

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

April 16, 2025

3:33 p.m.

MEMBERS PRESENT

Senator Löki Tobin, Chair
Senator Jesse Bjorkman
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Gary Stevens, Vice Chair
Senator Mike Cronk

COMMITTEE CALENDAR

SENATE BILL NO. 5

"An Act relating to group insurance coverage and self-insurance coverage for school district employees, employees of the University of Alaska, and employees of other governmental units in the state; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 5

SHORT TITLE: SCHOOL/UNIVERSITY EMPLOYEE HEALTH INSUR

SPONSOR(S): SENATOR(S) HUGHES

01/22/25	(S)	PREFILE RELEASED 1/10/25
01/22/25	(S)	READ THE FIRST TIME - REFERRALS
01/22/25	(S)	EDC, L&C
04/16/25	(S)	EDC AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR HUGHES, District M
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 5.

CHUOL MUT, Intern
Senator Shelley Hughes

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Co-presented an introduction of SB 5 and offered the sectional analysis.

RODNEY DIAL, Mayor
Ketchikan Gateway Borough
Ketchikan, Alaska

POSITION STATEMENT: Testified by invitation on SB 5.

LISA PARADY, Executive Director
Alaska Council of School Administrators
Juneau, Alaska

POSITION STATEMENT: Testified by invitation on SB 5.

MICHAEL ROBBINS, Superintendent
Ketchikan Gateway Borough School District
Ketchikan, Alaska

POSITION STATEMENT: Testified by invitation on SB 5.

KATHERINE GARDNER, Deputy Superintendent
Mat-Su Borough School District
Palmer, Alaska

POSITION STATEMENT: Testified by invitation on SB 5.

LON GARRISON, Executive Director
Association of Alaska School Boards
Juneau, Alaska

POSITION STATEMENT: Testified by invitation on SB 5.

HEATHER ARANA, Director
Benefits and Compensation
University of Alaska Systems
Fairbanks, Alaska

POSITION STATEMENT: Testified by invitation on SB 5.

STEVE RAMOS, Chief Health Administrator
Division of Retirement and Benefits
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Answered questions and offered an overview of fiscal note OMB 64 for SB 5.

ALESIA KRUCKENBERG, Director
Strategy, Planning and Budget
University of Alaska Systems
Fairbanks, Alaska

POSITION STATEMENT: Offered an overview of fiscal note OMB 1296 for SB 5.

ACTION NARRATIVE

[3:33:21 PM](#)

CHAIR TOBIN called the Senate Education Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators Kiehl, Bjorkman, and Chair Tobin.

SB 5-SCHOOL/UNIVERSITY EMPLOYEE HEALTH INSUR

[3:34:55 PM](#)

CHAIR TOBIN announced the consideration of SENATE BILL NO. 5 "An Act relating to group insurance coverage and self-insurance coverage for school district employees, employees of the University of Alaska, and employees of other governmental units in the state; and providing for an effective date."

[3:35:29 PM](#)

SENATOR HUGHES, District M, Alaska State Legislature, Juneau, Alaska, sponsor of SB 5. She stated that SB 5 is a straightforward bill previously heard last session, with recent discussion about amendments on the Senate floor. She explained that the bill would allow school districts, the University of Alaska, and interested local governments to opt into the state health insurance pool (AlaskaCare). She noted several districts expressed interest this year, believing participation could result in cost savings, and emphasized support for those efforts.

SENATOR HUGHES added that her office contacted Matthew Moser at the National Education Association (NEA). The NEA remains neutral on the bill, while the Fairbanks district supports it but was unable to join as invited testimony. She cited an Institute of Social and Economic Research (ICER) study showing that over 25 years, health care costs have increased fivefold, averaging 7.8 percent annually.

SENATOR HUGHES reported that some superintendents estimated 25 to 30 percent of their district budgets go toward health benefits. She stressed that legislators aim to direct education funding toward student learning and teacher support, yet up to 45 percent of state funds for education, excluding local contributions, currently go to health insurance.

SENATOR HUGHES concluded that while the option may not benefit every district, SB 5 would allow flexibility for those able to

save money through the state pool, ensuring more funding can support students and educators directly.

