

HB

471

HB 471      "An Act making a special appropriation to the Department of Education for payment as grants to school districts and regional educational attendance areas; and providing for an effective date."

Sponsor Statement (gold)

Support letters and back-up (white, NEA-Alaska on top)

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WHILE IN SESSION  
P.O. BOX V  
JUNEAU, ALASKA 99811  
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# ALASKA STATE HOUSE



CHAIR  
RULES COMMITTEE

JUDICIARY

SPECIAL COMMITTEE ON INTERNATIONAL  
TRADE & TOURISM

LEGISLATIVE COUNCIL

**REPRESENTATIVE JOHNNY ELLIS**

## SPONSOR STATEMENT

The purpose of House Bill 471 is to appropriate \$16,036,765 to the Department of Education as a one-time relief measure due to the increase in the required employer contribution rate to the Teacher's Retirement System from 11.87% in FY '92 to 15.69% in FY '93.

Current law, (Chapter 97, 1990 SLA), changed many of the TRS benefit provisions to provide long term cost containment. However, the pattern of costs is higher in the early years when fewer people are covered by the cost savings features. This an example of an actual increase to the Districts' budgets while state funding remains the same.

This year, school districts in Alaska are facing an extraordinary new demand on their budgets. For FY '93, it is estimated that the TRS increase translates into \$1,405 per instructional unit, effectively reducing the instructional unit value to approximately \$58,600. It is necessary that we assist the school districts and enable them to channel their funding directly to the classroom.



# ASSOCIATION OF ALASKA SCHOOL BOARDS

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*Advocates for Alaska's Youth*



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## Support for HB 471

The Association of Alaska School Boards supports and encourages your favorable consideration of HB 471 "An act making a special appropriation to the Department of Education for payment of grants to school districts and regional education attendance areas."

HB 471 is an attempt to mitigate the increased cost in the Teacher Retirement System employer contribution by school districts. The employer contribution rate has increased from 11.87% to 15.69% for FY93 and represents a dollar increase of \$16,036,765 to school districts statewide.

AASB hastens to point out that HB 471 represents a one time supplemental approach to a long term annual problem. The much publicized State revenue crisis causes school districts great concern as they will require annual supplemental appropriations to offset the increased impact of TRS.

AASB thanks you in advance for your favorable support.



# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

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March 19, 1992

## NEA ALASKA POSITION PAPER

### HB 471

NEA Alaska supports the passage of HB 471 particularly if SB 425 and HB 485 (requires the state to fund half the employer TRS contribution) fail to pass. HB 471 will appropriate \$16 million for payment of the increase in the employer contribution required under the Teacher Retirement System for FY 93. Failing to enact this bill into law will have the effect of eroding the value of Instructional Unit.

School districts will be forced to deepen cuts to valuable instructional and extracurricular programs for students if the instructional unit is not raised to \$63,000 and the TRS increase is not funded outside the instructional unit. Much more needs to be done to insure a stable funding level for the public schools but this bill provides a minimal supplemental to school districts to address the TRS increase.

NEA Alaska supports a minimal increase in the instructional unit to \$63,000. Enacting HB 471 will make the \$63,000 instructional unit whole at a time when school districts, teachers and educational support personnel are doing their part to keep the doors of opportunity open to our school children.

Sincerely,

Vernon Marshall  
Executive Director

Don Oberg  
President



ALASKA ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS  
ALASKA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS  
ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

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## POSITION STATEMENT

### HB 471

"An Act making a special appropriation to the Department of Education for payment as grants to school districts and regional educational attendance areas; and providing for an effective date."

The Alaska Council of School Administrators strongly supports HB 471 and urges the legislature to see it's successful passage.

School districts across the State of Alaska are experiencing serious funding short falls in the development of their fy '93' budgets. Should the legislature not fund the foundation instructional unit at the \$63,000 level there will be a short fall of educational funding of approximately \$35 million dollars.

These short falls are just for the normal operations of the school districts and do not represent the increase cost of the required district's share of the employer's contribution to the teachers retirement system. It has been clearly pointed out that it is the responsibility of the school district, regardless of their revenues and level of funding by local and state sources that they are required to contribute 100% of their required contribution in contrast to the State of Alaska who did in fact under fund the state's required share at one time.

Districts needs are critical. They must be able to deliver the best possible education to the children in Alaska. They will not be able to continue doing this with dramatic increased costs in the TRS.

We urge this legislature to provide the relief which is allowed in HB 471 and search for a long term solution to the continued increased costs.

