

Pegues .

Original sponsor: Rules/Governor

Funding Information

General Fund	\$11,775,200	11,718,000
Other Funds	-0-	
	\$11,775,200	11,718,000

1 IN THE HOUSE BY THE FINANCE COMMITTEE
 2 SENATE CS FOR CS FOR HOUSE BILL NO. 297 (Finance)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 TWELFTH LEGISLATURE - FIRST SESSION
 5 A BILL

6 For an Act entitled: "An Act making various appropriations; and providing
 7 for an effective date."

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

9 * Section 1. The sum of \$64,500 is appropriated from the general fund to
 10 the Department of Labor for the workers' compensation program.

11 * Sec. 2. The sum of \$248,000 is appropriated from the general fund to
 12 the Department of Labor, division of employment security, to replace a
 13 reduction in federal funds for additional equipment and lease costs during
 14 transition to the new computer.

15 * Sec. 3. The sum of \$237,000 is appropriated from the general fund to
 16 the Department of Labor for the unemployment insurance system redesign
 17 capital project.

18 * Sec. 4. The sum of \$228,900 is appropriated from the general fund to
 19 the University of Alaska, Fairbanks, to pay sewage disposal costs to the
 20 College Utilities Corporation.

21 * Sec. 5. The sum of \$175,200 is appropriated from the general fund to
 22 the University of Alaska, community college statewide administration, for
 23 additional costs of the Alaska Community College Federation of Teachers
 24 contract for the fiscal year ending June 30, 1981.

25 * Sec. 6. The sum of \$384,000 is appropriated from the general fund to
 26 the University of Alaska, Fairbanks, to pay the costs of correcting de-
 27 ficiencies in structures at the agricultural experiment station research
 28 farm in Fairbanks.

29 * Sec. 7. The sum of \$100,000 is appropriated from the general fund to

1 the Department of Fish and Game, division of fisheries rehabilitation,
2 enhancement, and development, to reimburse the Office of the Governor,
3 contingency fund, for the money spent on the emergency construction of a
4 crib dam on the Tsirku River.

5 * Sec. 8. The sum of \$541,500 is appropriated from the general fund to
6 the Department of Natural Resources for fiscal year 1980 shortfalls and
7 unpaid billings in the natural resources management and environmental con-
8 servation, development, and public protection budget categories.

9 * Sec. 9. The sum of \$25,000 is appropriated from the general fund to
10 the Department of Fish and Game, Boards of Fisheries and Game, to cover
11 travel and per diem expenses associated with the unanticipated 22-day
12 extension of the December regulatory meeting of the Board of Fisheries.

13 * Sec. 10. The sum of \$49,700 is appropriated from the general fund to
14 the Department of Fish and Game to cover unanticipated expenses related to
15 new subsistence salmon regulations enacted by the Board of Fisheries for the
16 Cook Inlet region.

17 * Sec. 11. The sum of \$211,100 is appropriated from the general fund to
18 the Department of Public Safety for fish and wildlife protection activities
19 in the Bristol Bay area.

20 * Sec. 12. The sum of \$600,000 is appropriated from the general fund to
21 the Department of Labor for the second injury fund to meet current and
22 future obligations to the employees and reimbursement of employees and
23 carriers during the fiscal year ending June 30, 1981.

24 ~~Dele^{te}*~~ Sec. 13. ~~The sum of \$57,200 is appropriated from the general fund to~~
25 ~~the Office of the Governor, State Commission for Human Rights, for additional~~
26 ~~operating expenses for the fiscal year ending June 30, 1981.~~

27 * Sec. ¹³~~14~~. The sum of \$89,800 is appropriated from the general fund to
28 the Department of Administration, public defender agency, to pay additional
29 travel, contractual services, and commodities costs for the fiscal year

1 ending June 30, 1981.

2 * Sec. ¹⁴~~15~~. The sum of \$10,100 is appropriated from the general fund to
3 the Department of Health and Social Services, Board of Parole, to pay
4 increased travel costs for the fiscal year ending June 30, 1981.

5 * Sec. ¹⁵~~16~~. The sum of \$767,700 is appropriated from the general fund to
6 the Department of Public Safety to pay various program and contract costs
7 for the fiscal year ending June 30, 1981.

8 * Sec. ¹⁶~~17~~. The sum of \$68,000 is appropriated from the general fund to
9 the Department of Public Safety for contract jail costs for Unalaska for the
10 fiscal year ending June 30, 1980.

11 * Sec. ¹⁷~~18~~. The sum of \$70,000 is appropriated from the general fund to
12 the Department of Transportation and Public Facilities for legal fees
13 related to the CH2M Hill Corporation law suit regarding Russell Creek
14 Hatchery.

15 * Sec. ¹⁸~~19~~. The sum of \$1,152,300 is appropriated from the general fund
16 to the Department of Law, civil division, to pay miscellaneous judgments
17 against the state.

18 * Sec. ¹⁹~~20~~. There is appropriated from the general fund to the Department
19 of Transportation and Public Facilities for the Lower Kuskokwim Regional
20 Educational Attendance Area up to \$2,000,000 for construction cost overruns,
21 to the extent that they exist, at the following sites: Kwethluk, Atmautluak,
22 Napaskiak, Akiachak, Tuluksak, Nunapitchuk.

23 * Sec. ²⁰~~21~~. The sum of \$3,465,000 is appropriated from the general fund
24 to the state bond committee for debt service payments.

25 * Sec. ²¹~~22~~. The sum of \$982,500 is appropriated from the general fund to
26 the University of Alaska for community college contracts for the period from
27 July 1, 1981, through June 30, 1982.

28 * Sec. ²²~~23~~. The sum of \$122,700 is appropriated from the general fund to
29 the Department of Natural Resources, youth conservation corps program, to

1 cover overexpenditures for the fiscal year ending June 30, 1980 and the
2 fiscal year ending June 30, 1981.

3 * Sec. ²³~~24~~. The sum of \$125,000 is appropriated from the general fund to
4 the Department of Natural Resources for contractual services to complete a
5 computer development program related to land sales contracts and mining
6 claims.

7 * Sec. ²⁴~~25~~. The unexpended and unobligated portions of the appropriations
8 made by secs. 2, 5, 7 - 9, 12 - ^{16 18 20}~~17, 19, 21,~~ and ²²⁺²³~~23-24~~ of this Act lapse
9 into the general fund June 30, 1981.

10 * Sec. ²⁵~~26~~. The unexpended and unobligated portions of the appropriations
11 made by secs. 1, 3, 4, 6, 10 - 11, ^{17 19}~~18, 20,~~ and ²¹~~22~~ of this Act lapse into the
12 general fund June 30, 1982.

13 * Sec. ²⁶~~27~~. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

Original sponsor: Rules/Governor

Funding Information
General Fund \$11,718,000
Other Funds -0-
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6 into the general fund June 30, 1981.

7 * Sec. 25. The unexpended and unobligated portions of the appropriations
8 made by secs. 1, 3, 4, 6, 10 - 11, 17, 19, and 21 of this Act lapse into the
9 general fund June 30, 1982.

10 * Sec. 26. This Act takes effect immediately in accordance with AS 01.-
11 10.070(c).

ANALYSIS OF SCS CS HB297

Sec. 1 Formerly HB297 \$64,500 GF Lapse 6/30/82

Worker's Compensation Program. These funds will be used to contract for development of regulations (24.5) and contract for a hearing officer (40.0) in an effort to reduce the current backlog of Worker Compensation claims.

Sec. 2 Formerly HB297 \$248,000 GF Lapse 6/30/81

Computer Equipment. This request replaces federal funds with general funds in the Unemployment Insurance component. These funds were used to purchase additional computer services and equipment during the transition period of conversion to the Department's new IBM 370/140 computer.

Sec. 3 Formerly HB 297 \$237,000 GF Lapse 6/30/82

Redesign of the Unemployment Insurance System. The shortfall in federal receipts on this capital project is due to a decision made by the U.S. Department of Labor to not fund a third party computer operations contract made by the Alaska Department of Labor in order to meet a legislative deadline of October 1, 1980 for implementation of the new Unemployment Insurance law. That contract provided an interim training and operations computer mode so that benefits could be paid on October 1, 1980.

Sec. 4 Formerly HB 298 \$228,900 GF Lapse 6/30/82

University of Alaska Sewage Disposal. Sewage disposal costs were higher than anticipated, due to a rate increase by the college utility corporation.

Sec. 5 Formerly HB 298 \$175,200 GF Lapse 6/30/81'

FY 81 Community College Teachers Contract. Negotiations with AK Community College Federation of Teachers have resulted in continuation of the current contract for another year with a 6.28% salary increase.

This supplemental request is for the period April 1, 1981 through June 30, 1981.

Sec. 6 Requested by Senator Bennett \$384,000 GF Lapse 6/30/82

Safety Improvement to Agricultural Experimental Station, Univ. of AK. This is a result of an OSHA review. It is not certain whether this correction of structural deficiencies is mandatory to meet OSHA regulations. The University believes this is mandatory, OSHA indicates it is not.

Sec. 7 Formerly SB 267 \$100,000 GF Lapse 6/30/81

Glacial Silt Pollution of Chilkat Lake. FRED division used Governor's contingency fund to construct a small dam to prevent the water flow of the Tsirku River from silting the Chilkat Lake salmon spawning area. Last fall the Tsirku River near Haines eroded through an old channel, routing heavily silt-laden water into the rich spawning areas of Chilkat Lake. Continued silt deposition seriously threaten the salmon production of the Lake. The threatened area in the past has annually produced an average of 160,000 sockeye and 10,000 to 20,000 coho in addition to cutthroat trout and char. The requested crib dam, using all local materials, could preserve this salmon spawning area.

Sec. 8 Governor's Amendment to SB 267 \$541,500 GF Lapse 6/30/81

DNR FY 80 Overexpenditures. This problem is a result of several factors: failure to collect valid federal receivables, failure to adjust appropriations to meet available revenues, failure to follow normal accounting practices, and other management oversights.

The categories affected and the amounts requested are indicated as follows:

<u>Category</u>	<u>Overexpenditure</u>	<u>Unpaid Billings</u>
NRMEC	414,601	116,184
Development	5,662	1,179
Public Protection	-0-	3,873
TOTAL	420,263	121,236

Sec. 9 Governor's Amendment to SB 267 \$25,000 GF Lapse 6/30/82.

Boards of Fisheries and Game. This will pay travel, per diem and other expenses related to the twenty-two day extension of the December Board of Fisheries meeting.

Sec. 10 Governor's Amendment to SB 267 \$49,700 GF Lapse 6/30/81

This request will fund the seasonal positions and related expenses required to comply with recent unanticipated directives from the Board of Fisheries. The directives result from the new subsistence salmon regulations for the Cook Inlet region. The positins are needed to monitor the subsistence salmon harvests. These studies can not be completed by 6/30/81, hence, a 1982 lapse date is requested.

Sec. 11 Formerly SB 323 \$211,100 GF Lapse 6/30/82

This appropriation would cover the cost of the purchase of 1 vessel, the leasing of additional vessels and related fish and wildlife protection operations in Bristol Bay during the 1981 salmon season.

Sec. 12 Formerly HB 297 \$600,000 GF Lapse 6/30/81

Second Injury Fund: These funds will allow the Second Injury program to meet current and future obligations of paying compensation to employees and reimbursement to employers/carriers during FY 81. Failure to pay Second Injury Fund obligations is in violation of AS 23.30.205. A class action suit is pending in Superior Court for Workers' Compensations failure to meet the statutory time-frame.

Note: Funding for this item is under consideration as a fiscal note to HB 94.

Sec. 13 Formerly SB 309 \$57,200 GF Lapse 6/30/81

Human Rights Commission had to vacate office space due to problems with the building. The office space they moved to was more expensive.

Sec. 14 Formerly SB 309 \$89,800 GF Lapse 6/30/81

The Public Defender Travel account and usage has been materially affected by increases in the amount of travel necessary, and by the rapidly escalating costs of such travel. Contractual Services funds will be short due to an unexpectedly high usage of expert witnesses and psychological evaluations in court proceedings. An increase in the cost and type of Alaska Statute Supplements caused a short-fall in Commodities account funding.

Sec. 15 Formerly SB 309 \$10,100 GF Lapse 6/30/81

Board of Parole travel costs for FY 81 were based on a continuation figure that did not include funds transferred from the Governor's Contingency Fund. In addition, a larger number of Revocation Hearings, both in state and out-of state, than were expected combined with rapidly escalating travel charges have also contributed to a short-fall in funds.

Sec. 16 Formerly SB 309 \$767,700 Lapse 6/30/81

- .Contract Jails \$103,400 (Homer \$26,000, Unalaska \$77,400)
- .Cruikshank Bldg. Settlement \$150,000
- .Search & Rescue \$229,300
- .Prisoner Transport \$150,000
- .Vehicle Enforcement \$85,000
- .Narcotics Investigations \$50,000

Sec. 17 Governor's Amendment to SB 309 \$68,000 GF Lapse 6/30/81

This appropriation is necessary to meet FY 80 obligations for the City of Unalaska contract jail operations.

Sec. 18 Governor's Amendment to SB 267 \$70,000 GF Lapse 6/30/82

Law Suit. This supplemental is needed to pay legal fees incurred in a suit by the department against CH2M Hill Corporation for faulty design of the Russell Creek Hatchery. DOTPF has filed claims against CH2M Hill in excess of \$600,000 and feels that they have an excellent chance winning the suit. There are not sufficient balances available in the current project appropriations to cover the additional legal fees associated with this suit.

Sec. 19 Formerly HB 294 \$1,152,300 GF Lapse 6/30/81

Various Judgements against the State. Major cases include: Hidden Falls Hatchery project, \$881,400; and Katchemak Bay Oil Lease Buy Back, \$110,000.

Sec. 20 New Item \$2,000,000 GF Lapse 6/30/82

Lower Kuskokwim REAA. Construction overexpenditures

Sec. 21 New Item \$3,465,000 GF Lapse 6/30/81

Debt Service Payments. The original appropriation assumed two bond sales in FY 81 at 7% interest. The Department of Revenue held one large sale \$125,000,000 at a lower interest rate, 5.7%. The timing of the sale has caused the debt FY 81 service payments to be greater than budgeted.

Sec. 22 Formerly a Governor's FY 82 Budget Amendment
\$982,500 GF Lapse 6/30/82

Univeristy of AK Community College Teachers Contract for FY 82. The FCC on the budget declined to include this item in the FY 82 operating budget.

Sec. 23 Senator Sackett's Request \$122,700 GF Lapse 6/30/81'

Youth Conservation Corps overexpenditures in FY 80 and FY 81.

Sec. 24 Governor's Amendment to SB 267 \$125,000 GF Lapse 6/30/81

Land Sale Contracts & Mining Claims. The Department of Natural Resources currently relies upon the Department of Administration's Anchorage Data Center for computer services. Recent technical problems at the Center have delayed the completion of the revenue and billing system and had a serious impact on the ability of the ALARS project to complete its objectives in a timely fashion. As a result, the Department of Administration, has decided to contract with a private sector firm for program development for the balance of FY 81. The Department of Administration intends to request additional funds in FY 82 to upgrade the Anchorage Data Center and prevent a reoccurrence of this supplemental request.

