative Edgmon complied. Mr. Bowers answered that the Regional Seafood Development Association (RSDA) was developed via statute through the legislature. He explained that the RSDA was developed to enhance the value of fisheries via the marketing aspect of commercial fishing and was housed in the Department of Commerce, Community and Economic Development (DCCED). The current bill was focused on stock assessment and biology and was more appropriately related to DFG. Representative Edgmon appreciated Mr. Bowers' response, but he was not convinced why two different entities were necessary. He wondered why it was not housed in the same "shop."

Mr. Putman was not familiar with the marketing portion of the industry.

2:16:23 PM

JERRY MCCUNE, REPRESENTATIVE, UNITED FISHERMEN'S ASSOCIATION AND PRESIDENT, CORDOVA DISTRICT FISHERMEN UNITED, explained that the marketing association required members to be a permit holder of a specific gear type and operate a boat and pay fees to the association. The association had control over the assessments. He agreed with the previous testifier that the marketing associations operated differently than the regional associations would. He restated that the proposed association was concerned with stock assessment and biology. He furthered that the marketing association bylaws were limited and did not address the needs of the proposed RFDA's; they did not mesh.

Representative Edgmon wanted to learn the distinction between the two associations. He guessed that they may have similar duties and suggested the state was in an era of consolidation and creating efficiencies.

Representative Josephson wondered whether new fisheries alluded to a situation like Tanner Crab reopening after many years or if they were creating fisheries for new species that never had a commercial fishery. Mr. McCune replied that there were two developing fisheries that had never been open before in Prince William Sound: sea cucumbers and octopus. They were looking for species to keep the fisheries open in the winter. He noted that the bill encompassed the entire state and was not exclusively for Prince William Sound. Representative Josephson asked if there was a point in time in the process where a non-commercial user could speak against the development of a new fishery.

Mr. Putman responded that the appropriate venue to address the issue would be during a Board of Fish hearing.

Representative Carpenter cited the regional dive fishery association. He inquired whether General Funds (GF) were ever necessary to support the dive fisheries and if he expected that the RDFA's would need state support at some point. He expressed concerns regarding whether GF would be necessary. He hoped the program was an economic stimulus and created opportunity. Mr. Putnam responded that the

general idea of a RFDA was to use the funds associated with the collection of fees from the fishermen to pay for assessments to keep the fishery open in the future.

[2:21:28 PM](#)

PHIL DOHERTY, EXECUTIVE DIRECTOR, SOUTHEAST ALASKA REGIONAL DIVE ASSOCIATION (SARDA) (via teleconference), he shared that prior to his directorship he was an area management biologist for commercial fisheries in the Ketchikan area. He addressed Representative Carpenter's question and answered in the negative. He explained that the dive association continued to tax themselves; three different species were taxed at different rates: sea urchins, geoduck clams, and sea cucumbers. The tax was paid at the time of delivery and was added to the fishers' fish ticket and sent to DOR who remitted it back to the association. The association met every year with DFG and submitted an operating plan and transferred funding for stock assessments and fishery management. He maintained that GF was never used in the process.

[2:23:30 PM](#)

Representative Edgmon favored the bill and thought it was necessary. He understood that developing fisheries had to have commercial value and in order to be commercialized to the point of paying an assessment fees other things had to happen to form the association. He commented on the zero fiscal impact note. He wondered whether he was "missing something." Mr. Putman replied that the concept was to allow the fisheries to initially operate under a commissioner's permit, which allowed a new or developing fishery to occur. At that point, it was not an open fishery yet, it was a test fishery. The fish were brought to a buyer and a fee was assessed, eventually the fees would build up enough to develop into a full fishery. Once developed into a full fishery the fishers operated under an Interim Use Permit (IUP), the fees were collected, and the stock assessments would happen on an annual basis to keep the fishery open.

Vice-Chair Ortiz spoke in support of the bill. He noted the benefits of the development associations such as creating economic opportunity and more jobs. He remarked that the resource was renewable, if managed correctly.