[3:38:41 PM](#)

CHUOL MUT, Intern, Senator Shelley Hughes, Alaska State Legislature, Juneau, Alaska, co-presented an introduction of SB 5 and offered the sectional analysis:

[Original punctuation provided.]

SB 5 Sectional Analysis

Section 1 - AS 14.08.101 - Page 1, Line 5 through Page 2, Line 29 INTERIM ADDRESS: 600 E Railroad Avenue Wasilla, Alaska 99654 907-376-3725 Sen.Shelley.Hughes@akleg.gov Adds to powers of regional school boards the power to establish and maintain school district participation in a policy of group insurance, selected by the State of Alaska, that provides medical insurance.

Section 2 - AS 14.14.090 - Page 2, Line 30 through Page 4, Line 13 Adds to the duties of a regional school board the duty, when the board's school district participates in a policy of group insurance elected by the State of Alaska that provides medical insurance, to determine and disperse to district employees and administrative officers the amounts necessary to cover the district's portion of the cost of that participation.

Section 3 - AS 14.17.300 - Page 4, Line 14 through Line 27 Allows the Commissioner of Administration to expend from the public education fund (AS 14.17.300) to the group health and life benefits fund (AS 39.30.095) a total of \$100,000,000 or less as needed to pay claims submitted by school district employees who are covered by a policy of self-insurance provided by the state; and, requires the Commissioner of Administration to repay the public education fund, over a period of 10 years, the full amount of the commissioner's expenditures from the public education fund.

Section 4 - AS 14 - Page 4, Line 28 through Page 5, Line 31 Chapter 27. University and School District Employee Health Insurance. Sec. 14.27.010

(a) Allows school districts to participate in a policy of insurance that provides medical insurance coverage to state employees and school district employees.

(b) Participating school districts are required to contribute to the group health and life benefits fund (AS 39.30.095) based on rates set by the commissioner of administration.

(c) Participating school districts are required to reimburse the state for procuring excess loss insurance if the state provides insurance benefits to school district employees under a self-insurance policy.

(d) Requires participating school districts to reimburse, over a period not to exceed 10 years, the Department of Administration's cost of paying insurance claims by school district employees for the first four months. School district employees are covered by a self-insurance policy provided by the state of Alaska.

(e) Allows a participating school district to require its employees to pay some or all of the money that this bill section would require the school district to pay to the state.

(f) Defines "school employee" and "school employer" for purposes of the bill section.

Section 5 - AS 14.40.170(b) - Page 6, Line 1 through Line 15 Allows the Board of Regents of the University of Alaska to establish and maintain university participation in a policy of group insurance, selected by the State of Alaska, that provides medical insurance for university employees.

Section 6 - AS 39.30.090(a) - Page 6, Line 16 through Page 8, Line 30 Clarifies that when a participating governmental unit employee is covered by a group insurance policy obtained by the Department of Administration, the employee's spouse and dependent children are also covered.

Section 7 - AS 39.30.090(b) (2) - Page 8, Line 31 through Page 9, Line 3 Adds the University of Alaska to the definition of governmental unit applicable to section 6 of this bill.

Section 8 - AS 39.30.090(b) - Page 9, Line 4 through Line 6 Add the definition of school district to AS 39.30.090, which is amended by section 6 and 7 of the bill.

Section 9 -AS 39.30.091 - Page 9, Line 7 through Line 15 Authorizes the Department of Administration to provide group medical care insurance coverage to school district employees and employees of other governmental unit by means of selfinsurance.

Section 10 - AS 39.30.091 - Page 9, Line 16 through Line 21 Requires the Department of Administration to procure excess loss insurance in connection with providing group medical insurance coverage to employees of governmental units other than the state, and allows the department to allocate the cost with the excess loss insurance across all of those governmental units.

Section 11 - The Uncodified law of the State of Alaska -Page 9, Line 22 through Line 26 Make sections 1- 8 and section 10 of the bill applicable to collective bargaining agreements and other contracts that become legally binding on or after the effective date of those bill sections.

