

HOUSE FINANCE COMMITTEE
May 10, 2022
9:03 a.m.

9:03:55 AM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson

ALSO PRESENT

Senator Josh Revak, Sponsor; Emma Torkelson, Staff, Senator Josh Revak; Representative Grier Hopkins, Sponsor.

PRESENT VIA TELECONFERENCE

Eddie Grasser, Director, Division of Wildlife Conservation, Department of Fish and Game; David Kershner, Consulting Actuary Principal, Buck Global LLC, Florida.

SUMMARY

HB 66 ELECTIONS, VOTING, BALLOTS

HB 66 was SCHEDULED but not HEARD.

HB 220 RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.

CSHB 220 (FIN) was REPORTED out of committee with four "do pass" recommendations and three "no recommendation" recommendations and with one new fiscal impact note by the Department of Administration.

CSSB 204 (RES)

HUNTING PERMIT/TAG AUCTIONS/RAFFLES

CSSB 204 (RES) was HEARD and HELD in committee for further consideration.

SB 211 MISSING/MURDERED INDIGENOUS WOMEN; REPORT

SB 211 was SCHEDULED but not HEARD.

Co-Chair Merrick reviewed the agenda for the meeting.

#sb204

CS FOR SENATE BILL NO. 204 (RES)

"An Act relating to auctions or raffles for hunting harvest permits and big game tags; and providing for an effective date."

[9:04:19 AM](#)

SENATOR JOSH REVAK, SPONSOR, thanked the committee for hearing the bill. He read the sponsor statement (copy on file):

Since its passage in the 1997, the Governor's Auction and Raffle Tag program has successfully and substantially increased funding for the Alaska Department of Fish and Game (ADF&G). In 2021, gross revenue was just over \$1.2 million. SB 204 seeks to build on this success and expand the department's ability to bring in revenue, which will support wildlife conservation and protection programs and education across Alaska.

Foundationally, Senate Bill 204 adds three species to the available harvest permit list and standardizes the number of game harvest permits that ADF&G grants each year to qualified organizations for fundraising

auctions or raffles. By doing so, the department will have the flexibility to issue up to four permits for each species, taking into account the health of the game population and recommendations of department biologists when determining the actual number that will be issued each year.

The increased revenue from this moderate expansion of available harvest permits will ensure two important outcomes. First, it allows the department to maintain sufficient funds to continue critical conservation and wildlife protection measures that have been the mainstay of wildlife management for decades. Second, with the large increase in firearms and ammunition sales and approximately \$18 million in new Pittman-Robertson (PR) grants coming our way, ADF&G will need sufficient matching dollars to prevent these new PR funds from reverting back to the federal government.

Modern, effective wildlife management is becoming more expensive. For example, an increase of a couple of dollars to aviation fuel has a major impact on survey and inventory operations which, in turn, are a key element in setting game population and harvest objectives. Without accurate objectives, for instance, the Board of Game cannot make well-informed decisions on yearly hunting seasons and bag limits.

In sum, SB 204 will allow more federal revenue to be leveraged for critical sustainable wildlife education and management programs and the proactive work needed to prevent new listings under the Endangered Species Act. Senate Bill 204 directly supports sustainable wildlife populations, outdoor traditions, hunters, and outdoor recreation users.

Co-Chair Merrick indicated the committee had been joined by Representative Thompson.

[9:07:43 AM](#)

Representative Josephson inquired about the impacts of the aerial survey work the senator had mentioned. He asked whether the aerial work would help prevent Endangered Species Act (ESA) listings.

EMMA TORKELSON, STAFF, SENATOR JOSH REVAK, responded that the work that the Department of Fish and Game (DFG) supported with the funds was wide-ranging. She offered that online testifiers could answer the question in more detail.

Representative Josephson would follow up with Mr. Eddie Grasser on his question.

[9:08:52 AM](#)

EDDIE GRASSER, DIRECTOR, DIVISION OF WILDLIFE CONSERVATION, DEPARTMENT OF FISH AND GAME (via teleconference), supported SB 204 and thanked Senator Revak for introducing the bill. He had worked on the tag program since the 1990s. In 2014, he strengthened the statutes to make fundraising easier. He explained that the goal of the legislation was to make DFG a self-sufficient operation. He provided some history around the legislation. Hunters helped push through the Wildlife Restoration Act in Washington D.C., which elicited the Pittman-Robertson (PR) grants. He thought that hunters seemed more willing to support wildlife conservation than most other groups.

