

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 17, 2023

1:32 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Click Bishop, Vice Chair
Senator Elvi Gray-Jackson
Senator Kelly Merrick (via teleconference)
Senator Forrest Dunbar

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): WORKFORCE CHALLENGES IN ALASKA FROM THE
PERSPECTIVE OF THE ALASKA MUNICIPAL LEAGUE

- HEARD

SENATE BILL NO. 55

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

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 55

SHORT TITLE: EXTEND STATE MEDICAL BOARD

SPONSOR(S): SENATOR(S) WIELECHOWSKI

02/01/23	(S)	READ THE FIRST TIME - REFERRALS
02/01/23	(S)	L&C, FIN
02/17/23	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

NILS ANDREASSEN, Executive Director
Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: Presented a slideshow on attracting talent.

KALI SPENCER, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 55 on behalf of Senator Wielechowski.

KRIS CURTIS, Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed the sunset audit during the hearing on SB 55.

SYLVAN ROBB, Director
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 55.

ACTION NARRATIVE

[1:32:04 PM](#)

CHAIR JESSE BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Dunbar, Gray-Jackson, Bishop, Merrick (via teleconference), and Chair Bjorkman.

PRESENTATION(S): WORKFORCE CHALLENGES IN ALASKA FROM THE PERSPECTIVE OF THE ALASKA MUNICIPAL LEAGUE

[1:32:55 PM](#)

CHAIR BJORKMAN announced a presentation on workforce challenges from the Alaska Municipal League. He asked Mr. Andreassen to put himself on the record and begin his presentation.

[1:33:20 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League (AML), Juneau, Alaska, presented a slideshow on attracting talent. He stated that he intends to approach workforce challenges from a municipal and state government perspective.

MR. ANDREASSEN advanced to slide 2, "*When Boomers Bail*," which is the title of a book by Mark Lautman. The book foresees Americans having concerns about attracting talent in the coming

decades because there are insufficient new workers to replace the baby boomers that age-out and retire. Slide 2 reads:

When Boomers Bail

As the industrialized world recovers from the great recession, we face an even graver economic threat. A structural shortage of qualified workers is creating a zero-sum labor market that is forcing communities to steal talent from each other in order to survive and grow. The cause of this impending economic disaster: a baby boom generation who didn't have enough kids to replace themselves, and an education system that has failed to properly prepare students for the new demands of today's market. Add to that 78 million soon-to-be-retired Baby Boomers who will go from high-earning producers to resource-sapping dependents, and the situation worsens. Any community unable to attract and hold talent will join a growing number of economically doomed places where economic development is impossible. This suddenly makes deciding where to live or invest a much higher-stakes game.

Mark Lautman - Economic Architect - 2011

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MR. ANDREASSEN reviewed a chart on slide 3, "Alaska Unemployment by Industry - A Year Ago," categorizing employment by industry. It shows a decrease in the number of employees from December 2019 to December 2021. He said Mr. Lautman called this issue out over a decade ago, and many Alaskans responded. The Anchorage Economic Development Corporation responded by developing the Live, Work, Play approach to recruitment and retention, and the Juneau Economic Council refocused its strategy on attracting talent in a new kind of way. It is much more the case that employers have had to go out of their way to attract talent since 2011; no longer are there enough workers. An Alaska Small Business Development Center (SBDC) chart indicates national job postings have increased by 121.59 percent since February 2020.

MR. ANDREASSEN spoke to the graph on slide 4, "Alaska Government Employment Trend." He said "pandemic rebound" was brought up at the AML Conference in Juneau a year ago. State and local governments experienced a greater variation and less rebound than other sectors. It was evident to all attendees that there is work to do. Over time there has been a decline in employment in the public sector. The state has gone from about 85,000

employees to under 80,000 since 2012. The decline in employees is a longer-term trend attributable to more than the pandemic, the fiscal crisis, and the pension system. It is hard to unpack causality because there are a lot of factors.

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MR. ANDREASSEN spoke to the graph on slide 5, "PERS Participation," stating state and local governments have fewer employees today than a decade ago, which has been the case for a while. The state is conscious of decreasing PERS participants. He remarked that fewer participants mean fewer contributions to the Public Employees Retirement System and fewer net pension liability payments to pay down the unfunded liability. Understanding what this does to the Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) is important.

