

3-22-82

H B 6 3 4

H B 6 3 9

HOUSE LABOR & COMMERCE
STANDING COMMITTEE
March 22, 1982
1:45 p.m.

Members Present: Rep. Martin, Chairman
Rep. Bylsza, Vice Chairman
Rep. Gardiner
Rep. Randolph
Rep. Rogers

Members Absent: No members absent.

COMMITTEE CALENDAR

HB 634 An Act limiting the amount of damages which may be awarded for personal injury or death in an action brought against an ATC-registered air carrier.

HB 639 An Act relating to supplemental employee benefits; and providing for an effective date.

WITNESS REGISTER

Paul Arnoldt, Director
Division of Retirement
Pouch CR
Juneau, Alaska 99811
465-4460
Position Statement: Explained impact of HB 639.

Cherie Shelley
Alaska Public Employees Association
340 North Franklin
Juneau, Alaska 99801
586-2334
Position Statement: Supported concept of HB 639 and amendments proposed.

Ken Humphreys
Department of Administration
Pouch CR
Juneau, Alaska 99811
465-4460
Position Statement: Took part in discussion of HB 639.

Jim Dodson, Secretary
Alaska Aviation Safety Foundation
519 West Fourth Avenue
Anchorage, Alaska

Position Statement: Discussed HB 634; requested support for his group's programs.

PREVIOUS ACTION

HB 634

See minutes of 1/21/82 (teleconferenc.); and 2/26/82.

Statutory Reference: AS 09.65

Action Taken: Rep. Rogers moved to adopt a committee substitute which would increase taxes on aviation gas and jet fuel for a three-year period, with a letter of intent requesting increased fees go to the Alaska Aviation Safety Foundation, and recommending a Finance referral. Rep. Rogers withdrew motion.

Rep. Rogers moved to send a letter to the House Finance Committee recommending they increase the taxes, as proposed above, and add a letter of intent to a bill that is in their committee. There being no objections, the motion passed.

Rep. Rogers moved to table HB 634. There being no objection, the motion passed.

HB 639

No previous action.

Statutory Reference: AS 39.30.150

Action Taken: Rep. Rogers moved to delete subsection (d), on page 1, line 10-12, and replace with a new subsection (d). Motion passed by unanimous consent.

Rep. Rogers moved, page 1, line 24, to add section 2 through the end of SCS CSHB 121 to HB 639. There was objection. On the question: for--Rogers, Gardiner; opposed--Randolph, Martin, Bylsma. Motion failed.

Rep. Randolph moved to report CSHB 639 out of committee. Motion passed without objection.

Rep. Randolph moved the committee rescind its action on HB 639 for purposes of discussion. There was objection. Rep. Randolph withdrew his motion.

ACTION NARRATIVE

Tape #41
Recording
Number 000

The meeting was called to order by Chairman Martin at 1:45 p.m. Members present were: Representatives Martin, Bylsma, Gardiner, Randolph, and Rogers. There were no members absent. SSHB 639 was brought before the committee for consideration.

Number 018

Rep. Randolph, prime sponsor of the bill, explained that he introduced the bill to maximize the employee's latitude with what they can do with their contribution to the supplemental benefits system upon termination.

Number 040

Paul Arnoldt, Director of the Division of Retirement, said currently, if there is more than \$1,000 in the employee's account, the money must remain in the account until age 55. The bill makes a distinction between the monies in the system (the employee's and the employer's). He said if the money isn't considered employee money, it is no longer tax sheltered. He felt subsection (d) should be changed to say, "on behalf of the employee", and that "under the terms of the State of Alaska Supplemental Annuity Plan" should be added to the end of that sentence. He then went over the history of the legislation and of the annuity fund.

Number 116

Rep. Rogers noted that the bill would leave the decision up to the employee. Rep. Rogers asked Rep. Randolph if it was his intent to pay one-half the amount in the employee's fund to the employee; Rep. Randolph said it was.