Original sponsor: Rules/Governor

Offered: 4/29/81
Referred: Rules

Funding Information	
General Fund	5549,500 5,363,300
Other Funds	-0- 5,363,300

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13 reduction in federal funds for additional equipment and lease costs during
14 transition to the new computer.

15 * Sec. 3. The sum of \$237,000 is appropriated from the general fund to
16 the Department of Labor for the unemployment insurance system redesign
17 capital project.

ADD SECTION 5
4-20

18 ~~* Sec. 4. The unexpended and unobligated portion of the appropriation
19 made in sec. 1 of this Act lapses into the general fund December 31, 1981.~~

20 ~~* Sec. 5. The unexpended and unobligated portion of the appropriation
21 made by sec 2 of this Act lapses into the general fund June 30, 1981.~~

22 ~~* Sec. 6. The appropriation made by sec. 3 of this Act is for a capital
23 project and is subject to AS 37.25.020.~~

24 * Sec. ²⁷. This Act takes effect immediately in accordance with AS 01.10.-
25 070(c).

UNIVERSITY OF ALASKA

* Section 4. The sum of \$228,900 is appropriated from the general fund to the University of Alaska, Fairbanks, to pay sewage disposal costs to the College Utilities Corporation.

* Section 5. The sum of \$175,200 is appropriated from the general fund to the University of Alaska, community college statewide administration, for additional costs of the Alaska Community College Federation of Teachers contract for the fiscal year ending June 30, 1981.

6/30/82
*Section 6. The sum of \$384,000 is appropriated from the general fund to the University of Alaska, Fairbanks, to pay costs for the purpose of correcting deficiencies in structures at the Agricultural Experimental Station Research Farm in Fairbanks.

SOCIAL SERVICES

6/5/81
* Section 7. The sum of \$45,000 is appropriated from the general fund to the Department of Natural Resources for implementation of the Alaska National Interest Lands Conservation Act.

NRMEC

6/30/81
* Section 8. The sum of \$100,000 is appropriated from the general fund to the Department of Fish and Game, division of fisheries rehabilitation, enhancement, and development, to reimburse the Office of the Governor, contingency fund, for the money spent on the emergency construction of a crib dam on the Tsirku River.

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* Section 10. The sum of \$125,000 is appropriated from the general fund to the Department of Natural Resources for contractual services to complete computer development program related to land sales contracts and mining claims.

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* Section 11. The sum of \$70,600 is appropriated from the general fund to the Department of Natural Resources for shortfalls in the Historic Resources Management program.

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* Section 12. The sum of \$37,700 is appropriated from the general fund to the Department of Fish and Game, Boards of Fisheries and Game, to cover travel and per diem expenses associated with the unanticipated 22 day extension of the December regulatory meeting of the Board of Fisheries.

6/30/82
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6/30/83
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PUBLIC PROTECTION

6/10/81
* Section 15. The sum of \$600,000 is appropriated from the general fund to the Department of Labor for the second injury fund to meet current and future obligations to the employees and reimbursement of employees/carriers during FY 81.

ADMINISTRATION OF JUSTICE

* Section 16 . The sum of \$57,200 is appropriated from the general fund to the Office of the Governor, State Commission for Human Rights for additional operating expenses for the fiscal year ending June 30, 1981.

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* Section 20 . The sum of \$30,000 is appropriated from the general fund to the Department of Public Safety for completion of the Dillingham jail renovation.

* Section 21 . The sum of \$68,000 is appropriated from the general fund to the Department of Public Safety for FY 80 contract jail costs for Unalaska.

GENERAL GOVERNMENT

6305
* Section 22. The sum of \$70,000 is appropriated from the general fund to the Department of Transportation for legal fees related to the CH₂M Hill Corporation law suit regarding Russell Creek Hatchery.

6307
* Section 23. The sum of \$1,152,300 is appropriated from the general fund to the Department of Law, civil division, to pay miscellaneous judgments against the state.

LAPSE DATES

Sections to lapse June 30, 1981:

2, 5, 11, 15, 16, 17, 18, 19, 20, 21

Sections to lapse June 30, 1982:

1, 3, 4, 6, 13

Sections to lapse June 30, 1983:

14

AMENDMENTS TO CS FOR HOUSE BILL NO. 297 (Finance)

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* Sec. 5 The sum of \$175,200 is appropriated from the general fund to the University of Alaska, community college statewide administration, for additional costs of the Alaska Community College Federation of Teachers contract for the fiscal year ending June 30, 1981. (LAPSE DATE: June 30, 1981 as in Sec. 5 of HCS)

* Sec. 6 The sum of \$384,000 is appropriated from the general fund to the University of Alaska, Fairbanks, to pay costs for the purpose of correcting deficiencies in structures at the Agricultural Experimental Station Research Farm in Fairbanks. (LAPSE DATE: as in AS 37.25.020 as in Sec. 6 of HCS)

~~SB~~
* H8297
In Senate

Reference to
General Bill

University of Alaska

SB 298, Sec 1

* Section 1. The sum of \$228,900 is appropriated from the general fund to the University of Alaska, Fairbanks, to pay sewage disposal costs to the College Utilities Corporation.

SB 298, Sec 2

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Social Services

SB 297, Sec 2

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SB 297

6/30/82

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SB 297, Sec 2

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NRMEC

267, rec 1 * Section ⁸ 6. The sum of \$100,000 is appropriated from the general fund to the Department of Fish and Game, division of fisheries rehabilitation, enhancement, and development, to reimburse the Office of the Governor, contingency fund, for the money spent on the emergency construction of a crib dam on the Tsirku River.

ew Item
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58267 * Section ¹² 10. The sum of ~~\$25,000~~ ^{31,700} is appropriated from the general fund to the Department of Fish and Game, Boards of Fisheries and Game, to cover travel and per diem expenses associated with the unanticipated 22 day extension of the December regulatory meeting of the Board of Fisheries.

ew Item
58267 * Section ¹³ 11. The sum of \$49,700 is appropriated from the general fund to the Department of Fish and Game to cover unanticipated expenses related to new subsistence salmon regulations enacted by the Board of Fisheries for the Cook Inlet region. *

2297
23
* Section ¹⁴ 12. The sum of \$211,100 is appropriated form the general fund to the Department of Public Safety for fish and wildlife protection activities in the Bristol Bay area.

PUBLIC PROTECTION

2297
HB 297
new item
* Section ¹⁵ 13. The sum of \$600,000 is appropriated from the general fund to the Department of Labor for the second injury fund to meet current and future obligations to employees and reimbursement of employees/carriers during FY 81.

2297, Sec 1
HB 297
* Section 14. The sum of \$64,500 is appropriated from the gerneral fund to the Department of Labor for the worker's compensation program.

ADMINISTRPATION OF JUSTICE

2302
* Section ¹⁶ 15. The sum of \$57,200 is appropriated from the genral fund to the Office of the Governor, State Commission for Human Rights for additional operating expenses for the fiscal year ending June 30, 1981.

2309
* Section ¹⁷ 16. The sum of \$89,800 is appropriated from the general fund to the Department of Administration, public defender agency, to pay additional FY 81 travel, contractual services, and commodities costs.

2309
* Section ¹⁸ 17. The sum of \$10,100 is appropriated from the general fund to the Department of Healthe and Social Services, board of parole, to pay increased BY 81 travel costs.

2309
* Section ¹⁹ 18. The sum of \$817,700 is appropriated from the general fund to the Department of Public Safety to pay various FY 81 program and contract costs.

767.700

200-511
51309

²⁰
* Section 19. The sum of \$30,000 is appropriated from the general fund to the Department of Public Safety for completion of the Dillingham jail renovation.

200-511
51307

²¹
* Section 20. The sum of \$68,000 is appropriated from the general fund to the Department of Public Safety for FY 80 contract jail costs for Unalaska.

GENERAL GOVERNMENT

200-511
513267

²²
* Section 21. The sum of \$70,000 is appropriated from the general fund to the Department of Transportation for legal fees related to the CH₂M Hill Corporation law suit regarding Russell Creek Hatchery.

113 294

²³
* Section 22. The sum of \$1,152,300 is appropriated from the general fund to the Department of Law, civil division, to pay miscellaneous judgements against the state.

* Section 23 The appropriation in Section 4 is not a one year appropriation and does not lapse into the general fund under AS 37.25.010.

* Section 24 The appropriations for sections 1, 2, 3, 5, 6, 7, 8, 9, 10, ~~11~~ 12, 13, 14, 15, 16, 17, 18, 19, 20, lapse into the general fund June 30, 1981.

Ryan Lehr

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

JAY S. HAMMOND, GOVERNOR

POUCH AM
JUNEAU, ALASKA 99811
PHONE: (907) 465-2211

June 10, 1981

Honorable Ed Dankworth and Don Bennett
CO-Chairmen, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Supplemental Need FY 81
Debt Service Requirement

Dear Senators Dankworth and Bennett:

Please amend SCS CS HB 297 to include an additional \$3,465,000 general fund supplemental appropriation to the State Bond Committee for debt service payments for fiscal year 1981. It was brought to our attention June 9, 1981 that the FY 81 General Fund Appropriation for Debt Service (\$94,167,400) will be insufficient to meet current obligations by the amount of \$3,465,000. This deficit is due to the following factors:

When the Debt Service figures are incorporated into the Governor's budget and subsequently presented to the Legislature, the Department of Revenue supplies the Division of Budget and Management with proposed bond sale basic assumptions. These assumptions include sale size and projected principal and interest payments which would fall due in a time-frame that would affect the appropriation needed for the upcoming fiscal year, in this case FY 81.

In preparation for the FY 81 Debt Service requirement the Division of Budget and Management in consultation with the Department of Revenue assumed:

1. A bond sale of \$75,000,000 sold in April 1980, at an interest rate of 7% with the first interest payment of \$5,250,000 due in October 1980 and first principal payment of \$7,500,000 due in April of 1981.
2. A second sale of \$100,000,000 in August 1980 at an interest rate of 7% with the first interest payment of \$3,500,000 due in February of 1981. The first principal payment would not affect FY 81 requirements.
3. First principal payment due one (1) year after sale. First interest payment due six (6) months after sale. Ten year payoff on bonds at 7% interest.

First sale payment dates:

October	\$5,250,000	Interest
April	\$7,500,000	Principal

Second sale payment dates:

February \$3,500,000 Interest

Principal payment would not affect FY 81.

Total assumptions \$16,250,000

This assumption total of \$16,250,000 is then applied to the current outstanding debt to arrive at the total debt requirement.

The deficiency for FY 81 is attributable to having only one large bond sale (\$125,000,000) at 5.7%, which, due to the date of the sale and the timing of principal and interest payments, incurred \$19,843,750 in principal and interest instead of the \$16,250,000 originally budgeted for.

Actual Debt Service need is as follows:

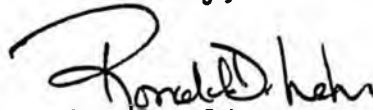
G.O. Bonds prior to 6/30/80	77,788,600
G.O. Bond issued 7/1/81	<u>19,843,800</u>
FY 81 Total Need	<u>97,632,400</u>
FY 81 Total Budgeted	<u>94,167,400</u>
FY 81 Total Insufficient	3,465,000

A supplemental appropriation of \$3,465,000 is requested to avoid default to Alaska's bond holders.

The following appropriation language is suggested to amend SCS CS HB 297.

The sum of \$3,465,000 is appropriated from the general fund to the State Bond Committee for debt service payments. This appropriation lapses June 30, 1981.

Sincerely,


Dr. Ronald D. Lehr
Director

Attachments

cc: Honorable Sam Cotten
Jay Hogan

MEMORANDUM

State of Alaska

TO: Ron Lehr, Director
Division of Budget and Management
Office of the Governor

DATE: June 9, 1981

FILE NO:

TELEPHONE NO: 465-2200

FROM: Commissioner W. R. Hudson *W. R. Hudson*
Department of Administration *for*

SUBJECT: G. O. Bond Debt Service

Analysis of the G. O. Bond Debt Service payment schedule indicates a shortfall or deficit of \$3,465.0. A supplemental appropriation is needed immediately. Failure to make timely payment will place the State in default to every bondholder of Alaskan bonds.

The FY 81 appropriation is \$94,167.4.

Debt Service is:

G. O. Bonds prior to 6/30/80	- 77,788.6
G. O. Bonds issued 7/1/80 <i>MEM</i>	- 19,843.8

Deficit	-\$ 3,465.0
---------	-------------

We ask for your assistance.

WRH/mjc

STATE OF ALASKA

GENERAL OBLIGATION BONDS 1980 SERIES A
Debt Service Charges Until Maturity
June 30, 1981

Coupon Number	Bond Number	Coupon Rate of Interest	Due Date	Principal	Interest	Total Requirement	Date Transfer to Redemption Fund
1			1/1/81		\$ 3,671,875.00		
2	1-2500	6.70	7/1/81	12,500,000.00	3,671,875.00	19,843,750.00	12/1/80
3			1/1/82		3,253,125.00		
4	2501-5000	6.70	7/1/82	12,500,000.00	3,253,125.00	19,006,250.00	12/1/81
5			1/1/83		2,834,375.00		
6	5001-7500	6.00	7/1/83	12,500,000.00	2,834,375.00	18,168,750.00	12/1/82
7			1/1/84		2,459,375.00		
8	7501-10,000	5.20	7/1/84	12,500,000.00	2,459,375.00	17,418,750.00	12/1/83
9			1/1/85		2,134,375.00		
10	10001-12500	5.40	7/1/85	12,500,000.00	2,134,375.00	16,768,750.00	12/1/84
11			1/1/86		1,796,875.00		
12	12501-15000	5.50	7/1/86	12,500,000.00	1,796,875.00	16,093,750.00	12/1/85
13			1/1/87		1,453,125.00		
14	15001-17500	5.60	7/1/87	12,500,000.00	1,453,125.00	15,406,250.00	12/1/85
15			1/1/88		1,103,125.00		
16	17501-20000	5.75	7/1/88	12,500,000.00	1,103,125.00	14,706,250.00	12/1/87
17			1/1/89		743,750.00		
18	20001-22500	5.90	7/1/89	12,500,000.00	743,750.00	13,987,500.00	12/1/88
19			1/1/90		375,000.00		
20	22501-25000	6.00	7/1/90	12,500,000.00	375,000.00	13,250,000.00	12/1/89
Total				\$125,000,000.00	\$39,650,000.00	\$164,650,000.00	
Paid as of 6/30/81				12,500,000.00	7,363,750.00	19,843,750.00	
Remaining Liability as of 6/30/81				\$112,500,000.00	\$32,306,250.00	\$144,806,250.00	

NOTE:

Bonds are dated July 1, 1980.
Effective rate of interest is 5.7672%
Paying Agent is Rainier National Bank, Seattle.
There was no premium on this sale.

