

HOUSE FINANCE COMMITTEE  
May 16, 2025  
3:23 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 3:23 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

Representative Carolyn Hall, Sponsor; Paloma Harbour, Director, Division of Employment and Training Services, Department of Labor and Workforce Development; Lennon Weller, Research and Analysis, Department of Labor and Workforce Development; Tristan Walsh, Staff, Representative Carolyn Hall; Representative Mike Prax, Sponsor; Tony Newman, Director, Division of Senior and Disability Services, Department of Health; Brodie Anderson, Staff, Representative Neal Foster; Representative Zack Fields; Representative Bill Eischeid.

PRESENT VIA TELECONFERENCE

Trevor Storrs, President and CEO, Alaska Children's Trust, Anchorage; Julie Cleaton, Board Member, Alaska Public

Health Association, Wasilla; Mike Coons, Self, Wasilla; Alexis Rodich, Research and Policy Director, Service Employees International Union 775, Tacoma, WA.

SUMMARY

HB 96 HOME CARE EMPLOYMENT STANDARDS ADV BOARD

HB 96 was HEARD and HELD in committee for further consideration.

HB 104 ADDRESS CONFIDENTIALITY PROGRAM

HB 104 was SCHEDULED but not HEARD.

HB 193 UNEMPLOYMENT BENEFITS; PAID PARENT LEAVE

HB 193 was HEARD and HELD in committee for further consideration.

CSSB 64(FIN) am  
ELECTIONS

CSSB 64(FIN) am was SCHEDULED but not HEARD.

Co-Chair Foster reviewed the meeting agenda.

#hb193

HOUSE BILL NO. 193

"An Act establishing a paid parental leave program; relating to unemployment benefits; relating to the collection of child support obligations; and relating to the duties of the Department of Labor and Workforce Development."

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REPRESENTATIVE CAROLYN HALL, SPONSOR, introduced the bill. She read the sponsor statement (copy on file):

According to the August 2024 Labor Trends magazine, the State of Alaska's Unemployment Insurance (UI) trust fund is over-funded; HB193 would leverage existing fund contributions from employers and employees and utilize the Department of Labor and Workforce Development's existing infrastructure to

establish the Alaska Parental Leave Program and update UI benefits for Alaskans.

The policy levers afforded in the bill would accommodate the new program by diverting existing employee contributions to create the paid parental leave fund, enhance the State Training and Employment Program (STEP), afford an opportunity for employer contribution tax cut, and maintain the UI trust fund's solvency, without increasing employer or employee tax contributions.

As the State seeks to recruit, attract and retain young families, the paid parental leave policy would serve a crucial purpose: giving parents the time to bond with their child. By helping families take important time off for childbirth, adoption, or fostering, the State can ensure that parents and newborns can attend follow-up doctors' appointments; lower the risk for rehospitalization; have economic security that reduces stress on parents & children; further cement the bond between parents and an adopted child or foster youth; and help mothers re-enter the workforce after any one of these scenarios.

By building off existing infrastructure in the Department of Labor & Workforce Development, current employee and employer contributions can go towards an invaluable program that returns many benefits back to our society and economy, while also enhancing STEP, and ensuring the long-term viability of the unemployment insurance Alaskans rely on in times of transition.

Representative Hall introduced the PowerPoint presentation "HB 193: Paid Parental Leave, Unemployment Insurance Updates" dated May 16, 2025 (copy on file). She continued to slide 2 and stated that the bill created a paid parental leave plan that covered adoption, fostering, childbirth, or the placement of a child with a legal guardian through a tribal or state court. She explained that the bill authorized the Department of Labor and Workforce Development (DLWD) to set the duration of paid parental leave between 8 and 26 weeks. She noted that the bill also created an accelerated benefit option which allowed participants to access twice the scheduled benefit for half the duration. The bill also included a tax cut for

employers. She noted that none of the provisions required unrestricted general funds (UGF).

Representative Hall continued to slide 3 and relayed that additional changes to HB 193 included a requirement for DLWD to conduct actuarial studies on the paid parental leave fund every two years. She explained that the bill authorized the department to adjust the unemployment insurance wage base and benefit for inflation and adjusted the dependent benefit from \$23 per week to \$72 per week. She stated that the bill increased funding for the State Training and Employment Program (STEP). She clarified that the slide included a typo, as the bill increased funding for STEP only and not the Technical Vocational Education Program (TVEP). She added that the change to increase funding for STEP only had been made at the request of DLWD. The bill also increased the maximum taxable wage base to \$85,000 per year and raised the maximum weekly benefit to \$817.

Representative Hall continued to slide 4 and explained that until 1993, there had been no federal or national policy regarding family leave. She stated that the Family and Medical Leave Act (FMLA) established job-protected absences for federal employees and for employees working at companies with 50 or more employees within 75 miles of the business headquarters. She explained that the result had been the establishment of unpaid family leave protections. She stated that the Alaska FMLA provided 18 weeks of unpaid leave, which also instituted job-protected absence allowances for public employees. She shared that paid parental leave had been shown to improve the health and life outcomes of infants and allowed for increased bonding time with adopted and foster children. She added that in 2019, President Trump amended federal law under FMLA to extend 12 weeks of paid parental leave to federal employees and military members for childbirth, adoption, and fostering.

Representative Hall noted that Alaska competed with other states for young and talented workers, and paid parental leave was a well-established and valuable benefit that provided a high return at low cost. She emphasized that all other states were pursuing such policies and asserted that Alaska could not afford to be left behind. She stated that paid parental leave allowed parents to return to the workforce without being penalized.

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Representative Hall continued to slide 5 and reported that 23 percent of employed women returned to work within 10 days of giving birth and an additional 22 percent returned between 10 and 40 days after giving birth, according to the American College of Obstetricians and Gynecologists (ACOG). She stated that experts recommended at least six weeks of recovery for a vaginal birth without complications and 12 weeks for a cesarean section. She added that all parents reported being employed in 66 percent of Alaskan households with children. She stated that the National Institutes of Health (NIH) estimated that 24 percent of women on average exited the labor market during the first year of motherhood. She explained that five years later, the percentage dropped to 17 percent, and after a decade, 15 percent of those women remained outside the workforce.

Representative Hall advanced to slide 6 and stated that the first step was to invest in children and families. She explained that decades of research demonstrated the value of early childhood development investment that started before birth and continued through preschool. She reported that each dollar spent on early childhood investment resulted in exponential returns in terms of the long-term success for the child. She relayed that Professor James Heckman, a prominent figure in early childhood research, had conducted foundational work that demonstrated a strong correlation between early investment in a child's social and emotional well-being and positive life outcomes. She explained that the returns were generally cited between \$13 and \$16 for every \$1 invested, based on increased academic performance and lower adverse childhood experience (ACE) scores. Studies showed that children whose early childhood development was invested in were less likely to commit a violent crime and had a reduced risk of becoming a drug user or addict.

Representative Hall continued to slide 7 and relayed that paid parental leave could serve as a key mechanism to achieve high outcomes for children through existing infrastructure and policy. She stated that studies had shown that women who took paid leave had a 51 percent decrease in the odds of rehospitalization within 21 months of giving birth. The National Partnership for Women and Families (NPWF), a paid leave advocacy organization, had

conducted extensive research on the benefits of paid parental leave. She explained that the months preceding and following birth were formative in an infant's development and that paid maternity leave improved health outcomes for both infants and parents. She reported that research had shown that paid leave led to reductions in low birth weight and preterm births, particularly for Alaska Native and African American mothers, among other benefits.

Representative Hall stated that positive associations had also been found between paid parental leave and reductions in stress and increases in physical activity, both of which were critical for new mothers. She added that fathers who took paid leave were more likely to engage in their children's lives, which contributed to cognitive and developmental benefits for children. Fathers who took paid leave were also more likely to live longer. She asserted that paid leave had been a well-researched and widely supported policy that allowed young families to grow and thrive without enduring economic hardship. She emphasized that by providing paid leave, infants were more likely to attend follow-up appointments, mothers were less likely to experience postpartum depression, and fathers were better positioned to bond with their families.

Representative Hall moved to slide 8 and indicated that the majority of workers in the United States lacked access to paid leave through their employers. In Alaska, over 75 percent of workers lacked access to paid leave, which equated to roughly 270,000 individuals. She relayed that unpaid leave under the federal FMLA remained inaccessible to 68 percent of Alaskans. She added that if Alaskan women had participated in the labor force at the same rate as women in countries with paid leave, the state would have gained approximately 8,000 additional workers and nearly \$314 million in statewide wages. She noted that women made up 47 percent of Alaska's workforce and owned 28 percent of its businesses. Paid parental leave could reduce working women's reliance on public assistance and SNAP by as much as 40 percent when compared to women who did not receive the benefit.