MR. ANDREASSEN advanced to slide 6, "Systems Review." He spoke about the book *The Signal and The Noise*. He said it is difficult to know which recruitment and retention piece to focus on and which will make a difference because there is a lot of noise surrounding the issue. He reviewed slide 6:

Demographics	Competition	Boomers
		Talent
Circumstance		Public Health
		Economic Crisis
Competition		Public vs. Private
		Infrastructure

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MR. ANDREASSEN reviewed slide 7, "AML Classifieds," stating recruitment is challenging at the municipal level. He said AML has run a classified page for years. There are two times as many listings today as a year ago. There are four times as many listings today as three years ago. A response to a recent survey of members indicates that vacancy rates are 15 percent higher on average at the municipal level and as much as 45 percent higher in some communities. He said he knows of finance departments with 11 vacancies and three employees. Competition is a reality for many types of positions.

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MR. ANDREASSEN reviewed slide 8, "Not all jobs are equal." It contains a diagram that explains competition does not apply to all job types or positions the same way. The following Institute

of Social and Economic Research (ISER) excerpt describes the diagram:

The figure shows how pay and total compensation—adjusted for characteristics of workers—compared among state and local government workers and private workers overall, and among workers in specific occupations, in the period 2009-2013.

Government workers on average earned 8% less than private workers. But because government benefits were more valuable, there was no significant difference in total compensation (wages plus benefits) among government and private workers overall.

For a number of occupations in the lower- and mid-ranges of the pay scale, government wages were lower than or about the same as in private industry. But government benefits were typically more valuable, so total compensation for those occupations was equal to or more than in private industry.

Health-care support jobs didn't fit that general pattern: both wages and total compensation were significantly higher among government workers.

In higher-paying occupations—for example, physical and social sciences and management—both wages and total compensation were considerably lower among government workers.

"Overpaid or Underpaid? Public Employee Compensation in Alaska," July 2016. Institute of Social and Economic Research

[1:43:18 PM](#)

MR. ANDREASSEN advanced to slide 9 and reviewed "Public v. Private" sector graphs, comparing wage and benefit data compiled by the U.S. Bureau of Economic Analysis (BEA). The public sector has not kept up in recent years. Though both sectors have scaled up, the private sector has outpaced the public. The public sector generally has a better benefit structure, but the private sector has recently been outcompeting in wages and benefits. He pointed out trends on the chart, noting that Alaska public sector wages and benefits decreased or stagnated after 2006, but the private sector increased over that same period.

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MR. ANDREASSEN reviewed the pie chart on slide 10, "Pensions Perspective - Employers." He said it is important to understand the different employer groups within PERS and that TRS is a separate system. The State of Alaska and its component units make the greatest payroll contribution. He said that 64 of 165 cities and boroughs participate in PERS; some have actively sought to get out over the years. The pie chart shows an "other" category of PERS participants, including housing authorities, the National Marine Fisheries Service (NMFS), and others. The University of Alaska (UA) makes up four percent of the system. He said it takes 77 employers to make up one percent of the system. They pay net pension liability, past service costs, and their actual rate. This group is referred to as prisoners of PERS because they cannot afford to stay in, and they cannot afford to get out. It is a very small portion of the overall annual payroll for PERS. This gives a better sense of employer group within the overall system.

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SENATOR GRAY-JACKSON commented that she did not realize the number of cities and boroughs participating in PERS was so low. She asked which retirement programs are offered in place of PERS.

MR. ANDREASSEN expressed his belief that cities that do not participate in PERS offer other types of benefits or none at all. Many of these communities operate from budgets that have been diminished over the years. He said small communities do not have the resources to contribute. Some may offer a deferred compensation plan or an employee-only contribution plan.

SENATOR GRAY-JACKSON commented that she was the finance manager for Akutan, which had about 50 employees, and the city was able to enroll them in PERS.

MR. ANDREASSEN said AML conducts a yearly salary survey. AML has greater detail on benefits and compensation for those cities that respond.

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MR. ANDREASSEN reviewed a rate structure chart on slide 11, "Pensions Perspectives - Rate Setting." The chart shows that a PERS employer with one TIER IV employee pays the costs for the defined benefit (DB) plan and the defined contribution (DC) plan. He emphasized the employer pays the normal costs for both plans even though, in this scenario, there is only one TIER IV

employee. He believed non-state employers paid for both plans to prevent plan bias, so employers would not remove an employee based on that municipality's preference for a given plan.