STATE OF ALASKA

OFFICE OF THE GOVERNOR

JAY S. HAMMOND, GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

February 24, 1981

Honorable Ed Dankworth and Don Bennett
Cochairmen, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

CS HB 298 (Finance)

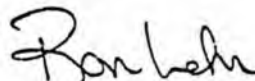
FY 82 Budget Amendment # B022303
University of Alaska Category
University of Alaska
Community Colleges - Statewide Administration
Community College Contract
Increase of \$982,500 GF
Workbook Form 4A page 00900

Dear Senators Dankworth and Bennett:

Please amend the Governor's FY 82 budget to include an additional \$982,500 GF in Community College Contracts for the Community Colleges - Statewide Administration BRU.

The University of Alaska recently concluded negotiations with the Alaska Community College Federation of Teachers (ACCFT) Bargaining Unit. The negotiations resulted in the continuation of the current contract for another year with a 6.28% salary increase. This budget amendment will fund that increase for the period July 1, 1981 through June 30, 1982.

Sincerely,



Dr. Ronald D. Lehr
Director

Attachment

Budget Amendment Summary

BUDGET AMENDMENT NO. _____

CATEGORY: UNIVERSITY OF ALASKA

DEPARTMENT: UNIVERSITY OF ALASKA

BRU: COMMUNITY COLLEGE - STATEWIDE

COMPONENT: COMMUNITY COLLEGE CONTRACT

CODE	EXPENDITURE BY OBJECT	CURRENT GOVERNOR'S BUDGET	REVISION	AMENDED GOVERNOR'S BUDGET
100	PERSONAL SERVICES	306.7	982.5	1289.2
200	TRAVEL	14.3		14.3
300	CONTRACTUAL SERVICES			
400	COMMODITIES			
500	EQUIPMENT			
600	LANDS, BUILDINGS ETC.			
700	GRANTS, CLAIMS ETC.			
800	MISCELLANEOUS			
	TOTAL	321.0	982.5	1303.5
FEDERAL RECEIPTS				
REQUIRED GENERAL FUND MATCH				
	OTHER GENERAL FUND	321.0	982.5	1303.5
INTER-AGENCY TRANSFERS				
OTHER: _____				
	TOTAL	321.0	982.5	1303.5
PERMANENT FULL-TIME POSITIONS				
PERMANENT PART-TIME POSITIONS				
TEMPORARY (FULL-TIME) EQUIV.				
NUMBER OF STAFF MONTHS				

RECEIVED

FEB 17 1981

BUDGET AND MANAGEMENT



Sherman Carter
Executive Vice President

UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

February 10, 1981

Mr. Ron Lehr, Director
Division of Budget and Management
Office of the Governor
State of Alaska
Pouch AM
Juneau, Alaska 99811

Dear Ron:

The University of Alaska has concluded its negotiations with the Alaska Community College Federation of Teachers (ACCFT) Bargaining Unit.

The negotiations resulted in the continuation of the current contract for another year with a 6.28% salary increase. The additional funding which is being requested for FY 81 and FY 82 is simply the incremental increase on salary related sections in the amount of 6.28%.

Accordingly, the University of Alaska would like to request a budget supplemental for FY 81 to fund a 6.28% increase in salary related provisions of the ACCFT contract for the period April 1, 1981 through June 30, 1981 in the amount of \$175,200. At this time, the university is requesting that this supplemental appropriation be appropriated to the Contract Component of the Community College Statewide Administration. After authorization is received, these funds would be distributed to the various community colleges.

Additionally, the University of Alaska is requesting a budget amendment for FY 82 in the amount of \$982,500. The budget amendment would pay for the 6.28% increase on salary related contract items only for the period July 1, 1981 through June 30, 1982.

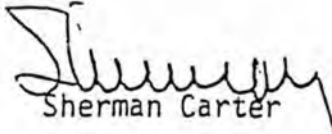
The ACCFT represents approximately 270 bargaining unit members in the Community College division of the University of Alaska System. The members of this bargaining unit include instructors, counselors, and librarians. The university administration expects the ACCFT and the Board of Regents to formally ratify this contract by the end of March. The university administration is submitting this request at this time to facilitate the expenditure plans of the Governor and the Legislature, and because the formal ratification will occur close to the beginning date of the contract period. All other funds for this contract have already been requested within the continuation budget which the Governor has supported.

The approval of the supplemental request for FY 81 prior to April 1 is being requested to allow the university to adjust bargaining unit salary schedules on April 1. Such approval precludes retroactive salary payments which are not only cumbersome, but also cost inefficient for the university administration and the State of Alaska.

The university has discussed this request with the leadership of ACCFT and they concur with this submission.

Thank you for your consideration of these two requests. If additional information (other than what is shown in the attachments) is needed, please do not hesitate to let me know as soon as possible, and we will provide it. Your cooperation in this matter is sincerely appreciated.

Very truly yours,


Sherman Carter

Attachments

SC:FS:jc

cc: Commissioner Bill Hudson
Members of the Board of Regents
President Jay Barton
Chancellor Patrick O'Rourke
Ms. Astrid DeParry
Mr. Ralph McGrath, ACCFT President
Ms. Alison Elgee
Mr. Evan Johnson

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
by
BUDGET COMPONENT

CATEGORY	Education
COVER PROGRAM	
AGENCY	University of Alaska
DIVISION	
BUDGET REQUEST UNIT	CC- Statewide
BUDGET COMPONENT	Community College Contract
APPROPRIATION	CC- Statewide
ALLOCATION	Community College Contract

FY82 BUDGET AMENDMENT

		INITIAL AUTHORIZATION	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
01	PERSONAL SERVICES	306.7	982.5							1289.2
02	TRAVEL	14.3								14.3
03	CONTRACTUAL									
04	COMMODITIES									
05	EQUIPMENT									
06	LANDS, BUILDINGS									
07	GRANTS, CLAIMS									
08	MISCELLANEOUS									
	TOTAL	321.0	982.5							1303.5
1002	FEDERAL RECEIPTS									
1003	G/F MATCH									
1004	GENERAL FUND	321.0	982.5							1303.5
1005	I/A RECEIPTS									
1028	PROGRAM RECEIPTS									
	Student Fees									
	Indir. Cost Rec.									
	Rest. Receipts									
15	FULL TIME									
16	PART TIME									
17	TEMPORARY									
18	MAN-MONTHS									

UNIVERSITY OF ALASKA

ACCFT CONTRACT
 FY 81 & FY 82 Incremental Costs

<u>Section</u>	<u>Description</u>	<u>FY 81 Supplemental</u>	<u>FY 82 Budget Amendment</u>
1.5C	Scheduling of Negotiations	\$0.5	\$ 2.0
5.5	Teaching Load & Preparation	0.2	0.6
5.6	Stacked Classes	0.2	0.9
7.1	Summer & Overload	16.0	64.2
8.1	Placement Requirements	0.9	3.6
8.2b	Salary Schedule	154.9	901.1
9.1	Professional Development Leave	1.3	5.3
10.6	Release Time	<u>1.2</u>	<u>4.8</u>
	TOTAL	\$175.2	\$982.5



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 9, 1981

The Honorable Jim Duncan
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which would make a supplemental appropriation to the Department of Labor and a transfer to the Department of Military Affairs.

The appropriation to the Department of Labor (\$664,500) would be allocated to two programs:

(1) Workers' Compensation Program (\$64,500), to contract for development of regulations and to contract for a hearing officer to reduce the workers' compensation claim backlog; and

(2) Second Injury Fund (\$600,000), to pay compensation to workers and to reimburse employers/carriers during FY 81.

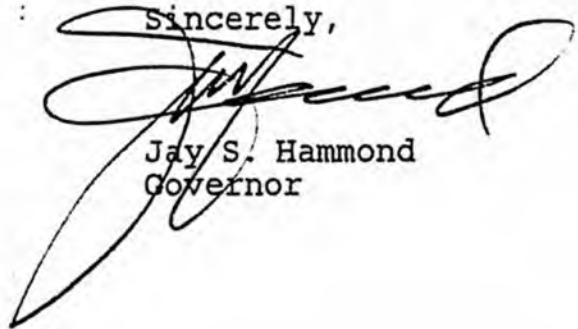
The Second Injury Fund does not have sufficient money to meet its FY 81 obligations. The amount of money that employers/carriers are required to pay into the fund has not been increased since 1970. There have, however, been substantial increases in compensation benefits and costs of vocational rehabilitation and retraining due to inflation. Because of the shortfall in money, the fund is now delinquent in reimbursing employers/carriers for compensation paid to injured workers. As of December 15, 1980 the fund had delinquent obligations of \$500,000. This situation places the Department of Labor in violation of AS 23.30.205, which requires reimbursement in full to employers/carriers within a certain time limit.

I have introduced a bill (HB 94) which would increase total employer/carrier contributions to the fund to \$600,000, providing adequate money to cover obligations of the fund. Until that legislation is enacted, and

sufficient money has been generated, this supplemental appropriation is needed to cover current obligations.

Sections 2, 3, and 4 of the bill transfer \$488,100 from the Department of Administration (sec. 4) to the Department of Military Affairs, Alaska National Guard (secs. 2 and 3). In 1980 the legislature passed FCCS SB 20, increasing the benefit amount for National Guard retirees. The \$488,100 increase was appropriated to the Department of Administration. This bill would place the money correctly in the account from which benefits for the National Guard Retirement System are paid.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jay S. Hammond". The signature is written over the typed name and title.

Jay S. Hammond
Governor

Original sponsor: Rules/Governor

Offered: 4/29/81
Referred: Rules

Funding Information
General Fund \$549,500
Other Funds -0-
\$549,500

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 297 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making appropriations to the Department of
Labor; and providing for an effective date."

7

8

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

9

* Section 1. The sum of \$64,500 is appropriated from the general fund to
the Department of Labor for the worker's compensation program.

10

11

* Sec. 2. The sum of \$248,000 is appropriated from the general fund to
the Department of Labor, division of employment security, to replace a
reduction in federal funds for additional equipment and lease costs during
transition to the new computer.

12

13

14

15

* Sec. 3. The sum of \$237,000 is appropriated from the general fund to
the Department of Labor for the unemployment insurance system redesign
capital project.

16

17

18

* Sec. 4. The unexpended and unobligated portion of the appropriation
made in sec. 1 of this Act lapses into the general fund December 31, 1981.

19

20

* Sec. 5. The unexpended and unobligated portion of the appropriation
made by sec. 2 of this Act lapses into the general fund June 30, 1981.

21

22

* Sec. 6. The appropriation made by sec. 3 of this Act is for a capital
project and is subject to AS 37.25.020.

23

24

* Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-
070(c).

25

26

27

28

29

MEMORANDUM

RECEIVED
HB 297
JAN 15 1981

~~100201~~
S 100903

BUDGET AND MANAGEMENT

MIL AFFAIRS

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: 14 Jan 1981

FILE NO:

TELEPHONE NO: 465-4600

FROM: Lois L. Richardson, Director *LR*
Administrative Services Division
Department of Military Affairs

SUBJECT: Retirement Appropriation

The 1980 legislature passed SB 26 increasing and changing the retirement system for the Alaska National Guard and Naval Militia in Chapter 146 SLA 80. Funding to support this bill was in Chapter 120, page 68, line 22 & 23 appropriated to the Department of Administration. Alison Elgee of Legislative Finance and Paul Arnoldt of Department of Administration worked out the funding for the bill and determined \$488.1 was included for the National Guard retirement system.

The Department of Military Affairs requests that \$488.1 be deleted from Department of Administration funding and added to the R&R/OMB allocation in the Military Preparedness BRU to fund the system for FY 81.

LLR:sl

MEMORANDUM

State of Alaska

TO: Commissioner Hudson
Department of Administration

DATE: October 27, 1980

FILE NO:

TELEPHONE NO:

FROM: Ronald D. Lehr, Director
Division of Budget & Management
Office of the Governor

SUBJECT: Amortization of Unfunded Retirement
And National Guard Retirement

In a recent discussion by the BRC, the subject of unfunded retirement liabilities was raised. Currently, the cost of any expansion of retirement benefits in PERS and TRS is amortized over a 25-year period. The BRC was interested in the cost, advantages, and disadvantages of reducing the pay-back period to 15 years, or to an immediate pay-off where the total cost of the increase in benefits would be appropriated by a single fiscal note. Please provide the BRC with a brief analysis with your recommendation on this issue.

Another subject of discussion in the BRC was the true cost of the recently enacted changes in the National Guard Retirement System. The fiscal note to SB 26 appropriated \$488,100 in general funds for this system. The Department of Military Affairs has requested the sum of \$807,000 to fund the retirement system for FY 82. No detailed information has been provided to support this figure. Please provide this office with a detailed explanation of the FY 81 and FY 82 costs associated with this aspect of SB 26 and an analysis of why there is any substantial difference. We would also appreciate a statement of the assumptions the Division of Retirement made regarding number of participants; amount of unfunded liability, pay-off period for unfunded liability, and how the system is expected to function on a pay-for-itself basis. We would appreciate this report no later than December 1 so that any necessary changes may be made to the Military Affairs budget.

RDL/JM/pg

cc: Lois Richardson
Paul Arnoldt

RECEIVED
DEC 2 1980
BUDGET AND MANAGEMENT

TO: Ron Lehr
Director
Division of Budget & Management
Office of the Governor

FROM: *Paul B. Arnoldt*
Paul B. Arnoldt
Director
Division of Retirement & Benefits
Department of Administration

DATE: December 1, 1980

FILE NO:

TELEPHONE NO: 465-4460

SUBJECT: Amortization of Unfunded
Retirement and National Guard
Retirement

Commissioner Hudson has asked me to respond to your memorandum of October 27, 1980. The State currently has an unfunded liability in the PERS of approximately \$80 million which is being amortized over a 25-year period with a contribution rate of 2.54% of payroll. If the amortization period were reduced to 15 years, the contribution rate would increase to 3.34% of payroll. If a one-time payment of approximately \$19 million were made to the PERS, then the amortization period could be reduced to 15 years and the contribution rate would remain at 2.54% of payroll. If the State wanted to completely pay off its current unfunded liability, it would, of course, cost approximately \$80 million.

The TRS currently has an unfunded liability of approximately \$154 million which is being amortized over a 30-year period with a contribution rate of 4.89% of payroll. If the amortization period were reduced to 15 years, then the contribution rate would increase to 6.61% of payroll. (It is important to remember that the State and the school districts currently share equally the total employer cost of the TRS.) If a one-time payment of approximately \$33 million were made to the TRS, then the amortization period could be reduced to 15 years and the contribution rate would remain at 4.89% of payroll. If the current unfunded liability were paid off in total, it would cost approximately \$154 million.