Representative Hall continued on slide 9 and reported that businesses in states with paid leave experienced significantly fewer challenges managing long absences, with two-thirds of employers covering absences by temporarily reassigning the work. Studies in California found that

small businesses experienced a 14 percent decrease in per-worker labor costs when employees took paid leave. She noted that the smallest businesses had achieved the greatest percentage-based savings. In California, 92 percent of businesses reported that paid leave had a positive impact on employee turnover. She added that workers with access to paid leave were more likely to return to the workforce rather than exit entirely. Paid leave helped workers maintain salary levels and enabled them to earn more overtime and contribute to both household income and to the broader economy. She noted that turnover at small businesses cost approximately 23.5 percent of a worker's annual wage and could rise to as high as 150 percent of a worker's wage depending on the duration of the vacancy.

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Representative Hall advanced to slide 10 and emphasized that paid leave had significantly improved employee retention. She explained that studies had found that companies implementing paid leave policies experienced greater revenue and profit per full-time equivalent employee. She relayed that technology companies had realized a \$2.64 return for every \$1 invested, while manufacturers had seen a \$2.57 return per \$1 invested. She added that a recent study had shown that workers with paid leave were 22 percent more likely to recommend their employer to a friend that they were if they did not have the benefit. She stated that polling had found that members of Generation Z considered paid leave the most important policy when deciding to relocate for work.

Representative Hall moved to slide 11 and relayed that in the absence of a national policy, many states had pursued different approaches, and the policy in HB 193 was one of the approaches. In a competitive labor market, a paid leave policy could serve as a cost-effective strategy to attract workers to both the public and private sectors. According to MetLife Insurance, 199 bills related to paid leave were introduced across 36 states in the previous year. She noted that by the following year, when Delaware, Minnesota, Maine, and Maryland implemented their programs, approximately 59 percent of U.S. civilian workers would have access to some form of paid family leave. She relayed that 24 states currently offered either paid family leave or paid parental leave or were in the process of

implementing a leave plan. She stated that three states passed paid leave bills: Kentucky, Tennessee, and South Carolina. She stated that 17 states considered expanding or changing the existing paid leave programs, and 16 states considered the change but did not pass the legislation.

Representative Hall continued to slide 11 and relayed that the next portion of the bill addressed unemployment insurance. She explained that unemployment insurance functioned as wage replacement when an individual was unemployed and actively seeking work and was established in 1935 by President Theodore Roosevelt through the Social Security Act (SSA). Other types of wage replacement, such as short-term disability, were widely available but had limited application for family-related purposes beyond complications from pregnancy. She noted that both public and private employers were familiar with the unemployment insurance and payroll deduction processes. She explained that Alaska required employers to collect the contribution on behalf of employees, which was a unique feature. She stated that the bill would reappropriate the contribution toward paid parental leave. She reported that Alaska was one of only three states that required an employee contribution to unemployment insurance. She explained that the bill would establish a separate fund in which the employee's contribution would be held for the collection of a claim.

Representative Hall advanced to slide 13 and stated that currently, unemployment insurance was funded through two sources: employer and employee contributions, both of which fed into the Unemployment Insurance Trust Fund (UITF). She repeated that Alaska was one of three states requiring employees to contribute, along with New Jersey and Pennsylvania. She added that Alaska also funded the STEP and TVEP programs through a 0.10 percent and 0.25 percent special employee contribution, respectively. She clarified that the special employee contributions were separate from contributions required for UITF.

Representative Hall continued to slide 14 and explained that HB 193 proposed to redirect the employee contributions toward a new paid parental leave fund. The bill would create both a special employer contribution and a special employee contribution, each directed to the new fund. She relayed that STEP and TVEP would continue to receive the existing 0.35 percent special contributions from employees.

The bill would redirect a 0.15 percent special contribution from employees toward the paid parental leave fund. Based on actuarial analysis performed by DLWD, the department would have the authority to implement a special employer contribution of 0.10 percent for STEP and 0.20 percent for the paid parental leave fund. The contribution would come from the remaining 0.70 percent employer contribution to UITF.

Representative Hall indicated that the department would also have the authority to reduce employer contributions down to 0.50 percent, based on actuarial determinations of fund solvency. If the department determined that UITF was solvent, there could be a 0.20 percent tax cut for employees. She noted that the statutory language related to the special employer contributions could be found on page 12 of the bill. She added that the bill also included a snapback feature. If UITF was approaching an unhealthy fund balance or reserve ratio due to a recession, depression, or another pandemic, the department could redirect employer contributions back toward UITF. She stated that the self-correcting mechanism was similar to existing fund protections that allowed the department take actions to maintain solvency.

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Co-Chair Foster stated that the committee would proceed to invited testimony, public testimony, and fiscal notes, then he would open up the floor for questions. He recognized that Representative Mike Prax was present in the audience for his bill hearing, and Representative Zack Fields and Representative Bill Eischeid were also present.

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PALOMA HARBOUR, DIRECTOR, DIVISION OF EMPLOYMENT AND TRAINING SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced herself.

LENNON WELLER, RESEARCH AND ANALYSIS, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced himself. He explained that he functioned as the actuary for the Unemployment Insurance System (UIS).

Ms. Harbour relayed that the department had created slides to show the impact on the trust fund of the current version

of HB 193. She was not certain that the slides were made available and she would keep her remarks concise. The department reviewed the legislation and examined historical economic downturns, including the COVID-19 pandemic and the Great Recession. The department modeled an extreme scenario wherein the benefit costs would be tripled. The costs were currently approximately \$45 million to \$50 million annually and the benefit costs could rise as high as \$350 million annually in the extreme scenario that was modeled. She explained that the department aimed to determine how the trust fund would respond to a severe recession under the changes proposed in the bill.

Ms. Harbour noted that under the bill, unemployment benefits would be significantly increased, and employer and employee contributions would be directed to other funds outside of UITF. She explained that the department wanted to ensure the system would remain functional in an extreme situation, which it would under the bill. She reported that the lowest projected reserve ratio under the extreme scenario that was modeled would be approximately 0.5 percent. She acknowledged that the ratio was lower than what some might consider comfortable, but the system was designed to adjust employer tax rates to rebuild the trust fund. She defined the reserve ratio as the amount in the trust fund compared to a target fund balance. She suggested that Mr. Weller provide additional details.

Mr. Weller explained that the reserve ratio measured the trust fund balance as a percentage of wages covered by the program. He stated that both statute and historical practice targeted a reserve ratio between 3 percent and 3.3 percent to represent full solvency. He noted that a ratio that was fully solvent meant it was recession-ready or capable of absorbing any projected type of historical claim load. He stated that the current reserve ratio was approximately 4.7 percent, which was significantly above the target.

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Representative Tomaszewski asked if there was a current or anticipated cap on the amount of payments that could be distributed through the fund.

Ms. Harbour responded that the maximum benefit distributed to an individual was \$370 per week per claim. She relayed

that the bill would increase the amount to \$817 per individual per week.

Representative Tomaszewski asked how many individuals could potentially qualify. He remarked that not every new mother in Alaska worked, which meant that some would not qualify. He asked whether there was an estimated number of eligible individuals based on the average number of births in Alaska per year.

Ms. Harbour responded that the department had made a rough estimate based on the number of births in the state and had found that there were approximately 9,000 babies born in Alaska annually. The estimate assumed one parent claimed benefits for the maximum 26 weeks of paid leave, which was an extreme circumstance because not all parents took 26 weeks. She relayed that if at least one parent took 26 weeks of paid leave, the cost to the state would be \$175 million. She stressed that individuals took about eight to ten weeks of leave on average, and the scenario was extreme and unlikely. She stated that the department had conducted a more detailed analysis, which looked at women in specific age groups. For example, if there were 12,449 women aged 15 to 19, with a fertility rate of 62.3 per hundred thousand, there would be approximately 776 births. She explained that the department used the figures to estimate costs under different scenarios and the estimates ranged from \$46.8 million to approximately \$12 million. She relayed that she could provide copies of the estimates to the committee.

Representative Tomaszewski asked if the legislation barred both parents from claiming benefits.

Ms. Harbour responded in the negative. She clarified that the actuarial analysis assumed both parents could claim benefits.

Representative Tomaszewski requested that the committee receive a copy of the assumptions used in the analysis.

Ms. Harbour responded that she would follow up with the information.

Co-Chair Foster asked for the name of the study.

Ms. Harbour responded that the study was titled an actuarial analysis, although she noted it was not an

official actuarial report since it was based on assumptions and not on actuals.

Co-Chair Foster stated that he would move to invited testimony, open public testimony, and then return to questions afterwards. He acknowledged that the committee had a late start and noted that the public had been waiting to testify.

