

HOUSE FINANCE COMMITTEE
February 27, 2025
1:35 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget, Office of the Governor; Pam Halloran, Assistant Commissioner, Department of Health; Lon Garrison, Executive Director, Association of Alaska School Boards; Lisa Parady, Executive Director, Alaska Council of School Administrators; Tom Klaameyer, President, National Education Association-Alaska.

PRESENT VIA TELECONFERENCE

Roy Getchell, Superintendent, Haines Borough School District.

SUMMARY

HB 53 APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was HEARD and HELD in committee for further consideration.

HB 54 APPROP: CAPITAL/SUPPLEMENTAL/FUNDS

HB 54 was HEARD and HELD in committee for further consideration.

HB 55 APPROP: MENTAL HEALTH BUDGET

HB 55 was HEARD and HELD in committee for further consideration.

HB 56 APPROP: SUPPLEMENTAL; FUND CAP

HB 56 was HEARD and HELD in committee for further consideration.

HB 78 RETIREMENT SYSTEMS; DB OPT.

HB 78 was HEARD and HELD in committee for further consideration.

HB 85 APPROP: SUPPLEMENTAL

HB 85 was HEARD and HELD in committee for further consideration.

OVERVIEW: FY 25 Governor's Supplemental Budget by the Office of Management and Budget

Co-Chair Josephson reviewed the meeting agenda.

#hb53

#hb54

#hb55

#hb56

#hb85

HOUSE BILL NO. 53

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making reappropriations; making appropriations under

art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 54

"An Act making appropriations, including capital appropriations and other appropriations; making reappropriations; making appropriations to capitalize funds; and providing for an effective date."

HOUSE BILL NO. 55

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

HOUSE BILL NO. 56

"An Act making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

HOUSE BILL NO. 85

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; repealing appropriations; and providing for an effective date."

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^OVERVIEW: FY 25 GOVERNOR'S SUPPLEMENTAL BUDGET BY THE OFFICE OF MANAGEMENT AND BUDGET

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LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a PowerPoint presentation titled "FY2026 Governor Amended Budget: House Finance Committee," dated February 27, 2025 (copy on file). The presentation provided an overview of the amendments transmitted on behalf of the governor on February 18th per AS 37.07.070 that required requests to be submitted to the legislature by the 30th day. She began with an updated FY 26 fiscal summary that incorporated the amendments submitted

the previous week (slide 2). The amendments included FY 25 supplemental requests and the FY 26 budget. FY 25 operating supplementals totaled \$40 million in all funds, including \$36.2 million in unrestricted general funds (UGF), for an operating supplemental total of \$453 million. The submitted capital supplementals totaled a reduction of \$1.9 million with an overall increase of \$500,000 UGF. The supplemental total was \$522.5 million of which \$84.2 million was UGF. The total brought the overall deficit to \$157.8 million.

Ms. Sanders explained that the total numbers in the presentation were a combination of the supplementals presented earlier to the committee as well as the ones presented the past week. The operating amendments in the FY 26 budget totaled \$300 million in all funds, including \$32.3 million UGF. The capital supplementals totaled \$12 million, including \$11.6 million UGF, for a grand total of \$312 million in all funds and \$43.9 million UGF. The overall deficit was \$1.56 billion (shown at the bottom of the table on slide 2).

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Ms. Sanders moved to slide 3 titled "Operating Governor Amend Requests" by agency. She noted there were detailed spreadsheets in the back of members' packets with additional information (copy on file). The amended budget incorporated changes for the implementation of a department of agriculture in FY 26 established in Executive Order (EO) 136. Two pieces had been submitted, including the transfer of 37 existing positions and \$7.2 million from the Department of Natural Resources (DNR); and an addition of \$2.7 million for new positions and startup costs. She noted there had been changes in the past several days and the \$2.7 million would be backed out to result in a neutral cost for EO 136. The administration was reevaluating vacant positions that could be utilized instead of adding to the budget.

Ms. Sanders moved to operating amendment requests for the Department of Administration (DOA) on slide 3. There were two projects related to artificial intelligence (AI) initiatives. The first was to offer Microsoft Copilot 365 to 2,000 state employees, allowing them to be more productive in their work. The second was two short-term AI projects for the Department of Environmental Conservation (DEC) and DOA. The first was for DEC to improve its forms

and permitting processes through the use of AI and the second was for DOA to utilize AI for payroll processes and forms improvements. There were two significant adjustments within the Department of Corrections (DOC).

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Representative Stapp asked about the Microsoft Copilot AI. He remarked he had the free app on his phone. He imagined the cost to the state would not be free. He referenced the stated goal of improving performance and efficiency. He asked if the administration was looking to eliminate positions that would be unnecessary due to AI. Alternatively, he wondered if the idea was to enable employees to be more productive in their current employment.

Ms. Sanders replied that the goal was to improve performance for employees to ensure they could be more productive. She elaborated that there were a lot of needs in the state and things took time; therefore, it would be beneficial if the timeliness of processing things could be improved.

Representative Stapp asked what the employees would be doing with the program.

Ms. Sanders responded that she could provide general examples. One thing was processing paperwork. She elaborated that currently people were filling out forms or spreadsheets manually. She detailed that if the use of AI could improve the processes and timeliness, it would be a benefit to employees. She explained that it could slow down processing time backlog.

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Representative Stapp asked where he could find the version of the program the state would be paying for. He was interested in looking it up and reviewing the capabilities.

Ms. Sanders replied that she did not have an answer on hand. She would have DOA follow up with a response. She continued with slide 3 and highlighted two significant adjustments in the DOC budget. The first was related to community residential centers (CRCs). She detailed that the CRC contracts were recently finalized, resulting in an

increase of \$1.4 million for FY 26. Additionally, there was a technical correction throughout the budget that hit DOC with a larger impact reflected as a \$5.5 million change in the "Other" column. When the budget was submitted there were fund source changes associated with the Restorative Justice Account or "felon funds" (incarcerated felons that were no longer eligible to receive their Permanent Fund Dividend (PFD)). The calculation used in the budget only accounted for individuals who had actually applied instead of individuals who were eligible to receive the PFD. The technical correction fixed the amount of Restorative Justice funds appropriated in the budget. The item showed up in several places in the budget including the legislature's budget or fund capitalizations for the Crime Victim Compensation Fund. The correction ensured the budget followed the statutory formula on the amount available for appropriation.

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Representative Bynum referenced the AI component that would cover 2,000 employees under the [Microsoft] licensing. He stated that AI was a new space and a very powerful tool if an employee was trained to use it effectively. He asked if there was anything done prior to specify the program would be launched with 2,000 employees as opposed to a smaller group to determine if the investment increased productivity. He pointed out that if an employee did not understand the capabilities of the technology or did not use the program, it would be something the state was paying for that sat on a desktop and did not get utilized.

Ms. Sanders stated there were individuals currently using the AI program to see what capabilities existed. She stated that whether it was being documented in terms of the number of users and how it was being used were "one off cases." She explained that the increment would provide a tool and resource to agencies to start the pilot project type initiative to determine who could use it and where it could be used effectively and efficiently. She stated there were 15,000 state employees and not every employee would need Microsoft Copilot. She stated that a specific group of individuals would be utilizing the program as a tool to automate.

Representative Bynum asked if it would be available for 2,000 employees and departments would have the ability to

purchase the program or if it would be deployed out to 2,000 people without request.

Ms. Sanders answered that the Office of Information Technology would have 2,000 licenses to work with agencies to determine who would receive them. She continued to review slide 3 and highlighted increments for DEED. The two primary items were similar to supplementals submitted related to the Alaska Performance Scholarships and the Alaska Education grants to ensure there was sufficient authority based on the passage of law in 2024 that increased the number of eligible applicants and the dollar value. She moved to an addition for the Department of Environmental Conservation (DEC) to assume federal authorization of the state program and administer and enforce the dredge and fill permitting program allowed under the Clean Water Act. The request was the first of a phased approach and would provide five positions necessary to develop the application process and start the development of the regulations and guidance. The administration recognized that five positions would not be able to fully operate the program and it would be back in the future years to discuss what the next steps would look like under a fully developed plan.