If I understand the intent of your inquiry regarding the unfunded liabilities in the retirement systems, I believe what you are attempting to do is to spend current State surplus dollars in such a way as not to start new programs or incur new liabilities which must be continued after the State surplus dollars run out. I believe using State surplus dollars to pay off the unfunded liabilities in the retirement systems is a viable alternative. However, I do not believe the amortization periods should be reduced in order to force this payment. The amortization periods are established such that services received by Alaskans are being paid for by those same Alaskans. In other words, the cost of the services which are being enjoyed by the current generation is not put off to some future generation. That is why the amortization periods approximate the average working lifetime of those individuals who are providing the services to the citizens of Alaska. Thus, the amortization periods have their basis in equity.

Another consideration is the fact that during "boom" times it might be considered to be advantageous to reduce the amortization period in order to spend surplus

December 1, 1980

Others on the other hand, during lean years, there would be political *pressure* to increase the amortization period in order to forego making the necessary payments to the retirement systems. This would result in improper funding for the retirement systems and would negate the equity that I mentioned earlier.

Regardless of the length of the amortization periods, ad hoc payments may be made to reduce the unfunded liabilities of the retirement systems. That is, ad hoc payments, which do not require Board action or statutory change, may be made without any change in the amortization periods. I am aware of at least three other employers in the PERS that have made ad hoc payments in order to pay off their unfunded liability.

I would like to discuss two principal disadvantages of accelerating payments towards the unfunded liabilities of the retirement systems:

- (1) A lump sum payment made this year would necessitate an actuarial adjustment to the overall contribution rate used next year. In other words, the actuary would reduce the contribution rate as a result of the accelerated payment of the unfunded liability. This will have the effect of diluting the impact of the lump sum payment. As a word of caution, it should be stressed that current law prohibits freezing of the contribution rate in order to continue the beneficial effects of the lump sum payment. Even if it were not illegal, such action would not be advantageous to the retirement systems since it would mean an accumulation of funds in excess of that which is needed to pay the benefits which will ultimately come due under the retirement systems. Once it became known that there were excess monies in the retirement systems, there would be extreme political pressure to use the funds for other than retirement purposes.
- (2) Currently, the high contribution rates act as a barrier against further increasing the benefits being provided under the retirement systems. If lump sum payments were made to the retirement systems, thereby reducing the unfunded liabilities and likewise reducing the overall contribution rate, I am sure that lobbying groups would see this as justification to increase benefits and bring the contribution rate back up to its previous level. This would result in a trade-off between the current situation which should see a reduction in the contribution rate over the next 25 years versus the proposed scenario by which the contribution rate would be raised and could not be reduced for all future years.

In regards to your question about the National Guard Retirement System, I am enclosing a copy of the fiscal note for CSSB 404 (incorporated into FC CSSB 26) which should help to explain the funding for FY's 81 and 82. The primary difference between these two years is that in FY 81 the retirement system is being funded on a pay-as-you-go basis, whereas beginning in FY 82 the retirement system is being placed on a "funded" basis. In other words, during FY 81, only the monies necessary to pay benefits during that year were appropriated; however, beginning in FY 82, monies will be appropriated which are necessary to fund the future

benefits which will come due under the retirement system. As you can see from the fiscal note, in FY81 approximately \$124,200 was necessary to pay for the increase in benefits from \$50.00 to \$100.00 for each month of National Guard service. As I understand it, during the last hectic days of the legislative session, there was some confusion as to whether or not this benefit increase was funded, and, as a result, it was funded twice. Additionally, there was some concern that certain minor changes made to the National Guard Retirement System increased the amount required to pay benefits. Therefore, the legislature added additional funds into the fiscal note. As a result, approximately \$488,100 in General Funds were appropriated for this system. Since these monies were appropriated to pay for benefits from the National Guard Retirement System, I do not believe they can be used for other purposes such as operating expenses. In order to control these funds, the appropriation should be made to the account from which we currently pay benefits for National Guard retirees.

As you can see, the \$807,000 requested by the Department of Military Affairs is based upon the fiscal note which was prepared for CSSB 404. I believe this to be an appropriate amount at this time based upon rough estimates made by the actuary. The reason for these rough estimates was the insufficient time necessary to gather the data required for an actuarial valuation and also the lack of funds to pay for this valuation. As is identified in the fiscal note, \$5,000 was appropriated to undertake an actuarial valuation of the National Guard Retirement System. Our actuary is currently performing the valuation and we anticipate it being completed in the first quarter of 1981. As soon as I receive this valuation, I will send a copy to you. I would like to note that even if the \$807,000 is either too low or too high, the actuary will take this into consideration and will make the necessary adjustments in future appropriations which will be necessary to fund the National Guard Retirement System.

I hope that I have been able to answer the questions that you raised regarding the retirement systems. I recognize that some of my discussions might be somewhat technical. If so, I certainly would be more than willing to meet with you and try to clarify any of the points discussed in this memorandum.

PBA/jb
Enclosure

cc: W.R. Hudson, Commissioner
Department of Administration

Frederick B. Muller, Deputy Commissioner
for Personnel Management
Department of Administration

Jerry Reinwand, Executive Assistant
Office of the Governor

Lois Richardson, Director
Administrative Services Division
Department of Military Affairs

The proposal was tabled in the House of Representatives with no action having been taken during the 1980 Session. Because of this we believe that the Second Injury Fund is faced with a serious liquidity problem. Payments to the Fund at this point are insufficient to meet monthly expenditures. We project that unless funding is provided from some other source, the Fund will cease to meet its statutory obligations no later than February 1, 1981. We will again proceed with legislative action to update the method of generating revenues. Without additional funding, a large number of Alaska's injured workers will be forced to drop out of retraining programs before obtaining the skills that would enable them to return to gainful employment and the Fund will no longer be able to meet its present statutory obligation to pay compensation to employees and reimbursement to employers/carriers.

SECOND INJURY FUND
COMPARISON OF FUND BALANCES, RECEIPTS AND DISBURSEMENTS

Fiscal Year	July 1 Beginning Balance	Adjustments	Receipts	Disbursements	June 30 Ending Balance
1974	54,376	163,448	184,608	236,842	165,589
1975	165,589	(17,050)	239,401	271,550	116,469
1976	116,469		430,318	329,010	217,777
1977	217,777		445,410	334,133	329,054
1978	329,054		652,998	785,200	196,852
1979	196,852		1,085,600	990,500	327,086
1980	327,086		783,603	1,058,481	52,208
1981	52,208		800,000*	1,248,600	(396,392)**

* Estimated revenue 1981

AGENCY Labor

PROGRAM Worker Protection

BRU Second Injury Fund

FY 82

2 ANALYTIC STATEMENT

00218

DEC 31 1980

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: December 24, 1980

FILE NO: FM 3-1

TELEPHONE NO: 465-2720

Second Injury Fund
Supplemental Budget Request

FROM: *for* Edmund N. Orbeck
Commissioner
Department of Labor

Edmund N. Orbeck

HB 42
FN 79
supplemental
275.0

The records show that the Second Injury Fund is faced with a serious liquidity problem. It appears that the Fund will not generate sufficient revenues to meet its FY '81 obligations.

Total funding for this BRU is derived from contributions made by employers/ carriers and is dependent on the decisions and awards of the Workers' Compensation Board. The employer or his insurance carrier is required to pay into the Fund a lump sum equal to eight percent of the total compensation to which the injured worker is entitled for permanent partial disability and \$10.0 in cases of death where the employee is not survived by eligible dependents.

Second Injury Fund provisions have not been upgraded since 1970. Due to increases in compensation benefits and the inflationary costs of vocational rehabilitation and retraining, this method of funding is presently inadequate to meet current obligations.

The legislature appropriated \$1,260.2 (includes salary increases) of the Second Injury Fund for FY '81. However, the reserve funds at the commencement of the new fiscal year on July 1, 1980 amounted to only \$52.2 (with requirements of a minimum balance of \$10.0). Therefore, the Fund will need \$1,218.0 in revenues for FY '81 to meet its obligations. At its current rate of receivables we project that the receipts will not exceed \$618.0.

Because of the shortfall in revenues the Fund has become delinquent in making reimbursement payments to employers/carriers for compensation paid to injured workers. As of December 15, 1980 the Fund had accrued obligations of approximately \$500.0. Failure to pay these obligations places us in violation of AS 23.30.205, which requires us to reimburse employers/ carriers in full for compensation paid to injured workers under certain prescribed conditions.

In view of the above we request approval of a Supplemental Budget of \$600.0 from General Funds. A change to the statute which would increase contributions to this Fund has been submitted for Legislative approval during the 1981 session; however, until it is approved and generating sufficient receipts we will need to supplement the Second Injury Fund with General Funds. This requirement may carry over to FY 1982.

This supplemental appropriation will allow the Fund to meet its current obligations and provide funding for any additional awards that may be made by the Workers' Compensation Board during the remainder of this fiscal year.

If you have any questions please contact Pat Clerk, Program Budget Analyst at 465-2746; or Paul House, Workers' Compensation Officer at 465-2790.

Attachment ..

cc: Paul House
Workers' Compensation Officer

John Post, Director
Division of Administrative Services

SUPPLEMENTAL REQUEST ANALYSIS

	1	2	3	4	5	6	7	8	9	10
	FY 79 ACTUAL	FY 80 FINAL AUTH.	FY 80 ACTUAL	FY 81 GOV. BUDGET	FY 81 INITIAL AUTH.	FY 81 CURRENT AUTH.	FY 81 EXPENDITURES + ENCUMBRANCES 7/1/ to 11/31	FY 81 OTHER OBLIGATIONS 7/1/ to 11/31	FY 81 PROJECTED EXPENDI- TURES + ENCUMBRANCE 12/1 to 6/30	FY 81 (DEFICIT) OR EXCESS
SERVICES	99.0	117.7	110.8	108.6	107.0	122.6	44.7		77.9	0
	4.1	3.6	3.4	6.4	6.4	6.4	.9		5.5	-0-
SERVICES	30.1	33.5	26.7	43.6	43.6	44.9	11.1	13.5	20.3	-0-
	.7	1.5	.4	2.1	2.1	2.1	.1		2.0	-0-
	.5	.5	.4							
.....										
INS.	856.1	905.9	916.8	1,089.5	1,089.5	1,089.5	85.5	99.0	914.0	-0-
US										
	990.5	1,056.7	1,058.5	1,250.2	1,248.6	1,265.5	1) 142.3	193.5	1,019.7	-0-
RECEIPTS										
MATCHING										
L FUND						5.3			5.3	600.0
RECEIPTS										
by 841	990.5	1,056.7	1,058.5	1,250.2	1,248.6	1,260.2	2) 297.9	3)	362.3	4) (199.0)

Currently withholding payments of approximately \$500.0
 Present Receipts

3) Projected Receipts
 4) Revenue Short Fall

DRU: Second Injury

COMPONENT: Second Injury

REVISED:

MEMORANDUM

State of Alaska ^{HB 297}

~~5030702~~

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor
Attn: Mike Maher

DATE: December 31, 1980

FILE NO: FM 3.3

TELEPHONE NO: 465-2790

SUBJECT: Workers' Compensation
Supplemental Budget
Request

HB 297
3/9/81
F-181

THRU: Edmund N Orbeck, Commissioner
FROM: John Post, Director
Division of Administrative Services
Department of Labor

The Alaska Workers' Compensation Board and Division have been severely criticized, to the point of a probable law suit being filed, for the lack of regulations governing AS 23.30. Other than adoption of the regulation addressing benefit adjustments in 1976, no regulations have been adopted by the Board since 1959, even though considerable amendments to the Act have been enacted.

Although there are numerous references to "As defined by regulations adopted by the Board," those regulations have yet to be enacted. The Alaska Supreme Court in Commercial Union Companies and Burgess Construction Company v. Smallwood, 550 P.2d 1261 (Alaska 1976) addressed the Board's need to promulgate rules:

It is apparent that this case illustrates the compelling need for the Alaska Workmen's Compensation Board to promulgate rules which will effectuate the Workmen's Compensation Act's policy of providing inexpensive and expeditious resolutions of claims for compensation while affording due process to all concerned parties. We therefore strongly recommend that the Board adopt procedures which will fill the present procedural void relating to medical reports and the right of cross-examination. In Employers Commercial Union Ins. Group v. Schoen, 519 P.2d 819, 823 (Alaska 1974), this court alluded to the possibility of the Board's adopting a procedural system for medical reports similar to the one in effect for affidavits, or a system requiring a notice of intention to cross-examine to be filed before hearing when the medical reports are served upon opposing parties, pursuant to the Board's current medical report.

To date, regulations have not been adopted to fill this void, which has substantially increased litigation and compounded economic losses to injured workers. Recently, there has been increased litigation over cases involving vocational rehabilitation due to the fact that no regulations have been adopted by the Board. Defendant attorneys now contend that the current process of the Board and Department to direct and provide retraining and rehabilitation of permanently disabled workers will be rendered by the courts to be improper because of its failure to adopt regulations. Delays in initiating rehabilitation or retraining plans prolongs disablement of the injured worker and prevents his return to gainful employment.

RECEIVED
JAN 6 1981
BUDGET AND MANAGEMENT

These are only two examples of the problems that are arising from the Board's lack of regulations. The implementation of comprehensive regulations is fundamental to the Division meeting its objectives of reducing litigation on claims, providing a level of service which will reduce economic losses to the Alaska worker and employer and carrying out the legislative intent of the Alaska Workers' Compensation Act. The Workers' Compensation Legislative Task Force has also recognized the need for regulations as a primary factor in developing a workable system.

Because of the excessive workload that has existed in this program since the pipeline, and continues at the present time, Division staff have been unable to extricate themselves from the daily mail and telephone inquiries and pressing hearing demands to develop regulations. Therefore, contractual monies will be required to fulfill this requirement.

A total of \$64.5 is needed in the contractual services category to enable the program to contract for the development of the regulations (24.5) and to contract for a hearing officer (40.0).

An extreme backlog of cases continues to exist on which parties have requested a Board hearing, but have been unable to obtain a timely hearing date. Disputed claims requiring hearings are greatly exceeding our expectations when the FY '81 budget request was submitted. In order for the Board to meet its statutory mandates, additional contractual hearing officer resources will be required to address the backlog of pending cases.