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TREVOR STORRS, PRESIDENT AND CEO, ALASKA CHILDREN'S TRUST, ANCHORAGE (via teleconference), stated that the mission of the Alaska Children's Trust (ACT) was to prevent child abuse and neglect by addressing the root causes and strengthening protective factors. He relayed that the organization focused on primary prevention by proactively building systems, policies, and various supports that allowed families to thrive before harm occurred. He stated that by investing in the conditions that allowed children and families to be safe, stable, and connected, the state could prevent abuse and neglect from occurring.

Mr. Storrs stated that one of the key ways to prevent child abuse and neglect was to ensure that families had the time and resources to care for their loved ones without risking financial instability. He explained that a comprehensive statewide paid family and medical leave policy was one of the trust's top priorities and was a primary form of prevention. He asserted that HB 193 provided an important opportunity for Alaska to build a proactive system of support that would strengthen families before challenges escalated into crises. He clarified that the trust considered a comprehensive policy to be paid leave for three purposes: bonding leave for caring for a new child, family leave for caring for a loved one with a serious health condition, and medical leave for addressing a worker's own serious health needs.

Mr. Storrs noted that 14 states with paid family and medical leave had adopted a comprehensive model that included all three categories. He stated that research consistently showed that paid leave was a smart primary prevention strategy that benefited families, the economy, and the state's budget. He asserted that paid leave strengthened protective factors and drove broader economic gains by allowing workers to care for themselves and their

families without risking financial stability. Paid leave led to improved child and maternal health outcomes such as higher vaccination rates, reduced rates of low birth weight, and lower rates of maternal depression. He added that families with access to paid leave were less likely to rely on public assistance, which eased the burden on state-funded safety nets. For example, paid family leave had reduced reliance on public assistance in California by 14 percent among low-income mothers.

Mr. Storrs indicated that paid leave increased workforce participation and retention. On a national scale, women were 20 percent more likely to remain employed one year after childbirth if they had access to paid leave, which boosted household income and tax revenue. He noted that employers benefitted from reduced turnover and improved employee productivity, while the broader economy benefitted from a more stable and engaged workforce. The state benefitted because paid leave brought about lower downstream costs in health care, child welfare, and public assistance, and ultimately resulted in long-term savings for the state budget. Every dollar invested in prevention reduced future expenditures on crisis response. He stated that paid family and medical leave was not only a benefit to families, but also a fiscally responsible policy that strengthened Alaska's workforce, supported economic growth, and reduced costly social outcomes.

Mr. Storrs expressed appreciation for Representative Hall and the work the House Labor and Commerce Committee had done on the bill. He asserted that the bill provided a strong foundation for a paid leave policy. He noted that the trust wholeheartedly supported the foundation created by the bill, but the trust also thought it was appropriate to offer ideas for expanding policy. One opportunity for improvement would be to expand the scope of leave beyond parental bonding to include medical and family caregiving leave. Medical leave was essential to ensure that mothers had adequate time to recover from childbirth and to manage pregnancy-related complications, which often lasted longer than the allotted bonding leave. Without medical leave, parents might be forced to return to work prematurely and risk their own health and their baby's well-being while increasing health care costs. He stated that Alaskans often needed time to care for older children with complex illnesses, to support aging parents, or to manage their own serious medical conditions. Including other types of leave

would better reflect the real-life needs of Alaskan families and workers. He suggested that even a modest expansion to include a limited number of weeks of medical leave would make the program more comprehensive and provide critical support while aligning the program with best practices in other states.

Mr. Storrs continued that in addition to expanding the scope of leave, another suggestion was to ensure that employers could offer additional paid leave to workers. He stated that private and public partnerships existed in other states and that the trust would be happy to share examples of how other states had successfully coordinated the efforts to better support families and businesses. He added that the trust would like to offer a program and cost modeling analysis for the committee's consideration that would support a more dynamic policy that included various tiered options for adjusting policy levers, such as the number of weeks and percentage of wage replacements. The modeling had been done using a paid leave micro-simulator designed by the U.S. Department of Labor to help states develop paid leave policies. He explained that the model used labor data and information about current use of job-protected leave within Alaska to determine likely take-up rates for paid leave programs. The information was then combined with wage data and various policy choices to help determine program costs.

Mr. Storrs relayed that the simulation model had been benchmarked against actual program costs and had been widely used by policymakers and advocates across the country. He emphasized that the model could help guarantee that Alaska's paid leave program would be accessible to families at various income levels while also supporting the design of a policy that was fiscally responsible and sustainable.

Mr. Storrs stated that several other states had already adopted a comprehensive statewide paid medical and family leave policy that extended beyond bonding leave to encompass a broader range of family medical needs. He asserted that the policy fit especially well with the public insurance model proposed in HB 193 and had the potential to benefit all workers in Alaska. He asserted that a comprehensive statewide paid family medical leave program would be an investment in Alaska's families, children, communities, and businesses.

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Co-Chair Foster OPENED public testimony.

[4:00:09 PM](#)

JULIE CLEATON, BOARD MEMBER, ALASKA PUBLIC HEALTH ASSOCIATION, WASILLA (via teleconference), indicated that the Alaska Public Health Association's policy committee was in support of the bill. She explained that since 2013, the American Public Health Association had advocated for paid sick leave and family leave policies. There were several well-studied benefits of parental leave, including fewer preterm births, reductions in C-section deliveries, more "well-baby" visits, decreased infant mortality, longer periods of breastfeeding, and the improved mental health of new mothers. She stated that in some studies, the positive effects were identified only when parental leave was paid. She asserted that parental leave could be lifesaving and that investments in early childhood paid significant dividends later in life.

Ms. Cleaton stated that the association would also support future expansions to family and medical leave. She remarked that she hoped to see the bill passed quickly. She shared that she was 31 years old, earned the primary income for her family, and had been saving vacation days for years to afford what her coworkers jokingly referred to as maternity vacation. She emphasized that most workers could not do what she had done, and those who could, should not have to sacrifice a year's worth of vacation time in "post-pandemic parenthood." She thanked the committee for its time and consideration.

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MIKE COONS, SELF, WASILLA (via teleconference), opposed HB 193. He asserted that the UITF was overfunded in part because more people were working, or because those who had lost jobs had either left the state or exited the workforce and were now on welfare or Medicaid. He suggested that overfunding was beneficial, given the fluctuations in the workforce. He stated that he had done a Google search that indicated it was difficult to determine the exact number of businesses in Alaska offering maternity leave, as it was typically a company-specific benefit and not a statewide

requirement. However, he understood that the Alaska Family Leave Act (AFLA) required state employers with more than 25 employees to provide job-protected absence for up to 18 weeks for employees dealing with pregnancy, childbirth, or adoption. He added that FMLA also offered unpaid leave for qualified employees at covered companies, but it did not mandate paid leave.

Mr. Coons stated that the bill would draw funding from UITF and that it remained unclear whether Ballot Measure 1 [the Minimum Wage Increase and Paid Sick Leave Initiative], which passed the previous year, might also impact the bill. He suggested that employees receiving unemployment benefits under the bill might trigger additional payments under Ballot Measure 1. He thought "double dipping" would negate any tax reduction mentioned by Representative Hall.

Mr. Coons understood that one of the fiscal notes for the bill stated that revenue into the parental leave fund would come from the Division of Employee Contributions and would be an amount equivalent to 0.15 percent of taxable wages. He thought it seemed to be a tax increase on employees. He stated that DLWD had accurate data on employment and that including maternity would obscure the accuracy of future unemployment payout projections. He asserted that the program would reduce the trust fund balance and might leave the fund unable to meet demand during a future unemployment spike.

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Co-Chair Foster CLOSED public testimony.

Co-Chair Foster noted that Mr. Storrs had provided invited testimony and that the committee had the opportunity to ask him questions.

Representative Galvin asked Mr. Storrs for confirmation that the trust supported protective factors in general. She wondered if ACT would also support a policy that included maternal leave, which she interpreted as bonding leave. She asked if he thought bonding leave, family leave, and medical leave should all be included in the bill.

Mr. Storrs responded in the affirmative. He stated that bonding or parental leave was already addressed by the bill and the trust fully supported it. He remarked that in an

ideal scenario, the state's leave would become more aligned with FMLA and would also include family leave, such as caring for a loved one with a serious health condition, and medical leave, to address the worker's own serious health needs.

Representative Galvin asked whether medical leave would also include post-birth medical complications.

Mr. Storrs responded in the affirmative. He explained that medical leave would allow parents time to recover after birth. He affirmed that complications such as cesarean sections or other conditions could delay healing. He noted that medical leave also included broader medical issues such as cancer.

Representative Galvin understood that Mr. Storrs had indicated there were four states that were embracing family leave. She asked whether he had meant four states or 14 states.

Mr. Storrs responded that 14 states had adopted comprehensive policies that included all three categories of leave.

Representative Galvin asked whether the passage of federal family leave for federal employees included all three components that Mr. Storrs had identified as best practices.

Mr. Storrs asked for the question to be repeated.

