

Leg. Finance - House & Senate Finance Comte Files (1975-76) 377  
CSHB 198, HB 198, 199, 203, 208



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith  
Signature of Camera Operator

11/3/90  
Date

COMMITTEE REPORT

SENATE

4/5/76

Mr. President:

Date 4/6/76

The Committee on Finance has had CSRB 198 (Fin) credit for military service in computing retirement benefits for state under consideration. A Majority of the members of the Committee ~~employees~~

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT  
CS FOR \_\_\_\_\_ DO PASS
- "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

[Signature] recommends: [Signature]

[Signature] recommends: [Signature]

[Signature] recommends:

[Signature] recommends:

[Signature] recommends:

[Signature] Chairman

The Legislature of the State of Alaska  
 FISCAL NOTE  
 Second Session - Eighth Legislature

I. REQUEST

Bill Identification: CS for House Bill #198  
 Title: An act relating to credit for military service in computing retirement benefits  
 Requested by: House Finance Date: 2/25/76  
 Return Date Requested: 2/25/76  
 Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ALL

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	0	32.7	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
100 BENEFITS	0	540.0	604.8	Increase @ 12% per year		
TOTAL	0	582.7	604.8			

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	432.0			
FEDERAL FUNDS	17%	0	91.8	Increase @ 12% per year		
OTHER	3%	0	16.2			
PERS			42.7			

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 3	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 27	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. It is assumed that the State Payroll will increase 12% per annum.
2. The estimated state payroll for FY 77 is \$180,000,000.
3. The mandatory employee contribution will remain at current levels.
4. The required increase in the employer contribution rate will be .30% of covered payroll.

IV. ATTACHMENTS

Appendix I

V. DATE: 2/25/76

PREPARED BY: [Signature]

Director

Division of Retirement & Benefits

Original: Legislative Finance

cc: Budget and Management (2)

Prime Sponsor (First Legislator Named) Rep. Miller

House Finance

Office of the Comptroller

APPENDIX I

Passage of CS for House Bill # 198 would require modification to a number of programs in the PERS data processing system. In addition, it would necessitate a substantial manual effort to input military service information and establish indebtedness accounts on existing members and to recalculate benefits for those already on retirement. The fiscal impact will be as follows:

1. One Temporary Position - Clerk III - Range 8 for 1 year

Monthly Salary 938 x 12 =	\$11,256
plus 7 1/4% benefits =	<u>816</u>
Sub-total	<u>\$12,072</u>

One Temporary Position - Benefit Field Representative -  
Range 16 for 3 months

Monthly Salary 1,598 x 3 =	\$ 4,794
plus 7 1/4% benefits =	<u>348</u>
Sub-total	<u>\$ 5,142</u>

One Temporary Position - Accountant I  
Range 12 for one year

Monthly salary 1,207 x 12 =	\$14,484
plus 7 1/4% benefits	<u>1,050</u>
Sub-total	<u>\$15,534</u>

Total	<u>\$32,748</u>
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2. Modifications Required to Data Processing Systems - \$10,000

The Legislature of the State of Alaska  
 FISCAL NOTE  
 Second Session - Eighth Legislature

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500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
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PREPARED BY: [Signature]

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cc: Budget and Management (2)

Prime Sponsor (First Legislator Named) Rep. Mueen

House Finance

Office of the Comptroller

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Sub-total	<u>\$15,534</u>

Total	<u>\$32,748</u>
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2. Modifications Required to Data Processing Systems - \$10,000

Original sponsor: Miller and Duncan

Offered: 2/26/76  
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 198 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to credit for military service in  
7 computing retirement benefits for state employees; and  
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 39.35.340 is repealed and re-enacted to read:

11 Sec. 39.35.340. MILITARY SERVICE. (a) An employee is entitled to  
12 service credit for active military service in the armed forces of the  
13 United States, either by enlistment or induction, if the employee did  
14 not receive a dishonorable discharge. The service credit allowed may  
15 not exceed an aggregate period of five years. No service credit for  
16 military service may be granted under this section if the employee is  
17 entitled to a pension benefit for the same service from the federal  
18 government. The service credit available to the employee under this  
19 section may not be granted until the employee becomes vested in the  
20 retirement system. Benefits are not payable on military service credit  
21 unless the employee makes retroactive contributions to the system for  
22 the period of time that service credit is claimed. However, if the  
23 employee was in the employ of an employer on the date of entry into the  
24 armed forces and returned to the employ of an employer within 90 days  
25 after the date of his discharge from military service, he is not re-  
26 quired to make retroactive contributions under this system for the  
27 period of service credit.

28 (b) In order to obtain service credit under this section, an  
29 employee shall make an election to do so and shall verify his period of

1 military service before July 1, 1977 or within one year following the  
2 date when the employee becomes vested under this chapter, if later.  
3 When eligibility for military service credit has been established, an  
4 indebtedness shall be determined as follows: (1) the employee's actual  
5 compensation, or the calculated annual compensation for those employees  
6 working less than 12 months, during the calendar year 1976 or the year  
7 in which an employee first becomes vested under this chapter, whichever  
8 is later, multiplied by (2) the rate of employee contributions under  
9 sec. 160(a) of this chapter in effect at the date his military service  
10 is verified, such product multiplied by (3) the number of years of  
11 military service credited under this section. Interest as prescribed by  
12 regulation accrues on such indebtedness commencing on July 1, 1977 or  
13 one year following the date a person first becomes vested, whichever is  
14 later. Any outstanding indebtedness which exists at the time a person  
15 is appointed to retirement will necessitate an actuarial adjustment to  
16 the benefits payable based upon such military service.

17 (c) A person receiving retirement benefits under this chapter on  
18 the effective date of this Act is eligible to receive increased benefits  
19 based upon military service as described in (a) of this section. To  
20 receive military service credit, a retired person must verify his mili-  
21 tary service before July 1, 1977. When such service has been verified  
22 for a retired person to receive military service credit, he is entitled  
23 to receive an increased benefit which shall be actuarially adjusted to  
24 reflect his indebtedness for such credit. The indebtedness shall be  
25 calculated in the same manner as described in (b) of this section except  
26 that it shall be based on the average monthly compensation used in  
27 calculating the retirement benefit. The effective date of this in-  
28 creased benefit is the beginning of the month following that in which  
29 eligibility has been established.

1 \* Sec. 2. This Act takes effect on July 1, 1976.