MR. ANDREASSEN said the "past service" DB pension plan shown on slide 11 has the highest annual cost at 16.33 percent of the total actuarial rate. This year, the Alaska Retirement Management Board (ARMB) actuarial rate would have been 27.6 percent, but it was reduced 2.5 percent to 25.10 percent, saving the state roughly \$30.6 million. The reduction did not go below 22 percent so other employers aren't affected, but it's still very high for most participating employers. The 2.5 percent reduction for non-state employers is \$24.3 million, which is what it would take to reduce 22 percent to 19.5 percent for non-state employees.

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CHAIR BJORKMAN asked Mr. Andreassen if he could make a finer point about the relevance of the changes shown on the chart.

MR. ANDREASSEN replied that two things happen on this chart:

1. The ARMB proposed that the state no longer contribute to the health plan, saving the state 2.5 percent. The board proposed this because the health plan is overfunded and is projected to be overfunded in the coming years. This reduction saves the state \$30.6 million.

2. In considering how the 2.5 percent reduction could have benefitted the non-state employer rate, he calculated what it would take to bring down the contribution to a more manageable percentage than 22. A rough calculation shows it would take \$10 million for a 1 percent reduction.

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CHAIR BJORKMAN sought confirmation that the state could have paid in at last year's rate to buy down the non-state employer PERS rate, reducing the amount of money local communities contribute and decreasing the tax burden on local citizens. However, the state chose not to do it.

MR. ANDREASSEN replied, exactly. It is a choice. The state could do it this year; it could do it annually. The contribution has been larger in the past to get the net pension liability down and bring the rate down. The 22 percent rate is a cap, not a floor. He said that buying it down could affect the tax base, give more room for other types of benefits and compensation, and

provide other incentives for non-state recruitment and retention efforts.

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SENATOR BISHOP commented that the state put a \$3 billion deposit into the retirement system in 2018. If the state had not made that payment, then the general fund would have been looking at about a \$1.2 billion annual deposit into that fund. He said he was a proponent of depositing the overage into PERS to pay down the liability last year, getting communities closer to where they want to go with city hall.

[1:55:02 PM](#)

MR. ANDREASSEN reviewed slide 12, "Pensions Perspective - System Issues." He said all conversations about new pensions should address these system issues, which are from the perspective of the employer:

- Salary floor (2008) adds another \$1.5 - 2.5 million to employer costs
 - No incentive for right-sizing or efficiency
- Employers in arrearages about \$26.2 million
 - Prisoners of PERS - can't afford to stay in, nor get out
- Employer delinquencies about \$3.5 million
 - Evaluate over time to see stressors on employers
- 11-15% penalty for late payment
- Termination studies apply only to non-State employers
 - By class, which for small employers could be one employee
- Net pension liability follows employee, making retiree hiring difficult

[1:59:23 PM](#)

MR. ANDREASSEN reviewed slide 13, "Current AML proposals." He said AML proposed a number of items over the last four years to address these issues:

- Update to 2008 floor - move forward and rolling average
- Termination studies for State and by employee
 - Evaluate vacancy rates
- 22 percent a cap not a floor

- Pay down net pension liability by increased additional state contribution = \$10 million for 1%
- Retiree hiring ability without accrued liability
- Opt-out for small or stressed employers - exit strategy
- Five-year audit of terminated employer net pension liability
 - State contribution to avoid spread, based on % of payroll
- Adjust high interest rate on past due payments to reasonable amount
- Locked in net pension liability option, ability to pay down, and exit date

[2:03:41 PM](#)

MR. ANDREASSEN advanced to slide 14, "In considering DB..." He remarked that AML members are concerned and fairly divided about whether there should be a new DB plan. He spoke to these points, stating he could not offer the committee an AML position on a new defined benefit program:

- AML members divided on question
- Real and valid concerns expressed by educators and public safety employees
- Resolution expressing concern about liability exposure
- If specific to employee group, opt in at employer level
- For employers it applies to, ringfence liability

Fundamentally:

- Address systems issues
- Free up greater % of employer payrolls

MR. ANDREASSEN stated that as the legislature considers a new DB plan, AML would like to see the following system issues addressed: an attempt to bring down the net pension liability, the needs of smaller employers within the system, and the ability to compete and attract talent. The greater the amount of payroll freed up, the greater the ability to offer better benefits, compensation, and retention packages. He said more employers could develop creative recruitment and retention solutions if less of their payroll went to the net pension liability.

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MR. ANDREASSEN advanced to slide 15, "Questioning Assumptions." He said the issue of whether or not a new DB plan is needed requires the legislature to wrestle with higher-level questions, which he brought up on slide 15:

- What does employee need?
 - Do all types of employees need the same thing?
- What does employer need?
 - How do we differentiate between employers?
- What is the role of the State?
- Are there pension system issues to be addressed?
- How do we evaluate benefits and costs of DB and DC?
- What is fair allocation of liability, cost, and benefit?
- What are the full suite of options available for How does retirement fit into recruitment and retention? retirement?
- How does retirement fit into recruitment and retention?
- What are we missing?