Representative Galvin asked whether FMLA included all three categories of leave identified earlier by Mr. Storrs as best practices.

Mr. Storrs responded in the affirmative.

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Representative Galvin asked how many weeks of parental bonding were considered to be best practice. She wondered what had been passed in other states.

Mr. Storrs responded that he would need to follow up with the information. He noted that best practices internationally recommended up to a year. However, best

practices in other states typically fell closer to 12 weeks.

Representative Hannan asked how long it had been since the state increased its unemployment insurance benefits.

Ms. Harbour responded that the last increase occurred in 2008 and became effective in 2009.

Representative Hannan understood that the maximum weekly wage replacement benefit available to an employee in Alaska had remained at \$370 since 2010. She asked whether her understanding was correct.

Ms. Harbour confirmed that the maximum weekly benefit had remained at \$370 since 2010.

Representative Allard noted that the weekly benefit amount was similar to FMLA. She understood that under FMLA, individuals must use all of their sick leave first before using other leave. Individuals could remain on leave for as long as the leave was approved, but the leave would not be paid. She asked for clarification on how the process currently worked in Alaska.

Ms. Harbour responded that there was not currently a program in place in the state and there was no established process. She explained that the bill proposed up to 26 consecutive weeks.

Representative Allard asked if a woman who gave birth without any leave would have to take leave without pay.

Ms. Harbour responded that if the individual did not have paid leave through their employer, then the leave would be without pay.

Representative Allard commented that the bill carried a significant fiscal note. She asked for an explanation of how the state would be able to cover the expenses given the current fiscal conditions.

Ms. Harbour responded that the program would be funded through a reallocation of existing unemployment insurance contributions. Instead of all contributions going toward unemployment insurance, a portion would support the paid parental leave program. She clarified that the program

would not draw from the general fund but from the trust fund.

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Representative Allard asked if the trust fund could afford to sustain the program on an annual basis.

Ms. Harbour responded that the trust fund could afford the program under the current economic conditions, given existing wage and benefit claim levels. She acknowledged that a significant recession could impact the fund's ability to cover the program. In such a scenario, taxes could be increased to support the program. She clarified that the system was designed to make such adjustments.

Representative Allard noted that she had not fully reviewed the bill and asked if it would be more beneficial for policymakers to align with the current federal structure under FMLA.

Ms. Harbour responded that her understanding of FMLA was that it provided unpaid leave and that there was no paid leave program at the federal level.

Representative Allard relayed that a federal employee must first use all available leave under FMLA and would ultimately be placed on leave without pay. She asked if the current state policy was similar.

Ms. Harbour responded that Representative Allard's understanding was correct.

Representative Bynum appreciated the intent of the bill but thought that it required additional review. He noted that the sectional analysis (copy on file) was seven pages long with five sections, and that the bill itself was 27 pages long. He remarked that the subject matter was complicated due to its connection to medical leave and the unemployment trust. He asked if a breakdown of the benefits could be provided to the committee to help members better understand the bill. He asked to be provided with a chart similar to the chart that would be given to employees to explain their potential benefit. He stated that the current language in the bill referred to a benefit of eight to 26 weeks of leave. He asked how the department would determine the length of time for which an individual would be eligible.

He noted that a couple of examples would be helpful if it required complicated formulas.

[4:17:24 PM](#)

TRISTAN WALSH, STAFF, REPRESENTATIVE CAROLYN HALL, responded first to Representative Allard's question. He explained that the 2019 National Defense Authorization Act, signed by President Trump, established up to 12 weeks of paid leave for childbirth, adoption, and fostering for federal employees and members of the military.

Representative Allard commented that she believed the bill was probably beneficial and remarked that she liked the 12-week component. She commented that she liked the way the military implemented leave. She stated that she appreciated aligning with FMLA and considered the approach to be fair. She relayed that she had served in the military and understood how various systems interacted with FMLA, parenting, and leave.

Ms. Harbour asked to be reminded of Representative Bynum's question.

Representative Bynum restated the question. He noted that the bill referred to eight weeks to 26 weeks of leave and asked for a basic explanation of how an employee would know whether they qualified for 8, 10, or 26 weeks.

Ms. Harbour responded that one of the changes in the most recent version of the bill was that the department would annually determine the number of weeks a claimant could be eligible for, based on the health of the family leave fund. She stated that the department could set the maximum benefit period at eight weeks or at 26 weeks and that the number would define how many weeks a claimant could receive. At the beginning of the program, the department would likely set the minimum number of weeks as the maximum allowed while the fund accumulated sufficient resources. She explained that once the department was confident that the fund could handle the anticipated benefit load, the maximum number of weeks could be increased. She clarified that if the department set the maximum at eight weeks, then all claimants would be eligible for eight weeks. However, the actual benefit amount would vary per individual and would be based on the claimant's wages during the base year. She explained that a claimant could choose to take

the full eight weeks or could opt for a shorter period of time. If the claimant selected four weeks, they would receive double the benefit payment per week by choosing the four-week schedule.

Representative Bynum relayed that he had reviewed a portion of the bill regarding eligibility, which he believed required at least \$2,500 in wages within two quarters. He asked for clarification on how an employee's contributions would be assessed and how eligibility would be determined.

Ms. Harbour responded that eligibility would be based on unemployment insurance eligibility criteria. She stated that if an individual experienced a qualifying event, such as childbirth, the department would look at the individual's wages during the base period. For example, if a baby was born on June 2 of a given year, the department would examine wages from the first four of the five completed calendar quarters immediately preceding the quarter in which the birth occurred. She clarified that if the individual earned at least \$2,500 over the course of two separate quarters within the time period, then the individual would be eligible for the benefit.

Representative Bynum shared his understanding that the payment amount that an individual would be eligible for would be based on a percentage of the wages the individual had earned. He asked whether there was a minimum amount.

Ms. Harbour responded that the minimum was \$2,500. She stated that if an individual earned below that amount, they would not be eligible to receive a benefit. She added that for earnings between \$2,500 and \$2,750, the benefit would be \$56. She indicated that the full benefit schedule could be found in Section 5 of the bill.

[4:22:35 PM](#)

Representative Bynum remarked that large employers might be able to absorb the absence of an employee for up to six months. However, he was concerned about the potential impact on small employers. He posed a hypothetical scenario in which an employer had only two employees and one of them utilized the proposed benefit. He asked how such a situation would impact the employer.

Mr. Walsh responded that the issue raised by Representative Bynum was one of particular interest during the policy development process. He explained that small businesses were already at a disadvantage when competing for the same workforce as larger employers. He stated that planning for employee absences, particularly for those starting families, posed a significant challenge for small businesses. He explained that the bill would allow small businesses to use existing contributions already paid into the unemployment insurance system to help support a planned process for managing employee absences, which could help improve the competitiveness of smaller employers. He added that there were relevant slides in the presentation and he could follow up with examples of small business in other states that had implemented similar policies.

Representative Bynum clarified that his concern was not limited to the financial cost to the employer. He explained that he was referring to the operational impact on a small business when an employee was unavailable for six months. He stated that such a situation could force an employer to hire a temporary employee, which could be difficult given existing labor conditions. He asserted that if a replacement could not be found, the remaining operations would suffer. He asked if the potential consequences had been considered and how small businesses would be affected.

Ms. Harbour responded that the question was outside her area of expertise. However, she shared that her understanding was that the bill would not expand an employee's legal entitlement to leave. She explained that under the existing AFLA, an employee could take up to 18 weeks of job-protected leave. The proposed program could provide benefits for up to 26 weeks, but it would not create a new entitlement to job protection.

Mr. Walsh added that workforce reentry barriers had decreased in states where similar policies had been implemented, particularly for women. He relayed that job satisfaction had improved, and employees were more likely to return to work under similar legislation. He explained that while large employers also faced retention challenges, the policy could assist small businesses with employee retention and reduce turnover costs.

Co-Chair Foster stated that the committee would take a recess shortly.

Representative Bynum stated that it was his understanding that the benefit would not be limited to birthing mothers. He asked whether an employee whose spouse gave birth would also be eligible. He remarked that current law allowed an employee to take unpaid leave and maintain job protection, but there was no income replacement guarantee. He thought that it created pressure for a working parent supporting a family to remain employed. He understood that hypothetically, if he were a small business owner and his wife had a child, he could leave work for up to 26 weeks with income replacement. He stated that the situation could create a significant challenge for small businesses. He clarified that he was not suggesting that allowing time for bonding was unimportant, but he meant to highlight that the benefit could potentially apply to both parents at once, which could further impact small employers. He asked if it would be possible for both parents to receive the benefit at the same time.

Ms. Harbour responded in the affirmative.

Representative Bynum remarked that the basis of his question was to better understand the potential impact on small businesses.