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Original sponsor: Miller and Duncan

Offered: 4/1/75  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 198

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to credit for military service in  
7 computing retirement benefits for state employees; and  
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 39.35.340 is repealed and re-enacted to read:

11 Sec. 39.35.340. MILITARY SERVICE. (a) An employee is entitled to  
12 service credit for active military service in the armed forces of the  
13 United States, either by enlistment or induction, if the employee did  
14 not receive a dishonorable discharge. The service credit allowed may  
15 not exceed an aggregate period of five years. No service credit for  
16 military service may be granted under this section if the employee is  
17 entitled to a pension benefit for the same service from the federal  
18 government. The service credit available to the employee under this  
19 section may not be granted until the employee becomes vested in the  
20 retirement system. Benefits are not payable on military service credit  
21 unless the employee makes retroactive contributions to the system for  
22 the period of time that service credit is claimed. However, if the  
23 employee was in the employ of an employer on the date of entry into the  
24 armed forces and returned to the employ of an employer within 90 days  
25 after the date of his discharge from military service, he is not re-  
26 quired to make retroactive contributions under this system for the  
27 period of service credit.

28 (b) In order to obtain service credit under this section, an  
29 employee shall make an election to do so and shall verify his period of

1 military service before July 1, 1976 or within one year following the  
2 date when the employee becomes vested under this chapter, if later.  
3 When eligibility for military service credit has been established, an  
4 indebtedness shall be determined as follows: (1) the employee's actual  
5 compensation, or the calculated annual compensation for those employees  
6 working less than 12 months, during the calendar year 1975 or the year  
7 in which an employee first becomes vested under this chapter, whichever  
8 is later, multiplied by (2) the rate of employee contributions under  
9 sec. 160(a) of this chapter in effect at the date his military service  
10 is verified, such product multiplied by (3) the number of years of  
11 military service credited under this section. Interest as prescribed by  
12 regulation accrues on such indebtedness commencing on July 1, 1976 or  
13 one year following the date a person first becomes vested, whichever is  
14 later. Any outstanding indebtedness which exists at the time a person  
15 is appointed to retirement will necessitate an actuarial adjustment to  
16 the benefits payable based upon such military service.

17 (c) A person receiving retirement benefits under this chapter on  
18 the effective date of this Act is eligible to receive increased benefits  
19 based upon military service as described in (a) of this section. To  
20 receive military service credit, a retired person must verify his mili-  
21 tary service before July 1, 1976. When such service has been verified  
22 for a retired person to receive military service credit, he is entitled  
23 to receive an increased benefit which shall be actuarially adjusted to  
24 reflect his indebtedness for such credit. The indebtedness shall be  
25 calculated in the same manner as described in (b) of this section except  
26 that it shall be based on the average monthly compensation used in  
27 calculating the retirement benefit. The effective date of this in-  
28 creased benefit is the beginning of the month following that in which  
29 eligibility has been established.

1 \* Sec. 2. This Act takes effect on July 1, 1975.  
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Introduced: 2/21/75  
Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY MILLER AND DUNCAN

2 HOUSE BILL NO. 198

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to credit for military service in  
7 computing retirement benefits for state employees; and  
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 39.35.340(a) is repealed and re-enacted to read:

11 (a) An employee is entitled to service credit for active military  
12 service in the armed forces of the United States, either by enlistment  
13 or induction, if the employee did not receive a dishonorable discharge.  
14 The service credit may not exceed an aggregate period of three years  
15 unless the employee can show that his service in the armed forces of the  
16 United States in excess of three years was involuntary, in which case  
17 service credit shall be allowed for a period of time equal to the addi-  
18 tional time served. The service credit payable to the employee under  
19 this section may not be computed until the employee becomes vested in the  
20 retirement program, under this chapter. An employee, in order to obtain  
21 service credit under this subsection, shall make retroactive contribu-  
22 tions under this system for the period of time that service credit is  
23 claimed.

24 \* Sec. 2. A person receiving retirement benefits under AS 39.35.370 -  
25 39.35.410 on the effective date of this Act is eligible to receive the  
26 increased benefits resulting from the passage of this Act.

27 \* Sec. 3. This Act takes effect on July 1, 1975.  
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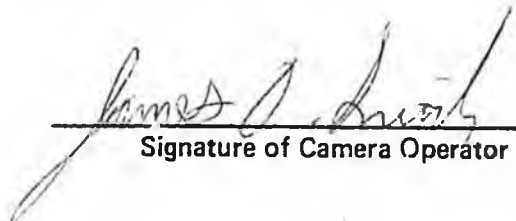
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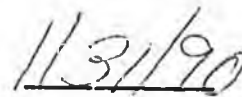


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\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

"An Act relating to credit for military service in computing retirement benefits for state employees; and providing for an effective date."

# COMMITTEE REPORT

3/22/76

HOUSE

Mr. Speaker:

Date 2-25-76

The Committee on FINANCE has had HB 108

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH <sup>Finance</sup> CS FOR HB 198 AND THAT

<sup>Finance</sup> CS FOR HB 198 DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
 Second Session - Ninth Legislature

I. REQUEST

Bill No. FCCS CSHB 198  
 Title: An act relating to the Public Employees' Retirement System  
 Requested by: Free Conference Committee Date: May 14, 1976  
 Return Date Requested: ASAP  
 Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: All

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	0	38.6	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	13.0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC..	0	0	0	0	0	0
100 BENEFITS	0	126.0	141.0	Increase	@ 12% per annum	
TOTAL	0	177.6	141.0	Increase	@ 12% per annum	

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	100.8	112.9	Increase	@ 12% per annum
FEDERAL FUNDS	17%	0	21.4	24.0	Increase	@ 12% per annum
OTHER	3%	0	3.8	4.2	Increase	@ 12% per annum
PERS		0	51.6	0	0	0

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 3	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 30	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimated covered State payroll for FY 77 is \$180,000,000.
2. Increase in employers contribution rate is .07%.
3. Assume that State payroll will increase at 12% per annum.

IV. ATTACHMENTS

Appendix I

V. DATE: 5/17/76 PREPARED BY: Robert S. Gates

Robert S. Gates, Director  
 Division of Retirement & Benefits

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

APPENDIX I

Passage of CS for House Bill #198 would require modification to a number of programs in the PERS data processing system. In addition, it would necessitate a substantial manual effort to input military service information and establish indebtedness accounts on existing members and to recalculate benefits for those already on retirement. The fiscal impact will be as follows:

1. One Temporary Position - Clerk III - Range 8 for 1 year

Monthly Salary	957 x 12 =	\$11,484
plus 7 ¼% benefits	=	<u>833</u>
Sub-total		<u>\$12,317</u>

One Temporary Position - Benefit Field Representative -  
Range 16 for 6 months

Monthly Salary	1,630 x 6 =	\$ 9,780
plus 7 ¼% benefits	=	<u>709</u>
Sub-total		<u>\$10,489</u>

One Temporary Position - Accountant I - Range 12 for  
one year

Monthly salary	1,231 x 12 =	\$14,772
plus 7 ¼% benefits		<u>1,071</u>
Sub-total		<u>\$15,843</u>
Total		<u>\$38,649</u>

2. Modifications Required to Data Processing Systems = \$13,000

This will be a one time only charge to modify the systems to accept and retain military service history on present and future employees.