Number 130

Cherie Shelley, APEA, favored keeping the SBS program. She supported the concept of the bill and the amendments proposed. Rep. Rogers asked her opinion of other amendments to include optional methods to pay the money back to the employee, and making a provision for paying interest. Shelley agreed with those ideas. Arnoldt elaborated on how the IRS views the funds and how to provide various options to the employee.

Number 200

Rep. Rogers asked clarification about how the system would actually work, and gave an

example of a situation. Arnoldt explained and suggested different language for amendments. There was discussion.

Number 248

Rep. Rogers questioned whether the employee's decision about the money had to be made upon termination. Arnoldt said the employee can: 1) take the money on termination; or, 2) defer payment to some later date. He clarified the term, "constructive receipt". Ken Humphreys, Department of Administration, gave an example of a situation. There was discussion.

Number 306

Rep. Rogers moved to delete subsection (d) and replace with new language. Upon discussion, he withdrew the amendment and moved to delete subsection (d) and replace with: "(d) Upon termination of employment by an employee, the amount held on behalf of the employee in the Supplemental Annuity Account may be paid to the employee under the terms of the State of Alaska supplemental annuity plan upon application by the employee." The motion passed by unanimous consent.

Number 330

Rep. Rogers moved to add to page 1, line 24, of the bill, sections 2--end of SCS CSHB 121. There was objection. Rep. Rogers elaborated on his reasons for moving the amendment. Rep. Martin felt this could be better addressed later. Rep. Jardiner felt time was critical, given the fact that the session will soon be drawing to a close. On the question: for--Gardiner, Rogers; opposed--Randolph, Bylsma, Martin. Motion failed.

Number 383

Rep. Randolph moved to report CSHB 369 (L&C) from committee. Motion passed without objection.

Number 408

Rep. Randolph moved to rescind the committee's action on HB 639 for purposes of discussion. Rep. Gardiner objected. Rep. Randolph explained his reasons for moving to rescind. Rep. Rogers explained why the committee had acted correctly. Rep. Randolph withdrew the motion.

Number 433

The chairman then turned the committee's attention to HB 634. Rep. Rogers said he

felt the existing bill is unconstitutional, and that the only solution he had found was one he did not favor.

Number 454

Jim Dodson, secretary of Alaska Aviation Safety Foundation, testified regarding HB 634. He also introduced a letter to Jack Fuller from Tulinda Deegan, president of Alaska Air Carriers Association. He read Deegan's letter to the committee elaborating concerns with the bill.

Number 530

Rep. Rogers asked if there had been discussion of state-funded insurance or of the state working with an organization that wished to offer insurance. Dodson said state insurance was not favored. He said the approach they are working on is the Alaska Aviation Safety Foundation attempting to come up with a certification program.

Number 562

Rep. Gardiner said there had been discussion of self-insuring through a fund. Dodson said there had been discussion, but no action. He felt the air carriers did not have a large enough pool to self-insure. Dodson said they currently have a workers compensation group insurance, but that the plan was less than a year old, so they were not yet sure how it would work.

Number 602

Rep. Gardiner said the fishing industry had encountered the same problem of high insurance rates. He said they set up insurance pools, and that it had worked well. Rep. Gardiner noted that his insurance rate had dropped by half. He explained how the fishermen had set up their program. Gardiner felt a governmental entity could not legally disallow people access to such a pool the way private groups can; a private group could refuse to allow those with poor safety records. He recommended this method in the "best unwashed Libertarian tradition".

Number 665

Rep. Rogers agreed with Rep. Gardiner. He explained how he visualized this working. He said if Lloyd's would not fund it, perhaps the state should fund it until the insurance brokers do. He agreed with limiting attorney's fees. He recommended writing a letter to the Finance Committee urging funding of the Alaska Aviation Safety

Foundation.

