

HB

375

ALASKA STATE LEGISLATURE

REPRESENTATIVE BRUCE WEYHRAUCH



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

Sponsor Statement HB 375

"An Act relating to the retirement benefit liability account and appropriations from that account; and providing for an effective date."

HB 375 establishes the Retirement Benefit Liability Account in the Department of Revenue.

Money in the Retirement Benefit Liability Account may be used for payment of the employer contributions to past service liabilities of the public employees' retirement system and teachers' retirement system for state and political subdivisions of the state, including regional education attendance areas. Income that is earned on the money in the account will be appropriated back into the account.

Contact Ginny Austerman

Issued 02-06-06

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 375
 () Publish Date: 1/19/2006

Revision Date/Time (Note if correction): _____ Dept Affected: Revenue
 Title: An Act relating to establishment of a retirement RDU: Taxation and Treasury
benefit liability acct; relating to Amerada Hess income Component: Treasury Division
 Sponsor: House Ways and Means
 Requester: _____ Component No: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual	00	00	00	00	00	00
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	00	00	00	00	00	00

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	00	00	00	00	00	00
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type - Do not abbreviate)						
TOTAL	00	00	00	00	00	00

Estimate of any current year (FY2006) cost: 00

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB374 creates a new account in the Department of Revenue, Treasury Division, called the retirement benefit liability account. Subject to appropriation, it also directs one half of the income of the Amerada Hess earnings to this new account. APFC estimates the annual earnings at \$27.6 million dollars, 50% of the earnings would be \$13.8 million.

This fiscal note assumes the funds would stay in the retirement benefit liability account for one quarter and would be transferred to each political subdivision, including regional education attendance areas, participating in teachers' retirement system or public employees retirement system. The total amount available for transfer in FY2007 and in subsequent years would be \$13,912,125. In order to avoid administrative costs of processing the transfers, the Department of Revenue would work with

Prepared by: Susan M. Taylor, Comptroller Phone: 907-465-2352
 Division: Treasury Date/Time: 1/19/2006, 4:00 pm
 Approved by: Tom Boutin, Deputy Commissioner Date: 1/19/2006
 Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HB375

ANALYSIS CONTINUATION

the Department of Education and Early Development and Department of Commerce, Community and Economic Development for efficiencies in transferring the funds to the pension system participants according to their normal schedule of payments to political subdivisions, including regional educational attendance areas, participating in the pension systems

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 375(W&M)
 (H) Publish Date: 2/8/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to the retirement benefit liability RDU Centralized Administrative Services
account...relating to deposits of certain income... Component Retirement and Benefits
 Sponsor House Special Committee on Ways and Means
 Requester House Special Committee on Ways and Means Component No. 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 375 establishes a new account, the Retirement Benefit Liability Account (RBLA), in the Department of Revenue from which appropriations may be made by the legislature for grants to political subdivisions and regional education attendance areas. Appropriations may also be made to the State. The purpose of the appropriations from the RBLA may be for participating employers to pay their past service liabilities to the Public Employees' and Teachers' Retirement systems or for other purposes.

The legislation also directs half of the annual income earned on the money awarded or received from State v. Amerada Hess be deposited into the Retirement Benefit Liability Account.

This bill has no fiscal impact on the Division of Retirement and Benefits.

Prepared by: Melanie Milhorn, Director Phone 455-4408
 Division Retirement and Benefits Date/Time 1/20/06 8:03 AM
 Approved by: Mike Tibbles, Deputy Commissioner Date 1/20/2006
 Agency Department of Administration

How is HB 375 different from HB 238?

HB 375 just establishes a savings account the legislature may put money into. It gives no direction to retirement and benefits on how to apply the funds to individual employers liability. This leaves retirement and benefits making important policy calls on who are the 'winners' and 'losers' of whatever formula they come up with.

Section (c), line 13 states that the funds in the account are not dedicated to a specific purpose, the legislature can pull any funds or interest out at any time and spend them on what they deem fit. This makes it hard for municipalities in their budgeting process to be able to count on any assistance they might receive from the account.

HB 345 includes School districts while HB 238 does not.

Kevin

A.M.L.