HB 198

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
Second Session - Ninth Legislature

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Robert S. Gates, Director  
Division of Retirement & Benefits

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 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

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DEPARTMENT OF ALASKA  
VETERANS OF FOREIGN WARS

DEPARTMENT HEADQUARTERS  
P.O. BOX 670, JUNEAU, ALASKA 99801



DEPARTMENT SERVICE OFFICE  
FEDERAL BUILDING  
PHONE 586-7460

STATEMENT OF  
LOUIS F. FIORELLA, ADJUTANT  
DEPARTMENT OF ALASKA  
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

FINANCE COMMITTEE  
ALASKA HOUSE OF REPRESENTATIVES

WITH RESPECT TO H.R. 198 GIVING CREDIT FOR MILITARY SERVICE IN COMPUTING RETIREMENT  
BENEFITS FOR STATE EMPLOYEES

JUNEAU, AK.

APRIL 12, 1975

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the privilege of appearing before this most important committee to present the views of the Department of Alaska, Veterans of Foreign Wars - U.S.

My name is Louis F. Fiorella and my title is Department Adjutant and Service Officer.

The present membership of the V.F.W. and Auxiliary in Alaska is just under three thousand members.

The V.F.W. is proud of its record of leadership in gaining Congressional approval of so many rights and benefits available to veterans and their families. The V.F.W. in Alaska is attempting to accomplish the same ends on the State level.

At our Department Convention, held in Sitka in 1973, the Veterans of Foreign Wars put its 'stamp of approval' on H.R. 238 - an act that would have included honorable war-time military service in computing retirement benefits for State Employees. As you are all aware, this bill failed to pass in the Eighth Legislature. However - a somewhat similar bill, granting service-time toward retirement for teachers, did pass and became law. Now - it hardly seem fair that one group of state employees (teachers) should receive this benefit and not the other.

In February of this year, our Council of Administration, the Department's

DEPARTMENT OF ALASKA

VETERANS OF FOREIGN WARS

DEPARTMENT HEADQUARTERS  
P.O. BOX 670, JUNEAU, ALASKA 99801



DEPARTMENT SERVICE OFFICE  
FEDERAL BUILDING  
PHONE 586-7460

ruling authority between conventions, went on record supporting H.B. 198 which would give credit for military service in computing retirement - by unanimously passing Resolution No. 75-3. With your permission, Mr. Chairman, I will read the Resolved clause: "BE IT RESOLVED by the Veterans of Foreign Wars, Department of Alaska, that we endorse the concept of credit for time spent in the military in computing retirement benefits after the veteran employee of the State has become vested in the retirement program."

There are those who claim the program is too costly. Nothing could be further from the truth. The cost factor - ~~if any~~ - would be so insignificant to the total budget that consideration should be given to the overall affect on morale. <sup>Our</sup> thinking is along the same lines as <sup>the former Director of D.V.A.</sup> those who believe that the State <sup>MAY</sup> will actually save money by filling in positions with men or women with less tenure. ]

Mr. Chairman, the V.F.W. is dedicated to helping our fellow comrades and their dependents, regardless of their affiliation with our organization.

We therefore urge you, and the members of this Committee, to - not only approve <sup>with whatever amendments are proposed -</sup> but to use every means at your command - to successfully guide this Bill through both the House and the Senate to insure its passage.

Mr. Chairman - these are the views of the Veterans of Foreign Wars in Alaska. I wish to thank you again for the privilege of presenting them to this most distinguished committee."

Louis F. Fiorella  
Adjutant-Service Officer

COMMENTS ON COST PROVISIO OF CSHB-198

We believe the right to buy credit for active military service should be granted to all employees covered by PERS. In 1974, teachers were granted the right to buy active military service time.

The following are examples of several ways the cost to employees could be figured. These are offered as the bill has the highest possible cost to the employee which is not in line with the normal costs that he has been paying for his regular PERS service credit.

The first four examples are for a current employee who is in his 30th year of service. Prior to working for Alaska, he had 47 months of active military service during World War II and would like to purchase credit for such time.

EXAMPLE #1

In this I have shown the amount due after 5 years Territorial service (point when employee would have become vested if there had been a PERS program at that time).

\$6,315.00	=	Annual Salary
X .0425	=	(current PERS Contribution Rate)
<hr/>		
\$ 268.39	=	one year's contribution

OR

\$ 22.37	=	per month
X 47	=	months military service
<hr/>		
\$1,051.39	=	amount for military service
plus 2,680.00	=	24 years interest for the period of 1951 to 1975
<hr/>		
\$3,731.39	=	Total amount due PERS for military service

EXAMPLE #2

Another payment computation is to take the person's July salary of each year worked, add together and divide the total by number of Julys to get the average monthly salary of the person. Then multiply by .0425 to get mo. PERS rate to be charged for each month of military service to be purchased by employee.

Starting salary for July 1946 was \$228.00 and has steadily increased to July 1975 of \$2,999.00. Total of July salaries is \$32,903.50 divided by

$$\begin{array}{rcl} 30 \text{ years} = & \$1,096.78 & = \text{Average monthly salary} \\ & \times .0425 & = \text{PERS rate} \\ & \hline & \$ 46.61 & = \text{PERS monthly rate} \\ & \times 47 & = \text{Months military service} \\ & \hline & \$2,190.67 & = \text{Amount due PERS for military service} \end{array}$$

EXAMPLE #3

Use only the person's first months salary and present monthly salary and obtain an average salary by dividing by two.

$$\begin{array}{rcl} \text{start} & \$ 160.00 & \\ \text{present} & 2,999.00 & \\ & \hline & \$3,159.00 & \text{divided by 2} = \$1,579.50 = \text{average salary} \\ & & \times .0425 = \text{PERS rate} \\ & & \hline & \$ 67.13 & = \text{monthly rate} \\ & & \times 47 = \text{months military service} \\ & & \hline & \$3,155.11 & = \text{Amount due PERS for} \\ & & & & \text{military service.} \end{array}$$

EXAMPLE #4

In July 1968 PERS was separated from Social Security (FICA) Contributions and a straight percentage rate for PERS was established.

Starting August 1968, employee paid \$50.82 per month to PERS. The amount has increased due to rate changes and larger salaries so the current amount paid for December 1964 was \$122.57. Amount paid into PERS during this 77 month period (including interest credited) was:

$$\begin{array}{rcl} \$6,894.85 \text{ divided by } 77 & = & \$ 89.54 = \text{average per month} \\ & & \times 47 = \text{months military service} \\ & & \hline & & \$4,208.38 = \text{Amount due PERS for} \\ & & & & \text{military service.} \end{array}$$

EXAMPLE #5

This will show the cost of buying military service time by three different employees based on using the average rate for their current high 3 years of earnings VERSUS the use of only the 1975 rate as specified in CSHB-198.

