

COMMITTEE REPORT

SENATE

2/27/75

Mr. President:

Date _____

The Committee on FINANCE has had CSHB 82 special appropriation to the Department of Administration under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

<u>Earl Kray</u>	<u>Holman</u>	_____
<u>John Williams</u>	<u>Poland</u>	_____
_____	_____	_____
<u>Gene Chance</u>	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Earl Kray Chairman

HB 82

100-100000: 10743
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January 27, 1975

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Pursuant to the Uniform Rules of the Legislature, I am transmitting a bill making a special appropriation to the Department of Administration for \$490,600.

AS 39.27.022 contains provisions requiring pay increments to State employees for longevity employment commencing July 1, 1972. A recent court decision has ruled that the State's previous interpretation of this law was incorrect, and has required that the State correct underpayments for the previous years. The amount that was held to be due is \$409,600. Interest in the amount of eight percent a year must be paid on that amount and until payment is made, the amount required for interest will not be known.

Sincerely,

Jay S. Hammond
Governor

COMMITTEE COPY

MEMORANDUM

State of Alaska

TO: FILE

DATE: January 29, 1975

FILE NO:

TELEPHONE NO:

Repl
FROM: Ronald B. Lind, Deputy Director
Division of Budget and Management
Department of Administration

SUBJECT: House Bill 82

The Superior Court for the State of Alaska ordered on November 24, 1974 that the State of Alaska change the way in which it had been considering longevity increases under AS 39.27.022(b) and make retroactive payments, including interest, to the people affected.

State agencies have researched their records and accumulated \$490,600 in payments due employees and former employees. This supplemental will provide funding for these payments and details of the amounts due are available from the Division of Finance, Department of Administration.

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT AT JUNEAU

ALASKA PUBLIC EMPLOYEES)
ASSOCIATION, et al.,)
)
Plaintiff,)
)
vs.)
)
STATE OF ALASKA and)
COMMISSIONER OF ADMINISTRATION, JOSEPH R. HENRI,)
)
Defendant.)

RECEIVED

NOV 26 1974

DIV. OF PERSONNEL
DIRECTOR'S OFFICE

C. A. No. - 72-298

JUDGMENT

The Alaska Public Employees Association and Don H. .
Strode filed an appeal from the judgment of this court entered
on May 3, 1973. The Supreme Court, in an opinion dated July 29,
1974, reversed the judgment of the Superior Court. Pursuant to
that opinion and the Mandate of the Supreme Court dated August 9,
1974,

IT IS ORDERED, that:

1. The \$750.00 appeal bond shall be returned to the plaintiffs.
2. The State of Alaska and the Commissioner of Administration, Richard W. Freer, shall cease withholding longevity pay increments from state employees and shall begin paying such increments as provided for in A.S. 39.27.022(b) as soon as the individual employee has served the requisite four, nine and thirteen years as provided in the statute, without regard to the effective date of the act. In calculating the four, nine and thirteen year eligibility periods the State shall count time spent in the final step before July 1, 1972, as well as time spent in the final step after that date.

FAULKNER, PANFIELD, DOOGAN, GROSS & HOLMES
SUITE 201, 811 FRANKLIN ST. JUNEAU, ALASKA 99801
PHONE (907) 586-2216

PAULKRIET, BAIFIELD, BOGDAN, CROSS & HOLMES
SUITE 201, 811 FRANKLIN ST. PHONE (907) 552-2123
JULIEAU, ALASKA 99501

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3. The State of Alaska and the Commissioner of Administration shall also pay to eligible present and former state employees the longevity pay increments earned but not paid under A.S. 39.27.022(b) during the period from July 1, 1972 to the date regular periodic payments of longevity pay increments are begun as ordered in paragraph 2 of this judgment, together with interest thereon at the rate of eight percent per annum from the date the increments were earned until paid.

4. The State of Alaska and the Commissioner of Administration shall provide all present and former state employees receiving payments pursuant to this judgment with a statement showing the pay period and tax year during which all increments were earned to assist the employee in determining what monies he is receiving and how they were calculated.

5. The plaintiffs shall recover from the State of Alaska their costs and attorney fees of \$ _____.

DATED: Sept. 10, 1974

Thomas B. Stewart
Superior Court Judge

Copy received and approved as to form and substance, this 2nd day of September, 1974.

Thomas B. Stewart
Attorney for Defendants

STATE OF ALASKA
FIRST JUDICIAL DISTRICT

I, the undersigned, certify that this is a true and full copy of an original document on file in the Superior Court, First Judicial District, State of Alaska.

Witness my hand and the seal of this court this 25th day of November, 1974, at Juneau, Alaska.

