

**HB**

**277**

# FISCAL NOTE

No: 1

Bill Version: HB 277

(H) Publish Date: 2/15/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date 2/9/00 Dept. Affected Administration  
 Title An act relating to payment of retirement BRU Centralized Administrative Services  
benefits for subsequently reemployed retired members Component Retirement and Benefits  
 Sponsor Representative Halcro  
 Requester (H) HESS Component No. 64

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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 (Specify Type)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached analysis.

Prepared by: Guy Bell Phone 465-4471  
 Division Retirement and Benefits Date/Time 2/9/00  
 Approved by Commissioner Robert Poe Jr. Date 2/9/00  
 Agency Department of Administration

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Page 1 of 2

## House Bill 277

The fiscal impact of this legislation is difficult to quantify for the following reasons:

1. The Teachers' Retirement System (TRS) is funded with rates charged against the salaries of active members (certificated teachers and administrators), and earnings from fund investments. Teachers currently pay 8.65% and employers pay 12% of salary into TRS.

The State of Alaska employs only approximately 100 of the 9,300 active TRS members. The rest of the members are employed by Alaska school districts. Therefore, the fiscal impact of any legislation falls on school districts, not the State of Alaska. Since a fiscal note reflects the cost of legislation to state government, even legislation with a high cost to TRS could show minimal fiscal note impact.

2. Currently, when a retired TRS member returns to TRS covered employment, the member's retirement benefit is suspended until the member again retires. Under this legislation, the benefit would no longer be suspended, so the member would receive a TRS retirement check and a TRS employer paycheck. System demographics indicate that relatively few TRS retirees currently return to employment covered by TRS. If this were to continue, our actuaries have estimated that the legislation would only increase TRS rates by approximately 0.01 percent of payroll. If this were the case, the long-term employer contribution rate of 12 percent of payroll would be adequate to fund the System.

However, relieving the penalty for retired members to come back to work may increase the number who choose to do so. We asked our actuaries to quantify the possible impact if this occurs.

Our actuaries focused on the portion of the population for whom the legislation produces a measurable cost increase – members who earn 20 years of service before otherwise becoming eligible for retirement. We found that for these members, retiring when they first achieve 20 years of service, returning to work for two years and then re-retiring increases the liability associated with their benefits by about 10%. If half of the members elect to do this, we estimate that the annual cost increase would be approximately 0.75% of total TRS payroll. The cost increase is roughly proportional to the assumptions. For example, if all employees who attain 20 years before other retirement eligibility return to work for 2 years, the cost increase should be about 1.5% of payroll. Moreover, if the period of return is doubled, so is the cost.

# SENATE COMMITTEE REPORT

DATE: 4/11/00

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Health, Education and Social Services Committee considered CS FOR HOUSE BILL NO. 277(FIN)

"An Act relating to payment of retirement benefits for certain subsequently reemployed retired members of the teachers' retirement system; and providing for an effective date."

and recommends:

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to the \_\_\_\_\_ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR# \_\_\_\_\_

SIGNING (DO PASS)	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>George</i>	<input checked="" type="checkbox"/>	<i>Gary White</i>	<input checked="" type="checkbox"/>		
<del><i>[Signature]</i></del>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<del><i>[Signature]</i></del>					
<del><i>[Signature]</i></del>					
<i>CHAIR: Mike Miller</i>	<input checked="" type="checkbox"/>	<i>CHAIR:</i>			

**NEW FISCAL NOTE(S):**

Department                      Date              Zero              Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date              Zero              Fiscal

<i>D Admin.</i>	<i>2/9/00</i>		<i>XX</i>

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill



COMMITTEE: SENATE HESS

Subject of meeting:

DATE: APRIL 18, 2000

HB 277-RETIREMENT BENEFITS FOR REHIRED TEACHERS

# SIGN-IN

PLEASE PRINT!

NAME

ADDRESS (MAILING) &  
(ZIP)

PHONE

REPRESENTING

DO YOU  
WANT TO  
TESTIFY?