Section 12 - The Uncodified Law -Page 9, Line 27 through Page 10, Line 5 Require certain self-insured school districts to transfer the closing balance of their self-funded insurance reserve account soon after they enroll in a health care plan administered by the state, and requires that when transferred by a school district these amounts will be applied to offset reimbursements owed by that school district under AS 14.20.127(d), a provision proposed in section 4 the bill.

Section 13 - The Uncodified law of the State of Alaska - Page 10, Line 6 through Line 10 Authorizes the commissioner of administration to adopt regulations necessary to implement the changes made by the bill, to take effect on or after the effective date of the changes made by the bill.

Section 14 - The Uncodified law of the State of Alaska - Page 10, Line 11 Make sections 12 and 13 of the

bill effective immediately, subject to the restrictions set forth in those bill sections.

Section 15 Page 10, Line 12 Makes the bill's provisions effective date July 1, 2026, except as provided in bill section 14.

[3:40:02 PM](#)

MR. MUT began a presentation on SB 5 and moved to slide 2, What Does SB 5 Do. He read the slide:

[Original punctuation provided.]

What Does SB 5 Do?

Provides the option for school districts, the University of Alaska, and governmental units to participate in AlaskaCare: the state healthcare program.

[3:40:37 PM](#)

MR. MUT moved to slide 3, What Drives the Cost of Public Education in Alaska, which shows small schools, Healthcare, and Energy drive cost in Alaska's public schools.

[3:40:50 PM](#)

SENATOR HUGHES moved to slide 4, ISER Research Summary No. 2019-4. She said the point of sharing the information on slide 4 is to show that freeing up dollars spent on healthcare could help budget scenarios for districts and perhaps allow them to offer a more nationally competitive salary to teachers:

[Original punctuation provided.]

ISER Research Summary No. 2019-4

- "Alaska has the highest per capita healthcare costs in the US (Passini, Frazier, & Guettabi, 2018), which negatively affects private and public sectors of our economy. Healthcare costs are a part of teacher compensation. Alaska unadjusted per-pupil spending on teacher salaries is 14th in the nation - but after adjusted to US cost-of-living, the amount is 23% below the national average. Similarly, Alaska's unadjusted per-pupil spending on educator's employee benefits is 64 percent above the US average - but

after adjusted is only 9 percent above the US average.

- While the challenge of high healthcare costs is not unique to education, in a fixed budget scenario these costs put downward pressure on wages, making it more difficult for Alaska districts to offer teachers a nationally competitive salary.

[3:41:22 PM](#)

SENATOR HUGHES moved to slides 5 and 6, Benefits of Health Insurance Pooling, and stated that economies of scale could help relieve financial pressure on some school districts and allow for cost savings. She noted that, based on conversations with some superintendents, the health care options in the state plan are more attractive than what many districts currently offer. She emphasized that these options could benefit districts and potentially local governments.

SENATOR HUGHES explained that administration of the plan would shift to the Department of Administration, specifically the Division of Retirement and Benefits, which could reduce administrative burdens on school districts and local governments. She acknowledged that the workload shifts to the department and underscored the value of easing responsibilities for districts, especially given the focus on education funding this year.

[3:42:40 PM](#)

SENATOR HUGHES referred to a chart showing that over a five-year period, Alaska's health care costs rose more sharply than in the rest of the United States. She pointed out that both the cost levels and the growth rate of health care spending in Alaska have consistently exceeded those in the Lower 48.

[3:42:58 PM](#)

MR. MUT moved to slide 7, and shared a comparison of costs saying districts, the university of Alaska, and Local Governments should decide whether to pool with state healthcare:

[Original punctuation provided.]

Claims and Admin Costs

State of Alaska \$2,513/mo
KGBSD \$2,730/mo
Mat Su \$2,645/mo

Employer Cost

State of Alaska \$1908/mo
KGBSD \$2,475/mo
Mat Su \$2,315/mo

[3:43:48 PM](#)

SENATOR KIEHL asked for clarification on the slide, specifically whether "claims and administration costs" include both administrative expenses and the cost of care. He then requested a distinction regarding "employer cost" and asked what that category covers.