[2:08:06 PM](#)

MR. ANDREASSEN advanced to slide 16, "Are Pensions the Answer to Public Sector Worker Shortages?" He said the website Route Fifty tracks what is happening in government nationwide. It posted that 84 percent of millennials working in state and local governments said their pension benefit was why they stayed in the public sector. He said it is fairly compelling and part of the conversation to attract talent. Slide 16 reads:

"Recently, state and local governments have offered more incentives like sign-on bonuses and other benefits in the hiring phase to get more applicants in the door. But these are short-term fixes that may temporarily help with attracting applicants but not with retention. Given the high costs associated with employee turnover, a long-term solution is needed."

[2:08:42 PM](#)

MR. ANDREASSEN advanced to a chart on slide 17, "Are we competing for talent?" He said that Alaska is not competing. The chart compared the difference between employment growth in the U.S. and Alaska since 2015. The U.S. has almost recovered to

2015 levels after March 2020, but Alaska is falling short of those. The chart shows Alaska has not been attracting talent since 2015. He said the state has been losing public sector employees since well before that.

[2:09:21 PM](#)

MR. ANDREASSEN advanced to slide 18, "Are we competing?" He said the problem Alaska has attracting talent is bigger than compensation and benefits. Alaska is last in the nation for gross domestic product (GDP) growth from 2015 - 2018. Alaska is last in the country in many categories, which explains why the state cannot compete for talent. Alaska is not competing in schools, health, childcare, growth, cost of living, or housing. Alaska's population rose slightly in 2022, but more people continue to leave than arrive for the tenth consecutive year. He said all these factors explain why Alaska is not competing as a state or as employers. It is not just a pension or compensation issue; it includes quality of life. He said the state needs to solve all these issues in some way if Alaska wants to compete for talent in the coming years.

[2:11:28 PM](#)

MR. ANDREASSEN advanced to slide 19, "Tackling Competition." He reviewed slide 19, stating local governments are part of the answer when it comes to tackling competition and is part of the solution for components, like:

1. Incentivize and support solutions to address childcare deficit
2. Incentivize and support solutions to address housing affordability and sufficiency
3. Right size education funding, including to address maintenance backlog
4. Lifecycle approach for community and economic development
5. Lower energy and healthcare costs - transactional costs of living and doing business
6. Establish consistent fiscal policy that envisions growth
7. Ensure public sector employers have capacity to increase compensation packages

8. Maximize ability to leverage federal infrastructure investment

[2:14:28 PM](#)

SENATOR DUNBAR drew attention to the sixth point, asking for a finer point on that statement. He wondered whether AML supports a broad-based revenue source and, if so, what revenue source AML members prefer.

MR. ANDREASSEN replied AML has a resolution supporting a broad-based tax. The resolution speaks to a preference for income, and AML would want certain factors considered for a sales tax. AML proposed an Eight Stars of Gold plan consisting of revenue and other fiscal pieces. He distinguished between a consistent fiscal policy that grows the budget and the finer point of one that envisions the future of Alaska with families living here, attracting a workforce that contributes to the community and economic development. The state needs a government that addresses the needs of Alaskans.

CHAIR DUNBAR said he agrees with that to a point. However, education is the key to attracting and keeping Alaskans in the state. Young families are attracted to good schools, one of the state's largest expenses in most localities. He asked how to link up the idea of more families here and a growing education budget when Alaska does not have a revenue source to support it.

MR. ANDREASSEN answered revenue is critical to that piece, or at least a budget that adequately supports the needs. Revenue is the way to do that.

[2:17:58 PM](#)

MR. ANDREASSEN reviewed slide 20, "An Alaska that Will Grow." This excerpt is from a resolution adopted by the Alaska Constitutional Convention delegates and talks about an Alaska that will grow:

We bequeath to you a state that will be glorious in her achievements, a homeland filled with opportunities for living, a land where you can worship and pray, a country where ambitions will be bright and real, an Alaska that will grow with you as you grow.

We trust you; you are our future. We ask you to take tomorrow and dream; we know that you will see visions we do not see.

We are certain that in capturing today for you, you can plan and build.

You are Alaska's children...

MR. ANDREASSEN said this resolution inspires him, and he wants to live in a state that grows with its citizens and meets their needs.