Guy Bell		465 2292	Retirement + Benefits	Y
Kathi Gillespie	Anch	345 - 5355	Anch School Board	Y
Carol Rose	Juneau	6-1083	AASB	Y
Tom Vele	Dillingham	842 2219	Dillingham School Board	
Don Ford	Dillingham	842 - 5280	Dillingham City Schools	
John Cyr	Juneau	586-3090	NEA-AK	Y
Don Graves	P.O. Box 921088 Dutch Harbor, AK. 99692	581-2378	AASB Unalaska City Schools	

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# ALASKA STATE LEGISLATURE



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**REPRESENTATIVE ANDREW HALCRO**  
District 12

## CSHB 277 (FIN)

### SPONSOR STATEMENT

The pool of qualified teachers in Alaska is shrinking dramatically. The situation is particularly dire in the area of special education. To address this shortage I have sponsored HB 277.

This legislation will allow teachers who have retired to return to teaching in the public schools without forfeiting their retirement benefits. Retired teachers would be able to be re-employed by a school district. They would continue to receive their retirement benefits. However, individual school districts could negotiate what pay range the rehired teachers would enter at, thus reducing the cost to school districts, but compensating experienced teachers through a combination of pay and benefits.

Presently, teachers, once retired, may only work 40% of full-time in a school district without forgoing their retirement benefits. HB 277 would provide school districts with the opportunity to rehire experienced teachers at a lower cost to the public.

The House Finance Committee Substitute would require individual school districts to establish policies and standards for determining when a shortage in a teaching discipline or specialty occurs. Once those standards have been fulfilled, the school district could then self-certify a need and rehire retired teachers to fulfill that need. This restricts the number of teachers who may retire and then return to teaching in order to prevent a mass retirement of teachers who would then expect to be able to return and receive benefits.

The Finance version also provides that the Teachers Retirement System shall report to the legislature within the first 30 days of session any effect of HB 277 on the Teachers Retirement System. It also includes a sunset clause that takes effect on July 1, 2003 so the legislature will be required to review any effect HB 277 may have on the Teachers Retirement System.

# Alaska State Legislature



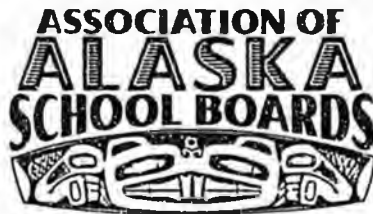
State Capitol  
Juneau AK  
99801-1182

Official Business

## Letter of Intent CSHB 277(FIN)

It is the intent of the Legislature that individual school districts would establish policies and standards for determining when a shortage in a teaching discipline or specialty occurs. Once those standards have been fulfilled, the school district could then self-certify a need and rehire retired teachers to fulfill that need.

Additionally, school districts will annually report to the Teachers Retirement System the number of retired teachers who are rehired under the provisions of HB 277. The report should, at a minimum, include the following information for each rehired retiree: 1) the specialty or discipline of the teaching position to be filled, 2) the salary at retirement, 3) the salary upon rehire, 4) the rehire date, 5) the re-retirement date if applicable, and 6) a description of efforts made to otherwise fill openings. Each school district taking advantage of the provisions in HB 277 shall also provide a copy of their rehire policy to the Division of Retirement and Benefits.



*Advocates for Alaska's Youth*

## **POSITION PAPER IN SUPPORT OF HB 277**

The Association of Alaska School Boards (AASB) supports House Bill 277, sponsored by Rep. Halcro. The proposal addresses a priority issue of AASB—urging the state and university to address the severe shortage of teachers, specialists, and administrators in Alaska.

AASB believes this proposal is a necessary step to entice experienced, retired teachers back into the classroom. It adds another tool to address Alaska's teacher shortage.

Specifically, the proposal allows retired educators to continue to receive retirement benefits after they've been rehired. Current law requires benefit payments be suspended for one year when a retired teacher is rehired.