Mr. Grasser relayed there was a bill currently being discussed by the United States Congress called the Recovering America's Wildlife Act (RAWA), and if it passed, the department would receive an influx of money almost equal to the money it received in PR grants. The bill would provide money to states for the purpose of recovering species listed as threatened or endangered. He emphasized the importance of recovering these species in Alaska and added that the failure to do so could negatively affect the state's economy. However, RAWA would require funds to be matched by the state in order to receive the funds, and it would be very difficult for Alaska to match \$32 million under the current system. He thought SB 204 would help bring financial stability to the state and would be a good first step. He had been looking at other ways for the department to be self-supporting and it was likely that he would be back before the committee with additional solutions in coming years.

[9:17:25 AM](#)

Senator Revak offered clarity on the suggestion that the bill would prevent new listings under ESA. The bill was essentially focused on effective wildlife management. If

hunters were educated and wildlife management was effective, accidental over-hunting would be less likely.

Representative Josephson wanted to support the bill. However, he was concerned that 70 percent of the profits would go to the department and 30 percent would go to a non-profit. He was worried that there would be misconceptions about where the money was going. He asked whether language could be added to ensure that the monies could not be used for consumptive purposes.

[9:20:07 AM](#)

Co-Chair Merrick indicated Representative Rasmussen had joined the meeting.

Senator Revak asked Mr. Grasser to comment on Representative Josephson's concerns. He did not know if specific funds could be directed to specific types of management.

Mr. Grasser thought there was a way to direct the funds to specific management. He thought it would fall under the same statutes that provided for the non-diversion of funds for the waterfowl and fur-bearing programs. He shared that he had already compiled a team to put together another piece of legislation in the following year that would address some of Representative Josephson's concerns. He reiterated that if RAWA passed, the state would need matching funds to obtain federal dollars.

Senator Revak noted that it was his intent and the intent of the department to use the funds for non-consumptive purposes.

[9:23:19 AM](#)

Co-Chair Merrick OPENED public testimony.

Co-Chair Merrick CLOSED public testimony.

Co-Chair Merrick provided an amendment deadline for the following day.

CSSB 204(RES) was HEARD and HELD in committee for further consideration.

[9:24:21 AM](#)

AT EASE

[9:25:42 AM](#)

RECONVENED

#hb220

HOUSE BILL NO. 220

"An Act relating to the Public Employees' Retirement System of Alaska and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska and the teachers' retirement system; and providing for an effective date."

[9:26:02 AM](#)

Co-Chair Merrick reported that the bill had been returned back to the committee from the Rules Committee to approve of a new fiscal note.

[9:26:10 AM](#)

DAVID KERSHNER, CONSULTING ACTUARY PRINCIPAL, BUCK GLOBAL LLC, FLORIDA (via teleconference), reviewed the new fiscal impact note from the Department of Administration with control code szCfR. He indicated that the original fiscal note was dated March 24, 2022. The revised fiscal note reflected changes made in Version B of the committee substitute (CS). The CS changed the following: the normal retirement eligibility requirements for employees under the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS), the average compensation for teachers changed from three years to five years, the member contribution rate for public employees other than police and firefighters [PERS Other] increased from six percent to eight percent, and all employees would be required to retire from active service in order to qualify for retirement benefits.

[9:30:25 AM](#)

Vice-Chair Ortiz asked how requiring employees to retire from active service to qualify for benefits would affect potential retirees.

Mr. Kershner responded that if an employee ended their employment before retirement and ultimately retired later on, they would still receive retirement benefits upon retiring under the original version of HB 220. The language in the committee substitute [version B] reverted back to statutory language that required an employee to retire from active service to receive benefits. The healthcare liabilities would increase if a higher population of people were eligible for benefits, which is why the liabilities decreased under version B.

Co-Chair Merrick invited the bill sponsor to the table for questions.

[9:33:50 AM](#)

Representative Josephson asked Mr. Kershner about page 2 of the fiscal note (copy on file) that showed a savings to PERS and TRS of \$28.5 million in FY 24. However, the savings in FY 28 would be about a fifth of the savings in FY 24. He wondered why the savings decreased over time.

