

**SB**

**48**

<TARGET><BILL>SB 48</BILL><SUBJECT>SB  
48</SUBJECT><COMM>SFIN28</COMM></TARGET>

# ALASKA STATE LEGISLATURE

## SENATOR DONALD C. OLSON

SENATE DISTRICT T

### Session

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### Interim

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### SPONSOR STATEMENT

#### **SB 48 - PERS CONTRIBUTIONS BY MUNICIPALITIES**

SB 48 seeks to provide relief to those communities that have faced hardship due to the PERS "salary floor" established in SB 125 of the 25<sup>th</sup> Legislature.

SB 125 changed the PERS system from a 'multiple employer plan' to a 'cost share plan'. That is, SB 125 transferred the individual liability of the 160 PERS employers and consolidated that liability so that all the employers share in that liability.

SB 125 also created what is commonly referred to as the 2008 salary floor. That is, every PERS employer will have a penalty imposed on them if their salary base is below that of 2008. This was instituted to ensure that the system could not be "gamed". This is to keep municipalities from hiring people on a contract basis and, therefore, allowing the base payments into the system from shrinking.

Many municipalities, due to circumstances beyond their control, have found themselves under the 2008 floor for a number of years. Most of these are very small remote communities. Some of the affected communities are simply trying to lower their budgets by actively laying-off or not re-hiring due to attrition. Some communities lost employees due to a base closure or a regional clinic closure.

To further make the point, there is currently one community that owes \$420,000 at 12% interest. SB 48 was introduced to help communities in this situation.

SB 48 will address this issue in two ways:

1. Changes the "2008 floor" to 2012 for those communities that have lost 25% of their population between 2000 and 2010.
2. Provides relief to those communities that are delinquent in transferring contribution if their population decreased by more than 25% between 2000 and 2010.

SB 48 does not intend to repeat the "2008 floor" debate, but rather provide relief to those communities affected by the arbitrary line that SB 125 created.

I urge your support of this legislation.

**Cities and Boroughs Impacted by Salary Floor Billings**

ER	Employer Name	FY2009 Contrib Due	FY2010 Contrib Due	FY2011 Contrib Due	FY2012 Contrib Due	FY09-FY12 Combined Contrib Due	Count of Years Billed
259	CITY OF ALLAKAKET	1,401.40	1,401.40	1,401.40	1,401.40	5,605.60	4
283	CITY OF ANDERSON	5,875.10	5,875.10	5,875.10	5,875.10	23,500.40	4
186	CITY OF CRAIG	-	-	47,401.67	59,873.55	107,275.22	2
178	CITY OF DILLINGHAM	9,709.69	-	-	-	9,709.69	1
192	CITY OF GALENA	-	115,276.09	139,395.33	164,469.66	419,141.08	3
235	CITY OF HUSLIA	395.56	370.48	101.86	2,756.51	3,624.41	4
237	CITY OF KALTAG	-	1,309.23	1,370.60	-	2,679.83	2
181	CITY OF KETCHIKAN	-	-	4,844.03	-	4,844.03	1
140	CITY OF KOTZEBUE	-	48,645.23	-	-	48,645.23	1
254	CITY OF MEKORYUK	2,424.59	2,698.35	2,698.35	2,698.35	10,519.64	4
241	CITY OF NOORVIK	27,304.87	33,518.82	33,518.82	33,518.82	127,861.33	4
200	CITY OF PELICAN	1,039.90	2,046.10	9,016.37	11,394.41	23,496.78	4
266	CITY OF QUINHAGAK	1,104.96	4,912.89	4,912.89	4,912.89	15,843.63	4
256	CITY OF SAINT GEORGE	-	13,374.45	13,374.45	13,374.45	40,123.35	3
176	CITY OF SAND POINT	-	6,485.24	-	-	6,485.24	1
291	CITY OF SHAKTOOLIK	666.47	-	-	-	666.47	1
169	CITY OF TANANA	1,599.10	-	-	-	1,599.10	1
206	CITY OF THORNE BAY	-	11,113.03	8,393.67	-	19,506.70	2
280	CITY OF TOKSOOK BAY	-	-	-	1,451.07	1,451.07	1
290	CITY OF UPPER KALSKAG	14.65	-	382.83	86.38	483.86	3
202	CITY OF WHITTIER	-	-	13,737.11	-	13,737.11	1
230	ALEUTIANS EAST BOROUGH	2,973.82	4,846.12	53,663.81	85,326.66	146,810.41	4
247	LAKE AND PENINSULA BOROUGH	25,462.96	29,198.70	28,846.18	32,714.49	116,222.33	4
<b>Totals</b>		<b>79,973.07</b>	<b>281,071.23</b>	<b>368,934.47</b>	<b>419,853.74</b>	<b>1,149,832.51</b>	

Count of Cities and Boroughs with Contributions Due	13	15	17	14	23
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# LEGISLATIVE RESEARCH SERVICES

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## Research Brief

TO: Senator Donald Olson  
FROM: Chuck Burnham, Legislative Analyst  
DATE: March 1, 2013  
RE: Municipal Bankruptcy Provisions in Alaska Law  
*LRS Report 13.253*

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### *You asked if Alaska law provides for municipal bankruptcies.*

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Briefly, Alaska law does not specifically authorize or otherwise provide a process by which municipal bankruptcies are allowed. As a result, Alaska is among the 24 states in which municipal bankruptcies are prohibited under provisions of federal law.

