

# ALASKA STATE LEGISLATURE

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## COMMUNITY & REGIONAL AFFAIRS COMMITTEE

### SPONSOR STATEMENT

#### HB 174 - PERS CONTRIBUTIONS BY MUNICIPALITIES

HB 174 seeks to correct an unintended consequence of the PERS "salary floor" established in SB 125 of the 25<sup>th</sup> Legislature.

SB 125 changed the PERS system from a 'multiple employer plan' to a 'cost share plan'. That is, SB 125 transferred the individual liability of the 160 PERS employers and consolidated that liability so that all the employers share in that liability.

SB 125 also created what is commonly referred to as the 2008 salary floor. That is, every PERS employer will have a penalty imposed on them if their salary base is below that of 2008. This was instituted to ensure that the system could not be "gamed". This is to keep municipalities from hiring people on a contract basis and, therefore, allowing the base payments into the system from shrinking.

Many municipalities have found themselves under the 2008 floor for a number of years. Most of these are very small remote communities. Some of the affected communities are simply trying to lower their budgets by actively laying-off or not re-hiring due to attrition. Some communities lost employees due to a base closure or a regional clinic closure.

This bill targets those communities whose population has dropped by more than 25% during the previous census. These population declines affect PERS employees in several ways. Some of the residents moving away are municipal PERS employee, property taxes decline as there are fewer home and business owners in the tax base, and fewer employees are needed to serve the reduced population.

HB 174 will address this issue in two ways:

1. Calculate the PERS contribution to their current active employees of those communities that have lost 25% of their population between 2000 and 2010.
2. Provides relief to those communities that are delinquent in transferring contribution if their population decreased by more than 25% between 2000 and 2012.

HB 174 does not intend to repeat the "2008 floor" debate, but to correct one of the unintended consequences caused by the arbitrary line that debate created.

I urge your support of this legislation.