RECEIVED

JAN 6 1981

BUDGET AND MANAGEMENT

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
BY
BUDGET COMPONENT

CATEGORY	Public Protection
COVER PROGRAM	Worker Protection
AGENCY	Labor
DIVISION	Workers' Compensation
BUDGET REQUEST UNIT	Workers' Compensation
BUDGET COMPONENT	Workers' Compensation
APPROPRIATION	Workers' Compensation
ALLOCATION	Workers' Compensation

Salary FY '81
Increase Supplement

	FY '81 INITIAL AUTHORIZATION	RP	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
01Personal Services	624.9	70.4								695.3
02Travel	64.1									64.1
03Contractual	256.5	1.1	64.5							322.1
04Commodities	18.9									18.9
05Equipment	4.6									4.6
06Lands, Buildings	5.9									5.9
07Grants, Claims	773.2									773.2
08Miscellaneous										
TOTAL	1,748.1	71.5	64.5							1,884.1
1002Federal Receipt										
1003G/F Match										
1004General Fund	1,748.1	71.5	64.5							1,884.1
1005I/A Receipts										
1028Program Receipt										
15Full Time	22.0	0	0							22.0
16Part Time	1.0									1.0
17Temporary										
18Man-Months	270.0									270.0

PLEMENTAL REQUEST ANALYSIS

	1	2	3	4	5	6	7	8	9	10
	FY 79 ACTUAL	FY 80 FINAL AUTH.	FY 80 ACTUAL	FY 81 GOV. BUDGET	FY 81 INITIAL AUTH.	FY 81 CURRENT AUTH.	FY 81 EXPENDITURES + ENCUMBRANCES 7/1/ to 11/30	FY 81 OTHER OBLIGATIONS 7/1/ to 11/30	FY 81 PROJECTED EXPENDI- TURES + ENCUMBRANCES to 6/30	FY 81 (DEFICIT) OR EXCESS
CES	420.8	513.6	514.5	633.3	624.9	695.3	222.3	24.7	448.3	
	41.6	77.3	78.2	64.1	64.1	64.1	21.5		42.6	
RVICES	73.8	132.6	127.2	220.0	256.5	263.1	101.4		226.2	(64.5)
	8.1	15.2	13.4	18.9	18.9	18.9	3.4		15.5	
	.3	5.4	5.7	4.6	4.6	4.6	1.7		2.9	
	5.8	3.2	3.3	5.9	5.9	5.9	5.9		-0-	
	552.9	583.7	584.2	613.2	773.2	773.2	476.5		296.7	
	1,103.3	1,331.0	1326.5	1,560.0	1,748.1	1,825.1	832.7	24.7	1032.2	(64.5)
S										
CHING										
UND	1,103.3	1,307.1	1308.8	1,560.0	1,748.1	1,825.1	832.7	24.7	1,032.2	(64.5)
CEIPTS		23.9	17.7							

DRU: Workers' Compensation

COMPONENT: Workers' Compensation

REVISED:

RECEIVED
JAN 6 1981
BUDGET AND PERSONNEL

HB 297
OCT 2 1980RECEIVED
BUDGET & MANAGEMENT
OCT 2 1980

TO: Ron Lehr, Director
 Division of Budget & Management
 Office of the Governor

DATE: October 1, 1980

Attn: Mike Maher *Jim Dubois Sr.*
 Thru: Edmund N. Orbeck, Commissioner

FILE NO: FM 7-2

TELEPHONE NO: 465-2720

FROM: Jim Souby, Director *Jim Souby*
 Division of Administrative Services
 Department of Labor

SUBJECT: Second Injury Supplemental FY '81

It appears that the Second Injury Fund won't be able to generate enough revenues to meet its FY '81 obligations.

The program will need \$1,208.0 in revenues for FY '81 to meet its obligations. At its current rate of receiving revenues at \$14.8 per week, the program will generate \$800.0 of receipts for FY '81.

The program spends an average of \$105.0 per month and, consequently, the revenues will be covering the expenditures only through March 1, 1981.

In view of the above, we request your approval of a Supplemental Budget for General Funds for \$410.0. This will cover the current operating budget; it will not cover any unusual awards, in which case, as much as \$600.0 would be required to meet FY '81 obligations. If we do not receive this supplement we will be in violation of AS 23.30.205, which requires us to reimburse employers/carriers in full for payment to injured workers. We will have to delay awards until such time as the Fund will have generated enough revenues to pay them.

A change to the statute has been requested to increase the contributions to this Fund, but until this has been approved we will need to supplement this Fund with General Funds.

If you have any questions please contact Ellen Baxter at 465-2765 or Paul House at 465-2790.

cc: Jackie McClintock
 Paul House
 Ellen Baxter

Date 12/11/80

ATTACHED IS LEGISLATION DRAFTED BY THE DEPARTMENT OF LAW FOR POSSIBLE INTRODUCTION. PLEASE REVIEW THIS DRAFT AND NOTE ANY COMMENTS YOU MAY HAVE. PLEASE RETURN THIS COVER SHEET AND COMMENTS TO CARLA BY Dec 23

THANK YOU.

Mike 1 - please review the part about the 2nd inj. fund - will this make the fund sound?

reply by 12/18

R

Ran :

Prior to this, if passed, the 2nd Injury Fund was allowed to collect from the 8% of the compensation paid to an employee. This was paid for only 2 areas of injury 1) Permanent Partial Disability, 2) Death.

URANCE
CARRIED

with this legislation the Fund will collect a lower percentage (6% vs. 8%) but will collect on 5 areas of Injury, 1) Temp. Total Disability 2) Temp. Partial Dis. 3) Permanent partial Disability 4) Perm. Total Dis. 5) Death Labor feels this should make the fund solvent
Mike

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

465-3600

December 8, 1980

*Labor - fiscal
unit*

M E M O R A N D U M

To: The Honorable Jay S. Hammond
Governor

From: Wilson L. Condon
Attorney General

WLC

*Gary
Finn
Rosen
Carr*

Re: Attached bill relating to Workers' Com-
pensation Board and second injury fund
Our file: J-77-072-81

Attached is a bill requested by the Department of Labor which was originally introduced last year as HB 705 and CSHB 1011. It has been reviewed by the Workers' Compensation Study Commission.

We offer the following for your transmittal letter to the legislature:

D R A F T

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill amending the Workers' Compensation Act to add two statewide members to the Workers' Compensation Board and provide adequate funding for the second injury fund. The bill also amends the conditions under which the state assumes liability for injuries to a person placed by vocational rehabilitation services.

Sincerely,

Jay S. Hammond
Governor

WLC:jf:KK

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Workers' Compensation Board, and the second injury fund established under the Alaska Workers' Compensation Act; and providing for an effective date."

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

* Section 1. AS 23.30.005(a) is amended to read:

(a) The Alaska Workers' Compensation Board shall consist of nine [SEVEN] members, including a southern panel of three members sitting for the first judicial district, a northern panel of three members sitting for the second and fourth judicial districts, [AND] a southcentral panel of three members sitting for the third judicial district, and one panel of three members sitting for all judicial districts.

Each panel shall include the commissioner of labor or his designated representative, a representative of industry and a representative of labor. The latter two members of each panel shall be appointed by the governor. All panel members are subject to confirmation by a majority of the members of the legislature in joint session.

* Sec. 2. AS 23.30.040 is repealed and re-enacted to read:

Sec. 23.30.040. SECOND INJURY FUND. (a) There is created a second injury fund, administered by the commissioner of labor. Money in the second injury fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under this chapter. Payments from the second injury fund must be made by the commissioner of labor in accordance with the orders and awards

of the board.

(b) If an employee suffers a compensable injury which results in temporary total disability, temporary partial disability, permanent partial disability, or permanent total disability, the employer or insurance carrier shall pay into the second injury fund a sum equal to six percent of the compensation to which the employee is entitled for temporary total disability, temporary partial disability, permanent partial disability, permanent total disability, or for rehabilitation under AS 23.30.191.

(c) If an employee suffers a compensable injury which results in death and the employee is not survived by a widow, widower, child or dependent relative eligible to receive death benefits under AS 23.-30.215, the employer or insurance carrier shall pay \$10,000 to the second injury fund.

(d) The board may refund a payment made into the second injury fund if the employer or insurance carrier shows that it made the payment by mistake or inadvertence, or if it shows there existed at the time of the death of the employee a beneficiary entitled to benefits under AS 23.30.215.

(e) The board may direct and provide the vocational retraining and vocational rehabilitation of a permanently disabled person whose condition is a result of an injury compensable under this chapter by making cooperative arrangements with insurance carriers, private organizations and institutions, or state or federal agencies. The person being retrained or rehabilitated is entitled to receive compensation from the second injury fund for maintenance during the period of retraining and rehabilitation in the sum which the board considers necessary, not to exceed \$200 a month. The total expenditures for maintenance, retraining, rehabilitation, and necessary transportation may

not exceed \$10,000 for one person.

(f) All amounts collected as civil penalties under this chapter must be paid into the second injury fund.

(g) The attorney general may investigate claims and hire expert witnesses necessary to prevent fraudulent or excessive claims for money in the second injury fund and, subject to an appropriation for this purpose, may be reimbursed from the second injury fund for the cost of investigating claims and defending against those claims.

(h) Administration expenses of the state under this section and AS 23.30.205 must be paid from an appropriation from the second injury fund.

(i) The provisions of (b) and (c) of this section do not apply during a calendar year if the unencumbered balance of the second injury fund on January 1 is equal to or exceeds \$400,000.

* Sec. 3. AS 23.30.045(c) is amended to read:

(c) For a person eligible for vocational rehabilitation service under AS 23.15.080 [AND] who is placed with an employer for service [WITHOUT WAGES] at the request of the office of vocational rehabilitation to give him on the job training, work readiness, [OR] work therapy experience, or work sampling, the liability set out in (a) of this section applies to the state rather than to the employer.

* Sec. 4. The amount of a payment to the second injury fund and the conditions under which a payment is required of an employer or insurance carrier must be in accordance with the version of AS 23.30.040(b) in effect on the date that the injury to the employee occurred.

* Sec. 5. Section 1 of this Act takes effect immediately in accordance with AS 01.10.070(c).

* Sec. 6. Sections 2 - 4 of this Act take effect on July 1, 1981.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
 Title "An Act Relating to the Alaska Workers' Compensation board, and the Second. . ."
 Requested by Governor Date 12/29/80

II. FISCAL DETAIL

Agency Affected Department of Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

2nd Injury

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS CLAIMS, ETC	0	34.8	76.6	131.1	201.0	230.1
TOTAL	0	34.8	76.6	131.1	201.0	230.1

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund	0	34.8	76.6	131.1	201.0	230.1

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Projected Fund Balance reports for both current and new legislation are attached.
 Also attached is an analytic statement.

IV. DATE January 8, 1981

PREPARED BY [Signature] Finance Officer

AGENCY Labor

PHONE 665-2720

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

III. Fiscal Note Analysis

The Fund receives no federal or state funding and is supported entirely by contributions made by employers/carriers in compliance with decisions and awards of the Workers' Compensation Board. Under currently existing law, the employer or its insurance carrier is required to pay into the Fund a lump sum equal to eight percent of the total compensation to which the injured worker is entitled for permanent partial disability and \$10,000 in cases of death where the employee is not survived by eligible dependents. This present method of funding does not generate adequate revenues to meet the Fund's current obligations.

Because of a short fall in revenues the Fund has accumulated approximately \$500.0 in unpaid obligations as of December 15, 1980. Failure to pay these obligations as they become due is in violation of As 23.30.205, which requires the Fund to reimburse the employer/carriers in full for compensation paid to injured workers under certain prescribed conditions.

This BRU has submitted a Supplemental Budget request for \$600.0 from General Funds. This will allow the Fund to meet its current obligations for FY '81 and provide for any additional awards that may be made by the Workers' Compensation Board during the remainder of this fiscal year.

In the department's estimation, the proposed bill will provide adequate revenues for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of State General Funds in future years.

ALASKA DEPARTMENT OF LABOR

Second Injury Fund Projected Fund Balance
From FY '81 to FY '86 Under Current Legislation

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30 Ending Balance</u>
FY '81	(1) 42.2	617.8	1,260.0	(2) <600.0>
FY '82	<600.0>	(3) 747.6	1,364.0	<1,416.4>
FY '83	<1,416.4>	775.5	1,737.1	<2,378.0>
FY '84	<2,378.0>	811.4	1,929.8	<3,496.4>
FY '85	<3,496.4>	845.4	2,144.5	<4,795.5>
FY '86	<4,795.5>	874.9	2,383.6	<6,304.4>

(1) Minimum Balance of \$10.0 already deducted.

(2) A Supplemental Request for General Funds has been submitted.

(3) Includes past due collections of \$90.2.

ALASKA DEPARTMENT OF LABOR

Second Injury Fund Projected Fund Balance
From Effective Date to FY '86 Under Proposed Legislation

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30 Ending Balance</u>
FY '82	0	1,752.8	1,598.8	154.0
FY '83	154.0	1,904.7	1,813.7	245.0
FY '84	245.0	2,090.0	2,060.9	274.1
FY '85	274.1	2,285.4	2,345.5	214.0
FY '86	214.0	2,404.8	2,613.7	5.1

MEMORANDUM

State of Alaska

5030702

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor
Attn: Mike Maher

DATE: December 31, 1980

FILE NO: FM 3.3

TELEPHONE NO: 465-2790

SUBJECT: Workers' Compensation
Supplemental Budget
Request

THRU: Edmund N Orbeck, Commissioner
FROM: *John Post*

FROM: John Post, Director
Division of Administrative Services
Department of Labor

F-181

The Alaska Workers' Compensation Board and Division have been severely criticized, to the point of a probable law suit being filed, for the lack of regulations governing AS 23.30. Other than adoption of the regulation addressing benefit adjustments in 1976, no regulations have been adopted by the Board since 1959, even though considerable amendments to the Act have been enacted.

Although there are numerous references to "As defined by regulations adopted by the Board," those regulations have yet to be enacted. The Alaska Supreme Court in Commercial Union Companies and Burgess Construction Company v. Smallwood, 550 P.2d 1261 (Alaska 1976) addressed the Board's need to promulgate rules:

It is apparent that this case illustrates the compelling need for the Alaska Workmen's Compensation Board to promulgate rules which will effectuate the Workmen's Compensation Act's policy of providing inexpensive and expeditious resolutions of claims for compensation while affording due process to all concerned parties. We therefore strongly recommend that the Board adopt procedures which will fill the present procedural void relating to medical reports and the right of cross-examination. In Employers Commercial Union Ins. Group v. Schoen, 519 P.2d 819, 823 (Alaska 1974), this court alluded to the possibility of the Board's adopting a procedural system for medical reports similar to the one in effect for affidavits, or a system requiring a notice of intention to cross-examine to be filed before hearing when the medical reports are served upon opposing parties, pursuant to the Board's current medical report.

To date, regulations have not been adopted to fill this void, which has substantially increased litigation and compounded economic losses to injured workers. Recently, there has been increased litigation over cases involving vocational rehabilitation due to the fact that no regulations have been adopted by the Board. Defendant attorneys now contend that the current process of the Board and Department to direct and provide retraining and rehabilitation of permanently disabled workers will be rendered by the courts to be improper because of its failure to adopt regulations. Delays in initiating rehabilitation or retraining plans prolongs disablement of the injured worker and prevents his return to gainful employment.

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JAN 6 1981

BUDGET AND MANAGEMENT

These are only two examples of the problems that are arising from the Board's lack of regulations. The implementation of comprehensive regulations is fundamental to the Division meeting its objectives of reducing litigation on claims, providing a level of service which will reduce economic losses to the Alaska worker and employer and carrying out the legislative intent of the Alaska Workers' Compensation Act. The Workers' Compensation Legislative Task Force has also recognized the need for regulations as a primary factor in developing a workable system.