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Ms. Sanders addressed the Department of Health (DOH) on slide 3. The most significant change was under the Medicaid program. She elaborated that Medicaid projections were provided on December 15th and February 12th. There was an addition of \$19.6 million in match and \$220.6 million in federal receipts to bring the budget in line with current projections. There were several items adding funding to the base for the Division of Public Assistance (DPA) to continue its efforts processing applications and ensuring individuals receive timely application responses. There was \$8.2 million split between \$4.1 million in match and \$4.1 million in federal receipts to continue the virtual contact center. The center handled approximately 20,000 to 24,000 eligibility calls per month. Additionally, there was a request to add 15 permanent full-time eligibility technicians to the base budget to continue processing applications, renewals, and reports of change to public assistance. The Department of Natural Resources (DNR) line on slide 3 showed the transfer funding from DNR to the new department of agriculture.

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Representative Stapp asked about the 15 permanent full-time eligibility technicians. He asked if it was a lateral transfer from the long-term non-permanent positions that had been in the budget the last couple of years. He asked for the current vacancy rate above the factor for DPA technicians. He thought it had been on the high side.

Ms. Sanders answered it was an addition of 15 positions in the base budget, not non-permanent positions moving forward. The department had seen more success in filling full-time long-term positions because of the job security. The department had 14 vacant eligibility technicians and the increment would bring the number to a total of 30 the department would be attempting to fill in the next several months. The hope was that the department could fill the remaining 14 positions in the current fiscal year and the next 15 in FY 26.

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Ms. Sanders moved to the Department of Public Safety (DPS) on slide 3. The governor's amend request included a \$1.6 million increase for the Village Public Safety Officer (VPSO) program for the Northwest Arctic Borough. The department had taken steps in the past several months to fill and retain its VPSO position including arming officers, providing increased salaries, addressing housing needs, and costs associated with equipment. She noted the request was included in the FY 26 budget and the FY 25 supplemental budget.

Ms. Sanders continued on slide 3 and reviewed the University of Alaska line. The professional teaching program was transferring from the University to DEED. She noted that the slide did not show several pages included in members' backup documents (copy on file). She explained that the University submitted many transactions to align with intent language submitted by the legislature in 2024 under AS 37.07.020(e) and had to do with reflecting annual facility and maintenance operation and repair costs separate from the other costs within their budget. She noted that the items had a net zero cost. Lastly, under debt service and fund capitalizations there were two technical adjustments. The first was \$1.3 million for the

school fund to align the budget with the revenue forecast. The second was funding from the Power Cost Equalization (PCE) fund provided to the Community Assistance Program. Due to a miscalculation, the amount available was incorrect by \$163,700. The governor's amendment provided a technical correction to the error.

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Ms. Sanders moved to slide 4 showing the FY 26 capital budget amendment requests. There were two items for Department of Commerce, Community and Economic Development (DCCED) including a \$2.7 million increase in federal authority for the Alaska Energy Authority's Statewide Grid Resilience and Reliability Project. There was also a request for \$600,000 to provide three organizational grants. Alaska statute allowed organizational grants to be provided when a new borough or municipality was created. There was a pending election for the Hoonah Borough that would receive the grant if it was certified.

Co-Chair Josephson asked Ms. Sanders to repeat the name of the borough.

Ms. Sanders replied, "Hoonah." She noted there was contingency language specifying that the money would not go out if the certification was not complete.

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Ms. Sanders addressed a \$1.5 a \$1.5 million capital project under DEED for the Mount Edgecumbe High School. The project would provide for an elevator on the campus to bring a facility up to ADA compliance. She moved to an increment for DNR that was not included in the governor's original budget for the Natural Historic Preservation Fund federal grant program. She detailed it was a \$2 million federal grant program with a \$1.3 million match. There was a phase 2 request for DPS for the Fairbanks trooper post renovation completion. She elaborated that DPS received about \$5 million to begin the two-phase renovation project. She detailed that the requested \$6.2 million was needed to complete the project. There was a \$2 million project under DOT for the state managed seaplane base and harbor facility maintenance. She explained that seaplane bases and harbors were not covered under the state's deferred maintenance program and significant electrical work needed to be

completed at several harbors in addition to other repair needs.

Representative Stapp asked why the seaplane harbors were not under the deferred maintenance umbrella.

Ms. Sanders answered that deferred maintenance included things like buildings and things like state runways, seaplane bases, and harbors were typically excluded. She stated there could be a conversation about including those items, but currently deferred maintenance was limited to physical facilities. She noted that the list could grow if the other things were added.

Representative Stapp asked if there were any other things the state owned that were technically not facilities that needed preventative maintenance and deferred maintenance.

Ms. Sanders answered state owned runways. She thought they could come up with additional items as they worked through agencies needing to do maintenance to their facilities.

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Ms. Sanders addressed FY 25 operating supplemental requests on slide 5. The first item fell under DCCED and was a reversal of \$50 million requested in the fast track supplemental to AIDEA. She explained that when the appropriation was first submitted, timing on the final investment decision (FID) was uncertain and anticipated it could occur within the fiscal year. The timeframe was revised and expected to take up to 24 months, which removed the urgency surrounding the appropriation.

Representative Stapp asked if the legislature was still supposed to backstop the funding or if the cost was being pushed out into the future a couple of years.

Ms. Sanders responded that AIDEA had \$50 million set aside for the intended purpose. She stated her understanding that the backstop was still in place based on what AIDEA had.

Representative Stapp asked if the state was not reimbursing AIDEA anymore because AIDEA could use its own receipt authority.

Ms. Sanders replied that no backstop would be provided at the present time.

Representative Hannan understood the AIDEA reversal but observed there was \$225,000 remaining in other funding. She asked what the increment pertained to.

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Ms. Sanders answered there was a separate item related to AEA. She explained that when the budget was submitted, it included a project submitted as a reappropriation for data library administration hosting, expansion, and digitization. After talking with LFD, it had been determined the item was not a reappropriation and it should have come from an emerging energy technology fund. The increment was a \$225,000 direct appropriation instead of a reappropriation.

Representative Hannan asked if the fund lived within AIDEA or AEA.

Ms. Sanders answered that it was AEA and separate from AIDEA.

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Ms. Sanders advanced to the operating supplemental increment for DOC on slide 5. There was a \$7.5 million fund source change from federal receipts to state general funds. The change was also reflected in the FY 26 budget. A change made by the U.S. Marshals resulted in fewer federal mandays reducing federal collections in both fiscal years. The item brought the budget in line with expectations of what would not be collected. There was a \$3 million request Department of Family and Community Services (DFCS) similar to the FY 26 budget, to ensure continued operations at the Alaska Psychiatric Institute (API). She detailed that the Centers for Medicare and Medicaid Services (CMS) reduced the disproportionate share hospital (DSH) allocations nationally, which reduced the federal funds the state could collect and required an increase of \$3 million to continue operations. She addressed items for the Department of Health (DOH). The first was \$5.9 million within DOH and the second was \$5.9 million under special appropriations. She explained that DOH was officially notified by the U.S. Department of Agriculture (USDA) regarding the state's FY

23 error rate for the Supplemental Assistance Nutrition Program (SNAP). She detailed that the situation resulted in a penalty of \$11.9 million. There was an option for the state to pay half of the penalty and invest the remaining half in new investments to improve the state's processes. The increment shown on the DOH line on slide 5 reflected the investment for one-time technology improvements to target increased efficiency, improve accuracy, and streamline processes. She stated there was an appropriation under the Department of Law (DOL) to pay the penalty of \$5.9 million. She elaborated that in May of 2021 the Department of Health and Social Services experienced a cybersecurity attack. As a result, the department reviewed all lapsing balances to identify \$10 million that could be encumbered in the accounting system to address any potential liability for fines incurred due to the event. There was no longer a potential for a fine and the request was to reappropriate the \$10 million to meet a portion of the reinvestment cost as well as the penalty due. The proposal required \$1.9 million to make up the difference between the \$11.9 million and the \$10 million available in the reappropriation.

