

FISCAL NOTE

Bill Version: CSHB 199 (FIN)
 (H) Publish Date: 5/18/99

STATE OF ALASKA
 1999 LEGISLATIVE SESSION

Effective Date/Time (Note if correction) 05/18/99 Dept. Affected All
 Title An Act relating to compensation for certain state employees... BRU _____
 Component _____
 Sponsor House Finance Committee
 Requester House Finance Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	(652.5)	(1,927.5)	(3,189.2)	(4,455.7)	(5,724.9)	(7,128.2)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(652.5)	(1,927.5)	(3,189.2)	(4,455.7)	(5,724.9)	(7,128.2)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
GF	(424.1)	(1,252.9)	(2,073.0)	(2,896.2)	(3,721.2)	(4,633.3)
GF/Program Receipts						
1037 GF/Mental Health						
Other (All Other)	(228.4)	(674.6)	(1,116.2)	(1,559.5)	(2,003.7)	(2,494.9)
TOTAL	(652.5)	(1,927.5)	(3,189.2)	(4,455.7)	(5,724.9)	(7,128.2)

Estimate of any current year (FY99) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Reduction of SBS contributions for new employees assumes a 5% turnover rate for the first 5 years; 4% turnover year in year 6. Cost avoidance also occurs due to the freeze of the wage base for applicability of employer and employee contributions. The note also includes the cost impacts of the changes to the geographic differential (see attached analysis).

Prepared by Guy Bell, Director Phone 465-4471
 Position Retirement and Benefits Date/Time #####
 Approved by Commissioner [Signature] Date 5/18/99
 Agency Department of Administration

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SBS Change to 3.065% Employer Contribution for new employees.

Assumptions

Personal Services is 65% General Fund

Turnover: 5% first five years; 4% years 6 to 16; 3% thereafter.

Fiscal Year	Total ER Contributions if Status Quo	Total Turnover	Total Savings	General Fund Savings
00	\$ 40,417.9	5.0%	\$ 505.2	\$ 328.4
01	\$ 40,417.9	10.0%	\$ 1,515.7	\$ 985.2
02	\$ 40,417.9	15.0%	\$ 2,526.1	\$ 1,642.0
03	\$ 40,417.9	20.0%	\$ 3,536.6	\$ 2,298.8
04	\$ 40,417.9	25.0%	\$ 4,547.0	\$ 2,955.6
05	\$ 40,417.9	29.0%	\$ 5,456.4	\$ 3,546.7
06	\$ 40,417.9	33.0%	\$ 6,264.8	\$ 4,072.1
07	\$ 40,417.9	37.0%	\$ 7,073.1	\$ 4,597.5
08	\$ 40,417.9	41.0%	\$ 7,881.5	\$ 5,123.0
09	\$ 40,417.9	45.0%	\$ 8,689.8	\$ 5,648.4
10	\$ 40,417.9	49.0%	\$ 9,498.2	\$ 6,173.8
11	\$ 40,417.9	53.0%	\$ 10,306.6	\$ 6,699.3
12	\$ 40,417.9	57.0%	\$ 11,114.9	\$ 7,224.7
13	\$ 40,417.9	61.0%	\$ 11,923.3	\$ 7,750.1
14	\$ 40,417.9	65.0%	\$ 12,731.6	\$ 8,275.6
15	\$ 40,417.9	68.0%	\$ 13,439.0	\$ 8,735.3
16	\$ 40,417.9	71.0%	\$ 14,045.2	\$ 9,129.4
17	\$ 40,417.9	74.0%	\$ 14,651.5	\$ 9,523.5
18	\$ 40,417.9	77.0%	\$ 15,257.8	\$ 9,917.5
19	\$ 40,417.9	80.0%	\$ 15,864.0	\$ 10,311.6
20	\$ 40,417.9	83.0%	\$ 16,470.3	\$ 10,705.7
21	\$ 40,417.9	86.0%	\$ 17,076.6	\$ 11,099.8
22	\$ 40,417.9	89.0%	\$ 17,682.8	\$ 11,493.8
23	\$ 40,417.9	92.0%	\$ 18,289.1	\$ 11,887.9
24	\$ 40,417.9	95.0%	\$ 18,895.4	\$ 12,282.0
25	\$ 40,417.9	98.0%	\$ 19,501.6	\$ 12,676.1