Co-Chair Foster thanked Mr. Putman and moved to invited testimony.

[2:26:47 PM](#)

MAKENA O'TOOLE, SHELLFISH DIVISION REPRESENTATIVE, CORDOVA DISTRICT FISHERMEN UNITED, spoke in favor of the bill. He shared that he had spent many years trying to revive defunct and underutilized fisheries. He used the commissioner's license process for sea cucumbers, squid, green sea urchin, skates, etc. He elucidated that DFG was unable to engage with the fishers due to budgetary constraints and lack of a funding mechanism. A few years ago, some local fishers formed a fisheries development committee and ascertained that they could contribute funds for the stock assessments for fisheries they believed were viable. They discovered that a legal avenue was necessary, and SARDA was a model. He elaborated that he had participated in the Southeast Alaska dive fisheries for over a decade. He characterized the relationship between industry and management through SARDA as very functional. He thanked Speaker Stutes for assisting with the bill. He addressed questions from the hearing discussions. He highlighted defunct versus new fisheries and elaborated that there were many defunct fisheries that would benefit from the passage of the bill because DFG simply did not have the funding to perform assessments. Some of the defunct species included herring, Tanner crab, Dungeness crab, Red, Blue, and Brown King crab, and razor clams. The legislation also covered new fisheries such as Norton Sound salmon fisheries, hooligan, California Market squid, green sea urchins, octopus, skates, dog sharks, black rock fish, etc. There were many underutilized resources in the state. He opined that while the state was investing in mariculture, the state also needed to discover what it already had for development.

Representative Edgmon thanked the testifier and believed that he outlined the distinction between RSDAs and RSFAs.

[2:31:01 PM](#)

RONALD BLAKE, SOUTHEAST ALASKA REGIONAL DIVE ASSOCIATION, CORDOVA (via teleconference), related that he participated in the Southeast dive fisheries since 1990. He echoed Mr. O'Toole's testimony regarding the relationship between SARDA and DFG. He offered that while working with the

department on developing a sea cucumber fishery [in Prince William Sound] it asked the fishers to establish a dive association and they discovered it could not legally be done. House Bill 64 became the mechanism that allowed the fishers to comply with the DFG's request.

[2:32:33 PM](#)

MIKE MICKELSON, PRESIDENT, CORDOVA FISHERMEN'S UNITED (via teleconference), supported the legislation. He remarked that he did not have anything to add to the prior testimony. He had worked with the biologists and discovered that there was enough biomass to support some of the fisheries, which he felt was the key factor. The fish were available, and the bill facilitated the start of new fisheries.

Co-Chair Foster asked Mr. Bowers to review the fiscal notes from DFG.

Mr. Bowers explained that the published fiscal note from DFG for Commercial Fisheries (FN4 (DFG)) had zero fiscal impact involving very little staff time. He conveyed that the department's overall role in the creation and management of these associations would be minimal. The associations would qualify under the provisions of the bill and would engage with the Commercial Fisheries Division to formulate a cooperative agreement which described how any revenue generated from the tax would be used for stock assessment. The revenue was indeterminate due to the inability to predict the amount of revenue the bill would generate.

Co-Chair Foster moved to the next fiscal note.

Mr. Haghayeghi spoke to the published DFG zero fiscal note for the CFEC (FN3 (DFG)). The commission did not anticipate any additional fiscal impact from passage of the legislation.

[2:36:41 PM](#)

NICOLE REYNOLDS, DEPUTY DIRECTOR TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), relayed that the published DOR fiscal note (FN5 (REV)) was indeterminate in terms of the revenue impact. The revenue impact of this bill was not able to be determined at this time. The department would

absorb the costs of the small additional administrative burden to implement the program with existing resources.