[3:44:17 PM](#)

SENATOR HUGHES stated that in 2024, the per-person health care cost in Alaska was \$2,513, with the state covering \$1,908 and the remainder paid by the employee. She noted that the Kenai Peninsula Borough School District found health insurance through the state to be more affordable. She acknowledged that some districts, such as Juneau, might currently have better insurance options, though she said she had not directly discussed that with the district. She emphasized that each entity should evaluate and choose what works best for their circumstances.

[3:45:18 PM](#)

SENATOR KIEHL asked whether the figure listed under "Claims and Admin Costs" represents the total premium amount, including both employer and employee contributions. He clarified that, since the state operates a self-insured pool, he wanted to confirm if that number reflects the full cost.

SENATOR HUGHES replied yes. It covers patient care because that would be the claim paying for the service.

SENATOR KIEHL thanked Senator Hughes for the clarification.

[3:46:11 PM](#)

CHAIR TOBIN announced invited testimony on SB 5.

[3:46:30 PM](#)

RODNEY DIAL, Mayor, Ketchikan Gateway Borough, Ketchikan, Alaska, testified by invitation on SB 5, stating that it would give communities like Ketchikan a potential tool to lower school district employee healthcare costs and redirect savings toward education and stable local taxes. He explained that the Ketchikan Gateway Borough School District faces major budget challenges, largely due to rapidly rising healthcare expenses. About 87 percent of the district's budget goes to salaries and benefits, with healthcare alone projected to increase by 10 percent in the upcoming fiscal year, pushing costs near \$9 million, or 20 percent of the total budget. He emphasized that as a self-insured district, the ability to explore a state-

administered insurance pool under SB 5 could offer financial relief, especially given the district's rising per-employee healthcare costs, now exceeding \$3,000 per month.

[3:49:04 PM](#)

LISA PARADY, Executive Director, Alaska Council of School Administrators, Juneau, Alaska, testified by invitation on SB 5. She stated that the Alaska Council of School Administrators (ACSA), represents school districts and education leaders statewide. SB 5 is a critical option for addressing rising healthcare costs. She emphasized that SB 5 is voluntary and allows districts to opt into a state-administered health plan without imposing a one-size-fits-all mandate. She noted that healthcare expenses now exceed 16 percent of many districts' budgets, diverting funds from student programs, staff development, and essential services, while double-digit annual increases outpace education funding and strain districts' ability to maintain benefits. She added that SB 5 offers access to larger risk pools, lower costs, regional collaboration, and respects local decision-making, while also serving as a key strategy for improving educator recruitment and retention in Alaska's most underserved areas.

[3:53:51 PM](#)

MICHAEL ROBBINS, Superintendent, Ketchikan Gateway Borough School District, Ketchikan, Alaska, testified by invitation on SB 5. He stated that SB 5 would allow school districts and the University of Alaska to voluntarily join a state-administered health insurance plan, offering choice and financial stability. He explained that Ketchikan spends over 20 percent of its general fund on employee healthcare, with healthcare costs rising unpredictably across the state, with some districts experiencing annual increases over 20 percent. He emphasized that such volatility forces difficult trade-offs, including cutting programs and delaying hires, especially when 92 percent of Ketchikan's budget goes to salaries and benefits, leaving only 8 percent for all other needs. He highlighted that SB 5 offers districts a way to reinvest savings into student programs such as mental health support, career and technical education, and enrichment opportunities, while maintaining strong benefits critical for attracting and retaining staff. He supported the bill's voluntary nature and the 10-year reimbursement period for transition costs, calling it a practical tool for districts seeking financial predictability without sacrificing benefit quality.

[3:57:59 PM](#)

KATHERINE GARDNER, Deputy Superintendent, Mat-Su Borough School District, Palmer, Alaska, testified by invitation on SB 5. She testified on behalf of the Matanuska-Susitna Borough School District and school board in strong support of SB 5, stating that the bill expands employee healthcare options for public education and provides a necessary alternative amid rising costs. She noted that Mat-Su spends nearly 15 percent of its total operating budget on health insurance, with premiums rising over 40 percent between 2013 and 2023. She called this an unsustainable trend that restricts investment in instruction, teacher development, and student programs. She explained that SB 5 offers access to larger risk pools and economies of scale, which could help control costs, increase competition, and improve employee coverage. She shared that Mat-Su has already taken steps by moving away from the Public Education Health Trust and offering high-deductible plans with health savings accounts but emphasized that challenges remain and SB 5 would give districts a valuable tool to pursue long-term fiscal sustainability and educational quality.

