

Summary Packet

Received June 14, 2021

CCS HB 71

Fiscal Note Packet

follows Summary

1 * **Sec. 2.** The following appropriation items are for operating expenditures from the general
2 fund or other funds as set out in the fiscal year 2022 budget summary by funding source to the
3 state agencies named and for the purposes set out in the new legislation for the fiscal year
4 beginning July 1, 2021 and ending June 30, 2022, unless otherwise indicated. The
5 appropriations in this section fund legislation assumed to have passed during the first session of
6 the thirty-second legislature. If a measure listed in this section fails to pass and its substance is
7 not incorporated in some other measure, or is vetoed by the governor, the appropriation for that
8 measure shall be reduced accordingly.

9
10 **SB 55 EMPLOYER CONTRIBUTIONS TO PERS**

11 Employer contributions to the Public Employees' Retirement System of Alaska, as described in
12 SB 55 and accompanying fiscal notes, are included in section 1 of this Act. The fiscal note
13 totals for SB 55 are: \$1,370,400 of unrestricted general funds, \$9,800 of designated general
14 funds, and \$377,100 of other state funds.

15 Appropriation

16 *** Total New Legislation Funding *** 0

17 (SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

**2021 Legislature - Operating Budget
Agency Summary with Funding - Conf Committee Structure**

Numbers and Language Mental Health Funds

Agency	[1] All Funds NewLegis	[2] All Funds SB55 Total
Agency Operations		
Administration	0.0	73.2
Corrections	0.0	311.3
Health & Social Services	0.0	1,031.6
Labor & Workforce Dev	0.0	1.2
Natural Resources	0.0	156.7
Revenue	0.0	183.3
Total	0.0	1,757.3
 Statewide Total	 0.0	 1,757.3
 Funding Summary		
Unrestricted General (UGF)	0.0	1,370.4
Designated General (DGF)	0.0	9.8
Other State Funds (Other)	0.0	377.1

**2021 Legislature - Operating Budget
Statewide Totals with Funding - Conf Committee Structure**

Numbers and Language Mental Health Funds

	[1] All Funds <u>NewLegis</u>	[2] All Funds <u>SB55 Total</u>
Total	0.0	1,757.3
<u>Funding Sources</u>		
1037 GF/MH (UGF)	0.0	1,370.4
1092 MHTAAR (Other)	0.0	216.6
1094 MHT Admin (Other)	0.0	160.5
1254 MET Fund (DGF)	0.0	9.8
<u>Funding Summary</u>		
Unrestricted General (UGF)	0.0	1,370.4
Designated General (DGF)	0.0	9.8
Other State Funds (Other)	0.0	377.1

**The attached Fiscal Note Packet accompanied the
report for the following:**

**CCS HB 71
HB 71-APPROP: MENTAL HEALTH BUDGET**

**Please refer to the 6/14/21 memo from the Division
of Legislative Finance for a finalized listing of those
fiscal notes.
(House Journal Page 1356)**

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version: SB 55
Fiscal Note Number: _____
() Publish Date: _____

Identifier: 0684-VAR-ALL-6-10-21
Title: EMPLOYER CONTRIBUTIONS TO PERS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Conference Committee

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
OPERATING EXPENDITURES	FY 2022	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services	102,993.7		102,993.7	102,993.7	102,993.7	102,993.7	102,993.7
Travel							
Services	705.8		705.8	705.8	705.8	705.8	705.8
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	103,699.5	0.0	103,699.5	103,699.5	103,699.5	103,699.5	103,699.5

Fund Source (Operating Only)

1002 Fed Rcpts (Fed)	10,913.0		12,631.3	13,599.7	13,599.7	13,599.7	13,599.7
1178 temp code (UGF)	71,133.0		63,670.8	56,800.5	56,800.5	56,800.5	56,800.5
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	6,231.1	6,231.1	6,231.1	6,231.1
Total	103,699.5	0.0	103,699.5	103,699.5	103,699.5	103,699.5	103,699.5

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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 for Conference Committee budget changes from Governor's request. Increase \$276.0 all funds, decrease \$749.9 federal funds, increase \$1,025.9 unrestricted general funds (UGF). Net UGF savings for all fiscal notes reduced by \$1,025.9 from \$25.7 million to \$24.7 million.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

BILL NO. SB 55

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 difference 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, the Alaska Housing Finance Corporation, and the Alaska Gasline Development Corporation.

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 \$103,699.5, all fund sources, increase to State of Alaska executive, legislative and judicial branch payroll in fiscal year 2022, \$71,133.0 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 \$24,661.5 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

BILL NO. SB 55 _____

Analysis

FY2022 SB55 Budget Impact

<i>Applies to State of Alaska only</i>	UGF	DGF	Other	Fed	Total
SOA Payroll (FY22)					
Current law: 22% cap	812,360.4	230,584.5	559,009.6	280,950.0	1,882,904.5
Proposed law: 30.11% FY22 Actuarial Rate	883,493.4	234,464.1	576,783.5	291,863.0	1,986,604.0
(A) Difference	71,133.0	3,879.6	17,773.9	10,913.0	103,699.5
State Assistance Appropriation to PERS (FY22)					
Current law: 22% cap	193,494.0	0.0	0.0	0.0	193,494.0
Proposed law: 30.11% FY22 Actuarial Rate	97,699.5				97,699.5
(B) Difference	(95,794.5)	0.0	0.0	0.0	(95,794.5)
Net Fiscal Impact (A + B)	(24,661.5)	3,879.6	17,773.9	10,913.0	7,905.0

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.