

SENATE FINANCE COMMITTEE
February 24, 2022
9:02 a.m.

[9:02:36 AM](#)

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Peter Micciche, Sponsor; Madison Govin, Staff to Senator Micciche; Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit; Jasmin Martin, Staff to Senator Wilson; Keegan Farone, Staff to Senator Wielechowski;

PRESENT VIA TELECONFERENCE

Dana Walukiewicz, Alcohol Beverage Board, Anchorage; Glen Klinkhart, Interim Director, Alcohol and Marijuana Control Office, Department of Commerce, Community and Economic Development; Dr. David Logan, Executive Director, Alaska Dental Society; David Nielson, Chair, Dental Board of Examiners; Jayme Parker, Section Chief, Public Health Laboratories, Division of Public Health, Department of Health and Social Services; David Guttenberg, Former Legislator, Fairbanks;

SUMMARY

SB 151-EXTEND ALCOHOLIC BEVERAGE CONTROL BOARD

SB 151 was HEARD and HELD in committee for further consideration.

SB 173-DENTIST SPEC. LICENSE/RADIOLOGIC EQUIP

SB 173 was HEARD and HELD in committee for further consideration.

SJR 12-SOCIAL SECURITY BENEFIT REDUCTION REPEAL

SJR 12 was HEARD and HELD in committee for further consideration.

#sb151

SENATE BILL NO.151

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

[9:03:26 AM](#)

Co-Chair Bishop relayed that this was the first hearing of SB 151, and the intention of the committee was to hear the bill, take public and invited testimony, and set the bill aside.

[9:03:56 AM](#)

SENATOR PETER MICCICHE, SPONSOR, stated that SB 151 proposed a relatively simple board extension for the Alcoholic Beverage Control (ABC) Board. He asserted that the board was doing a good job although was faced with some problems.

[9:05:26 AM](#)

MADISON GOVIN, STAFF TO SENATOR MICCICHE, explained that the legislation would extend the termination date of the board, which was set to sunset in 2022. She read from the sponsor statement:

In accordance with the provisions of Title 24 and Title 44, Legislative Audit reviewed the activities of the ABC Board and determined the board is effectively

serving the public interest by controlling the manufacture, barter, possession, and sale of alcoholic beverages in the state.

Findings also included that board meetings were conducted effectively, regulations were adopted to implement statutory changes, and investigations were conducted in a timely manner.

She urged committee support of the legislation and introduced Kris Curtis.

[9:06:57 AM](#)

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT, relayed that the Division of Legislative Audit had completed an audit of the ABC Board (copy on file). She detailed that the division had also conducted a special audit of the boards licensing process. She directed committee attention to the conclusions of the report located on Page 9 of the audit:

Overall, the audit found that board meetings were conducted effectively, regulations were adopted to implement statutory changes, and investigations were conducted in a timely manner. The audit also concluded that the Alcohol and Marijuana Control Office's (AMCO) operations were impeded by the lack of an automated application process and significant vacancies. Further, deficiencies in controls over processing licensee fee refunds were identified.

In accordance with AS 44.66.010(a)(1), the board is scheduled to terminate on June 30, 2022. We recommend the legislature extend the board's termination date to June 30, 2026, which is four years less than the maximum allowed in statute. The reduced extension reflects the need for more timely oversight to evaluate the board's progress in addressing licensing inefficiencies and filling vacancies.

Ms. Curtis pointed to Pages 14 and 15 of the audit, which showed a schedule of licenses:

Based on data provided by Department of Commerce, Community, and Economic Development (DCCED) staff, the board issued 1,177 catering and special

event permits from July 1, 2019, through February 28, 2021. Testing of a sample of 25 permits found all were issued according to statutes.

As shown in Exhibit 2, there were 1,867 active licenses as of February 28, 2021.

In February 2021, AMCO staff issued approximately 300 temporary licenses for the license period ending December 31, 2020, due to an application backlog that was the result of limited staff resources. The temporary licenses allowed licensees to continue operating pending review of the renewal applications. Auditors reviewed AMCO's staffing during the audit period and found extensive vacancies. Exhibit 3 displays staffing vacancies that exceeded two months during the audit period.