[4:28:18 PM](#)

Representative Stapp understood that the presentation had referred to short-term disability as having limited application for pregnancy complications, but he asserted that short-term disability did cover pregnancy and was classified as a sickness. He explained that coverage was not limited to complications.

Co-Chair Foster asked which page the information appeared on.

Representative Stapp replied that it was located on the third-to-last slide [slide 12].

Co-Chair Foster stated that the committee could address the correction upon return from a recess. He announced that conference committee was beginning and that the committee would recess for approximately 30 minutes.

Co-Chair Foster announced that the amendment deadline for SB 39, relating to payday loans under \$25,000, would be set for 5:00 p.m. on Saturday, May 17, 2025.

Co-Chair Foster announced that SB 64 would be set aside. He stated that although there had been an effort to reach consensus, it was not feasible to give the bill the proper attention needed for full consideration and passage. He explained that the bill included too many moving pieces to complete by the end of session.

Co-Chair Foster stated that the committee would reconvene at 5:00 p.m. He confirmed that the committee would continue work on HB 193. He added that the next bill would be HB 104, concerning the address confidentiality program, and that the committee would hear public testimony. The final bill of the day would be HB 96.

[4:30:49 PM](#)

RECESSED

[5:47:42 PM](#)

RECONVENED

Co-Chair Foster stated that the committee would take a few additional questions on HB 193 before moving on.

Representative Galvin stated that her question was for the actuaries. She wanted to confirm her understanding of the overall structure of the proposal. She referenced slide 14 of the presentation which appeared to show the current unemployment insurance tax rate at 1.5 percent. She understood that under the bill, the rate would be split between unemployment insurance and the proposed paid parental leave program. She understood that no new tax would be added and that businesses could potentially see a slight decrease in their contributions. She asked whether her understanding was correct and whether the employee contribution would be divided to support both the existing and new programs.

Mr. Walsh responded that Representative Galvin was mostly correct. He explained that employees were currently contributing 0.35 percent toward the STEP and TVEP programs. He stated that the 0.15 percent employee contribution shown in the chart on slide 14 would be a new

special contribution dedicated specifically to the paid parental leave program.

Representative Galvin understood that the actuarial analysis considered a scenario in which approximately 9,300 babies were born in the state each year and both parents chose to use the benefit. She thought that the fund would remain solvent under the assumptions. She asked whether the projection showed that the fund would not decrease excessively due to its current overfunding.

[5:51:59 PM](#)

Mr. Weller responded that he was the actuary for UITF but he could not speak directly to whether the new revenue stream would be sufficient to meet the maximum potential liabilities of the paid parental leave program. He thought that how the proposal would affect the trust fund was a separate question. He confirmed that the 0.15 percent tax being redirected to paid parental leave would otherwise have gone into the trust fund. He stated that the trust fund was currently over-capitalized. The financing system used to calculate benefit costs and set the target balance for the trust fund was based on a reserve ratio and could absorb a wide range of costs. He stated that redirecting an additional 0.15 percent from the employee and up to 0.3 percent from the employer would not be detrimental to the solvency of the trust fund.

Representative Galvin remarked that not many states had a trust fund for unemployment like Alaska's. She asked if there were many examples of similar funding models for family leave programs.

Mr. Weller responded that Alaska was one of only three states that had an employee contribution to unemployment insurance funding. He stated that the structure had opened the door for other programs to be funded using a similar mechanism. He confirmed that Alaska's system was unique.

Representative Galvin asked whether funding for STEP and TVEP had ever been legally challenged or caused any issues. She asked if the proposed funding mechanism for the paid parental leave program was legally sound and if there was precedent for using employee contributions in such a manner.

Mr. Weller responded that the diversion of the employee contribution had been deemed to comply with federal guidelines and regulations governing unemployment insurance funding. He clarified that the employer contribution was a separate issue and that employer contributions could not be diverted for purposes other than funding unemployment insurance. However, employee contributions could be used in the manner proposed by the bill.

[5:55:01 PM](#)

Mr. Walsh responded that during the drafting process, the sponsors had worked closely with Legislative Legal Services (LLS) and it was important to note the bill referred to the contributions as "special contributions." He emphasized that the contributions were separate from the unemployment insurance contributions currently made by employees. The proposed employee and employer contributions would go specifically toward paid parental leave. Under the bill, the contributions would be accounted for separately from the contributions held in UITF. He explained that the state would administer the contributions as distinct revenue streams. He stated that the creation of two new special contributions had satisfied legal concerns.

Representative Galvin asked if the bill was also designed as a preventative measure to support foster children in bonding with foster parents in the same way as biological children. She asked if there would be a period of time before the foster child's placement to allow foster parents to prepare, and if coverage for paid parental leave would include foster parents.

Mr. Walsh responded that page 2 of the bill referenced one of the qualifying purposes as the anticipated birth of a child, but the bill also included language intended to cover the period prior to adoption or foster placement. He stated that the sponsors would be open to collaboration to refine the language if needed to ensure the inclusion of adequate protections and eligibility for foster parents.

Representative Galvin asked if any work had been done to examine how beneficial the policy might be for recruitment and retention and if other states had reported that offering a similar leave benefit made the states a more attractive place to live.

Mr. Walsh responded that Representative Hall's office had referred to it as a "sticky policy" in terms of retention and recruitment. He highlighted that a slide in the presentation had referenced that the cost of reduced recruitment and retention to a business was approximately 23.5 percent of an employee's salary. He explained that as time progressed, businesses also experienced opportunity costs related to vacancies. He added that the range of costs could be as low as 23.5 percent of the position's salary or as high as 150 percent.

[5:59:03 PM](#)

Representative Stapp expressed appreciation for the bill but thought that some of the mechanisms involved would require deeper consideration. He referred to subsection (b) on page 5 of the bill and stated that he understood that payments for paid leave could be made concurrently with payments provided under a short-term disability policy or a separate bank of paid time off (PTO). An employee could collect paid parental leave in addition to disability payments and PTO if the bill were to pass. He asked whether the Division of Insurance (DOI) had been consulted. He relayed that disability policies under federal law typically reimbursed only 70 percent of an employee's wages. He expressed concern that if an employee received PTO, short-term disability, and paid parental leave simultaneously, the total compensation could exceed the employee's regular salary.

Mr. Walsh responded that DOI had not been specifically consulted. He added that the bill's intent included protections under subsection (c) to ensure that the total amount received would not exceed the employee's prior weekly earnings. He agreed that the topic would be worthwhile to discuss.

Representative Stapp stated that he was uncertain whether the bill violated any policy standards. He noted that subsection (c) indicated that the total compensation could not exceed the employee's average weekly earnings. He noted that disability policy limits were intended to prevent employees from earning more while not working than while employed. He encouraged Representative Hall to further consider how the mechanism would function in practice, particularly within the private sector. He expressed concern that private sector employers might not understand

that an employee receiving short-term disability could be using PTO and claiming paid parental leave at the same time. He reiterated that while it might not ultimately be a problem, it was worth further investigation.

Representative Jimmie asked if Mr. Walsh could walk the committee through how a paid parental leave program might be particularly beneficial for families in rural Alaska where access to childcare and support was limited.

Mr. Walsh responded that one of the more fascinating benefits of the policy was how it related to rural Alaska. He explained that the cost of infant childcare in urban Alaska was already often high. In locations with no access to childcare at all, the policy could help keep households economically stable while parents made arrangements to return to work. He added that it would also allow families to benefit from important bonding experiences with their newborn child, foster child, or adoptee.

Representative Jimmie asked for a more detailed explanation of the childcare aspect. She noted that in many rural villages, there were no daycare centers, and the only way to obtain care was to pay family members or someone in the community to take care of a child.

Mr. Walsh responded that the bill would allow a family unit to receive income while taking care of a child rather than seeking out expensive or unavailable childcare. He stated that the bill would help new families figure out how to get started.

[6:04:30 PM](#)

Representative Bynum remarked that the provisions in FMLA already covered many of the same elements. He noted that a major difference was that employers were not required to pay employees under FMLA. He asked why the bill did not simply mirror FMLA, with the addition of pay protections.

Mr. Walsh replied that the current bill leveraged elements of existing infrastructure such as the unemployment insurance system, which employers participated in regardless of their size. He stated that FMLA applied only to employers of a certain size or scale, and the bill attempted to strike a balance between coverage and feasibility.

Representative Bynum explained that under current law, many employers required employees to use accrued sick leave and vacation leave in conjunction with FMLA if the employee wanted to receive pay. He noted that the bill appeared to offer pay without requiring that employees first use accrued leave. He asked how the bill might align or conflict with federal law.

Mr. Walsh responded that he could further examine federal law and follow up. He noted that language on page 5 of the bill regarding coordination of benefits indicated that a worker might be unable to roll over accrued time from year to year. He stated that by utilizing contributions already made by the employer and employee, the state could potentially provide a more effective benefit for a lower cost.

