

HB

467

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 6, 1998

FURTHER REFERRALS:

Date of Committee Action: 3/18/98

The FINANCE Committee considered:

HB 467

HOUSE BILL NO. 467

CONTRACTUAL LEGISLATIVE EMPLOYEES

"An Act relating to employees of the legislature who are employed under a personal services contract."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) LAA fiscal note(s) _____

zero fiscal note(s) DOA zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Therriault	X		NR	
<i>[Signature]</i>	Hanley	X			
<i>[Signature]</i>	Mulder	X			
<i>[Signature]</i>	Martin	X			
<i>[Signature]</i>	Kohring	X			
<i>[Signature]</i>	J. J. DAVIES			X	
<i>[Signature]</i>	G. DAVIS	X			
<i>[Signature]</i>	Kelly	✓			
<i>[Signature]</i>	foster	X			

CHAIR'S SIGNATURE *[Signature]* *[Signature]*
 Co-Chair Therriault Hanley

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

NO. _____
BILL VERSION: HB 467
PUBLISH DATE: _____

Revision Date: _____
Title: "An act relating to employees of the
Legislature who are employed under a personal..."
Sponsor: Representative Kott
Requestor: House Finance Committee

Department Affected: Legislature
BRU: All
Component: All

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3
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						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3

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: _____

ANALYSIS: (Attach a separate page if necessary)

This bill adds the option of hiring a legislative employee under a personal services contract without enrolling them into the Public Employees Retirement System (PERS). Most State agencies can hire temporary or nonpermanent employees without enrolling them in PERS. The Legislature currently does not have the same ability during a Legislative session. This bill does not adversely affect any current employees. This bill would allow the Legislature to hire summer tour guides, laborers to load the van, and the Security Chief without enrolling these employees in PERS. The savings to the Legislature would be at least 4.3 each year.

Prepared By: Karla Schofield, Deputy Director *Karla Schofield* Phone: 465-3852
Division: Administrative Services Date: 3/13/98

Approved By: Pamela A. Varni, Executive Director *Pamela Varni*
Agency: Legislative Affairs Agency Date: 3/13/98

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

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 467

Revision Date: (Note if correction)
 Title: "An Act relating to employees of the legislature who are employed under a personal services contract"
 Sponsor: (H) RULES
 Requestor: (H) FIN

Department Affected: Administration
 BRU: Centralized Administrative Services
 Component: Retirement & Benefits
COMPONENT SERIAL NO. 2271

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 98) cost: \$ none

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill does not fiscally impact the Division of Retirement and Benefits.

Prepared by: Guy Bell, Director
 Division: Retirement & Benefits

Phone: 465-4460
 Date: _____

Approved by Commissioner: Mark Boyer *Alison M. Elgee*
 Agency: Department of Administration

Date: 3/15/98

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HB467: Regarding Legislative Contract Employees SPONSOR STATEMENT

The purpose of this bill is to add the option of hiring legislative employees using a personal services contract and eliminate the Public Employees Retirement System (PERS) membership requirement for the employment under the contract.

Most State agencies have the ability to hire temporary or nonpermanent employees who do not receive retirement benefit credit while they are employed. Temporary or nonpermanent employees are short term, often paid on an hourly basis, and may not receive other benefits such as medical insurance, or leave benefits. However, because of language in the PERS statute (AS 39.35) the Legislature does not have the same ability as other State of Alaska Agencies to hire temporary employees during a legislative session unless the employee participates in the retirement system.

For short-term temporary employment this requirement results in a needless cost to the Legislature and a tax disadvantage to the employee. For example, the summer tour guides in the Capitol, most of whom are students earning money for school, must be placed in the retirement system. Money is deducted from their paychecks for retirement which they may withdraw after leaving employment, but because it was tax deferred, they must not only pay the tax but they also must pay a penalty for early withdrawal. This is a waste of time and money. This same situation applies to the laborers who work to load and unload the moving vans, and these people generally only work a few days at a time.

Further, this year the same retirement issue caused an even more significant problem when the Legislative Affairs Agency needed to fill the Chief of Security position for the 1998 session. In this case, the stringent qualifications for the position almost dictate the only qualified applicants be former Alaska law enforcement officers who are retired under the PERS. Individuals who are retired under the PERS cannot accept a position covered by the retirement system without terminating their retirement. Because of the short-term nature of the position, terminating retirement is generally an unacceptable option. The current situation hinders, if not blocks, our ability to even fill a necessary position.

In the past we have utilized "professional services" contracts to hire individuals for certain jobs to avoid the retirement problem. However, this solution has become less and less of an option because of IRS rules on contractor vs. employee relationships. Under the IRS guidelines the duties and responsibilities of the Chief of Security as well as our tour guides and laborers make them clearly an employee. Using a "personal services" contract clearly classifies the individuals as an employee in order to satisfy IRS requirements, and this bill eliminates the conflict with PERS requirements.

This bill and the solution it offers does not adversely affect any current employees. The current PERS law protects the rights of legislative staff employees by recognizing that they work in a different environment than most state employees. This bill will not change that language. HB467 only adds an additional option in those cases when participation in the retirement plan is too restrictive or not appropriate. And, it gives the legislature the same flexibility afforded to other State Agencies.