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Representative Galvin stated it was the first time she had heard about the state being fined by the federal government for not being an efficient passthrough of federal funds for SNAP.

Ms. Sanders agreed.

Representative Galvin asked when the state had learned about the fine.

Ms. Sanders answered that she had learned about it one month back. She stated it covered the applications for the FY 23 time period.

Representative Galvin recalled that in 2022 and 2023 the legislature had heard about the significant backlog from the department and the legislature had asked what it could do to help. She stated there was very little other than a few positions that had been requested and a little help with an old computer software system. She stated that she was befuddled by the situation because the legislature had made an earnest ask about how to address the situation. She

remarked that it was one thing to be worried about getting fined by the federal government, but it was another thing to know that children and families were needing food. She understood the governor offered something through the Food Bank that was helpful in an emergency situation. She noted it was one-tenth of the funding going out through SNAP. She stressed that it was the legislature's job to make sure systems were fully funded in order for the implementation to be thorough and efficient and certainly, so the state did not get fined \$11 million. She asked if they were accomplishing what was needed. The legislature had recently been told there was still a backlog. She was concerned that the \$6 million [going to new investments] was not enough and that the state was getting fined. She was upset the legislature was unable to do its job because it did not have sufficient information to do it well and now the state was getting fined. She found it deeply concerning.

Co-Chair Josephson shared the concern.

Ms. Sanders answered that there were investments made and 30 non-permanent positions added. There had been significant adds in 2024 to stand up the virtual contact center. Additionally, there were IT improvements and funding, and the department was working hard to get the changes implemented and available to residents. She understood the concern with an \$11.9 million fine. She recognized it was a big number.

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Representative Galvin knew there were some options the state could have taken to give out SNAP cards instead of going through the backlog line. She highlighted that the state had some options that other states were doing to avoid getting fined. She wondered why Alaska had not made the same decision, which would have avoided the current situation.

Ms. Sanders answered that there were steps taken by the state. She was not an expert in the area and did not want to make inaccurate statements on the record. She deferred the question to DOH.

PAM HALLORAN, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH, replied that the department shared the concerns. She explained that the situation started prior to COVID-19 when

a previous director decided against doing all of the steps required to certify, including the interview. In 2004 [2024] the department reported to the House Finance Committee that it had opted to waive the interview process in order to get food into people's hands. She elaborated that it was a decision made by the department's leadership. A couple of months after that time, the department had been able to get caught up. In the meantime, there were a number of improvements the department had made. She could follow up with more detail.

Representative Stapp thought it was necessary to clarify what was being discussed. He stated that the fine was due to a payment error rate that occurred because the state gave out food stamps to people who were not eligible (i.e., because there was a backlog, food stamps had been given out to everyone, which was the reason the state was being fined). He asked if his statements were accurate.

Ms. Halloran answered that they continued food stamps for people who were already receiving food stamps. She clarified that there had not been a free-for-all of handing out food stamps. She elaborated that the stamps had gone to eligible Alaskans. The department was required to recheck eligibility and it opted not to in order to renew their benefit.

Representative Stapp stated his understanding that the state was required to check eligibility, but because of the backlog the department had waived eligibility to ensure people received food stamps. He asked for verification it was the reason the state was being fined.

Ms. Halloran answered affirmatively.

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Co-Chair Foster thought it went back to his point that there were not enough people processing the papers. He stated that the fines went back to 2023 and his office was receiving calls daily in 2024 and 2025 and there were not enough people working in the division to process the papers. He considered that if the fines were from 2023, he foresaw there would likely be more fines coming in the future. He was glad Representative Galvin had highlighted the issue because it was likely one of the biggest things his office had been dealing with. He provided history of

the positions. In 2021, the governor proposed cutting 101 positions in public assistance. The House had funded all 101 positions, the Senate had cut the funding back to 50 positions, and the governor vetoed all 101 positions. He noted that 30 positions had been added back in the past several years. He believed the FY 26 budget included a proposal to cut \$8 million and 30 positions. He asked Ms. Sanders for detail.

Ms. Sanders answered that the \$8 million was one-time funding added in the budget the previous year. She explained that one-time items were reversed out of the budget. There was a request to add 15 permanent positions back to the base.

Co-Chair Foster was glad to hear it. He had a meeting with the commissioner about the topic and he understood she was very supportive of trying to get it taken care of. He stated that his heartstrings went out to the individuals who had gone weeks and months [without food assistance]. He shared that he had received an email from a constituent the previous day stating that she had kids and had been unable to get assistance for good. The constituent had asked how they were going to eat. He felt like he wanted to send money to the woman.

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Ms. Sanders continued addressing operating supplemental requests on slide 5. She moved to the Department of Law (DOL) and highlighted a \$1 million multiyear appropriation. She detailed that labor relations moved from DOA to DOL. Formerly, there had been a multiyear appropriation to DOA to contract for assistance with negotiations in the bargaining unit agreements. The prior appropriation had been expended. As labor relations was implemented in DOL there was a request to bring back the \$1 million appropriation in order to move forward with getting bargaining agreements done timely. There was a \$1.6 million request under DPS for the Northwest Arctic Borough's VPSO program.

Co-Chair Schrage referenced the DPS supplemental and the fact that the state had already hired VPSOs in the Northwest Arctic Borough. He asked why the increment was in the supplemental.

Ms. Sanders answered that it was a grant to the community beyond the standard VPSO program. She explained that the community had taken steps to expand the costs needed within their VPSO program including increasing salaries, arming VPSOs, and increasing the number. The grant provided additional funds to the community due to its success in growing the program and retaining officers.

Co-Chair Schrage thought the grant was generally given first before communities hired officers and other improvements. He was confused about why the community had hired the VPSOs and the state was retroactively providing the grant. He trying to understand the process better, but he also expressed concern and asked if a community was able to act on behalf of the state and obligate state funds without the legislature having to appropriate the funds ahead of time.

Ms. Sanders answered that the community took actions to increase its program and it had an associated cost. The community had asked for support in providing the program and the increased cost was a result.

Co-Chair Schrage asked if the community communicated its intent to do so ahead of time or if the state was only notified after the action had been taken.

Ms. Sanders replied that she could not speak to what the community did or did not do. The request had been brought forward and public safety was a priority of the governor. The administration wanted to see the VPSO program succeed to ensure the needs of communities could be met.

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Representative Hannan asked if there would be an FY 26 amendment in the same amount.

Ms. Sanders replied there was an identical amount in the FY 26 budget.

Representative Bynum referenced the VPSO program and timing for funding. He referenced Ms. Sanders's statement that public safety was a priority of the governor. He asked about the measure of success. He wondered if it was hiring and retaining people or some other metric.

Ms. Sanders responded that the efficacy was evidenced by the successful retaining and recruiting in the VPSO program. She shared that the last she had heard from the VPSO program and DPS was that all of the public safety officer positions were filled. She highlighted it was a big feat, especially in some of the rural communities across the state. There had been a history of a lot of turnover in the positions. She stated it was a success and public safety was a priority of the governor.

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Co-Chair Schrage understood public safety was a priority of the administration and that the Northwest Arctic Borough had been successful in increasing VPSOs, which he believed was a great thing. He voiced concerns about the way the increment transpired. Given that public safety was a priority of the governor's, he asked if the administration was encouraging all communities to hire everyone they could. He asked if there was an increment in the FY 26 budget to account for the hiring of some unknown number of VPSOs. He asked how he was supposed to predict the costs for the coming year if the legislature was informed of new hires after the fact. He noted that public safety was also a priority of his and he was encouraged to hear there were new VPSOs; however, in a constrained fiscal environment he was concerned the state was allowing action to take place with no appropriation from the legislature and the legislature was expected to foot the bill for the cost after the fact. He stated his understanding that if the legislature rejected the increment, the individuals would be fired. He asked how to deal with it moving forward.