Ms. Curtis stated that AMCO reported 7 staff positions vacant for a total of 92 months from FY 18 through February 29, 2021. She shared that the reasons for the vacancies included, not hiring due to uncertainty surrounding a proposal to merge AMCO with the Division of Corporations, Business, and Professional Licensing, not hiring due to the unknown impact of the pandemic on the industry, and not hiring for one position that was transferred from Fairbanks to the Mat-Sue due to the inability to find workspace. She said that the extended vacancies negatively impacted AMCO's ability to support the ABC board, as well as the AMCO.

Ms. Curtis turned to Page 16 of the audit. She highlighted 3 of the 5 troublesome aspects of the application process:

Five main aspects of the application process were found to delay or potentially delay license review, approval, and/or issuance.

1. Application completeness and accuracy: License requirements are complex, making the application process complicated and inherently subject to error. Further, the applications must be submitted manually. As such, the applications are not subject to online edits designed to help limit errors. Analysis of the 505 applications received during the audit period found applications were incomplete and/ or inaccurate at a rate of 96 percent for new applications and 97 percent for transfer applications. Once determined

deficient, the applications are sent back to the applicants for correction. Returning applications added, on average, 20 days to AMCO's review process.

4. Submittal of compliance information by applicable entities: Approval of 48 percent of new applications and 55 percent of transfer applications was delayed due to protest by a local governing body or due to waiting for receipt of compliance information (i.e., state fire marshal approval; building, zoning, or food safety permits; or notice from creditors). Delays associated with waiting for receipt of required information added an average of 88 days for new licenses and 35 days for transfer licenses.

5. Issuance of licenses by AMCO staff: The audit found that AMCO staff issued new and transfer licenses an average of 23 days and 28 days, respectively, after all outstanding requirements were met.

[9:10:14 AM](#)

Ms. Curtis referenced five recommendations starting on page 27:

Recommendation No. 1:

The Department of Commerce, Community, and Economic Development (DCCED) commissioner should ensure AMCO staff vacancies are filled in a timely manner and the AMCO director should implement written licensing procedures.

Recommendation No. 2:

The board should significantly enhance or replace its licensing database and automate the application process where possible.

Recommendation No. 3:

The board and AMCO director should strengthen procedures for entering restricted purchasers in the statewide database of written orders.

Recommendation No. 4:

The board and AMCO director should implement procedures to ensure municipalities receiving refunds

of biennial license fees are actively enforcing alcoholic beverage laws.

Recommendation No. 5:

The AMCO director should improve procedures and fill vacancies in a timely manner to ensure refunds to municipalities are appropriately reviewed.

[9:12:58 AM](#)

Ms. Curtis relayed that the responses to the audit were found on page 47. Ms. Curtis summarized. The ABC Board's response was found on page 49. She related that the chair of the board strongly disagreed with the 4-year extension and claimed that an early sunset would jeopardize the public's trust and undermine confidence in the public process. He believed that the findings were not material enough to warrant a reduced extension.

[9:14:06 AM](#)

Senator Hoffman asked whether the chairman of the board had addressed Recommendation 3.

Ms. Curtis relayed that the chair had agreed with the recommendations.

Senator Hoffman thought the finding was serious in nature.

Ms. Curtis stated that similar to the prior sunset audit, it had been found that procedures were not strong. There had been miscommunication between the court system and the AMCO Office.

Senator Hoffman had the viewpoint that if the board did not recognize the seriousness of the issue there would be a need for corrective action, such as withholding per diem. He thought that not addressing non-compliant individuals was ignoring the problem.

Ms. Curtis noted that the commissioner reported that all 27 have now been entered into the database.

[9:16:32 AM](#)

Senator Olson asked the reason for vacancies not being filled.

Ms. Curtis reiterated the reasons offered by the board. She commented that there was an extreme number of vacancies, and it was "fairly shocking."

Senator Olson asked whether there had been another time in which there were as great a number of vacancies, or a time when the board chair had so strongly disagreed with audit recommendations.

Ms. Curtis relayed that over the previous 20 years the board had received a 3 to 4-year extension multiple times. She thought it was not surprising given the addition of the Marijuana Control Board. She could not recall a time when a board chair had so strongly disagreed with the recommendations.

[9:18:33 AM](#)

Co-Chair Bishop recalled that Ms. Curtis had mentioned that a position had been moved from Fairbanks to the Mat-Su. He asked her to repeat the reference.

