

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 2/7/86

REQUEST	FISCAL DETAIL
Bill/Resolution No.: <u>HFCSHB 113</u>	Agency Affected: <u>A11</u>
Title: <u>An Act providing for a working</u>	BRU: _____
<u>reserve for the payment of claims and obliga-</u>	
<u>tions; and providing for an effective date</u>	
Sponsor: <u>Rules</u>	Components: <u>A11</u>
Requestor: <u>House Finance</u>	
Date of Request: _____	

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Ken Bischoff Phone: 465-2240
 Division: Finance Date: 2/7/86

Approved by Commissioner: Eleanor Andrews Date: _____
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

HFCSHB 113

SUBJECT OF PROPOSED BILL:

To establish a formally recognized reserve account within the General Fund into which agency charges for terminal leave, leave cash-ins, unemployment insurance, and workers' compensation general liability are deposited and from which all distribution payments are paid centrally by the Division of Finance via the reserve account.

SUMMARY/EXPLANATION OF INTENT:

Currently, budgeted amounts for employer charges concerning terminal leave, leave cash-in, unemployment insurance, and workers' compensation general liability have been budgeted as a uniform percentage in each agency's budget. The Division of Finance assesses each agency the budgeted percentage to cover the above items.

Problems inevitably arise during changes in administration when terminal leave payments run substantially higher than normal. During periods of heated labor contract negotiations, requests for leave cash-in also run significantly higher than normal. Estimates for insurance needs are based on historical data. When changes to the market take place causing higher than average employer charges, the amount budgeted remains fixed but the employer obligation still remains to pay all claims.

Until recently the effects of the above usually offset one another so that the net budgetary impact was minimal. Recently, all budgetary impact has been increasing with no offset elsewhere. Accordingly, we are placed in the position of analyzing and assessing agency lapsed balances to generate funding needed to cover these underbudgeted costs.

In an effort to smooth the budgetary impact caused by the factors described above, the central reserve account approach was recommended. The central reserve account mechanism would allow the State to continue budgeting a uniform percentage adjusted on an annual basis. If funding were underestimated, this mechanism would allow us to wait until the fiscal year-end before additional agency assessments were made when lapsed balances are better known. The additional funds required would be generated from known lapsing balances, thus producing a minimal impact on agency operating budgets. Payments for workers' compensation general liability would be excepted from this practice.

ESTIMATED FISCAL IMPACT:

Capital: NONE

Operating: NONE

This bill is basically a housekeeping effort and is intended to clean up and prevent the sloppy budgetary condition described above so that the process surrounding payment of terminal leave, leave cash-in and assessment of insurance charges runs smoothly and efficiently.

Original sponsor: Rules/governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 113 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing a working reserve for the payment
7 of claims and obligations arising from accrued leave,
8 unemployment compensation, workers' compensation and
9 general liability for state employees; and providing
10 for an effective date."

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

12 * Section 1. AS 37.05 is amended by adding a new section to read:

13 Sec. 37.05.156. WORKING RESERVE ACCOUNT. (a) There is estab-
14 lished in the general fund a working reserve account. The working
15 reserve account consists of amounts appropriated to state agencies for

16 (1) cash payment of accrued leave;

17 (2) cash payment of terminal leave;

18 (3) payment of the employer's contribution for unemployment
19 benefits of former employees; and

20 (4) payment of claims for workers' compensation and general
21 liability.

22 (b) The Department of Administration shall allocate to the
23 working reserve account amounts appropriated to all state agencies for
24 the benefits set out in (a) of this section after the appropriation
25 Act implementing the state operating budget is enacted. The depart-
26 ment shall charge the reserve account with all payments for the bene-
27 fits set out in (a) of this section. If payments for a fiscal year
28 exceed the unexpended balance of appropriations allocated to the
29 account, the department may, except for payments under (a)(4) of this

1 section, pay those benefits by charging the unencumbered balance of
2 any appropriation enacted to finance the payment of employee salaries
3 and benefits that is determined to be available for lapse at the end
4 of the fiscal year.

