

# Alaska House of Representatives

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**During the Legislative Session**

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## House Finance Co-Chair

### SPONSOR STATEMENT

#### HB 47 - PERS CONTRIBUTIONS BY MUNICIPALITIES

HB 47 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. It transferred the individual liability of the 160 PERS employers and consolidated it so that all the employers share in that liability.

SB 125 also created what is commonly referred to as the 2008 salary floor. This requires employer's contribute 22% of annual salaries or 22% of FY08 salaries, whichever is greater. The floor was instituted to ensure that the system could not be "gamed" by discouraging employers from replacing PERS employees with contract hires to reduce their base contribution to the system.

Some municipalities have found themselves under the 2008 floor through no fault of their own. A large change in population results in a reduced tax base, which affects the services a city can provide. As that financial reality drives a city to downsize, current law exacerbates this problem by keeping their PERS contribution at the 2008 level. This bill targets the communities whose population has dropped by more than 25% since the previous census.

HB 47 will address this issue in two ways:

1. Establish a new floor of FY 2012 for communities whose population decreased by more than 25% between 2000 and 2010.
2. Allows the PERS administrator to negotiate penalty interest rates on delinquent payments.

HB 47 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.