Ms. Curtis stated that one of the positions that was vacant was because the position had been moved and they were having trouble finding workspace in Mat-Su.

Co-Chair Bishop opened INVITED testimony.

[9:19:22 AM](#)

DANA WALUKIEWICZ, ALCOHOL BEVERAGE BOARD, ANCHORAGE (via teleconference), spoke in favor of the bill and encouraged the committee to consider extending the termination date for 6 years. He stressed that the board did not dispute the nature of the audit findings, but the overall recommendation of a shortened term. He mentioned Recommendation 3, and admitted it was an important step to include offenders in the database. He drew attention to page 30:

Additionally, due to miscommunication and turnover of key agency staff, reports of convictions of AS 04.11.010 violations were not consistently provided by the court system.

Mr. Walukiewicz explained that the issue stemmed from several years prior when the previous director had not had

great communication with other agencies. He asserted that and communication had improved dramatically under the new director. He shared that all of the restricted purchasers were now in the consistently updated database.

Mr. Walukiewicz mentioned the vacancy issue and the reference to a possible merge of functions of the AMCO office and the DCCED licensing division. He noted that the matter was an administrative directive that was not necessarily supported by the board. He related that the job postings were being prepared, but not posted by the appropriate parties in DCCED. He said that the issue was resolved, and the positions were filled.

Mr. Walukiewicz explained that the communication and cooperating with the department had improved. He pointed out to the committee that subsequent to the audit period, all staffing positions had been filled.

[9:24:05 AM](#)

Mr. Walukiewicz explained that 4 of the 5 recommendations had been addressed before the report was published. He noted that the board and AMCO did not dispute the need for a new automated application processing system. The alcohol application process was preformed by 3 people and was paper based. He stressed that the board and the staff were in full support of an automated system but did not have the funds to implement such a system. He said there was funding available contingent on the passage of SB 9. He stated that a follow-up audit would be welcome and did not feel like the issues in the current audit should limit the time of the board. He felt that a shortened term would hamper the work of the board.

[9:27:24 AM](#)

Senator Wilson identified the issue of application accuracy and completeness. He recalled an inaccuracy rate of 97 percent, which he believed was high. He asked what Mr. Walukiewicz how the issue of application accuracy could be resolved.

Mr. Walukiewicz explained that the application process was paper-based and very detailed. Much of the information had to be cross-checked with various databases. He said that

having an electronic submission process that was integrated with other state databases would streamline the process.

Mr. Walukiewicz continued to address Senator Wilson's question. He said that one had to understand the statutes, regulations, and nuances associated with each license application. He summarized that the board was hopeful that the automated system would cut the error rate to a manageable level.

[9:30:35 AM](#)

Senator Wilson did not see how an automated system would help the applicant. He wondered whether the board would provide technical assistance to applicants.

Mr. Walukiewicz relayed that there was also a position that assisted with the roll-out of applications and regulations. He said that due to staffing issues, there was not as great of outreach to the industry to assist with forms. He added that now that the board was fully staffed, he anticipated there would be more outreach that would provide guidance. He was certain matters would be simplified with the passage of SB 9.

[9:32:37 AM](#)

Co-Chair Stedman commented that the board should worry about the legislature eliminating the board in 2026. He relayed that it was helpful to have another review as proposed in four years. He thought that if the issues were resolved the next extension would be longer.

[9:33:34 AM](#)

Senator Olson agreed with Co-Chair Stedman. He referenced the high cost of another audit.

[9:34:31 AM](#)

Senator Wilson asked whether the board still practiced fairness in decision making or were appeals based on politics.

Mr. Walukiewicz could not speak for the previous board chair. He asserted that while he had been on the board, he had been committed to strictly following statutes and

regulations. He said that applications were examined solely on merit and license availability. He noted that the board was completely new as of the last 12 months. He stressed the professionalism of the board members.

[9:38:09 AM](#)

Co-Chair Bishop asked about the position that had been moved from Fairbanks to Mat-Su. He asked whether the position was still vacant.

Mr. Walukiewicz deferred to Glen Klinkhart. He shared that there were no enforcement related findings in the audit and all of the administrative staff was housed in Anchorage.

[9:39:51 AM](#)

GLEN KLINKHART, INTERIM DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), relayed that there had been a spot open in Fairbanks that was filled by an investigator but due to organizational issues the spot had to be moved to Wasilla.