5 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).
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STATE OF ALASKA

Bill Sheffield, Governor

DEPARTMENT OF ADMINISTRATION

DIVISION OF FINANCE

POUCH C (MS 0204)
JUNEAU, ALASKA 99811
PHONE:

February 10, 1986

The Honorable Al Adams
Chairman
House Finance Committee
P.O Box V (MS 3100)
Juneau, AK 99811

Dear Mr. Chairman:

This letter is intended to provide you and the House Finance Committee a brief background on the need for House Bill Number 113. We request that this bill be scheduled for review by the House Finance Committee.

SUBJECT OF PROPOSED BILL:

To establish a formally recognized reserve account within the General Fund into which agency charges for terminal leave, leave cash-ins, unemployment insurance, and workers' compensation general liability are deposited and from which all distribution payments are paid centrally by the Division of Finance via the reserve account.

SUMMARY/EXPLANATION OF INTENT:

Currently, budgeted amounts for employer charges concerning terminal leave, leave cash-in, unemployment insurance, and workers' compensation general liability have been budgeted as a uniform percentage in each agency's budget. The Division of Finance assesses each agency the budgeted percentage to cover the above items.

Problems inevitably arise during changes in administration when terminal leave payments run substantially higher than normal. During periods of heated labor contract negotiations, requests for leave cash-in also run significantly higher than normal. Estimates for insurance needs are based on historical data. When changes to the market take place causing higher than average employer charges, the amount budgeted remains fixed but the employer obligation still remains to pay all claims.

February 10, 1986

Until recently the effects of the above usually offset one another so that the net budgetary impact was minimal. Recently, all budgetary impact has been increasing with no offset elsewhere. Accordingly, we are placed in the position of analyzing and assessing agency lapsed balances to generate funding needed to cover these underbudgeted costs.

In an effort to smooth the budgetary impact caused by the factors described above, the central reserve account approach was recommended. The central reserve account mechanism would allow the State to continue budgeting a uniform percentage adjusted on an annual basis. If funding were underestimated, this mechanism would allow us to wait until the fiscal year-end before additional agency assessments were made when lapsed balances are better known. The additional funds required would be generated from known lapsing balances, thus producing a minimal impact on agency operating budgets. Payments for workers' compensation general liability would be excepted from this practice.

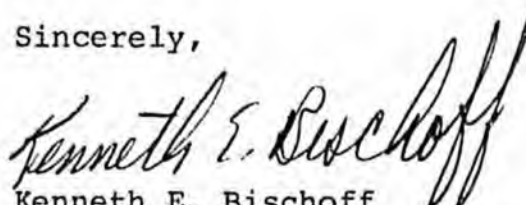
ESTIMATED FISCAL IMPACT:

Capital: NONE

Operating: NONE

This bill is basically a housekeeping effort and is intended to clean up and prevent the sloppy budgetary condition described above so that the process surrounding payment of terminal leave, leave cash-in and assessment of insurance charges runs smoothly and efficiently.

Sincerely,



Kenneth E. Bischoff
Director

KEB/rmm
5/3D1/0210-01

Introduced: 1/25/85
Referred: State Affairs
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 113

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing a reserve for the payment of cash
7 benefits for state employees; and providing for an
8 effective date."

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

10 * Section 1. AS 37.05 is amended by adding a new section to read:

11 Sec. 37.05.156. RESERVE FOR CASH BENEFITS ACCOUNT. (a) There
12 is established in the general fund the cash benefits reserve account.
13 The cash benefits reserve account consists of amounts appropriated to
14 state agencies for the following purposes:

- 15 (1) cash payment of accrued leave;
16 (2) cash payment of terminal leave; and
17 (3) payment of the employer's contribution for unemployment
18 benefits of former employees.

19 (b) The Department of Administration shall allocate to the cash
20 benefits reserve account amounts appropriated to all state agencies
21 for the benefits set out in (a)(1) -- (3) of this section immediately
22 after the appropriation Act implementing the state operating budget is
23 enacted. The department shall charge the reserve account with all
24 payments of cash benefits to which a state employee is entitled. If
25 cash benefits payable for a fiscal year exceed the unexpended balance
26 of appropriations allocated to the account, the department may pay
27 those benefits by charging the unencumbered balance of any appro-
28 priation, enacted to finance the payment of employee salaries and
29 benefits, which is determined to be available for lapse at the end of

1 the fiscal year.

2 * Sec. 2. Section 1 of this Act is retroactive to July 1, 1984.

3 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-

4 10.070(c).