Because of the excessive workload that has existed in this program since the pipeline, and continues at the present time, Division staff have been unable to extricate themselves from the daily mail and telephone inquiries and pressing hearing demands to develop regulations. Therefore, contractual monies will be required to fulfill this requirement.

A total of \$64.5 is needed in the contractual services category to enable the program to contract for the development of the regulations (24.5) and to contract for a hearing officer (40.0).

An extreme backlog of cases continues to exist on which parties have requested a Board hearing, but have been unable to obtain a timely hearing date. Disputed claims requiring hearings are greatly exceeding our expectations when the FY '81 budget request was submitted. In order for the Board to meet its statutory mandates, additional contractual hearing officer resources will be required to address the backlog of pending cases.

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JAN 6 1981

BUDGET AND MANAGEMENT

COMPLEMENTAL REQUEST ANALYSIS

	1	2	3	4	5	6	7	8	9	10
	FY 79 ACTUAL	FY 80 FINAL AUTH.	FY 80 ACTUAL	FY 81 GOV. BUDGET	FY 81 INITIAL AUTH.	FY 81 CURRENT AUTH.	FY 81 EXPENDITURES + ENCUMBRANCES 7/1/ to 11/30	FY 81 OTHER OBLIGATIONS 7/1/ to 11/30	FY 81 PROJECTED EXPENDI- TURES + ENCUMBRANCES to 6/30	FY 81 (DEFICIT) OR EXCESS
VICES	420.8	513.6	514.5	633.3	524.9	695.3	222.3	24.7	448.3	
	41.6	77.3	78.2	64.1	64.1	64.1	21.5		42.6	
SERVICES	73.8	132.6	127.2	220.0	256.5	263.1	101.4		226.2	(64.5)
	8.1	15.2	13.4	18.9	18.9	18.9	3.4		15.5	
	.3	5.4	5.7	4.6	4.6	4.6	1.7		2.9	
	5.8	3.2	3.3	5.9	5.9	5.9	5.9		-0-	
IS	552.9	583.7	584.2	613.2	773.2	773.2	476.5		296.7	
	1,103.3	1,331.0	1326.5	1,560.0	1,748.1	1,825.1	832.7	24.7	1032.2	(64.5)
PTS										
ATCHING										
FUND	1,103.3	1,307.1	1308.8	1,560.0	1,748.1	1,825.1	832.7	24.7	1,032.2	(64.5)
RECEIPTS		23.9	17.7							

Labor

DRU: Workers' Compensation

COMPONENT: Workers' Compensation

REVISED:

JAN 6 1981
BUDGET AND MANAGEMENT

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
BY
BUDGET COMPONENT

CATEGORY	Public Protection
COVER PROGRAM	Worker Protection
AGENCY	Labor
DIVISION	Workers' Compensation
BUDGET REQUEST UNIT	Workers' Compensation
BUDGET COMPONENT	Workers' Compensation
APPROPRIATION	Workers' Compensation
ALLOCATION	Workers' Compensation

Salary Increase FY '81 Supplement

	FY '81 INITIAL AUTHORIZATION	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
01Personal Services	624.9	70.4							695.3
02Travel	64.1								64.1
03Contractual	256.5	1.1	64.5						322.1
04Commodities	18.9								18.9
05Equipment	4.6								4.6
06Lands, Buildings	5.9								5.9
07Grants, Claims	773.2								773.2
08Miscellaneous									
TOTAL	1,748.1	71.5	64.5						1,884.1

1002Federal Receipt									
1003G/F Match									
1004General Fund	1,748.1	71.5	64.5						1,884.1
1005I/A Receipts									
1028Program Receipt									

15Full Time	22.0	0	0						22.0
16Part Time	1.0								1.0
17Temporary									
18Man-Months	270.0								270.0

01-1041 (Revised March, 1979)



From The
**SENATE
FINANCE COMMITTEE**

Becky

I think this
money was put
into HB 297.

DIANA

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

JAY S. HAMMOND, GOVERNOR

Rec'd
4/30/81
sic.

POUCH AM
JUNEAU, ALASKA 99811
PHONE: (907) 465-2211

May 29, 1981

Honorable Sam Cotten
Chairman, House Finance Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Amendment to SB 267
Supplemental Appropriation of \$70,000 GF
Department of Transportation and
Public Facilities
Russell Creek Hatchery Legal Costs

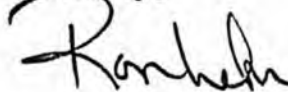
Dear Senator Cotten:

Please amend SB 267 to include a \$70,000 GF supplemental appropriation to the Department of Transportation and Public Facilities. This supplemental is needed to pay legal fees incurred in a suit by the department against CH2M Hill Corporation for faulty design of the Russell Creek Hatchery. DOTPF has filed claims against CH2M Hill in excess of \$600,000 and feels that they have an excellent chance winning the suit. There are not sufficient balances available in the current project appropriations to cover the additional legal fees associated with this suit.

Please add a section to SB 267 to read as follows:

"The sum of \$70,000 GF is appropriated from the general fund to the Department of Transportation and Public Facilities for legal fees associated with the Russell Creek Hatchery Project."

Sincerely,



Ronald D. Lehr, Director
Division of Budget and Management
Office of the Governor

MEMORANDUM

State of Alaska Department of Transportation & Public Facilities

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: May 27, 1981

FILE NO:

TELEPHONE NO:

FROM: John C. Bates 
Deputy Commissioner
Department of Transportation
and Public Facilities

SUBJECT: Supplemental Request/
Russell Creek Hatchery

The Department of Transportation and Public Facilities requests a supplemental appropriation of \$70,000 to pay legal fees in the case of DOT/PF vs. CH2M Hill, Corporation.

The Department is suing the CH2M Hill, Corporation for faulty design of the Russell Creek Hatchery which will result in damages of over two million dollars. The amount of the five claims against CH2M Hill is in excess of \$600,000 and the department has an excellent chance of winning the suit.

The Attorney General's Office has hired outside legal services to represent the state. Currently they are expecting billings from the lawyers of approximately \$100,000 prior to the beginning of the next fiscal year. Neither the Department of Transportation and Public Facilities nor the Department of Fish and Game have funds from which to pay the legal fees. This supplemental will enable the state to continue to press its suit against CH2M Hill and allow the state to pay the legal costs which have accrued thus far.

Your support for this supplemental will be appreciated.

cc: Loren Rasmussen, Claims

March 9, 1981

The Honorable Jim Duncan
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which would make a supplemental appropriation to the Department of Labor and a transfer to the Department of Military Affairs.

The appropriation to the Department of Labor (\$664,500) would be allocated to two programs:

- (1) Workers' Compensation Program (\$64,500), to contract for development of regulations and to contract for a hearing officer to reduce the workers' compensation claim backlog; and
- (2) Second Injury Fund (\$600,000), to pay compensation to workers and to reimburse employers/carriers during FY 81.

The Second Injury Fund does not have sufficient money to meet its FY 81 obligations. The amount of money that employers/ carriers are required to pay into the fund has not been increased since 1970. There have, however, been substantial increases in compensation benefits and costs of vocational rehabilitation and retraining due to inflation. Because of the shortfall in money, the fund is now delinquent in reimbursing employers/carriers for compensation paid to injured workers. As of December 15, 1980 the fund had delinquent obligations of \$500,000. This situation places the Department of Labor in violation of AS 23.30.205, which requires reimbursement in full to employers/carriers within a certain time limit.

I have introduced a bill (HB 94) which would increase total employer/carrier contributions to the fund to \$600,000, providing adequate money to cover obligations of the fund. Until that legislation is enacted, and

sufficient money has been generated, this supplemental appropriation is needed to cover current obligations.

Sections 2, 3, and 4 of the bill transfer \$488,100 from the Department of Administration (sec. 4) to the Department of Military Affairs, Alaska National Guard (secs. 2 and 3). In 1980 the legislature passed FCCS SB 26, increasing the benefit amount for National Guard retirees. The \$488,100 increase was appropriated to the Department of Administration. This bill would place the money correctly in the account from which benefits for the National Guard Retirement System are paid.

Sincerely,

S/SSH

Jay S. Hammond
Governor

MEMORANDUM

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JAN 15 1981

BUDGET AND MANAGEMENT

~~100201~~
S@100903

MIL AFFAIRS

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: 14 Jan 1981

FILE NO:

TELEPHONE NO: 465-4600

FROM: Lois L. Richardson, Director *llr*
Administrative Services Division
Department of Military Affairs

SUBJECT: Retirement Appropriation

The 1980 legislature passed SB 26 increasing and changing the retirement system for the Alaska National Guard and Naval Militia in Chapter 146 SLA 80. Funding to support this bill was in Chapter 120, page 68, line 22 & 23 appropriated to the Department of Administration. Alison Elgee of Legislative Finance and Paul Arnoldt of Department of Administration worked out the funding for the bill and determined \$488.1 was included for the National Guard retirement system.

The Department of Military Affairs requests that \$488.1 be deleted from Department of Administration funding and added to the R&R/OMB allocation in the Military Preparedness BRU to fund the system for FY 81.

LLR:sl

MEMORANDUM

State of Alaska

TO: Commissioner Hudson
Department of Administration

DATE: October 27, 1980

FILE NO:

TELEPHONE NO:

FROM: Ronald D. Lehr, Director
Division of Budget & Management
Office of the Governor

SUBJECT: Amortization of Unfunded Retirement
And National Guard Retirement

In a recent discussion by the BRC, the subject of unfunded retirement liabilities was raised. Currently, the cost of any expansion of retirement benefits in PERS and TRS is amortized over a 25-year period. The BRC was interested in the cost, advantages, and disadvantages of reducing the pay-back period to 15 years, or to an immediate pay-off where the total cost of the increase in benefits would be appropriated by a single fiscal note. Please provide the BRC with a brief analysis with your recommendation on this issue.

Another subject of discussion in the BRC was the true cost of the recently enacted changes in the National Guard Retirement System. The fiscal note to SB 26 appropriated \$488,100 in general funds for this system. The Department of Military Affairs has requested the sum of \$807,000 to fund the retirement system for FY 82. No detailed information has been provided to support this figure. Please provide this office with a detailed explanation of the FY 81 and FY 82 costs associated with this aspect of SB 26 and an analysis of why there is any substantial difference. We would also appreciate a statement of the assumptions the Division of Retirement made regarding number of participants, amount of unfunded liability, pay-off period for unfunded liability, and how the system is expected to function on a pay-for-itself basis. We would appreciate this report no later than December 1 so that any necessary changes may be made to the Military Affairs budget.

RDL/JM/pg

cc: Lois Richardson
Paul Arnoldt

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DEC 2 1980
BUDGET AND MANAGEMENT

TO: Ron Lehr
Director
Division of Budget & Management
Office of the Governor

FROM: *Paul B. Arnoldt*
Paul B. Arnoldt
Director
Division of Retirement & Benefits
Department of Administration

DATE: December 1, 1980

FILE NO:

TELEPHONE NO: 465-4460

SUBJECT: Amortization of Unfunded
Retirement and National Guard
Retirement

Commissioner Hudson has asked me to respond to your memorandum of October 27, 1980. The State currently has an unfunded liability in the PERS of approximately \$80 million which is being amortized over a 25-year period with a contribution rate of 2.54% of payroll. If the amortization period were reduced to 15 years, the contribution rate would increase to 3.34% of payroll. If a one-time payment of approximately \$19 million were made to the PERS, then the amortization period could be reduced to 15 years and the contribution rate would remain at 2.54% of payroll. If the State wanted to completely pay off its current unfunded liability, it would, of course, cost approximately \$80 million.

The TRS currently has an unfunded liability of approximately \$154 million which is being amortized over a 30-year period with a contribution rate of 4.89% of payroll. If the amortization period were reduced to 15 years, then the contribution rate would increase to 6.61% of payroll. (It is important to remember that the State and the school districts currently share equally the total employer cost of the TRS.) If a one-time payment of approximately \$33 million were made to the TRS, then the amortization period could be reduced to 15 years and the contribution rate would remain at 4.89% of payroll. If the current unfunded liability were paid off in total, it would cost approximately \$154 million.

If I understand the intent of your inquiry regarding the unfunded liabilities in the retirement systems, I believe what you are attempting to do is to spend current State surplus dollars in such a way as not to start new programs or incur new liabilities which must be continued after the State surplus dollars run out. I believe using State surplus dollars to pay off the unfunded liabilities in the retirement systems is a viable alternative. However, I do not believe the amortization periods should be reduced in order to force this payment. The amortization periods are established such that services received by Alaskans are being paid for by those same Alaskans. In other words, the cost of the services which are being enjoyed by the current generation is not put off to some future generation. That is why the amortization periods approximate the average working lifetime of those individuals who are providing the services to the citizens of Alaska. Thus, the amortization periods have their basis in equity.

Another consideration is the fact that during "boom" times it might be considered to be advantageous to reduce the amortization period in order to spend surplus

December 1, 1980

dollars on the other hand, during lean years, there would be political pressure to increase the amortization period in order to forego making the necessary payments to the retirement systems. This would result in improper funding for the retirement systems and would negate the equity that I mentioned earlier.

Regardless of the length of the amortization periods, ad hoc payments may be made to reduce the unfunded liabilities of the retirement systems. That is, ad hoc payments, which do not require Board action or statutory change, may be made without any change in the amortization periods. I am aware of at least three other employers in the PERS that have made ad hoc payments in order to pay off their unfunded liability.

I would like to discuss two principal disadvantages of accelerating payments towards the unfunded liabilities of the retirement systems:

- (1) A lump sum payment made this year would necessitate an actuarial adjustment to the overall contribution rate used next year. In other words, the actuary would reduce the contribution rate as a result of the accelerated payment of the unfunded liability. This will have the effect of diluting the impact of the lump sum payment. As a word of caution, it should be stressed that current law prohibits freezing of the contribution rate in order to continue the beneficial effects of the lump sum payment. Even if it were not illegal, such action would not be advantageous to the retirement systems since it would mean an accumulation of funds in excess of that which is needed to pay the benefits which will ultimately come due under the retirement systems. Once it became known that there were excess monies in the retirement systems, there would be extreme political pressure to use the funds for other than retirement purposes.
- (2) Currently, the high contribution rates act as a barrier against further increasing the benefits being provided under the retirement systems. If lump sum payments were made to the retirement systems, thereby reducing the unfunded liabilities and likewise reducing the overall contribution rate, I am sure that lobbying groups would see this as justification to increase benefits and bring the contribution rate back up to its previous level. This would result in a trade-off between the current situation which should see a reduction in the contribution rate over the next 25 years versus the proposed scenario by which the contribution rate would be raised and could not be reduced for all future years.