Fairbanks North Star Borough School District

January 20, 1992

**TEACHER RETIREMENT SYSTEM (TRS) IMPACT**

The current public school foundation program was adopted in 1987, establishing the instructional unit value of \$60,000. At that time, the state's contribution to the Teacher Retirement System (TRS) was shifted to school district budgets.

In 1990, the Legislature passed Senate Bill 53 (Chapter 97, 1990 SLA) which changed many TRS benefit provisions. This was done for long term cost containment but, in the short term, it has very detrimental effects on school district budgets.

As a result of this legislation:

- ▶ Our TRS payment for the current year (FY 1992) increased 13%.
- ▶ Our TRS payment for FY 1993 will increase 32% (from 11.67% to 15.69%)

In Fairbanks, TRS payments are applied to a \$48 million payroll:

- ▶ In FY 1992, the increased cost to our district was \$600,000
- ▶ In FY 1993, the increased cost to our district will be over \$1.8 million.

The new legislation will cost districts across Alaska in excess of \$15 million in FY 1993 alone.

The table below shows the two year impact for Fairbanks, using our current year TRS payroll for comparative purposes:

	FY 91	FY 92	FY 93
TRS Rate	10.64%	11.67%	15.69%
Total TRS Payroll	\$48,619,177	\$48,619,177	\$48,619,177
Total Employer Contribution	\$5,124,481	\$5,771,096	\$7,628,349
Annual Increase		\$646,615	\$1,857,253

Based on our projection of 201.92 instructional units, increased TRS payments will cost the district...

- ▶ \$1,645 per instructional unit for FY 1993 and..
- ▶ \$2,083 per instructional unit over the two year period.



SOUTHEAST  
ISLAND  
SCHOOL  
DISTRICT

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POST OFFICE BOX 8340  
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Robert Weinstein  
SUPERINTENDENT

January 15, 1992

Representative Johnny Ellis  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Ellis:

During the 1992 Legislative session, I am sure that you will be having considerable deliberations on the appropriate size of the education budget for FY 93.

In recent years there has been a lot of discussion, and some legislation, regarding an increase in the instructional unit to help offset the increased costs and inflation of the past six years. Unfortunately, this year school districts in Alaska are facing an extraordinary new demand on our budgets.

In November, we were advised by the Department of Administration, Division of Retirement and Benefits, that the Teacher Retirement System (TRS) employer contribution rate for next year will increase from the current 11.87% to 15.69%. This 32% rate increase comes on top of an increase from 10.54% in FY 90 to 11.87% in FY 91, or an increase of 12%. The increases result from legislation passed in 1990 (Chapter 97, 1990 SLA).

Table 1 shows the impact of the rate increases over the two year period for the Southeast Island School District, using our current TRS payroll for comparative purposes.

	FY 91	FY 92	FY 93
TRS Rate	10.54%	11.87%	15.69%
Total TRS Payroll	\$2,711,354	\$2,711,354	\$2,711,354
Total Employer Contribution	\$285,777	\$321,838	\$425,411
Annual Increase		\$36,061	\$103,573

Table 1 shows that, over the two-year period, the total TRS increase for Southeast Island School District will be \$139,634.

Table 2 shows the statewide impact of the rate increases for school districts, using for comparative purposes the total payroll estimated by TRS for FY 93.

	FY 91	FY 92	FY 93
TRS Rate	10.54%	11.87%	15.69%
Total TRS Payroll	\$395,831,981	\$395,831,981	\$395,831,981
Total Employer Contribution	\$41,720,691	\$46,985,256	\$62,106,038
Annual Increase		\$5,264,565	\$15,120,782

*Source: Department of Administration, Division of Retirement and Benefits*

Table 2 shows that, over the two-year period, the total TRS increase for school districts will be \$20,385,347.

To put this into another perspective, the Department of Education is currently estimating that there will be 10,758.56 instructional units for FY 93. Over the two-year period, the TRS increase will effectively reduce the \$60,000 instructional unit value by \$1,895, or 3.16%, to \$58,105. For FY 93 alone, the \$15.12 million TRS increase translates into \$1,405, or 2.34%, per instructional unit, effectively reducing the instructional unit value to \$58,595.

When including other TRS employers, i.e. the University of Alaska and Department of Education, whose estimated TRS payrolls for FY 93 are respectively \$53,635,573 and \$5,521,141, the total TRS increase over the two-year period is \$23,431,918, of which the increase for FY 93 alone is \$17,380,568.