Employee "A"

PERS Contribution

1973	Annual	\$1,008.05	or	\$ 84.00	monthly PERS
1974	"	1,206.81	or	\$100.55	"
1975	"	1,707.78	or	\$142.32	"
		<u>\$3,922.64</u>		<u>\$326.87</u>	
	divided by 3 =	1,307.55	or	\$108.96	"
47 months military service	X	\$142.32	=	\$6,689.04	cost per CSHB-198
47 " " " "	X	\$108.96	=	<u>5,121.12</u>	cost on 3 year average
				<u>\$1,567.92</u>	difference

Employee "B" has 28 years of State Employment and 44 months military

1973	Annual	\$ 866.49	or	\$ 72.21	monthly PERS
1974	"	1,041.40	or	\$ 86.78	"
1975	"	1,464.85	or	\$122.07	"
		<u>\$3,372.74</u>		<u>\$281.06</u>	
	divided by 3 =	\$1,124.25	or	\$ 93.69	"
44 months military service	X	\$122.07	=	\$5,371.08	cost per CSHB-198
44 " " " "	X	\$ 93.69	=	<u>4,122.36</u>	cost on 3 year average
				<u>\$1,248.72</u>	difference

Employee "C" has 20 years of State Employment and 38 months military

1973	Annual	\$ 802.82	or	\$ 66.90	monthly PERS
1974	"	975.44	or	81.29	"
1975	"	1,178.91	or	98.24	"
		<u>\$2,957.17</u>		<u>\$246.43</u>	
	divided by 3 =	\$ 985.72	or	\$ 82.14	"
38 months military service	X	\$ 98.24	=	\$3,733.12	cost per CSHB-198
38 " " " "	X	82.14	=	<u>3,121.32</u>	cost on 3 year average
				<u>\$ 611.80</u>	difference

If funding of this credit for military service time is required to be made at the new all-time high rate (due to salary increases) for 1975, then it is requested that CSHB-198 be amended to state that such service credit shall be considered as if earned in the PERS including the computation of "average monthly compensation" in A.S. 39.35.680(2). Perhaps such an amendment could be inserted as a new sentence to start on page one, line 22, after the word "claimed".

There are several people that I know of who plan to retire within the next year and would find this payment to be quite costly at this late date. However, I believe they would buy the service time at the "high-rate" if it could also help raise their monthly rate. Some people might argue that this is changing the formula for figuring the "average monthly compensation" by not using 3 different years. However, it should be noted that the employee will be paying the high PERS rate for calendar year 1975, plus the same rate for as many more years of military service for which he purchases the credit. In the foregoing example, 5 A, the person would be paying nearly 5 times his 1975 PERS for the credit of calendar year 1975 plus 4 years military service. So the allowance of three years at this 1975 rate is no different than a person who might get the same salary for 5 different calendar years and only uses 3 years in his average monthly computation. It should be noted that most of these people are Veterans from World War II, many of whom saw plenty of active combat fighting for their country and Alaska.

All of the cost figures I have shown are based on the present rate of 4½% of earnings. If HB-64 is passed, it will not only increase benefits, but will also raise the employee rate to 5¼% so you can see the high cost rate is of major concern and would change the rate charged in the purchase of military service credit.

With regard to persons who have already retired prior to 1975, I believe they should be given this additional time at No Cost if they had worked 20 years or more for employers covered by PERS and if employed less than 20 years, they should only pay 50% of the amount prescribed in the present wording of CSHB-198. Again, you are talking about our senior citizens who are mostly Veterans of World War II. Also, do you know how few or many they are and how much of a burden would be placed on the system to grant them a break?

Original sponsor: Miller and Duncan

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 198 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to credit for military service in  
7 computing retirement benefits for state employees; and  
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 39.35.340 is repealed and re-enacted to read:

11 Sec. 39.35.340. MILITARY SERVICE. (a) An employee is entitled to  
12 service credit for active military service in the armed forces of the  
13 United States, either by enlistment or induction, if the employee did  
14 not receive a dishonorable discharge. The service credit allowed may  
15 not exceed an aggregate period of five years. No service credit for  
16 military service may be granted under this section if the employee is  
17 entitled to a pension benefit for the same service from the federal  
18 government. The service credit available to the employee under this  
19 section may not be granted until the employee becomes vested in the  
20 retirement system. Benefits are not payable on military service credit  
21 unless the employee makes retroactive contributions to the system for  
22 the period of time that service credit is claimed. However, if the  
23 employee was in the employ of an employer on the date of entry into the  
24 armed forces and returned to the employ of an employer within 90 days  
25 after the date of his discharge from military service, he is not re-  
26 quired to make retroactive contributions under this system for the  
27 period of service credit.

28 (b) In order to obtain service credit under this section, an  
29 employee shall make an election to do so and shall verify his period of

1 military service before July 1, 1977 or within one year following the  
2 date when the employee becomes vested under this chapter, if later.  
3 When eligibility for military service credit has been established, an  
4 indebtedness shall be determined as follows: (1) the employee's actual  
5 compensation, or the calculated annual compensation for those employees  
6 working less than 12 months, during the calendar year 1976 or the year  
7 in which an employee first becomes vested under this chapter, whichever  
8 is later, multiplied by (2) the rate of employee contributions under  
9 sec. 160(a) of this chapter in effect at the date his military service  
10 is verified, such product multiplied by (3) the number of years of  
11 military service credited under this section. Interest as prescribed by  
12 regulation accrues on such indebtedness commencing on July 1, 1977 or  
13 one year following the date a person first becomes vested, whichever is  
14 later. Any outstanding indebtedness which exists at the time a person  
15 is appointed to retirement will necessitate an actuarial adjustment to  
16 the benefits payable based upon such military service.

17 (c) A person receiving retirement benefits under this chapter on  
18 the effective date of this Act is eligible to receive increased benefits  
19 based upon military service as described in (a) of this section. To  
20 receive military service credit, a retired person must verify his mili-  
21 tary service before July 1, 1977. When such service has been verified  
22 for a retired person to receive military service credit, he is entitled  
23 to receive an increased benefit which shall be actuarially adjusted to  
24 reflect his indebtedness for such credit. The indebtedness shall be  
25 calculated in the same manner as described in (b) of this section except  
26 that it shall be based on the average monthly compensation used in  
27 calculating the retirement benefit. The effective date of this in-  
28 creased benefit is the beginning of the month following that in which  
29 eligibility has been established.

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\* Sec. 2. This Act takes effect on July 1, 1976.

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THE ATTACHED PROPOSED COMMITTEE SUBSTITUTE FOR CSMB 198 IS  
THE PRODUCT OF COMBINING TWO BILLS:

- (1) CSMB 198, relating to credit for military service in computing retirement benefits for state employees (e.d.)
- (2) HB 36 - relating to early service credit under the public employees' retirement system (e.d.)

THE ONLY CHANGES WHICH HAVE BEEN MADE IN THE TWO BILLS  
ARE:

- (a) DATES (out-of-date)
- (b) REFERENCE TO "Region X, Department of Public Works, United States Employment Service and War Manpower Commission".
- (c) TITLE (to prevent a double-subject, the title must be changed; it is suggested LAA insert the correct title.)

