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FISCAL NOTE

BILL NO. SB 425

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: An act requiring that the state pay 1/2 of the TRS annual employer contributions.

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: Durcan
Requestor: Senate HESS Committee

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	35,693.9	36,764.7	37,867.7	39,003.7	40,173.8	41,379.0
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	35,693.9	36,764.7	37,867.7	39,003.7	40,173.8	41,379.0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	35,693.9	36,764.7	37,867.7	39,003.7	40,173.8	41,379.0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	35,693.9	36,764.7	37,867.7	39,003.7	40,173.8	41,379.0

POSITIONS

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

Estimate of current year impact: Zero

ANALYSIS: (attach a separate page if necessary.)

See Attached

Prepared By: Gary Bader *Gary M. Bader*
Division: Retirement and Benefits

Phone: 465-4470
Date: February 21, 1992

Approved by Commissioner: Nancy Bear Usera *Nancy Bear Usera*
Agency: Department of Administration

Date: 3/3/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

Senate Bill 425
Analysis of Fiscal Implications to the Retirement Fund
Prepared by Division of Retirement & Benefits
Department of Administration
February 21, 1992

Analysis: This bill would reestablish the requirement for the state to fund 1/2 of the annual employer contributions to the Teachers' Retirement System. This would place an additional formula funded program in the Department of Administration. The requirement for a "state match" of employer contributions existed in the TRS prior to 1987.

The TRS employer contribution rate for FY 93 is 15.69%. We estimate the TRS salaries to be \$454,988,695 in FY 93 and to increase by 3% each year thereafter.

The general fund cost to the state for FY 93 is estimated to be \$35,693.9 calculated as follows:

FY 93 estimated TRS salaries....	\$454,988,695
TIMES... 1/2 of the FY 93 TRS employer rate (15.69%)	<u>7.845%</u>
FY 93 TRS State Match...	<u>\$35,693,863</u>

As long as the appropriations are made to fully fund this obligation, this bill is not expected to impact the unfunded liabilities or the funding ratio of the TRS.

FISCAL NOTE

BILL NO. SB 425
HB 425

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act requiring the state to pay one-half of the employer contribution under the TRS.
Sponsor: Senator Duncan
Requestor: (S) HESS

Department Affected: Education
BRU: K-12 Support
Component: Foundation Program

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

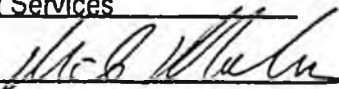
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

The Department of Administration, Division of Retirement and Benefits has established the FY93 costs of this Legislation to be \$35,693.9.

Prepared by: Duane Guiley Phone: 465-2865
Division: Education Finance and Support Services Date: 3-7-92

Approved by Commissioner:  Jerry Covey
Agency: Education Date: 3-9-92

POSITION PAPER: DEPARTMENT OF EDUCATION

Division Educational Finance and Support Services Bill Number HB 425

Bill Title An Act requiring the state to pay one-half of the employer contribution under the TRS.

Sponsor Senator Duncan

Position Statement: Explain briefly what the bill does, its impacts and Department's position, i.e., a) support, b) do not support, c) neutral or d) oppose.

The requirement for a state match of employer contributions existed in the Teachers' Retirement System (TRS) prior to 1987.

This legislation would revert back to the old system where additional burden is placed on the state to fund one-half of the annual employer contribution to the TRS and to provide the administrative oversight at the state level.

While this would provide relief to school districts in excess of the increased cost, reestablishing such a divisive mechanism for funding this retirement system is not supported by the Department of Education. Funds expended in support of local education should continue to be recorded at the local level in order to maintain a defensible equalized funding plan. Each district through the negotiation process indirectly controls the benefit cost.