Representative Carpenter asked if any personal use fisheries would be impacted if a new commercial fishery was developed. He deduced that his question may be premature. Mr. Putman responded that there was often little relation between personal use and commercial fishing because the Board of Fish allocated the resources. He noted that all salmon fisheries were limited and that did impact personal use. He did not know if he could directly answer without knowing the specific fishery. He thought the decision would be up to the department to decide if a new fishery would impact personal use. Representative Carpenter remarked that his question was premature but important. He felt assured knowing that there was a process for making the determination at a later stage.

[2:39:52 PM](#)

Vice-Chair Ortiz asked that with the establishment of an association who decided on the membership. He wondered if there would eventually be too much membership demand to sustain the fishery. Mr. Putman indicate that Vice-Chair Ortiz's question was a good one. He clarified the question was how to sustain the fishery if there was too much fishing pressure. He replied that one of the functions of the limited entry commission was to determine where the pressure was applied and whether there was enough resource for both commercial and personal use. They were difficult questions to answer. He deferred to DFG who might have a better answer. Vice-Chair Ortiz clarified his question. He inquired if all of the fishers who formed an association would be able to participate in the fishery. Mr. Putman replied that anyone was able to be part of the association and they would vote on how to assess the fishery; not all members were commercial fishers. He noted that formation of the association was loosely defined in the bill. There were outstanding issues with the workings of the committee that needed to be addressed, but the sponsor wanted to keep it flexible so that anyone who wanted to be a part of the association could participate and vote on how to move forward.

[2:43:19 PM](#)

Vice-Chair Ortiz asked how SARDFA worked. He asked if the membership was open and how it was controlled.

Mr. Doherty answered that if someone was a permit holder through CFEC, whether interim use or permanent, they were a part of the association. The dive association membership did not include any non-permit holders. The membership duty was to pay the landing tax. He restated that as soon as someone purchased the limited entry permit, they automatically became part of the association and paid the tax.

Representative Wool referenced the associations' assessment fee. He asked how the assessment rate was determined. Mr. Putman replied that the bill specified the amounts of assessments the associations' members could vote for. He pointed out that it began at 2.5 percent up to 30 percent of the value of the fish. He reiterated that the money was housed in DOR and given to DFG for stock biomass assessments to determine if the fishery was viable. Representative Wool wondered what happened if the amount voted on was insufficient to perform the biomass studies. He asked how the department handled the situation. Mr. Putman responded that if funds were insufficient there would be no fishery and it incentivized choosing a higher tax rate. The commissioner had to approve the ballot and if the commissioner decided the amount was not enough to perform the assessment the vote could be rejected.

[2:47:46 PM](#)

Representative Wool provided a scenario and asked how the commissioner ascertained how much was necessary to perform the study or what happened if the funding proved to be insufficient to complete the assessment. Mr. Putman answered that DFG had a "good handle" on the cost of assessments. He deemed that if the association was small and the tax amount was too low, the commissioner would likely reject the vote and ask for a higher fee. The process would make certain the amount was functional and could move forward with an assessment. Representative Wool inquired whether an association could keep repeating the experimental opening process if it lacked enough money for an assessment. He deduced that it was not possible to establish a new fishery without an adequate assessment. Mr. Putman answered in the affirmative. He restated that lacking a sustainable yield would violate the constitution.

He relayed that DFG was vigilant regarding not allowing commercial fishing without a biomass study.

[2:49:51 PM](#)

Mr. Putman provided closing remarks. He referenced the aging of the commercial fishing fleet and believed that the bill presented an effort to open new fisheries and younger fishers could start without purchasing a limited entry permit.

HB 64 was HEARD and HELD in committee for further consideration.

#hb30

HOUSE BILL NO. 30

"An Act relating to notice of workers' compensation death benefits; relating to the payment of workers' compensation benefits in the case of permanent partial impairment; relating to the payment of workers' compensation death benefits; and providing for an effective date."

[2:51:15 PM](#)

Co-Chair Foster moved to the last bill on the agenda and indicated it was the bill's first hearing.