Ms. Sanders answered that it was a grant to the community. She remarked that the legislature had the power of appropriation and if the funds were not provided it would be incumbent on the community to determine what moved forward. She stated she would not say people were going to get fired. There was a request in the FY 26 budget for an additional 15 VPSOs across the state. The administration was addressing the growth in the next fiscal year and was continuing to see increases in the program. She clarified that the request for FY 26 was either 10 or 15 positions.

Co-Chair Josephson recognized Representative Chuck Kopp in the room. He asked about an Alaska Vocational Technical

Center (AVTEC) issue under the Department of Labor and Workforce Development (DLWD).

Ms. Sanders answered that the increment pertained to a recalculation of the Technical Vocational Education Program (TVEP). There were additional receipts available for distribution and the item showed up in DEED, DLWD, and the University. She moved to fund capitalizations at the bottom of slide 5. The first item added an additional \$11 million to the Disaster Relief Fund, bringing total requests for FY 25 to \$29 million. The request for FY 26 was \$13 million. There were two significant increases and notifications received recently including \$15 million associated with the Merbok storm on Alaska's west coast and an additional increase for the Mat-Su winter storm. The total request covered the costs associated with the storms and provided \$5 million to address any disasters in the next couple of months. The second item was under the fire fund and included \$7 million to address the upcoming fire season and \$3 million for the closeout of the FY 2024 fire season.

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Ms. Sanders turned to capital supplemental requests on slide 6. The two increments included a named recipient grant to the Blood Bank of Alaska to finalize the certification of the donor testing laboratory that would flow through DCCED and a technical correction for the Alaska Oil and Gas Conservation Commission (AOGCC) data management project to break the project into two phases to address receipts collected in the current year and receipts utilized in a future year.

Co-Chair Josephson remarked that the state was not in a position to afford the increments in the governor's amended budget. He noted the total including the indebtedness was about \$150 million. He could think of one way to fund the items. He realized the legislature was the appropriating body and ultimately decided funding sources. He asked if the administration had any other guidance or wanted to participate in finding funding sources to pay the bills.

Ms. Sanders answered affirmatively. She stated that the current proposed budget drew from the Constitutional Budget Reserve (CBR). She relayed that the governor was willing to have conversations about what the future may look like recognizing that the current fiscal situation was not

looking great and there were limited resources to address the various needs.

Representative Hannan referenced that the supplemental capital request for the Blood Bank. She stated that the entity had received state funds for the specific purpose several years in a row. She asked if there were cost overruns. She wondered why the item was a supplemental request as opposed to an FY 26 capital request.

Ms. Sanders answered that it was to get funding to the Blood Bank as quickly as possible in order to finalize the project.

Representative Hannan asked if the Blood Bank had underestimated the cost by \$500,000 or exceed their expected cost by \$500,000. She highlighted that the legislature had provided funding for the item for the past three years.

Ms. Sanders answered it was the last piece of the total request that was broken into three phases.

Representative Hannan stated it was a little frustrating. She stated the legislature had been generous with the Blood Bank, but no information was being provided about the reason for the additional increment. She elaborated that there had been numerous funding requests and the legislature kept being told the facility would be open soon and there would be testing in Alaska instead of paying to ship [blood samples] out. She was confused about the reason for a supplemental item. She underscored that it had not been a year since the legislature appropriated money for the final total cost of the project and now there was a request for another \$500,000.

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Representative Allard asked how to explain doing an \$83.6 million supplemental in times of a deficit.

Ms. Sanders answered there were urgent needs to be addressed such as the Disaster Relief Fund and the ability to respond [to disasters]. There were currently reserves available in the CBR to address the urgent needs of Alaskans. She stated that trying to prioritize the needs was not an easy task.

Representative Stapp was curious about the manday dispute with the DOC and U.S. Marshals. He stressed that \$7.5 million was a substantial number of mandays to not be able to be billables. He asked whose responsibility it was when related to federal prisoners. He would take the question offline.

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HB 54 was HEARD and HELD in committee for further consideration.

HB 55 was HEARD and HELD in committee for further consideration.

HB 56 was HEARD and HELD in committee for further consideration.

HB 85 was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

#hb78

HOUSE BILL NO. 78

"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 DB and defined contribution plans of the Public Employees' Retirement System of Alaska and the teachers' retirement system; and providing for an effective date."

Co-Chair Foster began chairing the meeting. He explained that the committee would hear invited testimony on HB 78.

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LON GARRISON, EXECUTIVE DIRECTOR, ASSOCIATION OF ALASKA SCHOOL BOARDS, introduced himself. He thanked the committee

for the opportunity to speak in support of HB 78. He relayed that the Association of Alaska School Boards (ASB) board of directors adopted three legislative priorities for the year and one of the priorities was retention and recruitment of teachers, administrators, and staff. He noted that the priorities and supporting resolutions of ASB membership were appended to his written testimony (copy on file). He detailed that ASB had consistently advocated for a defined benefit (DB) program as the best choice for staff retirement benefits. In 2005, ASB membership passed a resolution and continued to strongly support the reinstatement of a DB option (titled "Relating to a DB Resolution"), which stated that ASB supported the reestablishment of a DB retirement program that improved the hiring and retention of highly qualified staff.

Mr. Garrison stated that school districts were grappling with a persistent crisis in retaining qualified teachers and staff due to inadequate funding, challenging work and living conditions, and benefits that were often not competitive with other states. The situation undermined the capacity to deliver quality education to Alaskan students and complicated school boards' efforts to meet the state's obligation for public education each day. One of the most crucial factors in a student's success was the quality of the educator working with them. While effective learning relied on having a high quality teacher, it was essential for the entire school system to support the vital interaction between a teacher and a student. He stated it required assistance from a variety of school staff to help in the learning experience. Thus, a wide variety of staff would be affected by moving to a DB program.

Mr. Garrison continued that school boards statewide were encountering unprecedented challenges in allocating rapidly diminishing resources. The shortage of applicants combined with insufficient funding led to staff shortages that often worsened the situation. He relayed that an absence of a DB retirement option hindered Alaska's capability to attract and retain needed public service employees. Several districts had to turn to the J-1 or H-1B visa programs for the past few years to fill teacher vacancies with international staff. Both of the programs had been used as stopgap measures to fill teaching vacancies with qualified professionals. The solutions were short term and may come with significant risk depending on the federal administration's perspective on immigration.

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Mr. Garrison stated that HB 78 aimed to reinstate a new retirement system that encouraged educational professionals to dedicate their careers to serving in Alaska. The bill incorporated the lessons from the past, shared the risks among participants, and established retirement age and qualification standards that better align with current needs. Additionally, the bill maintained current contribution rates for school districts for Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS), which was a positive development. It was important to recognize that school districts, municipalities, and boroughs continue to face challenges of supplying the contributions when state and federal funding was unpredictable and insufficient.

Mr. Garrison shared that a couple of years back during a meeting facilitated by ASB between school board members and legislators, a legislator asked a school board member about the difference between spending and investment. School board members often referred to investment in staff and students. The board member replied that investment implied an expectation of a beneficial dividend or outcome, while spending was merely a response to an expense. The ASB viewed a competitive and attractive DB program as an investment in recruiting and retaining qualified staff, which led to improved student outcomes. The ASB urged the legislature to be responsive to the critical need. He stated it was one tool in the toolbox to help make Alaska more competitive in the public sector job market and was an investment in students, communities, and the state.

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Co-Chair Foster asked committee members to write their questions down. He intended to hear from the invited testifiers prior to questions. He thanked Mr. Garrison for his testimony.