In closing, this matter deserves serious attention in the near future. Your assistance will be greatly appreciated.

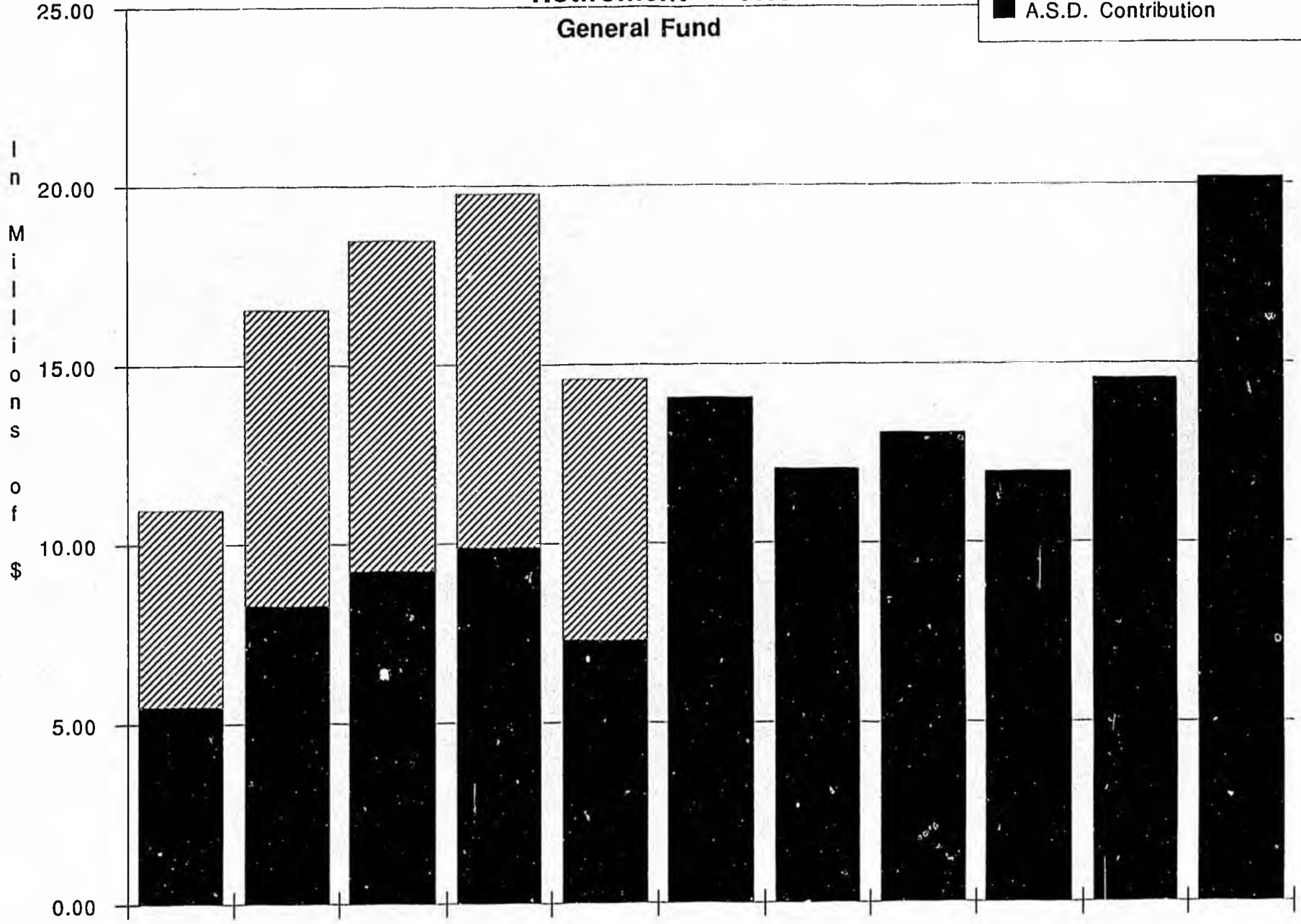
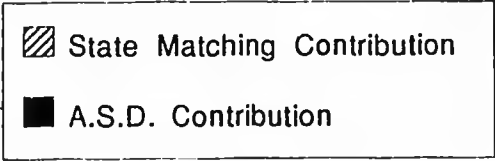
Sincerely,