[9:41:43 AM](#)

Senator Wilson asked how Mr. Klinkhart felt about the board being able to make decisions regarding the applicability of statutes.

Mr. Klinkhart stressed that the board followed statute and had a qualified Assistant Attorney general present at every meeting. He felt that there was confusion surrounding licensing and population numbers. He said that the board had established guidelines for signature gathering that simplified the process.

[9:44:51 AM](#)

Co-Chair Bishop OPENED public testimony.

[9:45:07 AM](#)

Co-Chair Bishop CLOSED public testimony.

Co-Chair Bishop relayed that //

SB 151 was HEARD and HELD in committee for further consideration.

#sb173

SENATE BILL NO. 173

"An Act relating to the practice of dentistry; relating to dental radiological equipment; and providing for an effective date."

[9:45:25 AM](#)

Co-Chair Bishop invited the bill sponsor and staff to the table.

[9:46:03 AM](#)

Senator David Wilson, Sponsor, explained that the bill would transfer dental radiological equipment inspections from the Board of Dental Examiners to the Department of Health and Social Services and would establish a specialty dental license in the State of Alaska. He stated that the changes had been suggested by members of the dental industry and had been seen in previous legislation considered by the committee. He stated that the updates were in the interest of public safety.

[9:47:22 AM](#)

JASMIN MARTIN, STAFF TO SENATOR WILSON, reiterated the two changes that would occur under the legislation.

[9:49:16 AM](#)

Senator Olson wondered whether the bill was directed toward personnel or equipment inspection.

Ms. Martin replied that the bill was directed toward equipment inspection.

Senator Olson wondered whether adding the responsibility under DHSS would be an additional burden to the department.

Ms. Martin said that the bill would create a new position to take on the additional work.

Senator Olson asked whether there had been any past violations that had caused loss of a license.

Senator Wilson responded that no one had lost a license yet, but that it would happen soon as there were some licensees that were out of compliance.

Senator Olson found it troublesome that someone could be threatened with closure due to a change in statute.

Ms. Martin relayed that inspection of equipment was already a requirement under statute.

[9:51:34 AM](#)

Ms. Martin addressed a sectional analysis document (copy on file):

Section 1: Conforming language in AS 08.01.065(c).

Section 2: Adds a new section (k) to AS 08.01.065 (Title 8. Business and Professions, Chapter 1. Centralized Licensing, Section 065. Establishment of fees) Requires the Board of Dental Examiners to establish and collect fees on behalf of the Department of Health and Social Services for the inspection of dental radiological equipment.

Ms. Martin continued with the sectional:

Section 3: Adds new sections to AS 08.36 (Title 8. Business and Professions, Chapter 36. Dentistry) AS 08.36.242. License to practice as a specialist required. Establishes that a dentist may not advertise using the term "specialist," the name of a specialty, or other phrases that suggest they are a specialist unless they have a specialist license as established. AS 08.36.243. Qualification for specialist; scope of practice.

(a) Establishes that in order to qualify for a specialist licenses a person must

- (1) Hold a dental license issued by the board and
- (2) Meet the qualifications of a specialist as established by the board

in regulation.

(b) In creating the qualifications for a specialist license, the board shall consider the standards of a nationally recognized certifying entity approved by the board.

(c) Establishes that a dental specialist can only claim to be a specialist in the specialty they hold a license in.

Sec. 08.36.245. Suspension or revocation of specialist license.

Establishes that a board may suspend or revoke a specialist license as set by

AS 08.36.315.

Ms. Martin continued to address the sectional analysis:

Section 4: Adds a new section (d) to AS 44.29.020 (Title 44. State Government, Chapter 29. Department of Health and Human Services, Section 020. Duties of the Department) Requires DHSS to establish standards of registration, use, record keeping, and inspection of dental radiological equipment in compliance with federal law.

Section 5: Conforming language in AS 44.46.029

Section 6: Conforming language in AS 46.03.022

Section 7: Repeals: AS 08.36.075: Section of law requiring the Board of Dental Examiners to set standards for inspection of dental radiological equipment. Placed under DHSS by section 4. AS 18.05.065, AS 18.60.525(e), and AS 44.29.027: Sections of law prohibiting DHSS from regulating dental radiological equipment.