- Number 718 Rep. Randolph agreed that the government should step in and get into the insurance company business in a big way. He spoke of pilots' relationship to the great Alaskan tradition.
- Side B, Number 006 Rep. Gardiner wondered about limiting attorney's fees—he was not sure the state could tell a citizen what he could do in terms of paying for anything. Rep. Randolph agreed.
- Number 014 Dodson said he would greatly appreciate discussion in Finance for continued funding of the Alaska Aviation Safety Foundation. He elaborated on a resolution passed by the Foundation and spoke of work done by the Foundation. He said they had unanimously asked the state to increase the tax on aviation gas and jet fuel in order to fund the Safety Foundation. He felt the tax should last for three years, after which they expect to be self-supporting.
- Number 050 Rep. Rogers moved to adopt a committee substitute for HB 634, which would contain a provision for increasing aviation gas tax to 4-1/2¢ and jet fuel tax to 2-1/4¢ for a three year period, with a letter of intent asking that the increased fees go to the Alaska Aviation Safety Foundation, and to encourage forming group insurance. Rep. Martin said he had assumed a bill was being used to do this. Rep. Rogers recommended doing it anyway. Rep. Rogers recommended requesting a Finance referral, as well.
- Number 074 Rep. Randolph preferred to send a letter of intent, rather than amend HB 634. Rep. Rogers said a letter of intent can't be done unless there is a bill. He suggested an alternative would be the committee sending a letter to House Finance recommending they add a letter of intent to a bill they have in committee, and he so moved. There being no objections, the motion passed.
- Number 089 Rep. Rogers moved to table HB 634. There being no objection, the motion passed.
- Number 092 Rep. Martin went over the committee's calendar. There was some discussion of

bills coming up.

Number 102

There being no further business to come before the committee, the meeting was adjourned.

Alaska State Legislature



MEMBERS:
TERRY MARTIN, CHAIRMAN
BERNARD BYLSMA, VICE CHAIRMAN
RICKARD RANDOLPH
TERRY GARDINER
BRIAN ROGERS

POUCH V
STATE CAPITOL
JUNEAU, AK 99811
PHONE (907) 485-3783
OFFICIAL BUSINESS

House of Representatives LABOR AND COMMERCE COMMITTEE

To: Representative Al Adams, Chairman
House Finance Committee
From: Representative Terry Martin, Chairman
House Labor & Commerce Committee
Date: March 30, 1982
Subject: HB 37 relating to the motor fuel tax.

On behalf of this committee, I urge you to adopt an amendment to HB 37, which is currently in your committee. We ask that you increase taxes on certain aviation fuels for a period of three years, specifically: increase the aviation gas tax to 4-1/2¢, and increase the jet fuel tax to 2-1/4¢. We further request that the additional tax monies be used to fund the Alaska Aviation Safety Foundation, and to encourage pilots to form group insurance plans. The Foundation feels that the tax needs to be collected for a period of only three years, after which they believe they will be self-supporting.

We believe the work of the Alaska Aviation Safety Foundation to be in the interest of public safety. After extensive hearings, we also believe that the pilots of our state need a viable alternative to existing insurance programs, and would like to encourage them to form group insurance plans. Many air taxi operations and other air carriers are in danger of having to go out of business, due in large part to the high insurance rates they are forced to pay.

We appreciate your consideration of this request. If you desire further information or assistance, don't hesitate to contact my office.

Handwritten signature of Terry Martin in cursive script.

Terry Martin, Chairman
House Labor & Commerce Committee

jm

To: Representative Al Adams, Chairman
House Finance Committee
From: Representative Terry Martin, Chairman
House Labor & Commerce Committee
Date: March 30, 1982
Subject: HB 37 relating to the motor fuel tax.

On behalf of this committee, I urge you to adopt an amendment to HB 37, which is currently in your committee. We ask that you increase taxes on certain aviation fuels for a period of three years, specifically: increase the aviation gas tax to 4-1/2¢, and increase the jet fuel tax to 2-1/4¢. We further request that the additional tax monies be used to fund the Alaska Aviation Safety Foundation, and to encourage pilots to form group insurance plans. The Foundation feels that the tax needs to be collected for a period of only three years, after which they believe they will be self-supporting.