REPRESENTATIVE ANDY JOSEPHSON, SPONSOR, thanked the committee for hearing the bill. He relayed the history of the legislation. He first took up the permanent partial impairment bill in 2014. The bill had a hearing in 2015 and passed out of the House in 2018. It languished in the Senate Finance Committee. In 2019, a unique death benefit that 12 other states had was removed. The "clean bill" passed in 2020. He noted that at least four or five members of the current committee voted in favor of the bill. He explained that a partial impairment was an injury that was determined by a medical doctor to be permanent and partial related to the fact that the person was still living. The rating the state operated under the "whole body rating" while some states measured the loss by body part. The rate was calculated by the doctor determining the percent of the damage and the percentage was multiplied by the whole body number. The legislation was attempting to modify the whole body rating by increasing it from the current rate of \$177

thousand, which placed the state in the bottom 5 states nationally. He reported that the rate had not been increased in 22 years and indicated that the bill proposed raising it to \$273 thousand. He added that factoring in for inflation the rate should be \$286 thousand. He offered that the bill updated all matters related to permanent impairment. Representative Josephson continued that the bill addressed increasing the rate for the death of a family member with dependents. The current rate was established in 1968. He characterized the provision as "anti- elitist." He delineated that currently, financial support was typically cut off when a dependent of a sole surviving parent turned 19, unless the child was attending a university until the age of 23. The bill extended the benefits to all dependents between the ages of 19 and 23.

Representative Josephson discussed worker's compensation premiums. He observed that there was a perception that premiums were rising. However, premiums were not increasing but actually decreasing particularly in the category of indemnity. He specified that indemnity meant death or impairment and asserted that the cost of indemnity had decreased. He pointed out that the cost of indemnity was 14.5 percent of the entire cost of premiums. Within the portion of indemnity (14.5 percent) there were large decreases of about 40 percent. He explained that it was due to improved workplace safety. He emphasized that the cost of the bill to cover all workers in the state was approximately \$4.8 million, which may seem like a lot but was divided by hundreds of thousands of workers. He acknowledged that the bill would increase premiums by 2 percent, but premiums had dropped 14 percent over the last several years. He surmised that the trend line on premiums was still decreasing. He highlighted how poorly the state treated its injured workers. A person who lost an arm received \$106 thousand in a PPI award. In the highest state of Pennsylvania, the person received \$389 thousand. The state ranked 45th in the loss of an arm and an eye. In Maryland, if a person lost an eye at work, they were paid over \$250,000 versus in Alaska where a person would be compensated only \$44,000. He contended that the state could and must do better.

[2:59:43 PM](#)

Co-Chair Merrick asked how many people in Alaska received a partial impairment every year. Representative Josephson

could not recall and deferred the answer to the Department of Labor and Workforce Development (DLWD).

3:00:13 PM

Representative Edgmon thanked the sponsor for bringing the bill forward and felt it was "highly commendable." He mentioned the impending federal infrastructure funding and workforce that will be necessary for building roads and working on infrastructure projects in light of Alaska's extreme weather events. He noted someone from his hometown being injured on the job related to an extreme weather event. He asked for a better sense of who the bill pertained to. Representative Josephson responded that it applied to every worker who was an employee; blue collar workers, white collar workers, and those not self-employed. He shared from personal experience that he had purchased worker's compensation for a prior campaign manager and added that it encompassed a broad pool of workers.

3:02:29 PM

ELISE SORUM-BURKE, STAFF, REPRESENTATIVE JOSEPHSON, added that there was a separate category for commercial fishers, who were not covered either.