Representative Stapp complimented Representative Hall and her staff on their breadth of knowledge and noted that the topics they addressed were complex. He was impressed with their understanding of the content. He referenced page 9 of the bill which mentioned AS 23.10.700 through AS 23.10.795 regarding federal tax withholding. He explained that the tax tracking type on a deduction typically determined whether benefits were taxable. He stated that if premiums were deducted on a pre-tax basis, the benefits were typically taxable, but if the payroll deduction was made after-tax, the benefits were typically not taxable. He asked how the employer would make the deduction and whether the deduction would be made on a pre-tax basis or on an after-tax basis. He stated that the answer would likely impact the tax tracking type.

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Mr. Walsh responded that he had been researching the issue that morning. He reported that the Internal Revenue Service (IRS) had issued recent guidance regarding the taxability of similar compensation and the IRS was treating the contributions the same way it treated unemployment insurance contributions. He stated that the IRS was considering the contributions to be taxable. He relayed that he would likely need to follow up with more information.

Representative Stapp thought that the issue should be reviewed. He reiterated that the taxability of disability insurance benefits was determined by whether contributions were made using pre-tax or after-tax dollars. He referred to page 10 of the bill regarding amounts deducted for federal income taxes and withheld from paid parental leave. He understood that subsection (3) on page 9 allowed an individual to elect to have federal income tax deducted and withheld from the individual's parental leave payment. He thought that the language suggested the department would be responsible for withholding federal income tax on behalf of the individual and transmitting the withheld amount. He expressed concern about whether the duty should be the department's responsibility and wondered if it would be better to make the individual responsible for the liability if they received the benefit.

Mr. Walsh responded that the bill was based on a policy that was built off of the functions of the unemployment insurance system. He noted that Representative Stapp's points were well-taken. He suggested that someone from the department could provide more details.

Representative Stapp suggested that the sponsor and her office examine the issue.

Co-Chair Foster asked who the best person would be to respond.

[6:13:00 PM](#)

Ms. Harbour responded that she would need to review the unemployment insurance statute. She explained that the department issued 1099-G forms for unemployment benefits and she was not aware of any tax withholdings on unemployment benefits.

Representative Stapp noted that at the bottom of page 9, the bill stated that the individual may elect to have federal income tax deducted and withheld from the individual's payment of paid parental leave in the amount specified.

Representative Galvin stated that she believed the bill did not apply to independently owned businesses or sole proprietorships. She asked if she was correct.

Mr. Walsh confirmed that the bill did not apply to self-owned sole proprietorships. He explained that during discussion of earlier drafts of the bill, the department had indicated that it currently lacked the infrastructure to collect unemployment insurance contributions from self-owned or sole proprietorships because the businesses did not currently make contributions.

Representative Tomaszewski asked whether both parents were covered under the bill and whether their marital status affected eligibility.

Mr. Walsh replied that the marital status of the parents would not matter. In a given household, either parent would be able to file a claim, provided they had paid into the benefits system. He stated that both parents would be eligible for the benefit.

Representative Tomaszewski understood that the eligible parent would be determined by who signed the paperwork at the hospital if the parents were unmarried. [He received nonverbal confirmation that he was correct.] He stated that he also had a question for DLWD regarding the graphs on slide 2 of the presentation and the unemployment insurance stress test scenario of HB 193.

Mr. Weller confirmed that all of the graphs reflected unemployment insurance financing, trust fund balance, benefit costs, and average employer and employee tax rates.

Representative Tomaszewski stated that he understood from the presentation that there were two different funds involved: one for paid parental leave and another for unemployment insurance. He had assumed that some of the employer contributions went into UITF and some of the contributions went into the fund for paid parental leave. He asked for clarification on whether the funds were separate.

Mr. Walsh responded that the funds were separate. He relayed that slide 14 of the presentation depicted the two funds separately and distinctly. He clarified that one fund was for paid parental leave and the other was for unemployment insurance. Under federal law, UITF could not be altered because the state's participation in the federal compact.

Representative Tomaszewski asked if the unemployment insurance stress scenario reflected payments from the paid parental leave program.

Mr. Weller responded that the figures reflected the diversion of the employee contribution of 0.15 percent, which otherwise would have gone into the trust fund. He added that the chart also incorporated the combined 0.3 percent from employers allocated to the paid parental leave program, and the additional 0.1 percent designated for the STEP program. He stated that the scenario was modeled on a recessionary period, although not all assumptions may have been made explicit. He noted that the model accounted for increased claims, changes to employment and wages impacting tax revenues, and increases to the benefit schedule to \$817 and the dependent allowance to \$72, both of which were adjusted for inflation.

[6:19:06 PM](#)

Representative Tomaszewski asked whether the modeled scenario included paid parental leave payments or if it was strictly a recession scenario.

Mr. Weller replied that the scenario only reflected the impact of diverting revenue from unemployment insurance to paid parental leave. He confirmed that benefit costs from the parental leave program were not included in the modeled scenario. The new revenue stream created by the paid parental leave tax was modeled as diverted from the trust fund, but the scenario did not include expenditures for the new program. He reiterated that the only changes modeled were the reduction in revenue to UITF, the increased benefit schedule, and indexing.

Representative Tomaszewski asked if the only variable in the scenario was the reduction in revenue.

Mr. Weller confirmed that the model incorporated all elements of the bill as written. He stated that the only impact on the paid parental leave program in the scenario was the revenue diversion. All other impacts were specific to the unemployment insurance financing system.

Representative Tomaszewski understood that the bill included an increase in contribution rates intended to fortify UITF. He observed that by 2029, the fund was

projected to drop by \$700 million, resulting in increased employer and employee contributions in 2028 and more significantly in 2029. He stated that the scenario appeared to show that the tax in 2030 would double, the employer contribution would exceed 2 percent, and the employee contribution would rise by about 50 percent from the original level. He asked whether his interpretation was accurate.

Mr. Weller responded in the affirmative. He explained that the financing system responded to changes in cost and that such increases would occur in any recessionary scenario, regardless of the legislation.

Representative Tomaszewski stated that he would like to see data from the COVID-19 period, which had served as a real-world stress test for the fund. He thought that a presentation on the data would demonstrate how the fund reacted to a severe event during which time there was a massive increase in unemployment. He thought the situation was a valuable stress test that had already occurred and the information would be helpful.

[6:23:19 PM](#)

Representative Bynum asked if it would be possible to receive a history of the trust over the last five to ten years in order to understand the rates that had been set to maintain a funded trust. He explained that he asked because the bill characterized the changes as a tax cut, but the stress testing scenarios referenced by Representative Tomaszewski indicated that there would be a cut that would lead to significantly higher rates. He would like to see the historical rates set prior to the bill's effective date to better understand the rationale behind diverting revenue, specifically the additional 0.2 percent that would not be deposited into the trust. He questioned why the revenue would be withheld when the result could be an immediate drop in the fund followed by a sharp rate increase to stabilize it.

Co-Chair Josephson asked for confirmation that Representative Bynum's question was for the sponsor's staff.

Representative Bynum responded in the affirmative. He confirmed that he was requesting the history in order to support a better evaluation of the fund's performance.

Mr. Walsh responded that he would work with the department to obtain the requested information.

[6:29:36 PM](#)

Representative Hannan asked if Mr. Weller could review the stress test graph. She thought a review of the factors that led to the growth in the bar graphs in 2029 and 2030 would be helpful now that she had a better understanding of the bill.

Mr. Weller responded that he would be happy to walk through all of the elements of the stress test. He explained that the scenario applied in the stress test was more extreme than the impact experienced during the COVID-19 pandemic. He stated that he had modeled a threefold increase in claimants lasting approximately three and a half years, combined with employment and wage changes that matched the percentage changes observed during the COVID-19 period. He stated that the system was heavily stressed in the model in both duration and intensity.

Mr. Weller stated that the reserve ratio had been approximately 4.47 percent at the beginning of 2025 and was the figure used to calculate tax rates for the current year. He noted that the ratio was expected to reach 4.8 percent for the 2026 rate-setting year, and the stress test assumed the bill would take effect at the beginning of 2026. He modeled an increase in the maximum weekly benefit amount from \$370 to \$817 and an increase in the dependent allowance from \$24 to \$72 per dependent, with a maximum of three dependents per claimant. He added that he included the 0.15 percent diversion from the employee contribution to the parental leave program, the 0.2 percent diversion from the employer contribution to the parental leave program, and the additional 0.1 percent that would be diverted to STEP.

Mr. Weller stated that benefit costs began at approximately \$45 million in the current year and increased to \$350 million by 2029. He emphasized that the figures reflected significantly higher benefit costs than those that had occurred during the COVID-19 period on a single-year basis.