In regards to your question about the National Guard Retirement System, I am enclosing a copy of the fiscal note for CSSB 404 (incorporated into FC CSSB 26) which should help to explain the funding for FY's 81 and 82. The primary difference between these two years is that in FY 81 the retirement system is being funded on a pay-as-you-go basis, whereas beginning in FY 82 the retirement system is being placed on a "funded" basis. In other words, during FY 81, only the monies necessary to pay benefits during that year were appropriated; however, beginning in FY 82, monies will be appropriated which are necessary to fund the future

benefits which will come due under the retirement system. As you can see from the fiscal note, in FY81 approximately \$124,200 was necessary to pay for the increase in benefits from \$50.00 to \$100.00 for each month of National Guard service. As I understand it, during the last hectic days of the legislative session, there was some confusion as to whether or not this benefit increase was funded, and, as a result, it was funded twice. Additionally, there was some concern that certain minor changes made to the National Guard Retirement System increased the amount required to pay benefits. Therefore, the legislature added additional funds into the fiscal note. As a result, approximately \$488,100 in General Funds were appropriated for this system. Since these monies were appropriated to pay for benefits from the National Guard Retirement System, I do not believe they can be used for other purposes such as operating expenses. In order to control these funds, the appropriation should be made to the account from which we currently pay benefits for National Guard retirees.

As you can see, the \$807,000 requested by the Department of Military Affairs is based upon the fiscal note which was prepared for CSSB 404. I believe this to be an appropriate amount at this time based upon rough estimates made by the actuary. The reason for these rough estimates was the insufficient time necessary to gather the data required for an actuarial valuation and also the lack of funds to pay for this valuation. As is identified in the fiscal note, \$5,000 was appropriated to undertake an actuarial valuation of the National Guard Retirement System. Our actuary is currently performing the valuation and we anticipate it being completed in the first quarter of 1981. As soon as I receive this valuation, I will send a copy to you. I would like to note that even if the \$807,000 is either too low or too high, the actuary will take this into consideration and will make the necessary adjustments in future appropriations which will be necessary to fund the National Guard Retirement System.

I hope that I have been able to answer the questions that you raised regarding the retirement systems. I recognize that some of my discussions might be somewhat technical. If so, I certainly would be more than willing to meet with you and try to clarify any of the points discussed in this memorandum.

PBA/jb

Enclosure

cc: W.R. Hudson, Commissioner
Department of Administration

Frederick B. Muller, Deputy Commissioner
for Personnel Management
Department of Administration

Jerry Reinwand, Executive Assistant
Office of the Governor

Lois Richardson, Director
Administrative Services Division
Department of Military Affairs

The proposal was tabled in the House of Representatives with no action having been taken during the 1980 Session. Because of this we believe that the Second Injury Fund is faced with a serious liquidity problem. Payments to the Fund at this point are insufficient to meet monthly expenditures. We project that unless funding is provided from some other source, the Fund will cease to meet its statutory obligations no later than February 1, 1981. We will again proceed with legislative action to update the method of generating revenues. Without additional funding, a large number of Alaska's injured workers will be forced to drop out of retraining programs before - obtaining the skills that would enable them to return to gainful employment and the Fund will no longer be able to meet its present statutory obligation to pay compensation to employees and reimbursement to employers/carriers.

SECOND INJURY FUND
COMPARISON OF FUND BALANCES, RECEIPTS AND DISBURSEMENTS

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Adjustments</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30 Ending Balance</u>
1974	54,376	163,448	184,608	236,842	165,589
1975	165,589	(17,050)	239,481	271,550	116,469
1976	116,469		430,318	329,010	217,777
1977	217,777		445,410	334,133	329,054
1978	329,054		652,998	785,200	196,852
1979	196,852		1,085,600	990,500	327,086
1980	327,086		783,603	1,058,481	52,208
1981	52,208		800,000*	1,248,600	(396,392)**

* Estimated revenue 1981

AGENCY Labor

PROGRAM Worker Protection

BRU Second Injury Fund

FY 82

2 ANALYTIC STATEMENT

00218

Page 2 of 2

REVISED DATE _____

DEC 31 1980

TO: [Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: December 24, 1980

BUDGET AND MANAGEMENT

FILE NO: FM 3-1

TELEPHONE NO: 465-2720

FROM: *for* Edmund N. Orbeck
Commissioner
Department of Labor

Second Injury Fund
Supplemental Budget Request

HB 42
FN 79
supplemental
275.0

The records show that the Second Injury Fund is faced with a serious liquidity problem. It appears that the Fund will not generate sufficient revenues to meet its FY '81 obligations.

Total funding for this BRU is derived from contributions made by employers/ carriers and is dependent on the decisions and awards of the Workers' Compensation Board. The employer or his insurance carrier is required to pay into the Fund a lump sum equal to eight percent of the total compensation to which the injured worker is entitled for permanent partial disability and \$10.0 in cases of death where the employee is not survived by eligible dependents.

Second Injury Fund provisions have not been upgraded since 1970. Due to increases in compensation benefits and the inflationary costs of vocational rehabilitation and retraining, this method of funding is presently inadequate to meet current obligations.

The legislature appropriated \$1,260.2 (includes salary increases) of the Second Injury Fund for FY '81. However, the reserve funds at the commencement of the new fiscal year on July 1, 1980 amounted to only \$52.2 (with requirements of a minimum balance of \$10.0). Therefore, the Fund will need \$1,218.0 in revenues for FY '81 to meet its obligations. At its current rate of receivables we project that the receipts will not exceed \$618.0.

Because of the shortfall in revenues the Fund has become delinquent in making reimbursement payments to employers/carriers for compensation paid to injured workers. As of December 15, 1980 the Fund had accrued obligations of approximately \$500.0. Failure to pay these obligations places us in violation of AS 23.30.205, which requires us to reimburse employers/ carriers in full for compensation paid to injured workers under certain prescribed conditions.

In view of the above we request approval of a Supplemental Budget of \$600.0 from General Funds. A change to the statute which would increase contributions to this Fund has been submitted for Legislative approval during the 1981 session; however, until it is approved and generating sufficient receipts we will need to supplement the Second Injury Fund with General Funds. This requirement may carry over to FY 1982.

This supplemental appropriation will allow the Fund to meet its current obligations and provide funding for any additional awards that may be made by the Workers' Compensation Board during the remainder of this fiscal year.

If you have any questions please contact Pat Clerk, Program Budget Analyst at 465-2746; or Paul House, Workers' Compensation Officer at 465-2790.

Attachment ..

cc: Paul House
Workers' Compensation Officer

John Post, Director
Division of Administrative Services

SUPPLEMENTAL REQUEST ANALYSIS

	1	2	3	4	5	6	7	8	9	10
	FY 79 ACTUAL	FY 80 FINAL AUTH.	FY 80 ACTUAL	FY 81 GOV. BUDGET	FY 81 INITIAL AUTH.	FY 81 CURRENT AUTH.	FY 81 EXPENDITURES + ENCUMBRANCES 7/1/ to 11/31	FY 81 OTHER OBLIGATION: 7/1/ to 11/31	FY 81 PROJECTED EXPENDI- TURES + ENCUMBRANCE: 12/1 to 6/30	FY 81 (DEFICIT) OR EXCESS
RVICES	99.0	117.7	110.8	108.6	107.0	122.6	44.7		77.9	0
	4.1	3.6	3.4	6.4	6.4	6.4	.9		5.5	-0
SERVICES	30.1	33.5	26.7	43.6	43.6	44.9	11.1	13.5	20.3	-0-
	.7	1.5	.4	2.1	2.1	2.1	.1		2.0	0
	.5	.5	.4							
IMS	856.1	905.9	916.8	1,089.5	1,089.5	1,089.5	85.5	99.0	914.0	-0-
IS										
	990.5	1,056.7	1,058.5	1,250.2	1,248.6	1,265.5	1) 142.3	193.5	1,019.7	-0-
IPTS										
MATCHING										
L FUND						5.3			5.3	600.0
RECEIPTS										
y 841	990.5	1,056.7	1,058.5	1,250.2	1,248.6	1,260.2	2) 297.9		3) 362.3	4) (199.0)

Currently withholding payments of approximately \$500.0
Current Receipts

3) Projected Receipts
4) Revenue Short Fall

DRU: Second Injury

COMPONENT: Second Injury

REVISED:

MEMORANDUM

State of Alaska

030701
030701

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor
Attn: Mike Maher

DATE: December 31, 1980

FILE NO: FM 3.3

TELEPHONE NO: 465-2790

SUBJECT: Workers' Compensation
Supplemental Budget
Request

HB 297
3/9/81

F181

THRU: Edmund N Orbeck, Commissioner
FROM: John Post, Director
Division of Administrative Services
Department of Labor

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It is apparent that this case illustrates the compelling need for the Alaska Workmen's Compensation Board to promulgate rules which will effectuate the Workmen's Compensation Act's policy of providing inexpensive and expeditious resolutions of claims for compensation while affording due process to all concerned parties. We therefore strongly recommend that the Board adopt procedures which will fill the present procedural void relating to medical reports and the right of cross-examination. In Employers Commercial Union Ins. Group v. Schoen, 519 P.2d 819, 823 (Alaska 1974), this court alluded to the possibility of the Board's adopting a procedural system for medical reports similar to the one in effect for affidavits, or a system requiring a notice of intention to cross-examine to be filed before hearing when the medical reports are served upon opposing parties, pursuant to the Board's current medical report.

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RECEIVED

JAN 6 1981

BUDGET AND MANAGEMENT

Ron Lehr, Director
December 31, 1980
Page -2-

These are only two examples of the problems that are arising from the Board's lack of regulations. The implementation of comprehensive regulations is fundamental to the Division meeting its objectives of reducing litigation on claims, providing a level of service which will reduce economic losses to the Alaska worker and employer and carrying out the legislative intent of the Alaska Workers' Compensation Act. The Workers' Compensation Legislative Task Force has also recognized the need for regulations as a primary factor in developing a workable system.

Because of the excessive workload that has existed in this program since the pipeline, and continues at the present time, Division staff have been unable to extricate themselves from the daily mail and telephone inquiries and pressing hearing demands to develop regulations. Therefore, contractual monies will be required to fulfill this requirement.

A total of \$64.5 is needed in the contractual services category to enable the program to contract for the development of the regulations (24.5) and to contract for a hearing officer (40.0).

An extreme backlog of cases continues to exist on which parties have requested a Board hearing, but have been unable to obtain a timely hearing date. Disputed claims requiring hearings are greatly exceeding our expectations when the FY '81 budget request was submitted. In order for the Board to meet its statutory mandates, additional contractual hearing officer resources will be required to address the backlog of pending cases.

RECEIVED

JAN 6 1981

BUDGET AND MANAGEMENT

PLEMENTAL REQUEST ANALYSIS

	1	2	3	4	5	6	7	8	9	10	11
	FY 79 ACTUAL	FY 80 FINAL AUTH.	FY 80 ACTUAL	FY 81 GOV. BUDGET	FY 81 INITIAL AUTH.	FY 81 CURRENT AUTH.	FY 81 EXPENDITURES + ENCUMBRANCES 7/1/ to 11/30	FY 81 OTHER OBLIGATIONS 7/1/ to 11/30	FY 81 PROJECTED EXPENDI- TURES + ENCUMBRANCES to 6/30	FY 81 (DEFICIT) OR EXCESS	
RESOURCES	420.8	513.6	514.5	633.3	624.9	695.3	222.3	24.7	448.3		731
	41.6	77.3	78.2	64.1	64.1	64.1	21.5		42.6		36
SERVICES	73.8	132.6	127.2	220.0	256.5	263.1	101.4		226.2	(64.5)	547
	8.1	15.2	13.4	18.9	18.9	18.9	3.4		15.5		11
	.3	5.4	5.7	4.6	4.6	4.6	1.7		2.9		9
	5.8	3.2	3.3	5.9	5.9	5.9	5.9		-0-		5
	552.9	583.7	584.2	613.2	773.2	773.2	476.5		296.7		613
	1,103.3	1,331.0	1326.5	1,560.0	1,748.1	1,825.1	832.7	24.7	1032.2	(64.5)	1,766
EXPENDITURES											
REVENUES											
NET											
	1,103.3	1,307.1	1308.8	1,560.0	1,748.1	1,825.1	832.7	24.7	1,032.2	(64.5)	1,766
RECEIPTS		23.9	17.7								

LABOR: _____
 DRU: Workers' Compensation
 COMPONENT: Workers' Compensation
 JAN 6 1981
 BUDGET AND EXPENDITURE
 REVISED: _____

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
BY
BUDGET COMPONENT

CATEGORY	Public Protection
COVER PROGRAM	Worker Protection
AGENCY	Labor
DIVISION	Workers' Compensation
BUDGET REQUEST UNIT	Workers' Compensation
BUDGET COMPONENT	Workers' Compensation
APPROPRIATION	Workers' Compensation
ALLOCATION	Workers' Compensation

	FY '81 INITIAL AUTHORIZATION	Salary Increase	FY '81 Supplement	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
01Personal Services	624.9	70.4									695.3
02Travel	64.1										64.1
03Contractual	256.5	1.1	64.5								322.1
04Commodities	18.9										18.9
05Equipment	4.6										4.6
06Lands, Buildings	5.9										5.9
07Grants, Claims	773.2										773.2
08Miscellaneous											
TOTAL	1,748.1	71.5	64.5								1,884.1
1002Federal Receipt											
1003G/F Match											
1004General Fund	1,748.1	71.5	64.5								1,884.1
1005I/A Receipts											
1028Program Receipt											
15Full Time	22.0	0	0								22.0
16Part Time	1.0										1.0
17Temporary											
18Man-Months	270.0										270.0

MEMORANDUM

RECEIVED

OCT 2 1980

BUDGET & MANAGEMENT
BUDGET AND MANAGEMENT

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: October 1, 1980

FILE NO: FM 7-2

Attn: Mike Maher
Thru: Edmund N. Orbeck, Commissioner

TELEPHONE NO: 465-2720

FROM: Jim Souby, Director
Division of Administrative Services
Department of Labor

SUBJECT: Second Injury Supplemental FY '81

It appears that the Second Injury Fund won't be able to generate enough revenues to meet its FY '81 obligations.

The program will need \$1,208.0 in revenues for FY '81 to meet its obligations. At its current rate of receiving revenues at \$14.8 per week, the program will generate \$800.0 of receipts for FY '81.

The program spends an average of \$105.0 per month and, consequently, the revenues will be covering the expenditures only through March 1, 1981.

In view of the above, we request your approval of a Supplemental Budget for General Funds for \$410.0. This will cover the current operating budget; it will not cover any unusual awards, in which case, as much as \$600.0 would be required to meet FY '81 obligations. If we do not receive this supplement we will be in violation of AS 23.30.205, which requires us to reimburse employers/carriers in full for payment to injured workers. We will have to delay awards until such time as the Fund will have generated enough revenues to pay them.

A change to the statute has been requested to increase the contributions to this Fund, but until this has been approved we will need to supplement this Fund with General Funds.