3:02:52 PM

Representative Carpenter asked that when comparing the state to national averages or other states for compensation, if the total compensation and other associated costs were factored in. He noted that the state offered retraining which added costs. He asked how Alaska compared to other states that did not have retraining programs or had their own retraining process instead of a lump sum payment. Representative Josephson answered that it would be less generous than expected. He deferred the answer to DOL for comment. He recalled that a person only had the option of the reward or the training but not both. He reminded the committee that there was no way to sue except for third party liability. He exemplified that if the rung of a ladder was defective, the injured party could sue the ladder company. Mostly, worker's compensation was designed to avoid litigation, but the worker likely received less. He thought a person would be awarded much more in personal injury court if it was not a workplace injury. He characterized worker's compensation as part of a

"grand bargain" that moved the process along "expeditiously" and was part of a "give and take." An employer paid for the injury without explanation because it was a "no fault" strict liability, however, the injured employee would not recover as much as possible.

Co-Chair Foster invited Mr. Collins to the table.

[3:06:18 PM](#)

CHARLES COLLINS, DIRECTOR, DIVISION OF WORKERS COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, responded that he could not recall the exact number of claims involving PPI, but remembered that in 2020 the state paid out \$7.3 million for PPI. He expounded that many claims had a number of different indemnity portions; an injured worker could elect to also take reemployment and rehabilitation benefits depending on each individual plan. Some claimants might take a lump sum of PPI benefits, and some retrain and receive their benefit as a replacement wage until it ran out. He commented that the benefits were very complex and varied per individual case. He requested that the second question be repeated.

[3:08:11 PM](#)

Representative Carpenter restated his question about the compensation and comparing the total benefit, including retraining to national averages - he asked if they were comparing apples-to-apples. He would argue that Alaska would be in a top tier of compensation if retraining costs were included with the payout. Mr. Collins replied that all worker's compensation benefits were paid by the workers' employers or their carriers, which were self-insured entities like the state of Alaska who paid the benefits directly rather than through an insurance company. He delineated that reemployment payments in Alaska through AS 23.30.041 were limited in scope and amount. He explained that the injured state worker was evaluated and if found eligible for reemployment benefits an education plan was developed and the most the state paid was \$13.3 thousand in reemployment benefits. The caveat was that wage replacement called "041K" derived from AS 23.30.041 (k) paid a weekly stipend while retraining. As for other jurisdictions, outside of Alaska, he expounded that each jurisdiction had its own set of laws governing worker's compensation and no two states were the same. He noted that in the state of

Washington everything was done through the state; the insurance policy was purchased through the state and ran the retraining programs. In Alaska, worker's compensation was run through the carrier's organization and the state was removed from the process. He recounted that in 2020, there was more than \$7 million in replacement wages paid out on 111 active plans and the plans dated back several years through to the present. At any given time, people were working through the system and would accept some of the 041K replacement wage, which was the most expensive portion of worker's compensation. He furthered that according to AS 24.30.041 a person could take a job dislocation settlement. Even if an injured employee took either of the aforementioned benefits, PPI payments were typically paid directly to the injured employee.

[3:12:21 PM](#)

Representative Carpenter understood that the injured worker received PPI compensation and retraining. He asked if he had made an accurate statement. Mr. Collins thought Representative Carpenter's comments were accurate. He qualified that if someone elected retraining before they can collect 041K they had to utilize their PPI. If the injured person was in a retraining program, their PPI was paid weekly while in the retraining program. It was possible that if a person ran out of PPI while still retraining, they could collect more 041K wage replacements. He noted that the individual's plans had to be approved by the employer as well as the department and the employee. Representative Carpenter deduced that the issue was more complex than what he had originally thought. He thought that the complexity made it difficult to compare merely the PPI payments to other states. He determined that it was necessary to compare the entire package. He was hoping someone could provide more information regarding the cost issue.

[3:14:52 PM](#)

Representative LeBon observed that the purpose of the bill was to bring the benefit up to a hold harmless level for inflation. Representative Josephson responded in the affirmative. He referenced the statements that premiums had decreased and wondered whether the reason was that claims were decreasing. Representative Josephson concurred that

indemnity claims had decreased and deferred further answer to Mr. Collins.