ROY GETCHELL, SUPERINTENDENT, HAINES BOROUGH SCHOOL DISTRICT, HAINES (via teleconference), thanked the committee for the opportunity to testify in support of HB 78. He was proud to be testifying and had lived in Alaska for seven years. He noted that he also served on the board

of the Alaska Superintendents Association, the Alaska Council of School Administrators, and SERRC, Alaska's Educational Resource Center. He relayed that like everyone on the room, he cared deeply for the children of the state. He stated that in his view, restoring a DB retirement plan was a crucial part of the conversation on improving the lives and futures of Alaska's students through the education system. He highlighted that when he became the superintendent in 2018, 14 staff members (about 25 percent) were on a DB program that was similar to the plan under consideration. Since that time, five of the individuals had retired and nine were still employed by the district. None of the individuals left for another district and all of the positions the individuals left had turned over at least three times. Meanwhile, certified staff leaving the district averaged about 30 percent over the past two years.

Mr. Getchell shared that education ran deep in his family. He detailed that his wife had spent her career teaching and was currently a third grade teacher in Haines. His oldest daughter is a kindergarten teacher in Colorado and his youngest daughter was currently studying in South Dakota to become a teacher. He spoke to the understanding of supporting educators and ensuring they had the resources, stability, and support to succeed. He had encouraged his oldest daughter to consider teaching in Colorado largely because of the availability of a DB retirement plan that would provide her with long-term financial security. He underscored that the stability a DB plan offered was invaluable.

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Mr. Getchell relayed that he and his wife had taken a hard look at their personal financial situation, particularly related to their preparation for retirement. They had come to a difficult conclusion that it was not feasible to envision their future in Alaska. For example, after nearly six years of service in Alaska, his wife accumulated just over \$65,000 to her retirement account, \$35,000 of the total came from her contributions. They were grateful for every dollar, but it was not enough to provide for the next stage of life. They determined that in order to secure the retirement they needed, they would need to move back to Colorado where they were both vested. They had briefly held out hope in 2024 when SB 88 seemed like it may offer a path forward, but the bill did not progress. He shared that he

had been reluctant to testify during the current meeting; however, he felt compelled to share his family's story. He was not comfortable being an example, yet the reality his family faced should not be overlooked. He believed it was not different than many conversations occurring among Alaska's educators. He had great respect for Alaska and highlighted all of the things his family had gained from living in the state. He hoped sharing his experience could help contribute to the broader conversation about why reinstating a DB retirement plan for Alaska's educators and public employees was crucial for the state's future. He thanked the committee for the opportunity to testify.

Co-Chair Foster thanked Mr. Getchell for his testimony. He asked to hear from the next invited testifier.

[2:47:45 PM](#)

LISA PARADY, EXECUTIVE DIRECTOR, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, JUNEAU, thanked the committee and shared that the Alaska Council of School Administrators (ACSA) had been formed over 50 years ago and was a private nonprofit committed to supporting public education in all public schools including neighborhood schools, charter schools, and correspondence schools. The organization also represented all superintendents, elementary and secondary principals, school business officials, and educators. The organization had recently been asked by the Department of Education and Early Development (DEED) to create a center for retention and recruitment because it was an emergent crisis in Alaska. She noted that the current recruitment and retention crisis was the worst the state had ever seen against the backdrop of the worst crisis the country had ever seen for educator shortage.

Ms. Parady provided a PowerPoint titled "HB 78: Retirement Systems; DB Option Alaska's Educator Recruitment and Retention Crisis" (copy on file). She began with a map of Alaska on slide 2 reflecting the school districts across the state. She underscored that ACSA represented all of the school districts and legislators had a duty to each of the students in the districts. She stated it was necessary to find the path forward working together on recruitment and retention of educators. She moved to slide 3 and highlighted that legislators had each received a copy of the ACSA joint position statements at the beginning of session. The documents were a compilation of the priorities

of all ACSA members. The documents included information about ACSA's commitment to a DB retirement plan. She referred to language on the slide indicating that the lack of a DB retirement plan, coupled with the loss of competitive salaries and increased cost of living, prohibited educators from being able to afford pursuing a career in Alaska.

Ms. Paraday turned to slide 4 showing first day certified position vacancies in 2025 provided by DEED. She noted that there were approximately 7,000 teachers at present. She moved to slide 5 and shared that the Alaska Educator Retention and Recruitment Center (AERRC) was working on several strategies.

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Ms. Parady referenced the governor's taskforce and one of the substantial issues was competitive salaries. She highlighted there had been a presentation by Institute of Social and Economic Research (ISER) in the House Education Committee the previous day. The presentation indicated that salaries in Alaska were 25 percent below the national average when adjusted for cost of living differences. She stated lower salaries combined with a lack of DB was part of what was driving the turnover. She relayed that AERRC was working on Alaska teacher placement to help districts and it was working to smooth out the processes associated with international hire. Approximately 66 percent of the teachers applying through Alaska Teacher and Personnel were international hire. She believed the number was staggering. She discussed Teacher Retention and Recruitment (TRR) implementation and explained that extensive surveying had been done of over 4,000 educators across the state. Slide 6 showed rankings from the survey and retirement benefits was the number 1 issue for current administrators and the number 4 issue for all educators following compensation, positive workplace conditions, and personal connections with students.

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Ms. Parady addressed slide 7 showing the survey rankings of all 34 solution influence items from the governor's TRR workgroup that had resulted in the TRR Playbook that included a number of strategies ACSA would try to support.

She highlighted the number of items in the top 10 (out of 34) specifically related to the importance of a DB plan.

Ms. Paraday turned to slide 8 and addressed reasons teachers were leaving Alaska:

Top 4 Reasons

1. Lack of DB
2. Better opportunities in the lower 48
3. Cost of living
4. Uncertainty of education funding

Ms. Paraday elaborated on the slide and pointed out that educators had the ability to go anywhere in the country and find a job. She remarked that the previous week Representative Bynum had referred to the uncertainty of education funding as the pink slip cycle. She stated that educators felt the impact of the uncertainty.

Ms. Paraday spoke to slide 9 titled "How does turnover harm student achievement?" She stated that "we are all accountable to it" and wanted to support students to have increased student achievement. The slide showed statistics provided by ISER showing that high teacher turnover correlated with poor student achievement. In the five lowest turnover districts the average percent of students scoring proficient in reading was 85 percent. While the average in the five highest turnover districts was 46.9 percent. She was happy to provide additional data on request.

Ms. Parady turned to slide 11 showing what she referred to as the "PK-12 instability equation." She pointed to an image showing the faces of superintendents in Alaska. Faces covered by blue hearts indicated the individuals were no longer in the position. Faces covered by yellow hearts were leaving in the current year, and those with purple hearts had moved from one district to another within the state. She pointed out that superintendent turnover impacted principal turnover and principal turnover impacted teacher turnover. She stated that the combination resulted in instability. She stressed the importance of stabilizing districts for students. She stated that a DB plan was a piece of the solution. She closed on slide 12 showing an image of a flier from another state discouraging educators from teaching in Alaska because Alaska did not have a DB retirement program. She noted the flier was from a booth at

a job fair. She emphasized the solution was offering a DB option to educators, which would help close the gap. She stated there was no silver bullet that would turn the trend around. She highlighted that all of the strategies in the TRR Playbook combined with the passage of a DB option and salary increases would make a difference. She stressed that the tide could be turned, and leadership had to do it together. She thanked the committee.

Co-Chair Foster thanked Dr. Parady. He moved to the next testifier.

[2:57:37 PM](#)

TOM KLAAMEYER, PRESIDENT, NATIONAL EDUCATION ASSOCIATION-ALASKA, introduced himself as the president of the National Education Association-Alaska (NEA-Alaska), Alaska's teacher and support staff union. He provided a PowerPoint titled "Public Pensions Improve Our Schools, Communities, and Student Outcomes" (copy on file). He stated that students, families, and the economy needed a high functioning and sufficiently resourced public education system. He was present to make the case that HB 78 was a smart investment for the state and its public employees. The bill was a commonsense solution to retain educators, thereby directly improving student learning and achievement, improving schools, and strengthening communities. He stated that Alaska arguably had the worst retirement system in the country for educators. Alaska's system was the only system that did not offer a pension or Social Security for teachers. He relayed that out of the states that had failed experiments of abandoning pensions, only Alaska remained committed to the broken system; all of the others had returned to some form of pension.