If you have any questions please contact Ellen Baxter at 465-2765 or Paul House at 465-2790.

cc: Jackie McClintock
Paul House
Ellen Baxter

Date 12/11/80

dehr

ATTACHED IS LEGISLATION DRAFTED BY THE DEPARTMENT OF LAW FOR POSSIBLE INTRODUCTION. PLEASE REVIEW THIS DRAFT AND NOTE ANY COMMENTS YOU MAY HAVE. PLEASE RETURN THIS COVER SHEET AND COMMENTS TO CARLA BY Dec 23.

THANK YOU.

Mike 1 - please review the part about the 2nd inj. fund - will this make the fund sound?

reply by 12/18

R

Ren :

Prior to this, if passed, the 2nd Injury Fund was allowed to collect from the 8% of the compensation paid to an employee. This was paid for only 2 areas of injury 1) Permanent Partial Disability, 2) Death.

with this legislation the Fund will collect a lower percentage (6% vs. 8%) but will collect on 5 areas of Injury, 1) Temp. Total Disability 2) Temp. Partial Dis. 3) Permanent partial Disability 4) Perm. Total Dis. 5) Death Labor feels this should make the fund solvent
Mike

INSURANCE
CARRIER

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

465-3600

December 8, 1980

*Labor - fiscal
unit*

M E M O R A N D U M

To: The Honorable Jay S. Hammond
Governor

From: Wilson L. Condon *WLC*
Attorney General

Re: Attached bill relating to Workers' Com-
pensation Board and second injury fund
Our file: J-77-072-81

*Gary
Fran
Ron
Carol*

Attached is a bill requested by the Department of Labor which was originally introduced last year as HB 705 and CSHB 1011. It has been reviewed by the Workers' Compensation Study Commission.

We offer the following for your transmittal letter to the legislature:

D R A F T

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting a bill amending the Workers' Compensation Act to add two statewide members to the Workers' Compensation Board and provide adequate funding for the second injury fund. The bill also amends the conditions under which the state assumes liability for injuries to a person placed by vocational rehabilitation services.

Sincerely,

Jay S. Hammond
Governor

WLC:jf:KK

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Workers' Compensation Board, and the second injury fund established under the Alaska Workers' Compensation Act; and providing for an effective date."

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

* Section 1. AS 23.30.005(a) is amended to read:

(a) The Alaska Workers' Compensation Board shall consist of nine [SEVEN] members, including a southern panel of three members sitting for the first judicial district, a northern panel of three members sitting for the second and fourth judicial districts, [AND] a southcentral panel of three members sitting for the third judicial district, and one panel of three members sitting for all judicial districts.

Each panel shall include the commissioner of labor or his designated representative, a representative of industry and a representative of labor. The latter two members of each panel shall be appointed by the governor. All panel members are subject to confirmation by a majority of the members of the legislature in joint session.

* Sec. 2. AS 23.30.040 is repealed and re-enacted to read:

Sec. 23.30.040. SECOND INJURY FUND. (a) There is created a second injury fund, administered by the commissioner of labor. Money in the second injury fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under this chapter. Payments from the second injury fund must be made by the commissioner of labor in accordance with the orders and awards

of the board.

(b) If an employee suffers a compensable injury which results in temporary total disability, temporary partial disability, permanent partial disability, or permanent total disability, the employer or insurance carrier shall pay into the second injury fund a sum equal to six percent of the compensation to which the employee is entitled for temporary total disability, temporary partial disability, permanent partial disability, permanent total disability, or for rehabilitation under AS 23.30.191.

(c) If an employee suffers a compensable injury which results in death and the employee is not survived by a widow, widower, child or dependent relative eligible to receive death benefits under AS 23.30.215, the employer or insurance carrier shall pay \$10,000 to the second injury fund.

(d) The board may refund a payment made into the second injury fund if the employer or insurance carrier shows that it made the payment by mistake or inadvertence, or if it shows there existed at the time of the death of the employee a beneficiary entitled to benefits under AS 23.30.215.

(e) The board may direct and provide the vocational retraining and vocational rehabilitation of a permanently disabled person whose condition is a result of an injury compensable under this chapter by making cooperative arrangements with insurance carriers, private organizations and institutions, or state or federal agencies. The person being retrained or rehabilitated is entitled to receive compensation from the second injury fund for maintenance during the period of retraining and rehabilitation in the sum which the board considers necessary, not to exceed \$200 a month. The total expenditures for maintenance, retraining, rehabilitation, and necessary transportation may

not exceed \$10,000 for one person.

(f) All amounts collected as civil penalties under this chapter must be paid into the second injury fund.

(g) The attorney general may investigate claims and hire expert witnesses necessary to prevent fraudulent or excessive claims for money in the second injury fund and, subject to an appropriation for this purpose, may be reimbursed from the second injury fund for the cost of investigating claims and defending against those claims.

(h) Administration expenses of the state under this section and AS 23.30.205 must be paid from an appropriation from the second injury fund.

(i) The provisions of (b) and (c) of this section do not apply during a calendar year if the unencumbered balance of the second injury fund on January 1 is equal to or exceeds \$400,000.

* Sec. 3. AS 23.30.045(c) is amended to read:

(c) For a person eligible for vocational rehabilitation service under AS 23.15.080 [AND] who is placed with an employer for service [WITHOUT WAGES] at the request of the office of vocational rehabilitation to give him on the job training, work readiness, [OR] work therapy experience, or work sampling, the liability set out in (a) of this section applies to the state rather than to the employer.

* Sec. 4. The amount of a payment to the second injury fund and the conditions under which a payment is required of an employer or insurance carrier must be in accordance with the version of AS 23.30.040(b) in effect on the date that the injury to the employee occurred.

* Sec. 5. Section 1 of this Act takes effect immediately in accordance with AS 01.10.070(c).

* Sec. 6. Sections 2 - 4 of this Act take effect on July 1, 1981.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
 Title "An Act Relating to the Alaska Workers' Compensation Board, and the Second . . ."
 Requested by Governor Date 12/29/80

II. FISCAL DETAIL

Agency Affected Department of Labor
 Program Category Affected Worker Protection
 BRU, Program, or Subprogram(s) Affected Second Injury Fund
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

2nd Injury

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	0	34.8	76.6	131.1	201.0	230.1
TOTAL	0	34.8	76.6	131.1	201.0	230.1

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Second Injury Fund	0	34.8	76.6	131.1	201.0	230.1

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Projected Fund Balance reports for both current and new legislation are attached.

Also attached is an analytic statement.

IV. DATE January 8, 1981 PREPARED BY *Nico Bus* Finance Officer
 AGENCY Labor
 PHONE 665-2720

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

III. Fiscal Note Analysis

The Fund receives no federal or state funding and is supported entirely by contributions made by employers/carriers in compliance with decisions and awards of the Workers' Compensation Board. Under currently existing law, the employer or its insurance carrier is required to pay into the Fund a lump sum equal to eight percent of the total compensation to which the injured worker is entitled for permanent partial disability and \$10,000 in cases of death where the employee is not survived by eligible dependents. This present method of funding does not generate adequate revenues to meet the Fund's current obligations.

Because of a short fall in revenues the Fund has accumulated approximately \$500.0 in unpaid obligations as of December 15, 1980. Failure to pay these obligations as they become due is in violation of As 23.30.205, which requires the Fund to reimburse the employer/carriers in full for compensation paid to injured workers under certain prescribed conditions.

This BRU has submitted a Supplemental Budget request for \$600.0 from General Funds. This will allow the Fund to meet its current obligations for FY '81 and provide for any additional awards that may be made by the Workers' Compensation Board during the remainder of this fiscal year.

In the department's estimation, the proposed bill will provide adequate revenues for the Second Injury Fund to meet its statutory obligations to the Alaskan worker, employer and insurance carrier and preclude the use of State General Funds in future years.

ALASKA DEPARTMENT OF LABOR

Second Injury Fund Projected Fund Balance
From FY '81 to FY '86 Under Current Legislation

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30 Ending Balance</u>
FY '81	(1) 42.2	617.8	1,260.0	(2) <600.0>
FY '82	<600.0>	(3) 747.6	1,364.0	<1,416.4>
FY '83	<1,416.4>	775.5	1,737.1	<2,378.0>
FY '84	<2,378.0>	811.4	1,929.8	<3,496.4>
FY '85	<3,496.4>	845.4	2,144.5	<4,795.5>
FY '86	<4,795.5>	874.9	2,383.6	<6,304.4>

(1) Minimum Balance of \$10.0 already deducted.

(2) A Supplemental Request for General Funds has been submitted.

(3) Includes past due collections of \$90.2.

ALASKA DEPARTMENT OF LABOR

Second Injury Fund Projected Fund Balance
From Effective Date to FY '86 Under Proposed Legislation

<u>Fiscal Year</u>	<u>July 1 Beginning Balance</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>June 30 Ending Balance</u>
FY '82	0	1,752.8	1,598.8	154.0
FY '83	154.0	1,904.7	1,813.7	245.0
FY '84	245.0	2,090.0	2,060.9	274.1
FY '85	274.1	2,285.4	2,345.5	214.0
FY '86	214.0	2,404.8	2,613.7	5.1

MEMORANDUM

State of Alaska

030702

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor
Attn: Mike Maher

DATE: December 31, 1980

FILE NO: FM 3.3

TELEPHONE NO: 465-2790

THRU: Edmund N Orbeck, Commissioner
FROM: John Post, Director
Division of Administrative Services
Department of Labor

SUBJECT: Workers' Compensation
Supplemental Budget
Request

F-181

The Alaska Workers' Compensation Board and Division have been severely criticized, to the point of a probable law suit being filed, for the lack of regulations governing AS 23.30. Other than adoption of the regulation addressing benefit adjustments in 1976, no regulations have been adopted by the Board since 1959, even though considerable amendments to the Act have been enacted.

Although there are numerous references to "As defined by regulations adopted by the Board," those regulations have yet to be enacted. The Alaska Supreme Court in Commercial Union Companies and Burgess Construction Company v. Smallwood, 550 P.2d 1261 (Alaska 1976) addressed the Board's need to promulgate rules:

It is apparent that this case illustrates the compelling need for the Alaska Workmen's Compensation Board to promulgate rules which will effectuate the Workmen's Compensation Act's policy of providing inexpensive and expeditious resolutions of claims for compensation while affording due process to all concerned parties. We therefore strongly recommend that the Board adopt procedures which will fill the present procedural void relating to medical reports and the right of cross-examination. In Employers Commercial Union Ins. Group v. Schoen, 519 P.2d 819, 823 (Alaska 1974), this court alluded to the possibility of the Board's adopting a procedural system for medical reports similar to the one in effect for affidavits, or a system requiring a notice of intention to cross-examine to be filed before hearing when the medical reports are served upon opposing parties, pursuant to the Board's current medical report.

To date, regulations have not been adopted to fill this void, which has substantially increased litigation and compounded economic losses to injured workers. Recently, there has been increased litigation over cases involving vocational rehabilitation due to the fact that no regulations have been adopted by the Board. Defendant attorneys now contend that the current process of the Board and Department to direct and provide retraining and rehabilitation of permanently disabled workers will be rendered by the courts to be improper because of its failure to adopt regulations. Delays in initiating rehabilitation or retraining plans prolongs disablement of the injured worker and prevents his return to gainful employment.

RECEIVED

JAN 6 1981

BUDGET AND MANAGEMENT

Ron Lehr, Director
December 31, 1980
Page -2-

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JAN 6 1981

BUDGET AND MANAGEMENT

SUPPLEMENTAL REQUEST ANALYSIS

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RECEIPTS		23.9	17.7								

Labor

DRU: Workers' Compensation

COMPONENT: Workers' Compensation

REVISED:

RECEIVED
JAN 6 1981
BUDGET AND ACCOUNTS

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
BY
BUDGET COMPONENT

CATEGORY	Public Protection
COVER PROGRAM	Worker Protection
AGENCY	Labor
DIVISION	Workers' Compensation
BUDGET REQUEST UNIT	Workers' Compensation
BUDGET COMPONENT	Workers' Compensation
APPROPRIATION	Workers' Compensation
ALLOCATION	Workers' Compensation

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08Miscellaneous									
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1002Federal Receipt									
1003G/F Match									
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1005I/A Receipts									
1028Program Receipt									
15Full Time	22.0	0	0						22.0
16Part time	1.0								1.0
17Temporary									
18Man-Months	270.0								270.0

01-1041 (Revised March, 1979)

Funding Information
 General Fund \$664,500
 Other Funds -0-
\$664,500

Introduced: 3/9/81
 Referred: Labor & Commerce and
 Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
 REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 297

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
 7 Department of Labor and a transfer to the Department
 8 of Military Affairs; and providing for an effective
 9 date."

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

11 * Section 1. The sum of \$664,500 is appropriated from the general fund
 12 to the Department of Labor, to be allocated as follows:

13 Worker's Compensation program \$ 64,500
 14 Second Injury Fund 600,000

15 * Sec. 2. Section 51, ch. 120 SLA 1980, page 45, line 13 (Alaska Na-
 16 tional Guard) is amended to read:

	APPROPRIATION	GENERAL	OTHER
	ITEMS	FUND	FUNDS
17 Alaska National	<u>5,451,600</u> [4,963,500]	<u>3,508,000</u> [3,019,900]	1,943,600
18 Guard			

19
 20
 21 * Sec. 3. Section 51, ch. 120 SLA 1980, page 45, line 19 (Alaska National
 22 Guard) is amended to read:

23 ALLOCATIONS

24 Recruitment Retention
 25 Organized Militia 948,100 [460,000]

26 * Sec. 4. Section 52, ch. 120 SLA 1980, page 68, line 22 (SB 26) is
 27 amended to read:

	APPROPRIATION	GENERAL	OTHER
	ITEMS	FUND	FUNDS

1 SB 26 Retirement (Allo-

2 cated According to

3 HJS 83 Fiscal Notes) 772,200 [1,260,300] 515,000 [1,003,100] 257,200

4 * Sec. 5. The unexpended and unobligated part of the appropriation made
5 in sec. 1 of this Act lapses into the general fund June 30, 1981.

6 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
7 070(c).

M E M O R A N D U M

DATE: March 13, 1981

TO: Honorable Sam Cotten, Chairman
House Finance Committee

FROM: J. H. Hogan, Director
Legislative Finance Division

SUBJ: Transfers Between Appropriations

House Bill 297 was received by the Finance Committee yesterday. Introduced by the Governor, sections 2, 3 and 4 make transfers between 1980 appropriations and net out to zero. Section 1 is an appropriation of new funds requested for the Department of Labor.

I would suggest that you use HB 297 as the logical vehicle to make the various transfers between appropriations desired by members of the Legislature (it seems to be helpful to tie desired legislative transfers to transfers desired by the Governor). I would suggest deleting section 1 from this bill and considering it separately for inclusion in some other bill. With even so few as one supplemental or additional request in a transfer bill you invite the addition of more. The Governor would probably have been better advised to introduce a bill dealing only with transfers between appropriations.

If it meets with your approval, I will send a copy of this bill to each member of the House and request that they provide us with information on any changes to prior year appropriations -- the changes we would request would be limited to those that do not add additional appropriations.

JHH:bf