He stated that the resulting reserve ratios fell substantially but that the system demonstrated a strong capacity to absorb variation in benefit costs. He explained that the financing structure incorporated both benefit costs and a statutory reserve ratio target that had existed since the early 1980s. He noted that the target had sustained the fund through multiple economic downturns, including the late 1980s and 1990s recession, the 2000s recession, the 2008 financial crisis, and the COVID-19 pandemic.

Representative Hannan shared her understanding that the scenario assumed all provisions of the bill had taken effect and that the model used three times the number of claimants over a three-year period before additional funds needed to be added back into the trust.

Representative Galvin asked for clarification on whether the 0.35 percent and 0.10 percent figures reflected current contributions or if the contributions would be increased by the bill. She asked for an explanation of the functions of STEP and TVAP because some members might not be familiar with the programs. She expressed a desire to ensure that the programs were protected.

Mr. Walsh replied that the graph on slide 13 displayed the current structure of the state's unemployment funding system. He relayed that STEP currently received a 0.1 percent employee contribution and TVEP received an additional 0.15 percent contribution, totaling 0.35 percent. He stated that the bill proposed an additional 0.1 percent contribution to STEP, as illustrated on slide 14. He explained that the increase was intended in part to help train individuals and return them to the workforce.

Representative Galvin understood that STEP would receive increased funding and the goal was to provide more opportunities to help train Alaskans for employment.

[6:32:29 PM](#)

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER (via teleconference), stated that three fiscal notes were before the committee. The first was a previously published zero fiscal note [FN1] from the Department of Administration (DOA) with OMB component number 59 and control code kvktiv.

He explained that DOA had indicated that it could absorb all additional workload with existing resources.

Mr. Anderson stated that the next fiscal impact note was from the Department of Labor and Workforce Development (DLWD) with OMB component number 2276 and control code svTSY. He stated that the fiscal note requested FY 26 appropriations of \$379,500 for personal services, \$137,400 for services, and \$8,200 for commodities, for a total operating cost of \$525,100. He noted that the source of funds would be designated general funds (DGF) temporary. He explained that the STEP fund would reflect a \$10 million shift and that there would also be an increase of \$35 million in DGF temporary. He relayed that the department had acknowledged that the bill would require regulation changes. He explained that the \$379,500 annual personal services costs would support various staff and the \$137,000 services cost for FY 26 would drop to \$101,400 annually beginning in FY 27. He explained that the funds would include one-time developer costs, testing, remediation, production, and implementation in FY 26, as well as ongoing information and technology maintenance in subsequent years. He stated that the \$8,200 in commodities for FY 26 would decrease to \$1,200 annually beginning in FY 29. The \$1,200 in commodities accounted for supplies and equipment and \$7,000 in FY 26 and in FY 29 would support the replacement of old computers.

Mr. Anderson reviewed the last fiscal impact note from DLWD with OMB component 344 and control code hdCol. He detailed that the note reflected an FY 29 appropriation request of \$743,300 for personal services, \$344,300 for services, \$18,000 for commodities, and \$12,479,300 for grants and benefits, for a total operating cost of \$13,584,900. He elaborated that all funds would come from fund source 1252, DGF temporary. The fiscal note reflected an increase of five positions and a projected revenue increase of \$15 million. He relayed that regulation changes would be required to implement the provisions reflected in the fiscal note. The cost of personal services included two accountant technicians, one project assistant, one appeals officer, and one hearing officer. The \$344,300 in services for FY 26 would drop to \$125,000 in future fiscal years. He noted that the FY 26 amount reflected the cost of modifying in-house programs to track and administer claims. He added that the \$18,000 in commodities would be required annually.

Finally, the \$12,479,300 in grants and benefits rounded out the total.

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Co-Chair Foster noted that there was an updated fiscal note.

Mr. Anderson explained that there was a new fiscal note submitted in place of the final fiscal note for OMB component 344. There would be a new control code and substantial cost differences that was forthcoming. The updated fiscal note would total closer to \$34.4 million. He noted that he would distribute the updated fiscal note to committee members and it would be reviewed at any future hearings for the bill.

HB 193 was HEARD and HELD in committee for further consideration.

Co-Chair Foster relayed that the committee was scheduled to hear HB 104, but due to time limitations it would hear the bill the following day.

#hb96

HOUSE BILL NO. 96

"An Act establishing the Home Care Employment Standards Advisory Board; relating to payment for personal care services; and providing for an effective date."

[6:44:25 PM](#)

REPRESENTATIVE MIKE PRAX, SPONSOR, introduced the bill. He stated that Alaska faced an increasing number of senior citizens and other citizens needing home care and services, and that the need was outpacing the supply of available providers. He explained that the increase was one of the drivers behind the legislation. The bill was also being driven by a proposed change in federal Medicare regulations that would require an advisory board to assist in the rebasing of the rates. He stated that Mr. Tony Newman,

Director of Senior and Disabilities Services, was present to assist with questions, in addition to other individuals available on the line to answer detailed questions. He summarized that the bill created an advisory board, described the terms of office for board members, the board's composition, and its powers. He added that the bill required the board to provide a biannual report.

[6:46:48 PM](#)

Co-Chair Foster relayed that the committee would hear invited testimony.

[6:47:16 PM](#)

ALEXIS RODICH, RESEARCH AND POLICY DIRECTOR, SERVICE EMPLOYEES INTERNATIONAL UNION 775, TACOMA, WA (via teleconference), stated that she was the director of the Service Employees International Union (SEIU) 775, which was referred to as the Alaska Caregivers' Union. She explained that the union represented more than 55,000 direct care workers in Washington, Montana, and Alaska. She stated that the union was deeply committed to a strong and sustainable system of long-term services and supports in Alaska and it supported HB 96. She relayed that Alaska had been experiencing a major demographic shift that was increasing demand for care, particularly for higher-skilled care. Over the past decade, the state had one of the fastest-growing senior populations per capita in the nation and the trend was expected to continue. She noted that older Alaskans and Alaskans with disabilities were living longer, which was a positive development.

Ms. Rodich remarked that with age came higher acuity and more complex care needs. She stated that many caregivers working with the union had children with developmental disabilities who were living longer than expected. The caregivers were concerned about what would happen when they were no longer available to provide care to patients. She added that Alzheimer's disease and other forms of dementia were also becoming more common, which created additional demand for care services. Given the demographic changes, it was unsurprising that DLWD had predicted that home care would be one of the fastest-growing and most in-demand occupations in Alaska. However, the number of potential caregivers had declined from a ratio of 15 to 1 in 2018 to a projected 7 to 1 ratio by 2030. She noted that the

shortage was even more acute in rural and remote areas of the state.

Ms. Rodich stated that a higher concentration of older Alaskans lived in Southeast Alaska and on the Kenai Peninsula than in other parts of the state. She emphasized that older individuals had built lives and families and did not want to move to Anchorage or out of state to access the care they needed as they aged. The union did not want individuals to be forced into institutional or congregate care settings, which could cost the state hundreds of thousands of dollars more per year per person. She warned that the workforce crisis would continue to worsen and would become significantly more costly unless the state took steps to build a strong, well-trained, professional direct care workforce. She stated that HB 96 helped the state build its workforce in two ways.

Ms. Rodich stated that the bill ensured the state would maximize the Medicaid personal care rate by establishing a labor rate for personal care services. She explained that a percentage of the Medicaid rate that agencies received for personal care assistant services must go directly towards pay and benefits for direct care workers. She noted that in Alaska, nearly all personal care services were provided through a consumer-directed "agency with choice" model, in which agencies had far fewer responsibilities than under a traditional agency model.

Ms. Rodich stated that under the agency with choice model, the consumer was responsible for recruitment, scheduling, training, and hiring, rather than the agency. She asserted that it was reasonable that a 70 percent share of the Medicaid rate should go towards paying for services rather than towards agency overhead. She added that the bill also created greater transparency in how the Medicaid personal care rate was being used.

Ms. Rodich relayed that in recent years, many caregivers had traveled to Juneau, met with legislators, and provided public testimony to describe how the Medicaid rate suppressed their wages. The low rate made it impossible for caregivers to make ends meet without taking on extra jobs, juggling bills, or going into debt.

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Ms. Rodich stated that the legislature responded by enacting multiple rate increases, including two that included legislative intent for part of the increase to go toward caregiver pay and benefits. She shared that some caregivers received wage increases of \$2 to \$4 per hour, which provided significant relief for workers previously earning \$16 per hour. However, many other caregivers did not receive such increases.

Ms. Rodich continued that no one had a clear understanding of how agencies allocated the rates and increases because there did not appear to be consistent data collection or analysis. She explained that the second way the bill would strengthen the long-term care workforce was by creating the Workforce Standards Advisory Board (WSAB). The proposed board was modeled after similar entities in Nevada and Washington. She explained that the board would bring together stakeholders most impacted by the home care system, including providers, caregivers, clients, and DOH to identify and plan for long-term workforce needs and assess whether the rates were adequate to meet the needs. She explained that the board would create a mechanism for each group of stakeholders to work together to determine priorities, recommend solutions, and evaluate whether the state was adequately resourced and prepared for the future.