[4:01:43 PM](#)

LON GARRISON, Executive Director, Association of Alaska School Boards, Juneau, Alaska, testified by invitation on SB 5. He expressed support for SB 5, stating that it would give school districts, universities, and local governments the option to participate in pooled group or self-insurance coverage. He noted that the bill aligns with a legislative priority of the Association of Alaska School Boards (AASB) to improve teacher and staff recruitment and retention. He emphasized that rising healthcare costs have significantly impacted districts, especially smaller ones with limited enrollment. He explained that nonprofit, member-owned risk pools operate through collective funding and risk sharing, allowing districts to reduce costs, improve plan design, and redirect savings toward student success and employee support.

[4:04:11 PM](#)

HEATHER ARANA, Director, Benefits and Compensation, University of Alaska Systems, Fairbanks, Alaska, testified by invitation on SB 5. She expressed appreciation for the opportunity to testify and stated that the University of Alaska supports SB 5, as it faces the same rising healthcare costs seen statewide and nationally. She noted that the university has been working with the Division of Retirement and Benefits (DRB) for the past five years to assess the advantages of joining a larger risk pool. She highlighted that SB 5 brings the university closer to making such participation a reality and supports optional participation

as a way to expand risk sharing across public sector employees. She offered to provide additional analysis based on ongoing discussions with DRB.

CHAIR TOBIN concluded invited testimony and asked if committee members had questions.

[4:06:02 PM](#)

SENATOR BJORKMAN recalled that the Matanuska-Susitna Borough School District withdrew from the Public Education Health Trust (PEHT) after extended disputes over access to healthcare and claims data. The district sought to evaluate other plan options. He noted that the district now uses a different plan but understands its premiums may increase by approximately 23 percent next year. He questioned whether leaving the larger PEHT pool has produced the outcomes the district anticipated.

[4:07:18 PM](#)

KATHERINE GARDNER stated that leaving the Public Education Health Trust (PEHT) has met the district's expectations for two main reasons. First, both employee and district premiums over the past two years have been lower than they would have been under PEHT, even though one of the district's two plans is now facing a potentially large increase. She explained that she has access to claims data that fully supports the reason for that increase, which only affects one plan. Second, she values the autonomy the district now has, which allows them to explore plan changes to manage costs and consider future alternatives such as self-insurance or joining AlaskaCare.

[4:08:37 PM](#)

SENATOR BJORKMAN asked whether school districts would be able to move in and out of the state-administered insurance pool while maintaining full access to their claims data if SB 5 was adopted as proposed.

MS. GARDNER stated that she is unsure whether SB 5 guarantees access to claims data, which could make moving in and out of the pool challenging. She noted that districts like hers would need to carefully consider that issue. She added that AlaskaCare's large pool size and public management offer some confidence in how funds are handled, but emphasized that access to data will remain a critical factor in any future decision.

[4:09:43 PM](#)

SENATOR KIEHL stated that SB 5 is unclear about whether the Department of Administration has the authority to approve or

deny a school district's request to join AlaskaCare. He stated his belief that existing statutes reference the commissioner's authority to grant approval. He asked what decision standards guide the Commissioner of the Department of Administration. He also requested clarification on the overall vision for how SB 5 would function.

[4:10:35 PM](#)

SENATOR HUGHES deferred the question.

[4:10:56 PM](#)

STEVE RAMOS, Chief Health Administrator, Division of Retirement and Benefits, Juneau, Alaska, answered questions and offered an overview of fiscal note OMB 64. He stated that based on his review of SB 5, the decision appeared to rest entirely with the plan administrator, the Commissioner of the Department of Administration. He noted that the commissioner would issue a written response regarding a district's entry into AlaskaCare. He stated that the specific regulations or rules guiding that decision remain unclear to him.