Mr. Klaameyer turned to slide 2 showing a chart of teacher retirement offerings from March 2022. He stated that not only did Alaska have the worst retirement system in the country, but it was also driving the worst educator turnover in the country as a result. The national average for teacher and principal turnover was about 10 percent whereas Alaska's teachers were leaving the state and profession more than double the rate. The turnover was even higher for administrators. Turnover was also high for education support professionals. He pointed out that many of Alaska's rural districts had an average turnover rate exceeding 50 percent. He noted the AERRC website currently

showed hundreds of vacant positions at schools across the state, despite being partway through the school year when there should be very few or no vacancies. He asserted that the number of vacancies was actually much higher when factoring in the removal of positions because they had not been filled or in anticipation of budget cuts, and positions filled temporarily by poorly trained long-term substitutes. The problem was not only due to an educator shortage. He explained that the state had failed to fund schools and provide a retirement system to attract enough highly qualified educators. He had recently learned there were over 15,000 certified educators in Alaska and only about 8,000 were choosing to work in the school system.

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Mr. Klaameyer turned to slide 4 and highlighted that student success was highly correlated with teacher retention. He believed it was commonsense knowledge that experienced educators led to better outcomes for students. He addressed a review of the research titled "Does Teaching Experience Increase Teacher Effectiveness?" [a review by Tara Kini and Anne Podolsky with the Learning Policy Institute from June 2016] on slide 5. Research showed that teaching experience made a real and positive impact on student achievement. He detailed that most of the gains were made during the early years as teachers were learning their craft, but gains continued throughout their career. The positive impact expanded to areas like school attendance.

Mr. Klaameyer stated that because experienced teachers developed close connections with students and families, they knew how to better address issues and could help combat problems such as chronic absenteeism. He stressed that Alaska's high turnover rates robbed students of having as many experienced teachers as they deserved whether from high quit rates or budget issues that regularly caused employees to be displaced, transferred, or pink slipped rather than allowing them to build expertise in the same grade level, subject, school, or district. He relayed that the stability and effectiveness of teacher retention had benefits beyond their own classrooms. When teachers were able to stay put, their professional networks were strengthened, they developed deeper collegial relationships, more effective collaboration, and more. As a

result, students of long time teachers improved, and colleagues improved as well.

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Mr. Klaameyer turned to slide 10 and highlighted the direct connection between teacher turnover and student success. He underscored that the best student improvement tool was teacher retention. He advanced to slide 11 and stated that Alaska educators had been supporting the effort to restore a modest pension for close to two decades. He remarked that the alarm had largely been ignored, which had resulted in the current crisis. He explained that some of the state's best and brightest educators took a careful look at long term planning and retirement strategies early in their career. He noted that the current legislature was the third legislature to consider a shared risk pension such as HB 78. He knew many educators who continued to wait and hope for the legislature to do the right thing and many more who had given up and left the state or profession. He shared that his son in law was currently working to become an art teacher in Washington and had no plan to return to Alaska because of the lack of a pension system.

Mr. Klaameyer emphasized that the time to act was now. He stated that evidence was clear that pensions improved retention and represented the most efficient investment of retirement contributions and kept more money in Alaska while saving school districts money. He turned to slide 12 with a graph showing that quit rates were much higher in defined contribution (DC) plans. The green line was for men and the blue line was reflective of women. The zero line reflected the quit rate being exactly the same whether in a DB or DC retirement system. Everything above zero demonstrated that the quit rates for individuals in a DC plan were higher than those in a DB pension. The chart showed that people were less likely to stay in a job with a DC plan at every stage in their career. Slide 12 showed data from a study paid for by the State of Alaska as part of the TRR working group done by the National Institute of Retirement Security. He highlighted that in the early years as teachers were learning their craft the quit rates between DB and DC participants was not too dissimilar. After individuals were vested in the DC plan in Alaska (after five years), there was a substantial spike in teachers leaving the state.

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Mr. Klaameyer looked at data from the Alaska Retirement Management Board (ARMB) on slide 13 showing that \$100 million was leaving the state with what he termed "educational tourists." He stated that if it was major league baseball, Alaska would be the farm team for the rest of the U.S.

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Mr. Klaameyer advanced to slide 14 titled "Saves Alaska Money." He remarked that the fiscal note was typically limited to the direct costs to the state. He asked the committee to consider all of the costs borne by the state either by individuals or districts. The slide included information from a study showing the cost was about \$20,000 to replace a teacher that left and \$20 million total. He noted the study was almost 10 years old. He suspected the number was much higher. He stated that if the number of teachers leaving was significantly reduced, it was money districts would save, which would offset any fiscal note associated with HB 78.

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Mr. Klaameyer turned to slide 15 "A Better Bang for Alaska's Buck." He stated that pensions had been demonstrated to be a better bang for the buck. He offered to provide a report shown on the slide titled "A Better Bang for the Buck 3.0." He stated that individuals invested in a DB plan had lower fees, economies of scale, and an asset allocation separate from individual lifespan; therefore, they earned more money in total because of the pooling of a pension. He remarked that Wall Street liked DC-type plans because it could charge each individual for management fees.

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Mr. Klaameyer concluded the presentation on slide 16 titled "Solution: House Bill 78." He stated that the modest pension in HB 78 was an elegant solution to the problem. He stated it was the highest leverage tool that could be used to improve outcomes for students and improve schools and strengthen communities and the state economy. He thanked the committee.

Co-Chair Foster thanked the presenter.

[3:12:46 PM](#)

Representative Stapp remarked that Mr. Klaameyer's predecessor had sent him an email recently about the fact that TRS members, especially certified teachers, did not have access to Social Security. He noted that the federal government recently eliminated the Social Security Windfall Elimination Provision (WEP). He asked if Mr. Klaameyer had any comments on the topic.

Mr. Klaameyer answered that the repeal of Government Pension Offset (GPO) WEP had been a godsend for employees impacted by the situation. He was not impacted by the change, but he had a TRS tier 2 pension and had worked his entire career in Alaska. He stated that many teachers who worked on the weekends, summers, or had careers before or after their teaching career were impacted. He remarked that it was terrible that people were dinged for public service. He happy to see the congressional bipartisan effort to repeal of GPO WEP penalties.

Representative Bynum noted that Mr. Klaameyer made a reference to hiring poorly trained teachers in Alaska's schools. He asked what Mr. Klaameyer meant that poorly trained people were being hired to teach kids in Alaska.

Mr. Klaameyer answered that because of persistent vacancies schools were put in a position where they needed people. He had seen a decline in the standards of individuals coming into school buildings to be in front of students. He was talking specifically about emergency certified teachers, those who had not yet completed all of the requirements to be a certified teacher. By definition, the individuals were trained less than a teacher who had gone through the certification process. In many cases, the individuals were at the tail end of their training and were doing their student teaching. He explained that when a person was learning to teach, they needed a mentor teacher as a guide. He stated that allowing teachers in classrooms during their student teaching meant they were the teacher of record at the same time, which he believed was a disservice to the individual and the students. He stated they may eventually become good teachers, but he thought the individuals were underqualified to be the teacher of record.

Mr. Klaameyer continued to answer the question by Representative Bynum. In the other case, there were positions were being filled with long-term substitutes without any teaching credentials. There were background checks and school districts vetted people to a different degree in each district, but they were individuals who were not necessarily trained to be teachers who were filling in on a long-term basis. He noted that substitutes were also used for paraprofessional positions and down the line. He noted that the substitute pool in rural areas was not deep. He elaborated that if a teacher retired and the district could not replace them, they grabbed the best person possible. He stated that often it was a very good paraprofessional, but they were undertrained and poorly qualified. He did not mean any disrespect to anyone. He believed systematically there were many adults in front of children who were not as highly qualified as students deserved if the state wanted to improve student outcomes.