Mr. Collins reported that for the past 9 years the state of Alaska actuary National Council on Compensation Insurance (NCCI) had recommended lowering the worker's compensation rates in Alaska. The reason pertained to 2 factors; Alaska was a safer place to work and with the adoption of a fee schedule based on relative values versus based on the prior usual and customary costs. The medical portion also decreased. The lowest NCCI rates were lowered roughly 13 percent.

Representative LeBon thought it was good news. He relayed from personal experience that early in his employment his employer offered accidental death and disability insurance and the premiums were shared 50 percent and 50 percent (50/50). He noted that most of the workers took advantage of the supplemental program over and above worker's compensation. He commented that worker's compensation was likely not as "robust" as it should have been.

[3:18:09 PM](#)

Representative Edgmon asked Mr. Collins about his comment made that Alaska was one of the safest states to work in. He deemed that Alaska was not the safest place due to weather and other conditions. Mr. Collins answered that he might have misspoken. He stated that he said it was currently "safer" to work in Alaska than 10 to 20 years ago. He added that the data proved the statement. There had been less claims every year since 2015 and he attributed it to an overall safer workplace environment. Representative Edgmon thought he might not have heard Mr. Collins correctly.

Representative Wool referenced the \$7 million paid out in claims. He asked whether the amount was paid expressly for PPI. He asked about added costs. Mr. Collins replied that the \$7.3 million paid was only for PPI in 2020. The total indemnity payments in 2020 was \$57.1 million, which included total disability payments, PPI, and other associated benefits.

[3:21:10 PM](#)

Representative Wool deduced that if the bill were adopted it would compensate for inflation. He asked where the PPI payments came from. Mr. Collins answered that the portion of PPI addressed in HB 30 was only one component but would likely increase the payout amount substantially. However, the premiums would rise only by about 2.9 percent. Representative Wool remained curious about the number of incidents the \$7 million represented. He queried whether there was a formula that established the PPI payouts and whether the bill proposed to retain the same formula. Mr. Collins responded that there was a formula contained in the sixth edition of the "AMA Guide," [The American Medical Association's Guides to the Evaluation of Permanent Impairment, 6th Edition, 2021]. He indicated he was not qualified to confer a rating. The process was done by a doctor that was certified to provide a PPI rating. He warned that the process was complicated. He used the index finger as an example. He elaborated that could equate to 11 percent of the whole body base rating of \$177 thousand established in the year 2000.

[3:24:27 PM](#)

Representative Thompson opined that the reduction in on-site injuries was attributed to "big programs in Alaska" geared towards job safety. He mentioned that apprenticeship programs included job safety training and most companies had yearly safety training. He thought that Alaska had changed its way of doing business to prevent job injuries and was pleased.

[3:25:15 PM](#)

Representative Carpenter agreed with Representative Thompson that the work culture had changed in Alaska. He asked about workers compensation compared to what an employer might offer for life and disability through private insurers and what premiums they would pay compared to paying for worker's compensation benefits. Representative Josephson answered that he did not have any idea. Representative Carpenter commented that it was valuable to the conversation to know if the industry had a comparable or less expensive way to provide it. He thought maybe the state needed to consider handling workers compensation differently. He wondered if there was a comparable alternative to workers compensation that would decrease the cost to employers without duplicating efforts.

[3:27:31 PM](#)

Representative Josephson relayed that every state had worker's compensation and either offered it or allowed workers to sue their employers. He reiterated that it was part of the "grand bargain" originally established in the late 1800's in Germany. He informed the committee that worker's compensation was relatively inexpensive per individual. He surmised that it was costly for a business with scores of workers engaged in dangerous work. He referenced Mr. Collins statements that premiums had decreased.