[4:11:36 PM](#)

SENATOR KIEHL thanked him for his response. He stated that the bill sponsor may want to clarify the standards used for approving entry into AlaskaCare. He expressed concern that a future commissioner could deny access based on the potential for increased costs to the pool, which would undermine the bill's intent. He asked whether school districts or political subdivisions that join would be part of the same claims and financial pool as current AlaskaCare members, or if they would be in a separate pool administered by the same third-party administrator (TPA) under the division's rules.

[4:12:40 PM](#)

SENATOR HUGHES stated that although the intent seems to be for all members to join a single pool, the Division of Retirement and Benefits should also respond to the question. She noted the potential need for clarifying legal language to ensure intent is accurately reflected in SB 5.

MR. RAMOS stated that the current design of SB 5 does not clearly determine whether new members would be part of the same pool. He said it seems logical that without inclusion in the same pool, achieving savings would be unlikely. He emphasized that spreading risk across a larger group is necessary to achieve savings.

[4:13:24 PM](#)

SENATOR KIEHL referenced SB 5, Section 10, which addresses separately apportioning excess loss insurance to the pool of school district employees without spreading it across state employees. He questioned how that would function mechanically if all members were part of the same pool.

[4:13:53 PM](#)

MR. RAMOS acknowledged the question as valid and stated that he does not currently have experience with that scenario. He said he would need to investigate further and follow up with an answer.

CHAIR TOBIN asked that he send the information to her office for dissemination to members.

[4:14:23 PM](#)

SENATOR KIEHL asked for elaboration on SB 5, Section 3, regarding the intended use of the Public Education Fund.

[4:14:54 PM](#)

SENATOR HUGHES stated that she would need to review SB 5, Section 3, and follow up with a response. She apologized for not being fully familiar with that specific section. She said she did not want to assume the Public Education Fund would cover startup costs for the Department of Administration, although she acknowledged there is a fiscal note addressing those setup costs.

[4:15:24 PM](#)

CHAIR TOBIN stated that she was interested in the question regarding the use of the Public Education Fund. She noted that the fund allows for a structured draw for specific education services and wanted to know if there are any concerns related to that usage.

[4:15:38 PM](#)

SENATOR KIEHL expressed appreciation for the 10-year startup period and payback structure, recognizing it as a thoughtful effort to support school districts during the transition into AlaskaCare. He raised questions about the choice of the Public Education Fund and the aggregate cap, noting the absence of a time reference. He cautioned that if larger districts join early, the \$100 million cap could be reached quickly, potentially limiting access for smaller, rural districts. He emphasized the need to consider those mechanics to ensure the approach remains workable, especially for small districts.

SENATOR HUGHES stated that she would welcome the opportunity to work with his office and acknowledged the expertise of his staff in helping to address the issue. She added that they had not received a legal memo indicating any problem with the proposed use of the fund. However, she suggested it may be a good question for Legislative Legal.

CHAIR TOBIN stated the House recently had discussions regarding the use of the fund.

4:17:15 PM

SENATOR BJORKMAN asked whether the department had considered the impact of adverse selection under SB 5, since the bill would allow groups to move in and out of the plan. He expressed concern that groups with high-cost experiences might join AlaskaCare, and then leave when their costs decrease and savings become possible. He questioned how this movement would affect the overall cost to the State of Alaska for AlaskaCare.

4:18:05 PM

MR. RAMOS stated that the department had considered the issue but did not have a specific answer. He explained that approximately 150 entities, representing around 37,000 employees, could be affected, and emphasized that determining the impact requires knowing which specific groups would join AlaskaCare. He acknowledged that groups bringing higher risk—meaning higher costs than the current membership—would increase overall costs, and their later departure could also affect the plan. He noted that group size and characteristics vary, from the University of Alaska with 3,000 employees to entities with as few as 10, and factors such as illness burden and plan design must also be evaluated.

4:19:50 PM

CHAIR TOBIN stated that some Alaska communities commingle municipal and local school district employees in a shared health care pool. She asked whether there had been discussions about the potential impact if a school district chose to leave that pooled arrangement, possibly jeopardizing the municipality's ability to maintain health coverage due to reduced participation. She inquired if there were any provisions for more robust dialogue before such decisions are made.