Mr. Kershner responded that currently, the defined benefit plans were closed to new entrants. It was assumed that anyone hired on or after July 1 of 2006 would be entered into the defined contribution plan. As the system currently stood, it was projected that as the number of employees covered by defined benefit plans decreased over time and employees entering into defined contribution plans increased, contributions from employers into the defined contribution plans would increase. However, if HB 220 were to pass, current members of the defined contribution plans would be given a choice between remaining in a defined contribution plan or transferring to a defined benefit plan. All future hires would be given the choice between a defined contribution plan and a defined benefit plan. For the purpose of the fiscal note, Buck had assumed that all current members of the defined contribution retirement plan would elect to transfer to the defined benefit plan. It was also assumed that all future hires would enter the defined benefit plan. As a result, there would be a shift in employer contributions between the two plan types as the defined benefit plan membership increased over time.

[9:37:22 AM](#)

Representative Josephson suggested that the legislature's aggressive pay down of the unfunded liability had been helpful. He wondered if the state would have realized additional savings if the plan had been implemented earlier.

Mr. Kershner responded that it was hard to answer the question definitively. The total contribution rates as proposed in the CS were about the same as they were in the current system. Employers would continue to contribute the same amount, which was 22 percent of pay for PERS and 12.56 percent of pay for TRS. The difference proposed by the bill was an increase in employer contributions into the defined benefit plans rather than the defined contribution plans. It was a shuffling of funds. The shift would mean that the state would have to make up a smaller difference, which would lead to a decrease in state contributions. When defined benefit plans were closed to new entrants in 2006, it reduced the risk to the state of unfunded liabilities and therefore higher contributions. Re-opening defined benefit plans would mean that the state would reassume some of the previously prevented risk and would likely have to contribute at a higher rate. It was important to note that if asset returns were lower than Buck's projections, contributions to the state would be higher. Conversely, if the returns were more favorable than projected, the state contributions would be reduced.

Vice-Chair Ortiz suggested that the passage of the legislation would result in a savings to the state.

Mr. Kershner responded in the affirmative as long as the state's future experiences under the plan were not lower than projected.

[9:43:32 AM](#)

REPRESENTATIVE GRIER HOPKINS, SPONSOR, responded the committee had been previously presented with the Monte Carlo analysis done by actuaries from Cheiron that looked at risk analysis. There was a strong level of confidence in the legislation's ability to uphold the projections. There was a variable employee contribution rate built into the bill, which mean that there was risk sharing with the employee. If there were adverse market returns, the employee contribution rate could be increased to compensate for the lower returns. A one percent increase in employee

salary contributions would result in a \$200 million additional investment into the pension fund. He referred to the Buck actuarial analysis (copy on file) on page 3, line 7. He highlighted the state's contribution percent decreasing over the lifetime of the legislation.

[9:46:39 AM](#)

Representative LeBon asked about the assumed rate of return, which he thought was about 7.8 percent. He asked what the impact on the plan would be if a return of 6.5 percent was assumed instead.

Representative Hopkins responded that the specific hypothetical scenario was discussed by Cheiron at a previous hearing. He thought that Cheiron had considered 6.75 percent, but he would have to look at the analysis for the exact figures. The unfunded liability that was currently being whittled down due to the closure of the system in 2006 would not be the responsibility of current employees. The state would experience reduced costs as a result of reopening the system in order for new employees to participate.

Representative LeBon asked if the formula for contribution percentages was defined in the bill. He suggested that once the formula was enacted, the minimum retirement benefit contribution would be established. He wondered if there was a provision to increase the benefit in any way if the fund became more successful than projected.

Representative Hopkins replied in the negative. He explained that the post-retirement pension adjustment was the only thing that could be changed. Additionally, if the pension fund was more than 90 percent funded, a 10 percent increase would be allocated to retirees. However, there would not be a reduction below the eight percent employee contribution minimum. A future piece of legislation could accomplish a reduction, but HB 220 would not.

[9:51:32 AM](#)

Co-Chair Foster MOVED to report CSHB 220(FIN) out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

CSHB 220(FIN) was REPORTED out of committee with four "do pass" recommendations and three "no recommendation" recommendations and with one new fiscal impact note by the Department of Administration.

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

ADJOURNMENT

9:52:19 AM

The meeting was adjourned at 9:52 a.m.