Draft

Original sponsor: Miller and Duncan

Offered: 4/1/75  
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE  
~~BY THE STATE AFFAIRS COMMITTEE~~

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CS FOR HOUSE BILL NO. 198

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to ~~credit for military service in~~ (correct title will be provided by  
Legislative Affairs Agency)  
~~computing retirement benefits for state employees; and~~  
providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

\* Section 1. AS 39.35.340 is repealed and re-enacted to read:

Sec. 39.35.340. MILITARY SERVICE. (a) An employee is entitled to service credit for active military service in the armed forces of the United States, either by enlistment or induction, if the employee did not receive a dishonorable discharge. The service credit allowed may not exceed an aggregate period of five years. No service credit for military service may be granted under this section if the employee is entitled to a pension benefit for the same service from the federal government. The service credit available to the employee under this section may not be granted until the employee becomes vested in the retirement system. Benefits are not payable on military service credit unless the employee makes retroactive contributions to the system for the period of time that service credit is claimed. However, if the employee was in the employ of an employer on the date of entry into the armed forces and returned to the employ of an employer within 90 days after the date of his discharge from military service, he is not required to make retroactive contributions under this system for the period of service credit.

(b) In order to obtain service credit under this section, an employee shall make an election to do so and shall verify his period of

1977

1 military service before July 1, ~~1976~~ or within one year following the  
2 date when the employee becomes vested under this chapter, if later. \*\*

3 When eligibility for military service credit has been established, an  
4 indebtedness shall be determined as follows: (1) the employee's actual  
5 compensation, or the calculated annual compensation for those employees  
6 working less than 12 months, during the calendar year <sup>1976</sup>~~1975~~ or the year \*\*  
7 in which an employee first becomes vested under this chapter, whichever  
8 is later, multiplied by (2) the rate of employee contributions under  
9 sec. 160(a) of this chapter in effect at the date his military service  
10 is verified, such product multiplied by (3) the number of years of  
11 military service credited under this section. Interest as prescribed by  
12 regulation accrues on such indebtedness commencing on July 1, <sup>1977</sup>~~1976~~ or \*\*  
13 one year following the date a person first becomes vested, whichever is  
14 later. Any outstanding indebtedness which exists at the time a person  
15 is appointed to retirement will necessitate an actuarial adjustment to  
16 the benefits payable based upon such military service.

17 (c) A person receiving retirement benefits under this chapter on  
18 the effective date of this Act is eligible to receive increased benefits  
19 based upon military service as described in (a) of this section. To  
20 receive military service credit, a retired person must verify his mili-  
21 tary service before July 1, <sup>1977</sup>~~1976~~. When such service has been verified \*\*  
22 for a retired person to receive military service credit, he is entitled  
23 to receive an increased benefit which shall be actuarially adjusted to  
24 reflect his indebtedness for such credit. The indebtedness shall be  
25 calculated in the same manner as described in (b) of this section except  
26 that it shall be based on the average monthly compensation used in  
27 calculating the retirement benefit. The effective date of this in-  
28 creased benefit is the beginning of the month following that in which  
29 eligibility has been established.

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~~\* Sec. 2. -- This Act takes effect on July 1, 1975. --~~

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\* Section <sup>2</sup>~~1~~. AS 39.35.360(a) is amended to read:

(a) An employee who completes three years of service with the state after January 1, 1961, for which he makes contributions required by this chapter is entitled to service credit for employment rendered to the State and former Territory of Alaska before January 1, 1961, regardless of the office, department, division, or agency of the state or territory in which he was employed, including service as a commissioned officer of the United States Public Health Service, the United States District Court and the United States Commissioner's Court serving the Territory and State of Alaska succeeded to by the Alaska court system, and persons employed as United States marshals, United States deputy marshals, and Civil Aeronautics Administration security guards, and persons employed by the former Alaska Road Commission, and

\*\*

~~Bureau of Public Roads, Region 10, Department of Public Works, United~~

\*\*

~~States Employment Service and War Manpower Commission.~~ The retirement benefits payable to an employee under this section which are attributable to employment rendered to the State and former Territory of Alaska before January 1, 1961, shall be reduced by the amount of the retirement pension benefits paid to him by the United States government for the same period of prior service.

\*\*

July 1, 1976.

\* Sec. <sup>3</sup>~~2~~. This Act takes effect ~~/immediately in accordance with AS 01.01.0-~~

~~070(r)-~~

The Legislature of the State of Alaska  
FISCAL NOTE  
Second Session - Eighth Legislature

I. REQUEST

Bill Identification: CS for House Bill #198  
 Title: An act relating to credit for military service in computing retirement benefits  
 Requested by: House Finance Date: 2/25/76  
 Return Date Requested: 2/25/76  
 Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ALL

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	0	32.7	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
100 BENEFITS	0	540.0	604.8	Increase @ 12% per year		
TOTAL	0	582.7	604.8			

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	432.0			
FEDERAL FUNDS	17%	0	91.8	Increase @ 12% per year		
OTHER	3%	0	16.2			
PERS			42.7			

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 3	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 27	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. It is assumed that the State Payroll will increase 12% per annum.
2. The estimated state payroll for FY 77 is \$180,000,000.
3. The mandatory employee contribution will remain at current levels.
4. The required increase in the employer contribution rate will be .30% of covered payroll.

IV. ATTACHMENTS

Appendix I

V. DATE: 2/25/76

PREPARED BY: *Robert A. Gale*

Director

Division of Retirement & Benefits

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. FCCS CSHB 198  
 Title: An act relating to the Public Employees' Retirement System  
 Requested by: Free Conference Committee Date: May 14, 1976  
 Return Date Requested: ASAP  
 Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: All

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	0	38.6	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	13.0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
100 BENEFITS	0	126.0	141.0	Increase @ 12% per annum		
TOTAL	0	177.6	141.0	Increase @ 12% per annum		

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	100.8	112.9	Increase @ 12% per annum
FEDERAL FUNDS	17%	0	21.4	24.0	Increase @ 12% per annum
OTHER	3%	0	3.8	4.2	Increase @ 12% per annum
PERS		0	51.6	0	0

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 3	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 30	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimated covered State payroll for FY 77 is \$180,000,000.
2. Increase in employers contribution rate is .07%.
3. Assume that State payroll will increase at 12% per annum.