4:20:29 PM

SENATOR HUGHES stated that she had not had those conversations but noted that, logically, if a school district, which is the

larger group in many local governments, were to leave a shared health plan, the municipality might either follow or face increased costs. She suggested that this could create financial pressure on the remaining group. She offered to make inquiries to determine whether any districts that support the bill had discussed this issue.

[4:21:25 PM](#)

CHAIR TOBIN stated that most school districts likely have strong, positive relationships with their local city or borough governments. However, she noted that in cases where such relationships do not exist considering protections is important.

[4:22:21 PM](#)

CHAIR TOBIN said the committee would discuss SB 5 fiscal notes. She requested that committee members review the zero fiscal note from the Department of Education and Early Development (DEED) on their own. She invited Mr. Ramos to present the fiscal note from the Division of Retirement and Benefits.

[4:22:31 PM](#)

MR. RAMOS stated that in the fiscal note [OMB 64] most claim processing and handling responsibilities will be managed by contractors, regardless of the plan type. He explained that the division's primary needs involve determining eligibility, processing applications, and funding three additional positions, which are accounted for in the fiscal note. He noted that as the number of new employees rises staffing thresholds will require additional hires to manage the increased workload. He emphasized that the most significant cost in the fiscal note is \$1 million for programming needed to properly process eligibility files and transmit them to insurance carriers.

[4:25:23 PM](#)

SENATOR KIEHL asked whether the \$1 million cost for programming and actuarial consultants is a recurring annual expense or a one-time upfront cost that decreases as processes become established.

MR. RAMOS clarified that the \$1 million estimate represents a worst-case, upfront cost based on the assumption of onboarding up to 150 groups with 37,000 employees. He explained that the programming would only be needed once for each group, making it a one-time expense. He added that if groups enroll gradually over multiple years, the programming needs and associated costs would be spread out accordingly.

[4:26:49 PM](#)

SENATOR KIEHL said the reason he sought clarification on the cost is because the fiscal note shows a \$1 million cost under the services line for each of the next six years and questioned whether that accurately reflects the anticipated need.

MR. RAMOS stated he would update the fiscal note.

[4:27:20 PM](#)

SENATOR HUGHES commented that while legislators prefer bills without fiscal notes, SB 5 does carry a cost to the state. She emphasized that funding K-12 education is a constitutional obligation, and currently 45 percent of state dollars appropriated to school districts—excluding federal and local funds—go toward health care benefits. She explained that investing a million dollars upfront through the Department of Administration could reduce districts' health care costs, allowing them to redirect state funding toward student learning and teacher support. She acknowledged the fiscal impact but framed it as a strategic investment that indirectly supports education.

[4:28:48 PM](#)

SENATOR BJORKMAN expressed support for the concept but raised concerns about the optional nature of the plan, warning it could lead to adverse selection. He explained that entities with high-cost plan experience may opt in, raising costs for the larger pool, while those with lower costs may stay out until their experience worsens, further destabilizing the system. He cited the Kenai Peninsula Borough School District's failed attempt to join a larger pool after previously opting out, noting it would have required a 50 percent initiation fee and raised premiums for others by nearly 5 percent the first year. He urged the legislature to engage professionals to design a system that leverages state dollars effectively and avoids instability caused by selective participation.

[4:31:54 PM](#)

CHAIR TOBIN said the committee would discuss the fiscal note for the University of Alaska System.

[4:32:12 PM](#)

ALESIA KRUCKENBERG, Director, Strategy, Planning and Budget, University of Alaska Systems, Fairbanks, Alaska, offered an overview of fiscal note OMB 1296. She said currently it is a zero fiscal note because SB 5 is not mandatory. To know the

costs to the employer, employee, and the state an analysis would need to happen.

[4:33:07 PM](#)

CHAIR TOBIN opened public testimony on SB 5; finding none, she closed public testimony.

[4:33:36 PM](#)

CHAIR TOBIN held SB 5 in committee.

[4:34:00 PM](#)

There being no further business to come before the committee, Chair Tobin adjourned the Senate Education Standing Committee meeting at 4:34 p.m.