	Social Security Maximum Wages Taxable	Change from Prior Year	# of Employees or = to Social Security Maximum	Subtotal Savings	# of Employees Between \$68,400 and Social Security Maximum	Subtotal Savings	Total Savings	GF Savings
1989	48,000							
1990	51,300	6.88%						
1991	53,400	4.09%						
1992	55,500	3.93%						
1993	57,600	3.78%						
1994	60,600	5.21%						
1995	61,200	0.99%						
1996	62,700	2.45%						
1997	65,400	4.31%						
1998	68,400	4.59%						
1999	72,600	6.14%	784	201.8	317	40.8	242.7	157.7
	Average annual change:	4.24%						
2000	75,676	4.24%	784	349.7	323	72.1	421.8	274.2
2001	78,885	4.24%	784	503.9	330	106.0	609.9	396.4
2002	82,229	4.24%	784	664.6	336	142.6	807.2	524.7
2003	85,716	4.24%	784	832.2	343	182.1	1,014.3	659.3
2004	89,350	4.24%	784	1,006.8	350	224.7	1,231.6	800.5
2005	93,139	4.24%	784	1,188.9	357	270.7	1,459.6	948.7
2006	97,088	4.24%	784	1,378.7	364	320.2	1,698.9	1,104.3
Assumptions								
2% Growth Rate in number of employees earning over \$68,400 annually and that their average salary is between								
Social Security maximum wage and \$68,400.								
Social Security Maximum Taxable Wage grows at 10 year average of 4.24%.								
Number of people earning the Social Security maximum wage stays constant.								

FISCAL NOTE CSHB 199(STA)
ATTACHMENT A
GEOGRAPHIC PAY DIFFERENTIALS

There are 316 employees in the executive branch partially exempt service (PX) or classified service not in a bargaining unit (EE) whose geographic pay differential will be affected by Sec. 11 and 18 of this bill. The geographic pay differential for 222 employees will go up on the effective date. The geographic pay differential of 139 employees will go down. Some of the changes in each direction are only fractions of a percent.

Costs of employees going to higher geographic pay differentials will be due immediately. Savings from employees going to lower geographic pay differentials will result from turnover.

Assumptions:

- Part-time (hourly) employees work half time.
- Emergency Guards work 10% of full time.

The annual cost of employees going to higher geographic pay differentials is \$93.5 thousand. First year savings from employees going to lower geographic pay differentials (due to turnover) is \$37.1 thousand. Second year savings is \$108.1. Savings increase to Net costs and savings are:

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05
Costs	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5	\$ 93.5
Savings	-\$ 37.1	-\$ 108.1	-\$ 169.9	-\$ 222.4	-\$ 268.7	-\$ 312.0
Total	\$ 56.4	-\$ 14.6	-\$ 76.4	-\$ 128.9	-\$ 175.2	-\$ 218.5

Governor Knowles remains committed to providing the same changes to geographic pay differentials to employees in the exempt service of the executive branch as is provided to employees in the partially exempt service by statute. Governor Knowles is committed to making the changes in Sec. 11 of CSHB 199(SA) by Administrative Order. The Administrative Order would cover 29 employees, 12 in locations going to a higher geographic pay differential, and 17 in locations going to a lower geographic pay differential. The costs and savings from these employees, using the same method as above, will be:

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05
Costs	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4	\$ 43.4
Savings	-\$ 4.4	-\$ 12.8	-\$ 20.2	-\$ 26.4	-\$ 31.9	-\$ 37.1
Total	\$ 39.0	\$ 30.6	\$ 23.2	\$ 17.0	\$ 11.5	\$ 6.3

These totals are included in the totals on the Fiscal Note.