IV. ATTACHMENTS

Appendix I

V. DATE: 5/17/76 PREPARED BY: Robert S. Gates

Robert S. Gates, Director  
Division of Retirement & Benefits

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

APPENDIX I

Passage of CS for House Bill #198 would require modification to a number of programs in the PERS data processing system. In addition, it would necessitate a substantial manual effort to input military service information and establish indebtedness accounts on existing members and to recalculate benefits for those already on retirement. The fiscal impact will be as follows:

1. One Temporary Position - Clerk III - Range 8 for 1 year

Monthly Salary	957 x 12 =	\$11,484
plus 7 ¼% benefits	=	<u>833</u>
Sub-total		<u>\$12,317</u>

One Temporary Position - Benefit Field Representative -  
Range 16 for 6 months

Monthly Salary	1,630 x 6 =	\$ 9,780
plus 7 ¼% benefits	=	<u>709</u>
Sub-total		<u>\$10,489</u>

One Temporary Position - Accountant I - Range 12 for  
one year

Monthly salary	1,231 x 12 =	\$14,772
plus 7 ¼% benefits		<u>1,071</u>
Sub-total		<u>\$15,843</u>
Total		<u>\$38,649</u>

2. Modifications Required to Data Processing Systems = \$13,000

This will be a one time only charge to modify the systems to accept and retain military service history on present and future employees.

APPENDIX I

Passage of CS for House Bill # 198 would require modification to a number of programs in the PERS data processing system. In addition, it would necessitate a substantial manual effort to input military service information and establish indebtedness accounts on existing members and to recalculate benefits for those already on retirement. The fiscal impact will be as follows:

1. One Temporary Position - Clerk III - Range 8 for 1 year

Monthly Salary 938 x 12 =	\$11,256
plus 7 1/4% benefits =	<u>816</u>
Sub-total	<u>\$12,072</u>

One Temporary Position - Benefit Field Representative -  
Range 16 for 3 months

Monthly Salary 1,598 x 3 =	\$ 4,794
plus 7 1/4% benefits =	<u>348</u>
Sub-total	<u>\$ 5,142</u>

One Temporary Position - Accountant I  
Range 12 for one year

Monthly salary 1,207-x-12 =	\$14,484
plus 7 1/4% benefits	<u>1,050</u>
Sub-total	<u>\$15,534</u>

Total	<u>\$32,748</u>
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2. Modifications Required to Data Processing Systems - \$10,000

for HB 198 file

The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. House Bill #198 and Sponsor Substitute for Senate Bill #252

Title: An act relating to credit for military service in computing retirement benefits

Requested by: Legislative Finance Date: 4/17/75

Return Date Requested: As soon as possible

Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ALL

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES	0	27.0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
100 BENEFITS	0	280.0	296.8	314.6	333.5	355.1
<b>TOTAL</b>	<b>0</b>	<b>317.0</b>	<b>296.8</b>	<b>314.6</b>	<b>333.5</b>	<b>355.1</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	253.6	237.4	251.7	266.8	284.1
FEDERAL FUNDS	17%	0	53.9	50.5	53.5	56.7	60.4
OTHER	3%	0	9.5	8.9	7.4	10.0	10.6

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 3	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 21	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. It is assumed that the State payroll will increase 6% per annum.
2. The estimated State payroll is \$140,000,000 for FY 76.
3. The required increase in the employers contributions rate will be .20% of covered payroll.

IV. ATTACHMENTS

V. DATE: 4/25/75

PREPARED BY:

*Robert S. Gates*  
Robert S. Gates, Director  
Division of Retirement & Benefits

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

APPENDIX I

Passage of House Bill #198 or SS for Senate Bill #252 would require modification to a number of programs in the PERS data processing system. In addition, it would necessitate a substantial manual effort to input military service information and establish indebtedness accounts on existing members and to recalculate benefits for those already on retirement. The fiscal impact will be as follows:

1. One Temporary Position - Clerk III - Range 8 for 1 year

Monthly Salary 760 x 12 =	\$9,120
plus 7 1/4% benefits =	<u>661</u>
Sub-total	\$9,781

One Temporary Position - Benefit Field Representative -  
Range 16 for 3 months

Monthly Salary 1,293 x 3 =	\$3,879
plus 7 1/4% benefits =	<u>291</u>
Sub-total	\$4,160

One Temporary Position - Accountant I  
Range 12 for one year

Monthly salary 1,016 x 12 =	\$12,192
plus 7 1/4% benefits	<u>884</u>
Sub-total	<u>\$13,076</u>
Total	<u>\$27,017</u>

2. Modifications Required to Data Processing Systems -

\$10,000

*HB 198*

The Legislature of the State of Alaska  
FISCAL NOTE  
First Session - Ninth Legislature

I. REQUEST

Bill No. House Bill #198 and Sponsor Substitute for Senate Bill #252  
 Title: An act relating to credit for military service in computing retirement benefits  
 Requested by: Legislative Finance Date: 4/17/75  
 Return Date Requested: As soon as possible  
 Agency: Administration - Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: ALL

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES	0	27.0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
100 BENEFITS	0	280.0	296.8	314.6	333.5	355.1
<b>TOTAL</b>	<b>0</b>	<b>317.0</b>	<b>296.8</b>	<b>314.6</b>	<b>333.5</b>	<b>355.1</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	80%	0	253.6	237.4	251.7	266.8	284.1
FEDERAL FUNDS	17%	0	53.9	50.5	53.5	50.7	60.4
OTHER	3%	0	9.5	8.9	7.4	10.0	10.6

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 3	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 27	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. It is assumed that the State payroll will increase 6% per-annum.
2. The estimated State payroll is \$140,000,000 for FY 76.
3. The required increase in the employers contributions rate will be .20% of covered payroll.

IV. ATTACHMENTS

V. DATE: 4/17/75

PREPARED BY: Robert S. Gates

Robert S. Gates, Director  
Division of Retirement & Benefits

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

APPENDIX I

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Sub-total	<u>\$13,076</u>
Total	<u>\$27,017</u>

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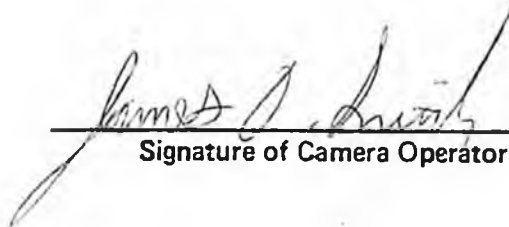
\$10,000

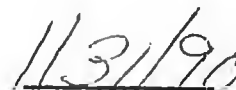


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

# COMMITTEE REPORT

## SENATE

5/21/76

\_\_\_\_\_ Date

Mr. President:

The Committee on Finance has had HB 199 time for opening and closing polls under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_ and that CS for \_\_\_\_\_ do pass
- (and) recommends it be referred to the \_\_\_\_\_ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) \_\_\_\_\_

MEMBERS SIGNING THE MAJORITY REPORT:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

\_\_\_\_\_ recommends: \_\_\_\_\_  
\_\_\_\_\_ recommends: \_\_\_\_\_  
\_\_\_\_\_ recommends: \_\_\_\_\_

\_\_\_\_\_ Chairman

COMMITTEE REPORT

4/5/76

SENATE

*in*

Mr. President:

Date MAY 20, 1976

The Committee on State Affairs has had HB 199 time for opening and closing polls under consideration. A Majority of the members of the Committee