We believe the work of the Alaska Aviation Safety Foundation to be in the interest of public safety. After extensive hearings, we also believe that the pilots of our state need a viable alternative to existing insurance programs, and would like to encourage them to form group insurance plans. Many air taxi operations and other air carriers are in danger of having to go out of business, due in large part to the high insurance rates they are forced to pay.

We appreciate your consideration of this request. If you desire further information or assistance, don't hesitate to contact my office.

Terry Martin, Chairman
House Labor & Commerce Committee

jm

Absent:
none

3/22/82

HB 634
SS HB 639

Tape # 41

1:45

000

Call to order by Martin; int'd SS HB 639

~~SS HB 639~~

SS HB 639

018

Randolph - sponsor - explained why he int'd bill: To maximize employee's latitude w/ what they can do w/ their cont'n^{to Supp. Benefits} upon termination.

040

Paul Arnoldt, Dir, Div Retirement - Currently, if more than

\$1,000 in acct, money must remain in acct until age 55.

Bill makes distinction between monies - employer's & employee's. If money isn't considered emp's money, it is no longer tax sheltered. ^(d) ~~Sec 2~~ shd be changed to

"on behalf of empl"

o "under the terms of the St. At Suppl Annuity Plan" added to end of that sentence.

Have history of legislat'n & of annuity fund.

116

Rogers - then bill wd be up to emp & what is

asked Randolph, if amndts were made, wd his intent be to pay

1/2 the amt? R - yes

130

Cherie Shelley, APEIA, said majority favor keeping SBS program.

~~Want~~ support concept & amndts proposed.

Rogers asked abt other amndts. - ~~shd they be~~ optional ways to pay money back to emp, & provision for paying interest. Shelley agreed.

160

Arnoldt elaborated on how IRS views the funds & how to provide various options to emp.

200 Rogers gave example of a seth & asked clarification abt how system wd work. Arnold explained & suggested different language for amdmnt. Discussion.

248 Rogers had more gotna - whether decision abt money has to be made upon termination. ^{Arnold:} 1) take on termination 2) defer to some date. ~~at~~ Clarified term "constructive receipt."
Ken Humphreys (guy with pipe) gave example of seth. Discussion.

306 Rogers moved:
Upon termination

w/drew amdmnt.

317 Rogers moved:
Upon termination

Motion passed by unan consent

330 Rogers moved ^{2 through end}
p.1, l. 24 to add sections of SCSCSHB121
There was objection. Rogers elaborated on his reasons for moving amendment. Martin felt this cd be better addressed later. Gardner felt time was critical. ~~thought~~
Rogers on gotna: for: Rog, Gard opp'd: Rand, Bylesma, Martin

383 Randolph moved CSHB 369 be reported; passed w/o objection.

408 Rand moved to rescind action on HB 639 for discussion;
Gardiner objected; Randolph explained - felt "shall"
shd be used rather than "may". Rogers explained
it was to deal w/IRS. Randolph withdrew mo.

HB 634

433 HB 634 was brought before comm.

Rogers said existing bill is unconstitutional; only solution
he found was one he did not favor.

454 Jim Dodson, secretary, Ak Aviation Safety Foundn; also brought
ltrs fr Tulinda Deegan, pres, Ak Air Carriers, ^{to get Miller}. He read
Deegan's ltr to committee. Pointed out Air Carriers &
Safety Foundn appreciated efforts on their behalf.

Concerns with bill

530 Rogers asked if there was discussion of state funded insurance,
or state wkg w/an orgn wanting to offer ins.

Dodson said state insurance was not favored. Approach they're
wkg on is Ak Aviation Safety Foundn - attempting to come
up w/ certification program.

562 Gardiner - there was discussion of self insuring through a fund.
Dodson said there had been discussion, but no action. Not
big enough pool to self-insure. Currently have a wkrs
comp group insurance - less than a yr old, no don't know
how it will work.