### **BACKGROUND**

There is a national debate going on right now over whether or not there is, indeed, a teacher shortage. "According to the National Commission on Teaching and America's Future, the U.S. is not facing a teacher shortage...IF you're in the right geographical area and IF you need teachers that are not in the high demand areas," says Mary Ellen LaBerge, University of Alaska/Fairbanks' Alaska Teacher Placement Office. "That's good for districts in the Seattle area or for districts looking for elementary level teachers. It's not good if you're in Alaska and looking for mathematics teachers, special education teachers, counselors, administrators, English teachers and science teachers."

Alaska's recent Retirement Incentive Programs gave school districts short-term financial relief, but at a price. It exacerbated the teacher shortage in Alaska.

Some additional issues and remedies to consider:

--establishing licensing reciprocity across states. Alaska recently signed the NASDTEC Interstate Contract, an agreement which facilitates the movement of educators among the various states which have signed the contract. Goes in to effect in June 2000.

--alternatives to licensure.

--signing bonuses, raising salaries, or at least compensating educators for years of experience when they arrive in a district.

--national recruitment initiatives, streamlined hiring procedures, online information technologies to speed up hiring, scholarship programs and forgivable loans to prepare candidates in shortage fields, teacher education programs.

# BERING STRAIT SCHOOL DISTRICT

DISTRICT OFFICE • P.O. BOX 225 • UNALAKLEET, ALASKA 99684-0225 • (907) 624-3611 • FAX 624-3099

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24 January, 2000

The Honorable Andrew Halcro  
State Capitol, Room 418  
Juneau, AK 99801-1182

Re: HB 277: Retirement benefits re-employed teachers

Dear Representative Halcro,

Thank you listening to me regarding HB 277. I feel this is productive legislation and should enjoy the support of your colleagues. As stated in my comments to you, I feel certain issues, if addressed, would make this more productive for everyone. Here are a few ideas for your consideration.

- Allow retired TRS members to return to the classroom and continue to collect their retirement stipend.
- Do not make TRS contribution - contribute to Social Security.
- Let school districts decide how to pay - do not legislate.
- Retired TRS members should not earn tenure.
- Allow Districts to issue multi-year (two) contracts.
- Returning TRS members should not earn additional years in TRS.

These changes will allow the teacher pool to increase and save Districts money.

Your efforts with issues addressing education are important and should you require information or assistance, please instruct your staff to contact me as needed. I hope this session is productive for you and I look forward to meeting you again.

Sincerely,

Dr. John A. Davis  
Superintendent

cc. J. Walsh

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#### "OUR MISSION"

The Mission of the Bering Strait School District is to educate students to become self-sufficient productive citizens in a changing world, recognized for their social, academic, and marketable skills, by providing standards of excellence, quality programs, and a supportive environment for both traditional Native and Western styles of learning.



Alaska Association of Elementary Schools Principals  
 Alaska Association of Secondary School Principals  
 Alaska Association of School Administrators  
 Sponsor of the Alaska Staff Development Network

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## Alaska Council of School Administrators

Excerpt from the *ACSA Education Bulletin* January 2000 Issue

# Where are the Teachers?

**WE NEED  
 A MORE POWERFUL  
 MAGNET!**

By Darroll Hargraves,  
 Executive Director, ACSA

**What's the problem?**

**What's getting the attention?**

Interesting isn't it? During the past few years, public attention has been focused on funding, construction, standards, and testing. Each of these issues is important. However, whenever superintendents get together to talk about immediate and future concerns, another issue tops the agenda—the need to recruit, hire, and keep certified and qualified teachers and administrators.