- ( ) recommends it DO PASS
- ( ) recommends it DO NOT PASS
- ( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- ( ) recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE FINANCE COMMITTEE

reports it back <sup>INDIVIDUAL</sup> ~~WITHOUT~~ RECOMMENDATION

( ) "other"

Members signing the Majority report:

John Hauer DO PASS IF AMENDED

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Members NOT concurring in the Majority report:

[Signature] recommends: Do Not Pass

MELAN D recommends: NO REC

Collette recommends: no rec

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

John Hauer Chairman

720

Introduced: 2/24/75  
Referred: State Affairs and  
Judiciary

BY PARKER, MALONE, BUCHHOLDT AND  
KELLEY

1 IN THE HOUSE

2 HOUSE BILL NO. 199

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the time for opening and closing  
7 polls."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 15.15.080 is amended to read:

10 Sec. 15.15.080. TIME FOR OPENING AND CLOSING POLLS. On the day  
11 of any election, each election board shall open the polls for voting at  
12 seven [EIGHT] o'clock in the morning, shall close the polls for voting  
13 at nine [EIGHT] o'clock in the evening, and shall keep the polls open  
14 during the time between these hours. The election board members shall  
15 report to the polling place at 6:30 [7:30] in the morning of an election  
16 day. The hour shall be determined by the standard time, or day-light  
17 saving time, that is applicable to the polling place.

29 # COMMITTEE COPY

ALASKA STATE LEGISLATURE

NINTH Legislature SECOND FIRST Session

HOUSE ..... BILL ..... NO. ...199..

By PARKER, MALONE, BUCHHOLTZ AND KELLEY.

"An Act relating to the time for opening and closing polls."

Time opening & closing polls

Introduced in the House ... 2/24/75

HISTORY IN THE HOUSE

19 75	Feb 24	Read first time and referred to Committee on State Affairs and Judiciary
	May 9	Reported back with recommendation that <i>omit off</i>
	19 76	<i>repeal of CS - replace with Judiciary</i>
	Mar 2	<i>to discuss repeal of CS (Rule) for</i>
	Mar 26	Read second time and <i>Returned to Rules</i>
	Apr 2	CS (Rule) <i>passed</i>
	Apr 3	Reconsideration in <i>adopting CS (Rule) abv</i>
	Apr 2	Read third time and
	Apr 3	Reconsideration <i>taken up</i>
	Apr 2	PASS <i>28</i> Effective Date Yeas <i>28</i> Yeas Nays <i>9</i> Nays Absent <i>—</i> Absent Excused <i>3</i> Excused
	Apr 2	<i>Reconsideration</i> <i>Act 199</i>
	Apr 3	PASS <i>22</i> Effective Date Yeas <i>22</i> Yeas Nays <i>10</i> Nays Absent <i>—</i> Absent Excused <i>8</i> Excused
	Apr 3	Reported correctly engrossed
	Apr 3	Signed by Speaker
	Apr 3	Sent to Senate
		<i>Spencer Peterson</i> CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

1976	4/5	Read first time and referred to Committee on <i>State Affairs</i>
	5/21	Reported back with recommendation that <i>amended 2-10-76 at 1:30 not pass to 2-10-76</i>
		Read second time and
		Read third time and
		PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
		Reconsideration
		PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
		Reported correctly engrossed
		Signed by President
		Returned to House
		SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Reported correctly enrolled
	Sent to Governor
	..... By Governor
	Filed with Lt. Governor
	Chapter No. ....

Introduced: 2/24/75  
Referred: State Affairs and  
Judiciary

1 IN THE HOUSE

BY PARKER, MALONE, BUCHHOLDT AND  
KELLEY

2 HOUSE BILL NO. 199

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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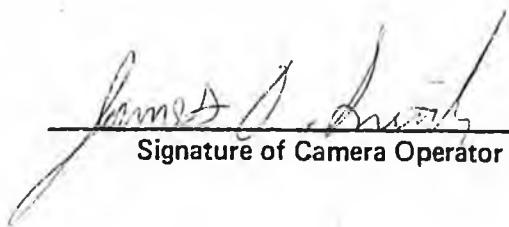
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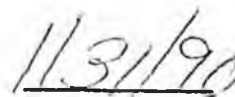


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\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

"An Act creating the Alaska Salary Commission; prescribing its organization, powers and duties; and providing for an effective date."

# COMMITTEE REPORT

4/8/75

## HOUSE

Mr. Speaker:

Date

May 22 1975

The Committee on FINANCE has had HB 203

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

<u>[Signature]</u>	recommends: <u>[Signature]</u>
_____	recommends:
_____	recommends:
_____	recommends:
_____	recommends:

[Signature] Chairman

Introduced: 2/25/75  
Referred: State Affairs and  
Finance

1 IN THE HOUSE

BY GARDINER AND MILLER

2 HOUSE BILL NO. 203

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska Salary Commission; pres-  
7 cribing its organization, powers and duties; and  
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. AS 39 is amended by adding a new chapter to read:

11 CHAPTER 23. ALASKA SALARY COMMISSION.

12 Sec. 39.23.010. CREATION OF COMMISSION; COMPOSITION. (a) There  
13 is created the Alaska Salary Commission consisting of five members, none  
14 of whom may be public officers or employees. Appointees to the commis-  
15 sion are not subject to legislative confirmation.

16 (b) One member of the commission shall be appointed each by the  
17 governor, the chief justice of the supreme court, the president of the  
18 University of Alaska, the president of the senate and the speaker of the  
19 house of representatives.

20 (c) An appointee of the chief justice and the president of the  
21 university shall be registered to vote either as an "independent," "non-  
22 partisan," or shall have "declined to state" his party affiliation when  
23 registering to vote.

24 Sec. 39.23.020. TERM OF OFFICE; VACANCIES. (a) Commission members  
25 serve at the pleasure of the appointing authority for four-year, stag-  
26 gered terms. However, three of the first members appointed to the com-  
27 mission shall serve two-year terms to be determined by lot at the first  
28 meeting of the commission.

29 (b) Vacancies shall be filled in the same manner as original ap-

1 pointment, and a person appointed shall serve the balance of an unexpired  
2 term.

3 Sec. 39.23.030. OFFICERS; STAFF. The commission shall select a  
4 chairman from among its members annually. The director of the legisla-  
5 tive finance division of the Legislative Budget and Audit Committee shall  
6 serve as ex-officio secretary to the commission and shall provide all  
7 research, technical and administrative services. He shall record and  
8 transcribe the minutes of commission meetings and prepare all corres-  
9 pondence, meeting notices, reports and recommendations as directed by  
10 the commission chairman.

11 Sec. 39.23.040. MEETINGS; QUORUM. (a) A majority of the commis-  
12 sion members present is sufficient to transact business to come before  
13 the commission. However, a majority of the commission members is neces-  
14 sary to approve the commission's recommendations to the legislature.