[3:18:18 PM](#)

Representative Bynum thought it was very concerning and thought it should be a conversation legislators had with DEED. He was alarmed by the comments. He noted that testifiers had stated that they wanted to return or go back to the DB plan. He did not believe the plan proposed in HB 78 was comparable to the previous DB plan and it did not provide the protections of the previous plan. He asked what it meant when testifiers said they wanted to go back. He stated it was possible to put a terrible DB plan out that did go back [to a prior plan]. He was trying to understand what people contacting his office meant when they said they wanted defined benefits.

Mr. Klaameyer replied that 10 different educators may have 10 different answers. He elaborated that there had been bills in the past 20 years to go back to the TRS tier 2/PERS tier 3 system. He thanked Representative Bynum for pointing out that HB 78 was not that plan. He noted that the previous session when Senator Cathy Giessel was promoting SB 88, she clarified it was not the same as an old plan. Some people had referred to the model in HB 78 as a skinny retirement or a hybrid. He characterized the bill as a smarter, better retirement. The biggest criticism of the old system was the unfunded liability, which was exacerbated when the plan was closed because there was no

money going into the plan. The bill added cost sharing and risk sharing mechanisms. He stated that he wished it was possible to return to some improved health benefits like he would enjoy in his retirement, but it would be a nonstarter for the bill. He agreed it was necessary to define what a defined benefit was under the bill. He referred to HB 78 as a modest pension because it was not everything that everyone would want. The state had studies that had demonstrated the performance of the state's DB plan was greater than the DC plan. He concluded that even though it was a modest pension, it was better than the DC plan.

[3:21:44 PM](#)

Representative Hannan spoke highly of Haines Superintendent Roy Getchell. She shared that Mr. Getchell had come to Alaska in 2018 into a community that was notoriously divided on every issue. She stated that Haines was very engaged and 50/50 on every local issue. She elaborated that immediately after becoming superintendent, Mr. Getchell was faced with COVID implementation in a small town. She discussed that there had also been a fatal mudslide in 2020 that killed two individuals including a first year kindergarten teacher raised in the community. Mr. Getchell had been faced with telling the classroom about their teacher's death. She elaborated that he had to bring stability to the school and community and had served as an extraordinary leader among educators in Alaska and had been named superintendent of the year in 2024. She highlighted that when Alaska lost superintendents like Mr. Getchell it had an impact on those working for the person. She relayed that Haines was considered to be a good community to be a teacher and was a great place to live. However, the community had six superintendents in six years prior to Mr. Getchell's arrival. She found it heartbreaking that both of his daughters were seeking careers in education in other states. She hoped legislators remembered people like Mr. Getchell and his family because Alaska needed superintendents and teachers who had grown up in the communities, staying in the communities, and able to be economically successful as lifetime educators in the state. She communicated to Mr. Getchell that he would be missed.

[3:24:29 PM](#)

Representative Galvin directed a question to Ms. Parady. She echoed Representative Hannan's comments about gratitude

and sorrow for what the state would miss. She looked at slide 8 of Ms. Parady's presentation showing the top four reasons teachers were leaving. She noted that the top reason listed was the lack of a DP plan. She how many people had been included in the survey and when it had been conducted.

Ms. Parady replied that the survey had been administered by ACSA and given to its members. She relayed that principals tended to be responsible for hiring teachers; therefore, ACSA wanted to hear from them on why teachers were leaving. She could follow up with the numbers.

Representative Galvin asked if the survey included rural and urban areas.

Ms. Parady responded that the survey was statewide including rural and urban school settings. She noted it had been a good turnout, but she did not have the number off the top of her head. She would follow up with the information.

[3:27:21 PM](#)

Representative Stapp appreciated Mr. Getchell's work and the positive attitude he brought to the conversation about education. He directed a question to Mr. Garrison. He asked about the current rate of employer contribution that school districts paid for a retirement plan as a percent of salary. He believed it was the same across the state.

Mr. Garrison replied that school districts paid 12.5 percent.

Representative Stapp asked about the current contribution rates employees paid as a percent of their salary.

Mr. Garrison responded that did not have the information on hand.

Representative Stapp stated he looked up the teacher contribution rates in Colorado. He relayed that teachers in Colorado paid 8.38 percent of salary and school districts paid 23.59 percent of salary. He asked how many school districts in Alaska would be willing to pay 23.5 percent of salary compared to the 11 percent they currently paid.

Mr. Garrison answered it would be a heavy lift. The number was close to what municipalities paid. He stated there would have to be an honest conversation about how it would happen and whether districts would be able to afford it. He relayed that it came down to the pie the funds were drawn from and how to make it happen.

[3:29:33 PM](#)

Representative Bynum asked what had stopped school districts from taking on the issue themselves and recognizing there was a problem. He noted that districts could enable teachers to jump into social security. He elaborated that districts could step up and say they understood the issue was so important that they would pay teachers because they wanted qualified teachers and school districts were going to figure out how to solve the problem. He stated that the story was that the legislature had not "done this for us."

Mr. Klaameyer replied that it was a very complex answer. He stated that when narrowing the reason down to one thing, the answer was funding. He expounded that school districts were in the precarious position of having no mechanism to raise revenue and they were required to have a balanced budget. He noted that budgets were increasingly tight and resulting in cuts to programs and schools. He reported that two-thirds of the bargaining units were in some stage of bargaining and each one was stalled due to funding. He thought districts saw retirement as a state issue that was out of their control. He thought school districts focused on trying to improve the workplace, benefits, and salaries; however, the packages they were offering were not competitive because their backs were against a fiscal wall. He did not see state finances changing anytime soon. He elaborated it was the reason for talking about an investment in the retirement system that was cost neutral to the state as a whole. He remarked that it may not be cost neutral to the state, but the investment by the state would save districts money on recruitment and retention, which would allow districts to fund student programs, better benefits, and better compensation.

[3:32:52 PM](#)

Representative Bynum pushed back on the statement that school districts did not have the ability to raise funds.

He agreed the statement was true pertaining to Regional Educational Attendance Areas (REAA). However, city and boroughs had the opportunity to collect above and beyond the state aid. He asked how many districts were funding to the cap as opposed to those that were not.

Mr. Klaameyer deferred the question to Mr. Garrison or Ms. Parady.

Mr. Garrison replied that he did not know the specific number of districts that were funding to the cap. A significant number of districts that did, but there were a number of districts that were not able to do so. He would have to follow up with the number. He responded to Representative Bynum's previous question. He did not know if there was a statutory limitation on why districts would not be able to do so. He asked Representative Bynum whether the borough in Ketchikan had the capacity to do a retirement plan on its own.

Representative Bynum answered that the borough had the ability to do it if it so chose, but when it came down to it, it came down to dollars. He shared that in Ketchikan where he had been on the assembly, the borough had been covering the cost of health insurance for the school district at a cost of millions of dollars. There was an ability for the borough to help the school district with additional dollars and fund to the cap to the school. He stated that the school board and district set policy for how they hired people, how contracts were done, and how pay raises were established. When he had been on the Ketchikan Assembly, he had asked why the school district and its employees had not opted into Social Security. He stated the bottom line was they did not want to take on the responsibility of the 6.2 percent cost.

[3:35:41 PM](#)

Ms. Parady answered that REAA districts did not have the option. She believed there were 19 REAA districts, which was a significant number. She believed the state had the responsibility to address the issue in those cases. She appreciated the idea of districts doing what they could to help educators, but she agreed fully with Mr. Klaameyer that they were doing so in many different ways. She believed everyone viewed it as a state obligation and historically it had been. She shared that ACSA had worked

for years with the state's Congressional delegation to get the Social Security Act passed. She stated that everyone in the delegation were elated that the act would provide some relief. She believed districts were doing everything they could to support educators. She thought the state had excellent educators, but with the amount of constant turnover, educators did not gain the time and experience with students. She agreed that the education community needed to help itself and she believed ACSA was looking at numerous strategies to do so; however, it also needed help from the state. She clarified that the package in HB 78 was not the same [as the prior DB plan], but some package would help Alaska become more competitive.