602 Gardiner said fishing industry had same problem; they set up ins. pools; has wkd well; dropped his ins. by half. Explained how the fishermen did it. Governme^{nt} entity does can't legally disallow people the way private groups can. Recommended this in the best "unwashed" libertarian tradition.

665 Rogers agreed w/ Gardiner. Explained how he visualized this working. Said if Lloyd's wdn't do it, perhaps state shd fund it until ins. brokers do. Agree w/ limiting atty's fees. Recommended writing ltr to Fin Comm urging fndg at Av. Safety Foundn.

718 Randolph agreed govt shd step in & get into ins ^{business} in big way. Spoke of pilots' relationship to the ^{great} ~~spirit~~ Alaskan tradition.

Side B

006 Gardiner wondered abt limiting atty fees - whether state can tell citizen what they can do in terms of paying for anything. Randolph agreed.

014 Dodson ^{wd} greatly appreciate discussion in Fin for cont'd fndg of Av Safety Foundn. Elaborated on a resolution passed by the Foundn & work done by the Foundn. Uuan asked state to increase tax on av gas & jet fuel to fund Av Safety Foundn. Tax shd last for 3 yrs, when they expect to be self-supporting.

~~045~~ ? ~~go to Martin~~

050 Rogers moved to adopt CS HB 634 which wd contain the av gas 4 1/2¢ + on jet fuel to 2 1/4¢ ^{for a 3 yr period} w/ ltr of intent asking increased fees ~~money~~ to go to Av Safety Foundn, & to encourage group ins.

Martin said he had assumed a bill was being used to do this. Rogers recommended doing it anyway.

072 Rogers said to also recommend Fin referral.

Randolph preferred ltr of intent. Rogers said ltr of intent can't be done unless there's a bill. Alternative wd be comm sending ltr to Fin recommending they add ltr of intent. Moved that. No objections, bill passed.

089 Rogers moved to table HB 634. No obj, mo passed.

092 Martin went over comm. calendar

102 Rep Rand asked abt HB 642; comm decided to act on it at beginning of tomorrow's mtg.

Please insert new subsection (d) - See attached -
^{prepare}
& draft a final copy of CS SSB 639 (L & C).
If you have questions, please call.

Joan Matthews
X3657
Labor & Commerce
Committee.

Introduced: 3/10/82
Referred: Labor & Commerce and
Finance

1 IN THE HOUSE

BY RANDOLPH

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 639

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to supplemental employee benefits; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 39.30.150 is amended by adding a new subsection to read:

10 ~~(d) Upon termination of employment by an employee, the amount~~
11 ~~contributed by the employee that was used to purchase supplemental~~
12 ~~annuities may be refunded to the employee on application by the employee.~~

13 * Sec. 2. The plan administrator of the State of Alaska Supplemental
14 Annuity Plan shall apply to the United States Internal Revenue Service for a
15 ruling that an amendment to the plan to allow participants to receive an
16 annuity benefit as provided in AS 39.30.150(d) at any age will not adversely
17 affect the deferral of taxes and, on receipt of a favorable ruling, shall
18 amend the plan in accordance with the provisions of this Act.

19 * Sec. 3. Section 1 of this Act takes effect on amendment of the plan by
20 the plan administrator after receipt of a favorable tax ruling by the United
21 States Internal Revenue Service.

22 * Sec. 4. Section 2 of this Act takes effect immediately in accordance
23 with AS 01.10.070(c).
24
25
26
27
28
29

(d) Upon termination of employment by an employee, the amount held on behalf of the employee in the Supplemental Annuity account may be paid to the employee under the terms of the State of Alaska supplemental annuity plan upon application by the employee.