Bankruptcies in the United States are governed primarily by federal law at 11 USC 101, et seq. Provisions regarding municipal bankruptcies are delineated at section 109 of that chapter. As one would expect, municipal bankruptcies—known as “Chapter 9” filings—differ from those of private entities because they are political subdivisions of the states, which enjoy a substantial degree of sovereignty under the 10<sup>th</sup> Amendment and a number of other sections of the U.S. Constitution. Recognizing this, 11 USC 901(c) requires that, among other things, municipalities be specifically authorized under state statute to seek bankruptcy protection. That section reads as follows:

- (c) An entity may be a debtor under chapter 9 of this title if and only if such entity
- (1) is a municipality;
  - (2) is specifically authorized, in its capacity as a municipality or by name, to be a debtor under such chapter by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under such chapter;
  - (3) is insolvent;
  - (4) desires to effect a plan to adjust such debts; and
  - (5) (A) has obtained the agreement of creditors holding at least a majority in amount of the claims of each class that such entity intends to impair under a plan in a case under such chapter ;  
(B) has negotiated in good faith with creditors and has failed to obtain the agreement of creditors holding at least a majority in amount of the claims of each class that such entity intends to impair under a plan in a case under such chapter ;  
(C) is unable to negotiate with creditors because such negotiation is impracticable; or  
(D) reasonably believes that a creditor may attempt to obtain a transfer that is avoidable under section 547 of this title.

The National Association of Bond Lawyers compiled a guide to municipal bankruptcy that you may find to be useful at [http://www.nabl.org/uploads/cms/documents/municipal\\_bankruptcy\\_a\\_guide\\_for\\_public\\_finance\\_attorneys.pdf](http://www.nabl.org/uploads/cms/documents/municipal_bankruptcy_a_guide_for_public_finance_attorneys.pdf).

We hope this is helpful. If you have questions or need additional information, please let us know.

## David Scott

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**From:** Puckett, Jim P (DOA) <jim.puckett@alaska.gov>  
**Sent:** Sunday, March 10, 2013 3:05 PM  
**To:** David Scott  
**Cc:** Thayer, Curtis W (DOA); Barnhill, Michael A (DOA); Mills, Andy J (DOA); Lea, Kathleen S (DOA)  
**Subject:** SB48

Mr. Scott,

The following communities have lost 25% or more of their population between 2000 and 2010: Galena, Pelican, Atka, Anderson, and St. George. The cities of Anderson and St. George do not currently have any active PERS eligible positions.

Let me know if you need anything else.

Jim Puckett  
Division Director  
Alaska Division of Retirement & Benefits  
[jim.puckett@alaska.gov](mailto:jim.puckett@alaska.gov)  
(907) 465-4471

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*For your protection my response to you may be sent in an encrypted email if it contains personal or financial information. If so, you will receive an email notification that you have received a secure email from the State of Alaska with instructions how to access it.*

**From:** David Scott <[David.Scott@akleg.gov](mailto:David.Scott@akleg.gov)>  
**Date:** March 8, 2013, 3:47:41 PM MST  
**To:** "[curtis.thayer@alaska.gov](mailto:curtis.thayer@alaska.gov)" <[curtis.thayer@alaska.gov](mailto:curtis.thayer@alaska.gov)>  
**Cc:** "[mike.barnhill@alaska.gov](mailto:mike.barnhill@alaska.gov)" <[mike.barnhill@alaska.gov](mailto:mike.barnhill@alaska.gov)>  
**Subject:** Fwd: SB 48 Scheduling Memo

Hi fellas:

SB 48 will be heard on Tuesday. Can we get a list of those communities that will be affected? Namely, those communities that have lost 25% between 2000-2010.

Thanks.

David Scott  
Office of Sen. Donny Olson

Sent from my iPhone.  
Please excuse any typos.

**David Scott**

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**From:** Ruby, Scott (CED) <[scott.ruby@alaska.gov](mailto:scott.ruby@alaska.gov)>  
**Sent:** Thursday, February 28, 2013 10:23 AM  
**To:** David Scott  
**Cc:** Koeneman, Crystal A (CED)  
**Subject:** RE: quick question

Dave,  
No, it does not.

Federal bankruptcy law requires a state to pass a statute allowing it, Alaska has not passed such a statute.

Scott

**From:** David Scott [<mailto:David.Scott@akleg.gov>]  
**Sent:** Thursday, February 28, 2013 10:06 AM  
**To:** Koeneman, Crystal A (CED)  
**Cc:** Ruby, Scott (CED)  
**Subject:** quick question

Does state law allow for municipalities to declare bankruptcy?

Thanks,

*DAVE*

David Scott  
Chief of Staff  
Office of Senator Olson  
465-3877  
[david\\_scott@akleg.gov](mailto:david_scott@akleg.gov)