

# Fiscal Note

State of Alaska  
2021 Legislative Session

Bill Version: HB 75  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB75-VAR-ALL-3-10-21  
Title: EMPLOYER CONTRIBUTIONS TO PERS  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: HLAC

Department: Various  
Appropriation: Various  
Allocation: All Branches  
OMB Component Number: 0

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>OPERATING EXPENDITURES</b>	<b>FY 2022</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Personal Services	103,423.5		103,423.5	103,423.5	103,423.5	103,423.5	103,423.5
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>103,423.5</b>	<b>0.0</b>	<b>103,423.5</b>	<b>103,423.5</b>	<b>103,423.5</b>	<b>103,423.5</b>	<b>103,423.5</b>

## Fund Source (Operating Only)

1002 Fed Rcpts (Fed)	11,662.9		12,631.3	13,599.7	13,599.7	13,599.7	13,599.7
1178 temp code (UGF)	70,107.1		63,394.8	56,646.0	56,646.0	56,646.0	56,646.0
1251 Non-UGF (Other)	17,773.9		22,411.7	27,068.2	27,068.2	27,068.2	27,068.2
1252 DGF Temp (DGF)	3,879.6		4,985.7	6,109.5	6,109.5	6,109.5	6,109.5
<b>Total</b>	<b>103,423.5</b>	<b>0.0</b>	<b>103,423.5</b>	<b>103,423.4</b>	<b>103,423.4</b>	<b>103,423.4</b>	<b>103,423.4</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2021) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2022) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

## Why this fiscal note differs from previous version/comments:

Updated with modified fund sources based on additional analysis and offsetting additional unrealized fund sources with unrestricted general funds (UGF), resulting in a reduction in net UGF savings (between all fiscal notes) of \$5.6 million.

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Division: <u>Office of Management and Budget</u>	Date: <u>03/10/2021 05:00 PM</u>
Approved By: <u>Neil Steinger, Director</u>	Date: <u>03/10/21</u>
Agency: <u>Office of Management and Budget</u>	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2021 LEGISLATIVE SESSION

BILL NO. HB 75

### Analysis

This legislation removes the 22 percent cap on the payroll contribution to the Public Employee Retirement System (PERS) for the State of Alaska as a PERS employer. All other PERS and TRS employers' rates will remain capped at 22 percent of payroll. The contribution cap, which is lower than the annual actuarial rate for the retirement system's normal and past service costs, was implemented to reduce the cost burden on PERS employers. The difference between the 22 percent and the full cost is subsidized by an unrestricted general fund annual payment to the retirement system known as the state assistance payment or "on-behalf" payment.

The Alaska Retirement Management Board approved an actuarially determined contribution rate for fiscal year 2022 for PERS employers of 30.11 percent. Under AS 39.35.280, the state is obligated to make up the difference between the statutory employer contribution rate of 22 percent and the actuarial rate of 30.11 percent, calculated to be \$193.5 million. This legislation would direct the state to apply the 30.11 percent actuarial rate to agency payroll rather than contributing that amount through the state assistance payment. The net impact to the state's overall contribution to the retirement system would be unchanged.

This legislation only impacts the State of Alaska as a PERS employer, and excludes the University of Alaska, municipalities and school districts, and some state corporations.

The budgetary impact of this legislation will be reflected as a shift from the direct appropriation to the public employee retirement system, which is typically funded with unrestricted general funds (UGF), to agency payroll, where the cost can be spread across all fund sources. This legislation continues to provide for the full actuarial contribution to the retirement system while changing the financing structure in the state budget.

Page one of this fiscal note reflects the estimated \$103,423.5, all fund sources, increase to State of Alaska executive, legislative and judicial branch payroll in fiscal year 2022, \$70,107.1 of which will be UGF.

An accompanying fiscal note for retirement system payments reflects the \$95,794.5 reduction in UGF.

Combined UGF savings total \$25,687.4 in fiscal year 2022. UGF savings are expected to increase in fiscal years 2023 and beyond as rate-setting agencies have time to adjust rates based on actual costs and grant awards can be renegotiated, reducing the need for UGF offsets. The fiscal impact for fiscal years 2023 through 2027 assumes no changes in agency payroll or the actuarially determined rate of 30.11 percent.

The summary table on the following page reflects the net fiscal impact of this financing change for fiscal year 2022 inclusive of all fiscal notes.

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2021 LEGISLATIVE SESSION

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Analysis

FY2022 HB75 Budget Impact

<i>Applies to State of Alaska only</i>	UGF	DGF	Other	Fed	Total
<b>SOA Payroll (FY22)</b>					
<b>Current law: 22% cap</b>	812,360.4	230,584.5	559,009.6	280,950.0	1,882,904.5
<b>Proposed law: 30.11% FY22 Actuarial Rate</b>	882,467.5	234,464.1	576,783.5	292,612.9	1,986,328.0
<b>(A) Difference</b>	<b>70,107.1</b>	<b>3,879.6</b>	<b>17,773.9</b>	<b>11,662.9</b>	<b>103,423.5</b>
<b>State Assistance Appropriation to PERS (FY22)</b>					
<b>Current law: 22% cap</b>	193,494.0	0.0	0.0	0.0	193,494.0
<b>Proposed law: 30.11% FY22 Actuarial Rate</b>	97,699.5				97,699.5
<b>(B) Difference</b>	<b>(95,794.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(95,794.5)</b>
<b>Net Fiscal Impact (A + B)</b>	<b>(25,687.4)</b>	<b>3,879.6</b>	<b>17,773.9</b>	<b>11,662.9</b>	<b>7,629.0</b>

Note: Standard methodological differences between actuarial and budgeted payroll projections result in a difference between the state's estimated share of the state assistance payment and the budgetary impact of the change from 22% to 30.11% of payroll.