[3:28:20 PM](#)

Ms. Sorum-Burke reminded the committee that worker's compensation was required by law for every employer, and it was a no-fault system. She elucidated that the reason for Worker's Compensation had to do with employer liability and whether the employee could sue the employer. She turned to a presentation titled "HB 30" (copy on file). She addressed Slide 8 titled "The Elevator Paradigm." The slide depicted a customer and an employee in an elevator that fell. The paradigm asks the question regarding what damages do each receive. The example was a single childless worker who would only receive funeral expenses. The slide contained the following:

What damages do they receive?

Customer:

- Economic Damages
- Non-Economic Damages
- Pain and suffering
- Loss of Consortium
- Punitive damages
- Up to \$1.5 million

Ms. Sorum-Burke maintained that workers compensation existed to protect employers and provided some compensation for employees. She noted that one state allowed worker's compensation as an option, which was Texas. She stated that the employer was opening itself up to liability if they chose not to opt for the program in Texas.

Representative Carpenter understood the participation requirement. He felt that the state could do something

different than worker's compensation. He recalled that he was never offered disability insurance when he began working. If the employer was offering disability, he wondered whether it was cheaper via a private insurer than paying benefits through workers' compensation. He was not suggesting that liability insurance should not be provided he questioned whether worker's compensation was the least costly way and wanted to look at the "big picture" and not just "throw a bunch of money and increase payments."

[3:31:53 PM](#)

Representative Thompson shared that he was on the Worker's Compensation Board from 1984 to 1994. He recalled that the board discovered that many employers were not carrying workers' compensation. He asked if the state was still monitoring employers to ensure that they were not "cheating the system" and driving up the costs for employers who carried it. Mr. Collins replied that the state had 5 full-time inspectors and less than .01 percent of employers failed to insure. He furthered that all the fines levied against employers that failed to insure were placed in the "Benefits Guarantee Fund," which paid for employees that worked for an uninsured employer. The state had done an excellent job of making sure that employers were following the law and took care of employees that were injured who worked for an uncovered employer. Representative Thompson was pleased to hear of the state's diligence.

Co-Chair Merrick invited Mr. Collins to review the published fiscal note from the Department of Labor and Workforce Development for Workers' Compensation (FN 5 (LFW) that reported changes in revenues.

Mr. Collins reported that the fiscal note showed no cost to the state. He elaborated that Workers' Compensation insurance premiums were paid by insurers or by self-insured employers and were paid to the Division of Workers' Compensation and assessed at a statutory rate of 2.9 percent. The state would gain revenue due to higher sales of premiums, which was reflected in the fiscal note.

Co-Chair Merrick moved to the published fiscal impact fiscal note from the Department of Administration (DOA) for Risk Management (FN4 (ADM)

[3:34:52 PM](#)

SCOTT JORDAN, DIRECTOR, DIVISION OF RISK MANAGEMENT, DEPARTMENT OF ADMINISTRATION, reviewed the fiscal note. He explained that the amount proposed currently under the Alaska Worker's Compensation Act, AS 23.30.190 (a), the whole body rating was \$177,000. The bill increased the rating by 54.24 percent to \$273,000 based on the ten year average (FY 2012- FY 2021) of whole body Permanent Partial Impairment (PPI). The 54.24 percent would increase the average annual payout by \$423,254 thousand. Based on the \$423,254 thousand the division anticipated an additional payout in second injury fund fees of 6 percent or \$25,395 thousand totaling \$449 thousand as noted in the fiscal note.

Co-Chair Merrick turned to the final published zero fiscal note, Various for All Branches.

[3:36:41 PM](#)

CAROLINE SCHULTZ, POLICY ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), reported there was a zero fiscal note for the designation "Various" that represented all branches of government. She indicated that Risk Management estimated the legislation would increase costs by \$449 thousand annually, amounting to a roughly 2 percent average increase in risk management costs borne by paying all agencies. The state would not be increasing the associated budgets by the amount.

Co-Chair Merrick thanked the presenters. She reviewed the agenda for the following day.

#

ADJOURNMENT

[3:37:37 PM](#)

The meeting was adjourned at 3:37 p.m.