[3:38:13 PM](#)

Representative Bynum believed that at the end of the day reform was needed in the state retirement system. He asked what the plan would cover, how much it would cost, and who paid. He wanted to make sure teachers were well compensated, had good retirement plans, healthy work environments, the necessary resources, and good schools to teach in. He stated it was something the legislature could help with and there was also some responsibility on school districts to help. He was interested to know how the bill would help achieve a good retirement system for teachers and other state employees. He appreciated the testifiers' participation in the current meeting.

[3:39:32 PM](#)

Mr. Klaameyer agreed that everyone was in the situation together. He shared that his roots were in the Anchorage School District (ASD). He thought it sounded like Representative Bynum had been very supportive of the Ketchikan School District during his time on the assembly. He reported that the ASD taxed to the cap. He had been around during times where the Anchorage assembly had been more and less supportive to the school district when there was cost sharing and cost shifting. He explained that just like the borough and assembly were sometimes pitted against each other, the state and local school districts were sometimes pitted against each other. He agreed that "we're all in this together and we're looking for a collective solution."

Representative Allard acknowledged Mr. Getchell and remarked that they had some great conversations. She noted her daughters were both born in Colorado Springs. She directed a question to Mr. Klaameyer. She asked why NEA-Alaska had not enacted a retirement program for its members like the IBEW [International Brotherhood of Electrical Workers] or other unions.

Mr. Klaameyer answered that he would have to speculate because he had not been involved in conversations on the subject. He noted that the subject had not been broached during his presidency. He believed it was the state's responsibility. He noted there was a state system that was working and did so. He thought the issue was too big for NEA-Alaska to do alone. He highlighted that the state had the ability to pool all public employees together. He had tried to keep his testimony within the education field, but one of the benefits of having a statewide pension was that it was a larger pool with larger economies of scale and lower management fees. Additionally, the state had experience [with retirement plans] and it was easier to let it continue than trying to reinvent the wheel.

Representative Allard stated she did not hear an answer to her question. She did not know why the NEA-Alaska would not want to form a third-party contribution or plan for teachers like the IBEW or other unions.

Mr. Klaameyer believed the endeavor would be too big. He did not believe NEA-Alaska had the resources to properly manage a plan for teachers. He added that it would mean NEA-Alaska would have to hire money managers. He pointed out that the state already had the Alaska Retirement Management Board (ARMB) serving as a manager with fiduciary responsibility [for the retirement plans]. Additionally, the state had the Division of Retirement and Benefits and the Department of Revenue, which made up an infrastructure that NEA would not be able to avail itself from. He added that it would take away NEA-Alaska's primary duty of supporting its members and advocating for students.

Representative Allard encouraged NEA-Alaska to look at providing a retirement program. She thought it was the organization's responsibility to make sure teachers stuck around.

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Co-Chair Josephson addressed the topic of local governments/home rules that made contributions and were required to do so then also developing their own retirement systems. He highlighted that based on inflation the state was \$450 million short of where it should be in the foundation formula. He considered the idea that cities would be put in a further position of individually developing retirement systems at a time when the state was underfunding education. He was trying to figure out how that would work. He pointed out that many of the cities were already spending at the cap and some had gotten into trouble for overspending because of a lack of state contribution. He asked for verification that city contributions were there were resources to do so, there were statutes that required it, and due to underinvestment from the state.

Mr. Garrison replied that school districts were not subsections of local boroughs and cities. He relayed that school districts were elements of the state and part of state government. He elaborated that school boards were locally elected state officials and school districts were established in local communities to carry out the responsibility of the legislature to provide a public education for every child. He explained that Alaska was one of the only states where a school board and school district had no revenue generating authority. As such, school boards and school districts had to depend entirely on the state, federal government (e.g., impact aid), or local contribution. When school districts were established and municipalities, cities, and home-rule cities came into being, the foundation formula accounted for that, and an agreement had been made that locally organized areas would be participants in supporting public education. He expounded that they had an opportunity to generate tax revenue, primarily through property tax. There was a minimum amount generated - 2.56 mills - on behalf of every local community to support their contribution to state education and funding. He thought it was a critical piece to bear in mind in terms of how things worked and what school districts were able to do.

Mr. Garrison was intrigued by Representative Bynum's question about whether school districts could do something on their own and he agreed with Mr. Klaameyer that the size of the particular pool for an individual school district

would be small. He was working on something for his own organization to redo its retirement plan and it was difficult and could be very expensive. He reiterated that school districts were an element of the state and not a sub-element of locally organized government.

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Representative Tomaszewski thanked the presenters for being present. He stated that Alaska employees including public safety and teachers did not participate in Social Security. He noted that Alaska had elected to implement a Supplemental Benefit System (SBS) instead. He elaborated that almost all of PERS employees participated in SBS, an additional 12.26 percent. He noted that the teachers had chosen not to do so. He was not sure why. He remarked that SBS was better than Social Security because a plan holder could direct where the money was invested and retained the principal amount upon retirement. He was flabbergasted that teachers were not participating in SBS. He asked why that was the case and whether they may want to do so in the future.

Mr. Klaameyer answered that there were many ways to get to retirement security. He shared when looking at the lessons of the past 20 years, NEA-Alaska firmly believed that the return to a DB plan provided the biggest way get there at the lowest cost. In the case of Social Security, teachers chose not to participate because the benefits at the time in the state system were sufficient and there was some speculation over whether Social Security would still exist when they retired. He was less familiar with the SBS discussion, although he had never heard that educators chose not to participate. He had always heard it was never offered. He relayed that NEA-Alaska would certainly be willing to entertain the idea. He believed it had its own obstacles and the fiscal note for the additional 12 percent was higher than what HB 78 would cost. He elaborated that it would shift the payees, and SBS would be less to the state and more to employers and employees. In a climate of already squeezed budgets, he did not see school districts being able to support the additional contribution on top of what they were already doing. He posed the question of how many schools would need to be closed to get into SBS if there was not additional funding. He added that it would be a tough discussion for a beginning teacher living paycheck to paycheck to take a 6.1 percent reduction in pay, albeit

for the right reasons in the long term. He explained it would be tough for many members to swallow given the recent ISER study indicating that statewide compensation was already about 25 percent lower than it should be to be competitive with other school districts. He stated that it was part of the conversation and if they could overcome the obstacles of the employer contribution and employee contribution. However, the discussion had been taking place for 20 years and the pension model was proven to not be as effective as a DB pension. He encouraged the implementation of a DB pension and a subsequent discussion on SBS as well.

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Representative Tomaszewski provided a scenario where a retiree received their DB and passed away a year later. He elaborated that the individual's wife would receive a diminished amount of the benefit for the rest of her life until she passed away. He asked where the principal of the fund would go. He asked if it would remain in the trust or be passed on to the couple's children.

Mr. Klaameyer replied that he would have to check to see whether the money could be passed a second time after going to the surviving spouse.

Co-Chair Schrage stated his understanding that most local government PERS employees did not have SBS. He remarked that perhaps it was something they could explore further.

Ms. Parady added that local contributions to public education were in excess of \$530 million in local tax contributions. She highlighted that the recent report by ISER indicated that over the past decade as state contributions declined, local and federal resources increased. She explained that districts had become increasingly reliant on local and federal contributions as state dollars declined. She would provide the ISER study to the committee.

HB 78 was HEARD and HELD in committee for further consideration.

Co-Chair Foster thanked the testifiers. He reviewed the schedule for the following day.

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ADJOURNMENT

3:55:59 PM

The meeting was adjourned at 3:55 p.m.