Section 8: Allows the Board of Dental Examiners, the Department of Commerce, Community, and Economic Development, and the Department of Health and Social Services to adopt regulations in line with this act.

Section 9: Allows the departments and board to immediately begin setting regulations.

Section 10: Set a delayed effective date for the rest of the act to July 1, 2023.

Co-Chair Bishop asked whether the delayed effective date was synched up to when the new regulations would be complete.

Ms. Martin deferred to the department.

[9:54:10 AM](#)

Senator von Imhof had questions about Section 3, which established that the board could suspend or revoke a license. She assumed there were dentists that had claimed to be specialists without having gone through the certification process.

Ms. Martin answered "yes."

Senator von Imhof asked whether there were other penalties that could be issued once the statute changes.

Ms. Martin deferred the question to the chair of the Board of Dentistry.

[9:55:55 AM](#)

DR. DAVID LOGAN, EXECUTIVE DIRECTOR, ALASKA DENTAL SOCIETY (via teleconference), noted that he would focus his remarks on the x-ray inspection aspect of the bill. He explained that there were dentists that could face a compliance issue at the end of the calendar year. He said that the industry had been unable to find a private contractor to perform inspections in the state. He said that the need was recognized and attempts to find an inspector have been fruitless, which prompted the shift of the responsibility to DHSS. He said that inspectors had to be specifically trained for the job.

[9:58:14 AM](#)

Senator Olson asked about the alleged shortage of qualified inspectors in the state. He asked how the issue could be corrected.

Mr. Logan thought it would be difficult to get inspectors into the state on a part-time basis. He believed that the hiring of the position would be best handled by the state.

Senator Olson asked about how dentists in rural Alaska and in Tribal health corporations had their equipment inspected.

Mr. Logan noted there were state certified inspectors on staff at those facilities.

[10:00:27 AM](#)

DAVID NIELSON, CHAIR, DENTAL BOARD OF EXAMINERS (via teleconference), thanked Senator Wilson for introducing the bill. He referenced He stated that order for the board to address licensing issues, specialty licensing categories were need, that could hold up under scrutiny. He noted that typically a post-graduate included at least two additional years after dentistry school. He said that lack of specificity in the statute had resulted in the denial of specialist practice licenses. He believed that the legislation would give the public a way to know whether they were being treated by a certified specialist.

[10:04:25 AM](#)

Co-Chair Bishop OPENED public testimony.

[10:04:51 AM](#)

JAYME PARKER, SECTION CHIEF, PUBLIC HEALTH LABORATORIES, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES (via teleconference), testified that the radiological program at the state health lab currently oversees 1000 devices across the state. She stated that the work was done by a single health physicist. She said that to take on the estimated 2,200 to 2,400 additional devices the division would need an additional radiological health physicist and a part-time administrator to help with travel and outreach. She relayed that while the division had the capability to do the work, they lacked capacity. She related that the devices were only required to be inspected every 6 years, which meant that inspections could be broken down into approximately 400 per year.

[10:06:44 AM](#)

Co-Chair Bishop CLOSED public testimony.

[10:06:49 AM](#)

AT EASE

[10:07:12 AM](#)

RECONVENED

Senator Wilson urged the committee to support the bill.

SB 173 was HEARD and HELD in committee for further consideration.

[10:07:54 AM](#)

AT EASE

[10:09:42 AM](#)

RECONVENED

#sjr12

SENATE JOINT RESOLUTION NO. 12

Urging the United States Congress to repeal the Windfall Elimination Provision and Government Pension Offset of the Social Security Act.

[10:09:44 AM](#)

Co-Chair Bishop relayed that it was the first hearing of SJR 12.

[10:10:13 AM](#)

Senator Bill Wielechowski, Sponsor, explained that SJR 12:

SJR 12 urges Congress to repeal the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) of the Social Security Act. The WEP cuts the Social Security benefits of public employees in Alaska if they plan to switch between the public sector and private sector or military. In 2021, this loss could be as much as \$498 per month, or about \$6,000 a year. The GPO cuts spousal or widows' benefits for public employees for no reason other than their work in the public sector. This cut could amount to as much as 2/3rds the value of the individual's government pension.