Judith R. Jones
Clerk of the Superior Court

By Jerry Lee Jones
Deputy

STATE OF ALASKA

JAY S. HAMMOND, Governor

DEPARTMENT OF ADMINISTRATION

DIVISION OF BUDGET & MANAGEMENT POUCH C — JUNEAU 99801

February 5, 1975

The Honorable Hugh Malone
Chairman
House Finance Committee
Pouch V
Juneau, Alaska 99811

Re: House Bill 82

Dear Representative Malone:

The following information is supplied in response to your inquiry of January 31, 1975, concerning matters related to House Bill 82.

The principal portion of the obligation, which was previously cited as being approximately \$490,600, has been lowered to \$482,000. This overstatement was caused by a double counting of a correction of data previously submitted by an agency.

1. Estimate of interest due as of February 1, 1975

The array of variables involved complicates calculation of the interest due. In effect, the problem involves about 465 small loans different sizes which run for a variety of time spans. The discussion that follows is based upon preliminary information received from the agencies which employ(ed) the personnel affected by the court decision. Two techniques were used to estimate the amount of interest due:

A. Approximately twenty percent of the individual cases were sampled to determine the duration of their eligibility for the retroactively effective pay increases. The length of eligibility characteristics of the twenty percent sample were extrapolated to the whole group of eligibles and incorporated into a calculation of the interest due them as shown in tables 1 and 2.

Table 1: Estimate of Interest Due Through October, 1974

<u>Length of Retroactive Eligibility</u>	<u>Estimated % of Total Cases</u>	<u>Pro-rated Principal Amount</u>	<u>Monthly Interest x Factor*</u>	<u>Number of Months</u>	<u>Estimated Interest</u>
24-26 months	38%	\$183,160	.0066	26	\$31,430
18-23 months	28%	134,960	.0066	19	16,923
1-17 months	34%	163,880	.0066	7	7,571
TOTALS	100%	\$482,000			\$55,924

*8% annual interest divided by 12 months = .066% per month.

Table 2: Estimate of Interest Due for Nov., Dec. 1974 & Jan. 1975

Principal	x	Monthly Interest	x	Months	=	Estimated Interest
<hr/>						
\$482,000	x	.066	x	3	=	\$9,543

Using this technique the total estimated interest due is the sum of the amounts shown in Tables 1 and 2 which is \$65,467.

B. The second method used to estimate the amount of interest due was based upon the assumption that the accrual of the principal was a linear function. The total known principal obligation was divided by the number of months (26) during which the obligation was accrued. The interest outstanding on the total principal accumulated by the end of each of those twenty six months and those elapsing since September 1974, was calculated. The sum of the calculated increments of interest is \$60,250. This is about \$5,217 less than the interest calculated via method (A) above. This is to be expected because the accumulation of the obligation was not in fact linear, there being a large number of persons whose eligibility started at the outset of the time span involved and continued to the end of that span. The higher number is probably the more valid of the two as it considers the non-linear nature of the accumulation.

2. Number of people to receive payments under the APEA vs. State of Alaska decision.

The number of currently identified recipients is 465. This number is subject to minor increases due to the possible discovery of additional eligible individuals.

3. Number of recipients who still work for the State.

The currently identified recipients fall in the following categories:

Current employees	394
Retired	47
Terminated	20
Deceased	4
TOTAL	465

4. Number of recipients by employing agency.

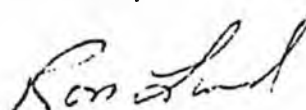
<u>Agency</u>	<u>Recipients</u>
Office of the Governor	1
Department of Administration	9
Department of Law	3
Department of Revenue	15
Department of Education	6

February 5, 1975

Department of Health and Social Services	82
Department of Labor	26
Department of Commerce	5
Department of Military Affairs	7
Department of Natural Resources	15
Department of Fish and Game	29
Department of Public Safety	18
Department of Public Works	40
Department of Highways	203
Department of Economic Development	1
Department of Environmental Conservation	2
State-Operated Schools	2
Department of Community & Regional Affairs	<u>1</u>
TOTALS	465

I hope the above information will adequately answer the questions posed by your January 31, 1975, memorandum. Please contact me if you require additional information.

Sincerely,



Ron Lind, Deputy Director

January 27, 1975

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Speaker of the House
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Juneau, Alaska 99811

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COMMITTEE COPY

Original sponsor: Rules Committee by
request of the governor

Offered: 2/7/75
Referred: Rules

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 82
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 NINTH LEGISLATURE -- FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Administration; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$482,000 and interest on that amount, at eight
11 per cent a year from the date the increments were earned until the date of
12 payment, is appropriated from the general fund to the Department of Adminis-
13 tration for the payment of pay increments due from past years to state
14 employees for longevity employment under AS 39.27.022.

15 * Sec. 2. The unexpended and unobligated portion of this appropriation
16 lapses into the general fund June 30, 1975.

17 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

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Introduced: 1/27/75
Referred: Finance

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