MR. ANDREASSEN spoke to a chart on slide 20 that compared the number of people that turned 18 years old to the number that turned 65 years old between 1990 and 2021. The chart shows that in 1990 the number of people turning 18 was almost four times greater than the number turning 65. The number of people turning 65 grew steadily over the years so that by 2020 they were practically equal to the number of people turning 18.

[2:20:02 PM](#)

SENATOR BISHOP drew attention to the question on slide 18, "Are we competing?" He said part of the solution is on the slide deck right in front of the committee, pointing out the cost of living in Alaska. He said this is a target; the goal is to reduce the cost of living in Alaska.

[2:20:40 PM](#)

CHAIR BJORKMAN drew attention to ringfencing on slide 14. He harkened back to the legacy retirement tiers. He asked if there had been conversations about ringfencing them and how the state arrived at an unfunded liability rate of 22 percent for municipalities.

MR. ANDREASSEN replied he would offer his understanding but that the Division of Retirement and Benefits and the Department of Revenue could articulate that history better. He believed the original setup in the 80s and 90s was an individual accounting of employers. However, the system shifted to a cost-sharing pension after Mercer grossly articulated what should have gone into the pension system. Ringfencing and individually identifying how much net pension liability should be attributed to a single employer became impossible within the cost-sharing pension system. Even today, the Government Accounting Standards Board (GASBI) does a net pension liability accrual because it would be hard to unpack whose liability is whose. It does not follow the employers; it is shared across employers and creates a lot of messiness. The state's mismanagement of the plan during those decades ultimately led to the net pension liability. The state took responsibility for contributions above 22 percent in

a negotiated agreement between the state as an employer, the plan sponsor, and non-state employers. He contended the state is positioned to think differently about lowering the 22 percent.

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CHAIR BJORKMAN sought clarification that local municipalities were to be responsible for their own costs and liabilities at one point in time, but the state co-mingled contributions, and it became unclear who had paid what for whom.

MR. ANDREASSEN answered that is how he understands it, but there might be differences of opinion about it.

[2:24:38 PM](#)

SENATOR MERRICK (via teleconference) referred to a statement that AML supports a broad-based tax. She asked whether AML has taken a position on the size or the formula for the permanent fund dividend (PFD).

MR. ANDREASSEN replied that this is one of the eight points AML made on fiscal policy, but AML has not taken a position on the size of the PFD. He expressed his belief that AML has a resolution that states the legislature should work toward consensus on this issue. He added that AML also has a resolution on the percent of market value and its sustainability as a revenue source.

[2:26:24 PM](#)

At ease.

SB 55-EXTEND STATE MEDICAL BOARD

[2:29:53 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 55 "An Act extending the termination date of the State Medical Board; and providing for an effective date."

He invited Kali Spencer to present the bill on behalf of Senator Wielechowski.

[2:30:28 PM](#)

KALI SPENCER, Staff, Senator Bill Wielechowski, Alaska State Legislature, Juneau, Alaska, gave a brief overview of SB 55 and its purpose. She paraphrased the sponsor statement:

[Original punctuation provided.]

SB 55 will extend the termination date of the State Medical Board to June 30, 2031.

The State Medical Board (board) effectively licensed physicians, osteopaths, and podiatrists. However, emergency courtesy licenses for physician assistants were not issued in accordance with state law during the COVID-19 pandemic. This was remedied in November 2021 when corrective action was taken by sending letters to non-compliant licensees. Furthermore, the board developed and adopted regulations to protect the public, improve the licensing process, and expand access to care during the COVID-19 public health emergency.

2:31:23 PM

The last extension of the board was in 2020 when the Division of Legislative Audit proposed a termination date that was three years less than the eight-year maximum allowed per statute. The Senate Labor & Commerce Committee then amended the bill to reduce the termination date by an additional two years for a sunset date of June 30, 2023. Since 2020, the board has addressed all recommendations from the previous audit by adopting regulations to guide the process for registering with the Controlled Substance Prescription Database (CSPD); developed procedures to ensure licensees with a Drug Enforcement Administration (DEA) number register in the CSPD; and worked with the Division of Corporations, Business and Professional Licensing's (DCBPL) director to establish and implement procedures to ensure the board reports disciplinary actions in accordance with state law.

As a result of these successful implementations, the Division of Legislative Audit proposed in July 2022 that the legislature extend the board's termination date to June 30, 2031, which is the maximum extension allowed per statute.

I respectfully request support from my colleagues to pass SB 55 in a timely manner.