Because Alaska is one of few states that does not offer a defined benefit plan or coverage for social

security, the WEP and GPO affect more Alaskans per capita than any other state. Public employees in Alaska are being punished for choosing to work in public service. The WEP and GPO negatively impact recruitment and retention of Alaska public employees such as firefighters, police officers and especially teachers. Those who do not want to be subject to these provisions will simply look elsewhere for employment. Punishing individuals for choosing public service runs counter to retaining dedicated Alaskan workers and recruiting the best of the best to Alaska.

Passage of SJR 12 will demonstrate that the Alaska Legislature opposes arbitrary and unfair cuts to the rightfully earned Social Security benefits of Alaskans.

Alaskans deserve to retire with dignity. I urge your support of SJR 12.

[10:12:29 AM](#)

Co-Chair Bishop asked about the Windfall Elimination Provision (WPE).

Senator Wielechowski explained that the WPE would be further discussed in the presentation.

[10:12:52 AM](#)

KEEGAN FARONE, STAFF TO SENATOR WIELECHOWSKI, discussed a presentation entitled "Senate Joint Resolution 12, Senator Wielechowski, 24 Feb 2022," (copy on file).

Mr. Farone showed slide 2, "Windfall Elimination Provision":

- The Windfall Elimination Provision (WEP) was enacted in 1983 by the Social Security Administration.
- The WEP reduces Social Security benefit payments to beneficiaries whose work histories include both Social Security-covered and non-covered employment, with the non-covered employment also providing pension coverage.

- WEP reductions could amount to nearly \$75 million annually for affected Alaskans.
- In Alaska, the WEP potentially affects any public employee who is also eligible for Social Security.

Mr. Farone addressed slide 3:

- For the "first bend" in average annual earnings, the WEP reduces the replacement rate from 90 percent to as low as 40 percent, depending on the quantity of years of qualified substantial earnings under Social Security coverage.

Mr. Farone estimated that WEP reductions could result in a \$75 million reduction annually for affected Alaskans.

[10:13:32 AM](#)

Co-Chair Bishop asked whether the \$75 million figure had been provided by the sponsor or the Social Security Administration.

Mr. Farone replied that the estimate was based on the \$498 per month, multiplied by the number of Alaskan's affected by the WEP.

Co-Chair Bishop added that the number included direct payments and not indirect payments.

Mr. Farone agreed.

[10:14:41 AM](#)

Mr. Farone reiterated that the "first bend" from slide 3.

[10:15:10 AM](#)

Mr. Farone relayed that the Three Bend Formula constituted the primary insurance amount (PIA), which was the amount paid to a retiree at full retirement age. He said that under the WEP there would be no reductions in the second or third bend of the formula, only the first bend.

[10:15:32 AM](#)

Mr. Farone spoke to slide 4, "Windfall Elimination Provision":

- The WEP affects more Alaskans per capita than any other state.
- Reductions under the WEP may equate to as much as \$498 per month, or approximately \$5,976 annually.

Mr. Farone shared that there were 12,000 retired workers affected by the WEP, 60 of which were disabled, 478 were spouses and children, which combined constituted 11.6 percent of all Alaskan social security beneficiaries affected by the WEP.

[10:16:03 AM](#)

Co-Chair Stedman went back to slide 3. He shared that he supported the resolution. He thought the issue was surprising to many who did not realize it existed until it was directly affecting their social security payout. He asked Mr. Farone to explain Table 3 on slide 3, without acronyms.

Mr. Farone explained that the Social Security Administration had a chart that indicated what the considered to be substantial earnings, which increased yearly. He said that if a person did not have at least 30 years of what the social security administration considered to be substantial earnings, for every year below that number 90 percent of the first \$996 was reduced by 5 percent.

Co-Chair Stedman believed that the practice was called a "social security offset".

Mr. Farone clarified that the practice was called the WEP.

[10:17:52 AM](#)

Co-Chair Bishop asked about slide 4. He wondered about Alaska's anomalous number of per capita workers.

Mr. Farone agreed that Alaska had the most workers, per capita, affected by the WEP.

[10:18:15 AM](#)

Mr. Farone showed slide 5, "Government Pension Offset":

Government Pension Offset

- The Government Pension Offset (GPO) reduces Social Security benefits paid to spouses or survivors when the spouse or survivor earned a pension from a government job that was not covered by Social Security.
- Unlike the WEP, which can apply to any non-covered employment, the GPO applies specifically to government workers' retirement benefits.
- Although pensions mitigate the effect of the WEP adjustment to Social Security benefits, pensions from noncovered employment trigger the GPO adjustment, which reduces the spouse and survivor benefit.