**The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.**

Alaska is not alone. In fact, teacher shortages are entering a critical stage across the nation. U.S. Secretary of Education Richard Riley consistently expresses a concern about the ability of our schools to attract the very brightest and best into education careers. As student enrollments continue to climb nationally, demand is outstripping supply at a time when the hurdles are being lifted even higher. For example, the shortage is becoming even more acute because many states are increasing their standards

for teachers and some are requiring them to have majors in the subjects they teach or to pass qualifying tests. The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Salaries have not kept pace with what talented people can make outside the classroom. A recent Quality Counts 2000, 50-state survey, conducted by *Education Week*, found that one in five college graduates who began teaching in 1993-94 left within three years. The brightest novice teachers, as measured by their college-entrance exams, were the most likely to leave, the study revealed.

**There was a time,  
 not so long ago, when Alaska  
 was a magnet for educators.**

What's at stake here? The immediate concern for many educators is having excellent teachers in the classroom—preparing students to pass exit exams that are looming in their future. Even more importantly, they are concerned about preparing students for life in the 21st century.

There was a time, not so long ago, when Alaska was a magnet for educators. Our salaries were the highest in the nation. Our recruiters could promise adventure, good hunting and fishing, and a lifestyle that attracted exceptional talent. Let's face it. What worked in the past is not getting us the number and level of certified, qualified educators we need today and will need in the future.

While average teacher salaries in Alaska are still above the national average, we are now caught in what the *New York Times* calls a bidding war. That war has spread from coast to coast, and we are not winning. In fact, we are being out-manuevered as never before. Take, for example, the incentives being offered in several states. California is offering \$10,000

interest-free loans for buying a home, \$30,000 bonuses for attaining advanced certification, and \$11,000 to repay college loans. In Texas, \$2,000 signing bonuses are becoming commonplace. Southern states such as Florida, Georgia and Mississippi have districts paying bonuses of up to \$6,000 to retain quality teachers.

As crises show signs of becoming catastrophes, some state legislatures and state departments of education have gotten the ball rolling on bringing retired teachers and administrators back into the system. Those early retirement incentives that were sold, in some case, as a way to remove the "dead wood" are now looking more like they've caused a "brain drain."

Salaries are a major problem, both for teachers and administrators. Alaska's largest districts provide an example of how noncompetitive our salaries are. These districts have budgets, enrollments, numbers of employees, physical plants, and demands comparable to large districts outside the state that are paying their superintendents nearly double. In fact, an Alaska board member recently admitted to the media that their superintendent is underpaid and speculated that if the present superintendent left and had to be replaced, it would require an additional \$50,000. Even that level of an increase would be low compared to salaries paid in comparable districts outside.

Granted, we need to pay attention to standards, facilities, and a number of other critical issues. At the same time, let's not forget that our ability to attract and keep outstanding teachers and administrators is basic to everything we hope to accomplish. Alaska needs a constant flow of quality, certifiable educators. While the problem may not be completely solved during this session of the Legislature, we simply must make sure that it receives the attention it deserves. The future of our kids depends on it.

#### 4.5 ADDRESSING TEACHER, SPECIALIST, AND ADMINISTRATION SHORTAGE

The Association of Alaska School Boards does hereby urge the Alaska State Legislature, Alaska State Board of Education, and Teacher Education Programs in Alaska's universities to address the severe shortage of teachers, specialists, and administrators in the State of Alaska.

Rationale. It has been painfully demonstrated that a severe shortage of teachers, specialists, and administrators is being experienced in the school districts in every region of Alaska. Because of the "flat" funding of school districts imposed by the Alaska State Legislature, districts have been forced to hold salary levels of teachers and administrators at an equally "flat" level, resulting in actual decreases in salary levels. Such decreasing salary levels are highly detrimental to attracting new teachers to Alaska and detrimental to recruiting people into education.

It is equally difficult under the funding structure imposed over the last 10 years to offer district incentives to attract teachers and administrators. At the same time, standards for teachers have been raised significantly, making it more difficult for prospective teacher to gain certification in Alaska. Incentives need to be provided by universities to attract new candidates and by the State Board of Education to attract new teachers to the state, both to be funded by the State Legislature. In addition, the State Legislature needs to provide funding for district incentives to attract new teachers.

Adopted 1999