LABOR & COMMERCE COMMITTEE
DAILY COMMITTEE HEARING

Date: 3/22/82

Place: _____

<u>Members</u>	<u>Present</u>	<u>Absent</u>	<u>Time Arrived</u>	<u>Time Left</u>
Rep. B. Bylsma, V. Chair	_____ ✓	_____	1:43	
Rep. D. Randolph	_____ ✓	_____	1:44	
Rep. B. Rogers	_____ ✓	_____	1:47	
Rep. T. Gardiner	_____ ✓	_____	1:47	
Rep. T. Martin, Chair	_____ ✓	_____	1:38	

Subject Matter:

House Bill No. 634 639 _____

Senate Bill No. _____

Special Orders:

Introduced: 3/10/82
Referred: Labor & Commerce and
Finance

1 IN THE HOUSE

BY RANDOLPH

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 639

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to supplemental employee benefits, and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1 AS 39.30.150 is amended by adding a new subsection to read:

10 (d) ^① Upon termination of employment by an employee, the amount
11 ^{on behalf of} contributed by the employee ^{deposited to sup annuity acct} that was used to purchase supplemental
12 ^{paid} annuities may be ~~refunded~~ ^{under the terms of the state of the sup annuity plan} to the employee on application by the employee.

13 * Sec. 2. [↑] The plan administrator of the State of Alaska Supplemental
14 Annuity Plan shall apply to the United States Internal Revenue Service for a
15 ruling that an amendment to the plan to allow participants to receive an
16 annuity benefit as provided in AS 39.30.150(d) at any age will not adversely
17 affect the deferral of taxes and, on receipt of a favorable ruling, shall
18 amend the plan in accordance with the provisions of this Act.

19 * Sec. 3. Section 1 of this Act takes effect as amendment of the plan by
20 the plan administrator after receipt of a favorable tax ruling by the United
21 States Internal Revenue Service.

22 * Sec. 4. Section 2 of this Act takes effect immediately in accordance
23 with AS 01.10.070(c).

24 * Sec 5 et al: Secs 2-end of Sec 5 SHB 121

25 ^② the amount held on behalf
26 of the ~~empl~~ ^{empl} in the ~~sup ann acct~~ ^{sup ann acct}
27 may ~~be~~ ^{be} ~~put~~ ^{put} to the ^{empl} ^{SSHB 639} under the
28 terms of the state of ~~Al~~ ^{Al} ^{sup ann plan}
29 upon application by the empl

Alaska Air Carriers Association

March 19, 1982

Representative Jack Fuller
Pouch V
Juneau, Alaska 99811

Dear Mr. Fuller:

The Alaska Air Carriers Association appreciates your efforts to help control the escalating aviation insurance premiums.

Last week the air carriers met in Anchorage for the 1982 AACA Annual Convention and Trade Show. At the Convention we had a round-table discussion on the issue of insurance. Mr. Micheal E. Charlesworth, a lead underwriter for Alaska aviation insurance at Lloyd's of London, Mr. Ian Lewis, a London Broker, Mr. Micheal J. Hall, a domestic underwriter, and Ken Moore, Director of Insurance participated in the discussion.

Mr Charlesworth advised the members of AACA that the enormous increase in insurance premiums was the result of the business practices of Lloyd's of London. Historically, Lloyd's has grouped Alaskan operators with all aviation in the United States. Lloyd's has found that the losses in Alaska have exceeded those in the lower 48 states.

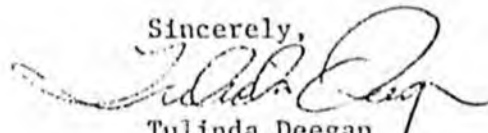
The general consensus of the insurance representatives was that a limit of \$250,000 would raise premiums, because the limit would become the standard payment for claims in Alaska. Smaller operators who only carry the \$100,000 minimum insurance required by the Alaska Transportation Commission, would face increase insurance costs.

The insurance representatives recommended the following:

1. Continue the work of the Alaskan Aviation Safety Foundation
2. Develop a schedule of payments similar to Worker's Compensation
3. Limit attorney fees
4. Educate Alaskan juries that high awards are passed on to air taxi operators

The AACA stands ready to work with you to develop legislation to lower insurance premiums.

Sincerely,



Tulinda Deegan
Executive Director