[10:18:53 AM](#)

Mr. Farone spoke to slide 6, "Government Pension Offset":

Under the GPO, the reduction may equal up to two-thirds of the value of the pension in noncovered work and may wipe-out the spouse or survivor benefit entirely.

Mr. Farone spoke to the chart on slide 6, noting that it was a hypothetical example of the GPO reduction. He explained that if there was a covered worker with an \$1,800 benefit, the spousal benefit before GPO would be \$900. If the spousal benefit included a \$1000 non-covered pension, the two-third reduction of the \$900 would leave a remaining benefit of \$233. This was called a "partial offset". In a "full offset" if the GPO was larger than the spousal benefit, no benefit would be paid.

[10:20:00 AM](#)

Mr. Farone addressed slide 7, "Government Pension Offset":

- In 2020, 3,322 Alaskans were subject to GPO reductions, 2,419 of which were fully offset, meaning those affected received no Social Security spousal or survivor's benefit because the reduction was greater than the benefit itself.

Mr. Farone added that 43 percent of those affected were widows or widowers.

[10:20:52 AM](#)

Mr. Farone referenced slide 8, "Conclusion":

SJR 12 is designed to protect employees whose work was contracted under the premise that their dedication to public service would be rewarded upon their retirement.

Although the WEP and the GPO were enacted to address one inequality, they inadvertently created another. Legislators must right this wrong and ensure that individuals are not forced to choose between serving the public good or retiring with financial stability.

[10:21:14 AM](#)

Senator von Imhof wondered whether the United States Congress would pay attention to the resolution should the legislature pass the bill.

Senator Wielechowski thought many Alaskans were concerned about the issue. He relayed that President Biden had expressed support for eliminating the GPO and the WEP. He believed that legislation had been introduced on the federal level.

Co-Chair Bishop commented that the state legislature advocating a position helped guide state representatives on the federal level.

[10:23:00 AM](#)

Senator von Imhof thought it would be helpful to see the status of the related federal legislation.

Senator Wielechowski agreed to provide the information.

[10:23:37 AM](#)

Co-Chair Bishop OPENED public testimony.

[10:24:03 AM](#)

AT EASE

[10:24:12 AM](#)

RECONVENED

DAVID GUTTENBERG, FORMER LEGISLATOR, FAIRBANKS (via teleconference), wanted to share his experience with the WEP. He had experienced a \$500 per month penalty after retirement, which was a significant amount of his monthly retirement. He felt that it was fair to receive the benefits one had already paid into. He thought that the underlying factor was the management of social security. He reiterated that the WEP took away money that people had paid into the system. He urged support for the resolution.

[10:27:31 AM](#)

Co-Chair Stedman wanted to clarify that the testifier had paid into social security for 25 years.

Mr. Guttenberg affirmed he had paid into Social Security for 25 years.

Co-Chair Stedman understood that Mr. Guttenberg's penalty had been \$500 per month.

Mr. Guttenberg replied in the affirmative.

[10:28:13 AM](#)

Co-Chair Bishop CLOSED public testimony.

Senator Hoffman asked whether the benefits of the legislation would be applied retroactively. He thought it was known that the Social Security fund was underfunded and wondered whether Congress would address the solvency of the fund.

Senator Wielechowski responded that retroactivity and enforcement would be determined by Congress. He hoped that

the benefits would be retroactive. He did not think back payment. He agreed that Social Security solvency was an issue he hoped would be addressed by Congress.

10:30:14 AM

Co-Chair Stedman thought it would be important to have 30 or more years in Social Security. He believed it was reasonable for people to expect to be paid out by the fund they had paid into during their working lives.

Co-Chair Bishop set an amendment deadline for 1pm, Monday, February 28, 2022.

SJR 12 was HEARD and HELD in committee for further consideration.

Co-Chair Bishop discussed housekeeping.

10:31:18 AM

AT EASE

10:31:30 AM

RECONVENED

#

ADJOURNMENT

10:31:42 AM

The meeting was adjourned at 10:31 a.m.