APPROVED:

Director Duane Guiley Division Educational Finance and Support Services

Signature  Date 3-10-92

Commissioner/Deputy Jerry Covey/Karen R. Crane

Signature  Date 3-10-92

STUNNAKER

1978-1980

TLS control program
from project for
New York

Duane Emiley

effective increase
in unit value



Alaska State Legislature

SENATOR JIM DUNCAN

P.O. Box V JUNEAU, ALASKA 99811-3100
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MEMORANDUM

TO: Senator Arliss Sturgulewski, Chair
Senate Health, Education, and Social Services Committee

FROM: Senator Jim Duncan

DATE: February 26, 1992

SUBJECT: Hearing, Senate Bills 425 and 426.

I request that you schedule a hearing for Senate Bills 425 and 426, "relating to the state paying one-half of the employer contribution and making an appropriation to the teachers' retirement system, and providing for an effective date," for a hearing in the Senate HESS committee at your earliest convenience.

Senate Bills 425 and 426 will reduce the cost of operations for Alaska school districts. These bills call for a return to the old method of paying teachers' retirement system obligations. The employers' obligation is to be paid one-half by the school district and one-half by the state.

The foundation program and the school districts share of the contribution to the retirement system were changed five years ago. Since those changes to the foundation program and the retirement system five years of inflation have eaten away at the \$60,000 base instructional unit value. In addition, the teachers' retirement system contribution rate increased from 7% of the base salary to 8.65% in January of 1990, and the employer (school district) rate has increased from 15.16% to 19.65% causing further problems for school district finances.

I thank you in advance for your favorable consideration of this request.

ASSOCIATION OF ALASKA SCHOOL BOARDS

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SB 425

Split TRS contribution with State

AASB Position

The Association of Alaska School Boards (AASB) supports SB 425, "An Act requiring the state to pay one-half of the employer contribution under the teachers' retirement system (TRS)."

History

Prior to 1987 school districts (employer) and the State contributed equal portions to the State TRS. In 1987 the Legislature decided to require the State's contribution be assumed by school districts. At that time school districts were receiving a \$60,000 instructional unit. The combined employer/state contribution had decreased from FY88 to FY91, and school districts had the budgetary latitude to absorb the additional expense without adversely impacting the instructional program.

In 1992 school districts continue to receive the same \$60,000 instructional unit, yet the employer contribution rate has increased to 15.69% (\$71.4 million overall for the retirement system) for FY93. The projected TRS employer contribution rate is expected to increase to over 19%. The fiscal impact of the TRS assessment directly effects classroom instruction.

State retirement program

Alaska's TRS is a state program that requires some state responsibility. The current instructional unit (\$60,000) cannot absorb the loss of buying power over the past five years, and the increased costs of operating the instructional program, and the ever increasing assessment for the TRS. (The increase alone for TRS contributions from FY92 to FY93 is estimated at \$15 million!)

AASB believes the employer responsibility for TRS should be shared equally by the school district and the state. To continue the current method of contribution will divert millions of dollars targeted for classroom instruction and operations to pay for the State-mandated retirement program.

AASB requests your careful and favorable consideration of SB 425 and its companion appropriation bill SB 426.



NEA-ALASKA

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MARCH 11, 1992

NEA ALASKA POSITION PAPER

SB 425 AND SB 426

NEA Alaska enthusiastically supports the passage of SB 425 to require the state to pay one-half of the employer contribution to the teachers' retirement system. This change in the law will make TRS cost sharing the same as it was prior to 1987.

The public schools of Alaska are experiencing difficulty adjusting budgets to meet the instructional needs of students, to implement more regulations and mandates requiring greater service to students and to fund the increased cost of operating the schools. It is estimated that SB 425 will have the effect of providing \$35.7 million more from the foundation program in FY 93 for program support. SB 425 will require that half of the annual employer contribution to TRS will be shared by state government at a time when Alaska's schools are in need of additional funding in order to provide an adequate education program for children.

SB 425 and the accompanying appropriation, SB 426 will provide school districts some relief at this critical time. We respectfully urge passage of SB 425 and SB 426.

Sincerely,

Vernon Marshall
Executive Director

Don Oberg
President