2:32:47 PM

CHAIR BJORKMAN invited Kris Curtis to put herself on the record and begin her review of the audit.

[2:33:03 PM](#)

KRIS CURTIS, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, Juneau, Alaska, reviewed the sunset audit during the hearing on SB 55. She paraphrased the following prepared statement:

The Division of Legislative Audit conducted a sunset audit of the State Medical Board. The audit is dated July 2022. A sunset audit determines whether a board or commission serves the public's interest and should be extended.

The audit concludes that the board serves the public's interest by developing and implementing regulations to protect the public, improve the licensing process, and expand access to healthcare during the pandemic. Further, the board serves the public's interest by effectively licensing physicians, osteopaths, and podiatrists; however, emergency courtesy licenses for physician assistants were only sometimes issued in accordance with state law.

[2:33:48 PM](#)

The Division of Legislative Audit found the board's workload increased significantly during the audit period due to the COVID-19 pandemic. The board met frequently, sometimes weekly, to consider pandemic-related regulations. Further, the number of licensing applications that the board considered increased by approximately 28 percent when compared to the prior 2019 sunset audit. The increase was the result of practitioners moving to Alaska to help meet the need for healthcare services and out-of-state practitioners providing services via technology (commonly referred to as telehealth). The dramatic increase in workload occurred immediately after the governor replaced all the board members. Board turnover and vacancies were common during the audit period.

Even with these challenges, the board operated effectively, and the division recommends the maximum extension, which is eight years.

[2:34:47 PM](#)

She walked the committee through the standard audit information, stating page 8 of the audit report has the schedule of licensing activity. As of March 2022, there were 5,878 active licenses and permits. Licenses increased by 28 percent compared to FY 2019. The schedule of revenues and expenditures is on page 10. The prior 2019 audit found that at the end of FY 2018, this board had a deficit of approximately \$800,000. Licensing fees increased in FY 2019, and the deficit decreased to approximately \$488,000 by the end of FY 2020.

License revenues increased substantially due to the increased number of applications during FY 2021. The board was allotted approximately \$215,000 in general funds to replace revenue lost due to the licensing fee freeze that the governor mandated to help mitigate the financial impact of the pandemic. Due to the increase in revenues and the general fund allocation, this board had a surplus of approximately \$506,000 as of March 2022. The board's schedule of fees is on page 11.

2:36:13 PM

The audit makes two recommendations that begin on page 14. First, the Division of Legislative Audit recommends the board's executive director ensure all board meetings have adequate public notice. The division reviewed 32 meetings held during the audit period and found six were either not public noticed or not public noticed correctly. Second, the audit recommends the board ensure emergency regulations comply with statute. The Division of Legislative Audit found the courtesy license regulation for physician assistant emergency failed to require the applicants have a collaborative plan with the supervising physician as required by statute. DCBPL identified this deficiency within seven months of its effective date and took corrective action.

Management's response to the audit begins on page 25, and general management concurred with the report's conclusion and recommendations.

2:37:30 PM

CHAIR BJORKMAN invited Sylvan Robb to put herself on the record to answer questions.

[2:38:06 PM](#)

SYLVAN ROBB, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development, Juneau, Alaska, introduced herself.

[2:38:10 PM](#)

CHAIR BJORKMAN asked whether DCBPL had the number of staff necessary and the infrastructure in place for this board to handle the increased workload throughout the pandemic.

MS. ROBB replied that the division suffered severe staff shortages during the pandemic, especially the professional licensing team, with up to a 35 percent vacancy. The division was short-staffed, and it was very challenging to get licenses out.

CHAIR BJORKMAN asked if the situation is substantially fixed.

MS. ROBB replied that the division has made great strides in getting back to adequate staffing levels. The professional licensing team has gone from a high of more than 35 percent to a 20 percent vacancy rate. The division has about a 14 percent vacancy rate today and is hiring people daily. She said that the division is getting on top of it.

[2:39:25 PM](#)

CHAIR BJORKMAN asked if she sees interstate telehealth services substantially changing the division's workload and license processing as it relates to the State Medical Board.

MS. ROBB answered that the division has not seen a huge change recently. The division is gathering baseline data to see how the telehealth bill the legislature passed last year affects DCBPL over time.

[2:40:20 PM](#)

CHAIR BJORKMAN held SB 55 in committee.

[2:40:50 PM](#)

At ease.

[2:41:10 PM](#)

CHAIR BJORKMAN reconvened the meeting. There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 2:41 p.m.