Ms. Rodich emphasized that demographic changes had already begun and the caregiver shortage was already apparent. The committee had heard painful testimony from caregivers who had been required to move loved ones to Anchorage to access adequate care, or had left their jobs to provide unpaid care in order to qualify for paid services. She asserted that HB 96 represented an opportunity for Alaska to take action to ensure that Alaskans in need of care both now and in the future received less costly care.

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Representative Jimmie asked for more information about congregate care settings being more costly to the state every year.

Ms. Rodich responded that a 2019 study conducted by DOH found that care provided in the home cost 59 percent less than services delivered through intermediate care facilities for individuals with intellectual or developmental disabilities. The same study found that home

care services could cost 45 to 90 percent less than nursing home care for seniors and people with disabilities. In FY 24, the average cost per individual for in-home personal care services under the state plan was \$13,265, compared to \$143,000 for care in nursing homes.

Ms. Rodich emphasized that the difference in cost was significant and investing in home care not only resulted in substantial savings for the state but also positively impacted the economy. There was a well-known study by LeadingAge which found that each additional dollar paid to a direct care worker had a multiplier effect in the community ranging from 1.6 to 2.1. Investment in home care could have a considerable economic benefit across various communities due to the demand for care workers throughout the state.

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Representative Jimmie noted that she had a question for Mr. Tony Newman. She asked what options existed for individuals in rural Alaska who needed care, and if the needs were currently being met.

TONY NEWMAN, DIRECTOR, DIVISION OF SENIOR AND DISABILITY SERVICES, DEPARTMENT OF HEALTH, confirmed that there was a greater need for home care services in rural Alaska, including personal care and residential habilitative services such as group homes. He stated that he did not have specific figures available at the moment but the department was currently pursuing several initiatives. During the previous legislative session, a bill had passed establishing a new service known as adult host home care [SB 57, passed in 2023], which allowed for the development of settings that were less intensive than assisted living homes and made it easier for smaller home-based settings to achieve licensure. He offered reassurance that there were ongoing efforts to develop the services that were necessary to allow individuals to stay in their rural communities as they aged.

Mr. Newman stated that regulations for the bill passed in 2023 had been under development. He explained that the department had created an allowance for legally responsible individuals to be paid to provide certain kinds of care, primarily personal care. He clarified that a legally responsible individual who normally would not be permitted

to receive payment for providing care, such as a parent or spouse, would be allowed to do so under the bill. He added the provision was introduced during the COVID-19 pandemic and the department had continued the payment allowance beyond the conclusion of the public health emergency. The department was in the process of developing regulations to make it a permanent feature of Alaska's health care system. He reiterated that the provision would enable individuals to access services in their home communities without needing to move to a larger city. He noted that the department was taking a number of steps to better reach rural Alaska.

Representative Jimmie commented that she hoped the policy would become permanent. She relayed that it was difficult for elders in rural communities to leave their villages and familiar surroundings and culture, including traditional foods and interactions with family. She described the experience of her aunt, Bessie, who had participated in the program, and noted that before learning its official name, she had referred to it as "Auntie Bessie Care." She expressed her support for the continuation of the program in Alaska.

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Co-Chair Foster asked for a review of the fiscal note.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the fiscal impact note from DOH, OMB component 2663, control code poXlb. He stated that the fiscal note included FY 26 appropriations as follows: personal services at \$132,300, travel at \$2,000, services at \$24,000, and commodities at \$5,000, for a total operating cost of \$163,300. He explained that the amount would be funded through \$81,600 in federal receipt authority and \$81,700 in general fund match.

Mr. Anderson continued that in FY 26, the department planned to add one support position and in FY 27, a second position would be added, which would increase personal services to \$270,200. He stated that travel would remain at \$2,000, while services would increase to \$48,000 and commodities would increase to \$7,000. He reported that the total operating cost in FY 27 would be \$327,200, with corresponding increases to both general fund and UGF match. The fiscal note also required regulation changes by the

department. He stated that one full-time health program manager would be hired in FY 26 and a second would be hired in FY 27. He explained that services and commodities costs would increase accordingly, and that there would be one-time commodity costs of \$3,000 in each year the positions came on board.

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Representative Johnson explained that she had known an elder in her community who had since passed away, along the elder's husband. Both individuals were retired teachers and had carried some type of private insurance through employment. Although the individuals had received home health services, the services were not Medicaid-funded but were provided through a separate program. She relayed that the elder had expressed concerns over the years about the lack of training received by the attendants. She noted that even though the elder had been in her 80s, she had been afraid to leave her husband alone with an attendant, as the attendants had not been trained in tasks such as helping her husband get up or walk with a gait belt. She asked whether the bill would apply to privately funded services or if it was limited to Medicaid-funded care.

Representative Prax responded that the bill applied only to Medicaid-funded services. However, he thought it was reasonable to expect that clearly defined Medicaid standards might extend to other types of care, including private services. He reiterated that the bill specifically applied to Medicaid-funded care.

Representative Johnson noted that she had looked into the matter years ago and found the lack of standards for privately funded care to be a challenge. She noted that there had been no clear route to implementing standards because the program had not been state-funded. She asked whether a department representative might be able to clarify further.

Representative Prax responded that the bill would likely lead to more standardized care due to the clearer definitions provided for Medicaid services. He noted that some individuals accessed services through long-term care insurance, which was often unaffordable. He stated that many people were ineligible for Medicaid and lacked long-term care insurance. The bill did not directly address the

gap but might eventually benefit individuals who were ineligible for Medicaid.

Representative Johnson thought that the issue deserved further examination. She stated that regardless of whether care was funded by Medicaid or long-term care insurance, the system lacked adequate review of how to ensure that in-home care worked effectively. She emphasized the importance of trained individuals being available to provide care, but she acknowledged the need to start small before progressing to broader reforms.

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Representative Bynum thought that the bill addressed a genuine need and that the investment would result in a return. He expressed confidence that Representative Prax had thoroughly researched the issue. He asked what would happen if the bill passed but the positions outlined in the fiscal note were not filled. He asked how it would affect the state's ability to implement the bill.

Representative Prax responded that if the bill were not funded in the current fiscal year, it would delay the development of regulations. He added that the impact would depend on the timing and content of forthcoming federal regulations. He stated that the delay could hinder efforts to comply with expected federal requirements.

Representative Bynum asked if DOH could shift its priorities to implement the bill in the event of a budget shortfall. He thought the bill should be a high priority. He acknowledged the state's tight budget and remarked that departments often reprioritized when presenting fiscal notes.

Representative Prax suggested that Mr. Newman respond to the question.

Mr. Newman responded that a new federal rule called the Medicaid Ensuring Access Rule required the state to establish an advisory board similar to the one proposed in the bill. The rule also mandated that by 2030, personal care workers and other home health care workers receive 80 percent of the Medicaid rate paid to agencies providing the services. He noted that the advisory board would need to be established by July of 2026. If the bill did not pass and

the department could not hire the necessary staff, the department would still try to establish the board in time to meet the federal requirement. He relayed that additional guidance from the federal government on how to implement the various provisions of the rule was anticipated to be forthcoming. He added that immediate efforts would focus on establishing the advisory board and that the 80 percent reimbursement rule would be phased in by 2030.

Representative Galvin noted that the bill proposed a 70 percent reimbursement but the federal requirement was 80 percent. She asked if the intent was to move gradually toward the federal standard.

Mr. Newman responded that the bill included a phased approach, with a 70 percent benchmark by 2026 and an 80 percent benchmark by 2036. He noted that the federal government currently required 80 percent by 2030, but the bill allowed for a longer implementation period.

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Co-Chair Foster invited Representative Prax to make closing comments.

Representative Prax reiterated that the bill represented a worthwhile effort, and he thought there would be financial benefits to the state. He acknowledged that it was difficult to make definitive predictions but there appeared to be significant space between the level of service offered by personal care services and that of skilled nursing facilities. He asserted that if the bill succeeded in increasing the supply of personal care services, there would be a net savings to the state due to a reduced reliance on more expensive skilled nursing care.

Representative Prax clarified that the bill aimed to support appropriately skilled workers. He relayed that the bill did not require personal care workers to be licensed practical nurses or have comparable qualifications. He emphasized that the goal was to deliver effective and appropriate services. The bill would improve service delivery, especially in rural areas, and generate long-term cost savings.

Co-Chair Foster announced that the amendment deadline for HB 96 was Saturday, May 17, 2025, at 5:00 p.m. He noted that there could be some flexibility with the deadline.

HB 96 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda for the following day.

#

ADJOURNMENT

[7:15:42 PM](#)

The meeting was adjourned at 7:15 p.m.