Robert Weinstein  
Superintendent

RW:eb

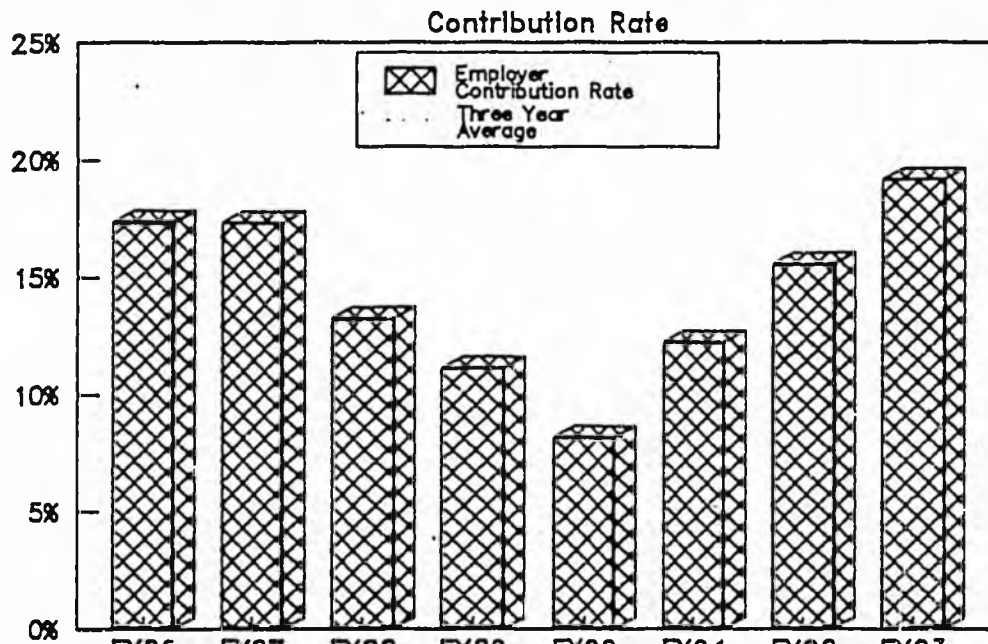
**ANCHORAGE SCHOOL DISTRICT  
Retirement - TRS  
General Fund**



Year	Contribution Rate
1982-83	8.45%
1983-84	8.71%
1984-85	8.98%
1985-86	8.88%
1986-87	6.88%
1987-88	13.76%
1988-89	11.63%
1989-90	11.64%
1990-91	10.54%
1991-92	11.87%
1992-93	15.69%

### 1.3(b) Three-Year Smoothing of Total Employer Contribution Rate

<u>Valuation Date</u>	<u>For Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Three-Year Average</u>
6-30-83	FY86	17.36%	
6-30-84	FY87	17.36%	
6-30-85	FY88	13.28%*	16.00%
6-30-86	FY89	11.16%	13.93%
6-30-87	FY90	8.19%	10.87%
6-30-88	FY91	12.27%	10.54%
6-30-89	FY92	15.16%	11.87%
6-30-90	FY93	19.65%**	15.69%



\* A change in actuarial assumptions on June 30, 1985 lowered the contribution rate from 16.68% to 13.28%

\*\* A change in Plan provisions on June 30, 1990 increased the contribution rate from 12.89% to 19.65%.

TEACHER RETIREMENT SYSTEM  
EMPLOYER CONTRIBUTION RATES  
(PROJECTED)

1993 - 2005

1993	15.69%
1994	18.49%
1995	19.71%
1996	19.94%
1997	19.93%
1998	19.68%
1999	19.29%
2000	18.89%
2001	18.34%
2002	17.86%
2003	17.39%
2004	16.95%
2005	16.53%

-as per Susan Bumps with TRS on 01/29/92

# HOUSE COMMITTEE REPORT

(7)

Date Referred: February 12, 1992

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/19/92

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 471

HOUSE BILL NO. 471

APPROP: SCHOOL DIS. TRS INCREASED COST

"An Act making a special appropriation to the Department of Education for payment as grants to school districts and regional educational attendance areas; and providing for an effective date."

RECOMMENDATIONS:  the same title  
 be replaced with \_\_\_\_\_  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Cheri Davis</i>	<input checked="" type="checkbox"/>				
<i>Betty Davis</i>	<input checked="" type="checkbox"/>	<i>Mark Stanley</i>		X	
		<i>J. L. Douglas</i>		X	
		<i>Mary Miller</i>		X	
<i>Pat Miller</i>	<input checked="" type="checkbox"/>				

  
 CHAIRMAN'S SIGNATURE