15 (b) The commission shall meet at the call of the chairman. Notice  
16 of meeting dates shall be mailed to each commission member at least 20  
17 days before the date scheduled for a meeting.

18 (c) The commission shall meet to discuss its findings and recom-  
19 mendations at least twice before submitting its final report to the  
20 legislature under sec. 80 of this chapter.

21 Sec. 39.23.050. COMPENSATION. Members of the commission serve  
22 without compensation but are entitled to per diem and travel expenses  
23 authorized by law for boards and commissions.

24 Sec. 39.23.060. DUTIES. The commission shall conduct an on-going  
25 review of compensation for members of the legislature, the governor and  
26 lieutenant governor, and the judiciary to determine its appropriateness  
27 and report its findings and recommendations to the governor, the legis-  
28 lature and the judiciary.

29 Sec. 39.23.070. STUDIES; REPORTS. The commission may request

1 reports or studies from any state department or agency concerning com-  
2 pensation of the governor, lieutenant governor, the members of the legis-  
3 lature or of the judiciary. A state department or agency from which that  
4 report or study is requested shall furnish it within a period of time  
5 prescribed by the commission.

6 Sec. 39.23.080. RECOMMENDATIONS. (a) Before December 1, 1976, and  
7 every two years thereafter, the commission shall submit its proposed  
8 findings and recommendations to the governor, the members of the legisla-  
9 ture and of the judiciary and make them public.

10 (b) The commission shall hold a public hearing or hearings on its  
11 findings and recommendations after making them public and before sub-  
12 mitting a final report of its findings and recommendations to the legis-  
13 lature under (c) of this section.

14 (c) The commission shall make a final report of its findings and  
15 recommendations as to the rate and form of compensation for the governor,  
16 lieutenant governor, members of the legislature and of the judiciary  
17 during the first 10 days of the first regular session of a legislature.  
18 The recommendations shall become effective 45 days after presentation to  
19 the legislature or at the end of a session, whichever is earlier, unless  
20 disapproved by a resolution concurred in by a majority of the members  
21 of each house.

22 (d) A commission member who does not concur in the proposed or  
23 final recommendations may attach written objections to the commission's  
24 report of its findings and recommendations.

25 Sec. 39.23.090. DEFINITIONS. In this chapter, "members of the  
26 judiciary" includes the justices of the supreme court and judges of the  
27 superior and district courts.

28 \* Sec. 2. AS 22.05.140(a) is amended to read:

29 (a) The chief justice and each associate justice shall receive

1 annual [\$44,000 ANNUALLY AS] compensation prescribed in accordance with  
2 AS 39.23. The compensation is payable monthly in 12 equal installments.  
3 Compensation of the chief justice or of an associate justice shall not  
4 be diminished during his term of office, unless by general law applying  
5 to all salaried officers of the state.

6 \* Sec. 3. AS 22.10.190(a) is amended to read:

7 (a) Each superior court judge shall receive annual [\$40,000 AN-  
8 NUALLY, AS] compensation prescribed in accordance with AS 39.23, payable  
9 monthly in 12 equal installments. The compensation of a judge shall not  
10 be diminished during his term of office, unless by general law applying  
11 to all salaried officers of the state.

12 \* Sec. 4. AS 22.15.220(a) is amended to read:

13 (a) Each district judge shall receive annual [\$33,500 ANNUALLY AS]  
14 compensation prescribed in accordance with AS 39.23, payable monthly in  
15 12 equal installments. The compensation of a judge shall not be dimi-  
16 nished during his term of office, unless by general law applying to all  
17 salaried officers of the state.

18 \* Sec. 5. AS 24.15.010 is amended to read:

19 Sec. 24.15.010. LEGISLATIVE PER DIEM. The rate of per diem  
20 instead of subsistence for each member of the legislature is a rate pre-  
21 scribed in accordance with AS 39.23 [\$35.00] for each day of a legisla-  
22 tive session. The per diem is also payable for those days of necessary  
23 travel to and from sessions.

24 \* Sec. 6.. AS 24.15.020 is amended to read:

25 Sec. 24.15.020. ANNUAL LEGISLATIVE SALARIES. The annual salary for  
26 each member of the legislature is prescribed in accordance with AS 39.23  
27 [\$9,000] to be paid in approximately equal monthly installments [PAY-  
28 MENTS]. The president of the senate and speaker of the house of repre-  
29 sentatives are each entitled to an additional sum prescribed in accor-

1 dance with AS 39.23 [\$500] a year during tenure of office.

2 \* Sec. 7. AS 24.15.030 is amended to read:

3 Sec. 24.15.030. ADDITIONAL ALLOWANCES. In addition, each member  
4 of the legislature is entitled to an annual allowance prescribed in  
5 accordance with AS 39.23 [OF \$4,000] for postage, stationery, stenogra-  
6 phic services and other expenses.

7 \* Sec. 8. AS 39.20.010 is amended to read:

8 Sec. 39.20.010. ANNUAL SALARY OF GOVERNOR. The annual salary of  
9 the governor is prescribed in accordance with AS 39.23 [\$50,000]. The  
10 salary shall be paid in equal monthly installments.

11 \* Sec. 9. AS 39.20.030 is amended to read:

12 Sec. 39.20.030. ANNUAL SALARY OF LIEUTENANT GOVERNOR. The annual  
13 salary of the lieutenant governor is prescribed in accordance with  
14 AS 39.23 [\$44,000]. The salary shall be paid in equal monthly install-  
15 ments.

16 \* Sec. 10. The first appointments to the commission shall be made within  
17 60 days after the effective date of sec. 1 of this Act.

18 \* Sec. 11. Sections 1 and 10 of this Act take effect immediately in  
19 accordance with AS 01.10.070(c). Sections 2 - 9 of this Act take effect on  
20 the effective date of the first recommendations submitted to the legislature  
21 under AS 39.23.080(c).

22  
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A M E N D M E N T #1

OFFERED IN THE HOUSE:

By: State Affairs Committee

To: \_\_\_\_\_ HOUSE BILL No. 203

SENATE BILL No. \_\_\_\_\_

PAGE: 5

Between LINEs 15-16

Page 5, between lines 15-16: Add a new section as follows:

\* Sec. 10. AS 39.50.200(9) is amended by adding a new subparagraph to read:

(KK) Alaska Salary Commission (AS 39.23)

Renumber remaining sections accordingly.

Introduced: 2/25/75  
Referred: State Affairs and  
Finance

1 IN THE HOUSE

BY GARDINER AND MILLER

2 HOUSE BILL NO. 203

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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21 Sec. 39.23.050. COMPENSATION. Members of the commission serve  
22 without compensation but are entitled to per diem and travel expenses  
23 authorized by law for boards and commissions.

24 Sec. 39.23.060. DUTIES. The commission shall conduct an on-going  
25 review of compensation for members of the legislature, the governor and  
26 lieutenant governor, and the judiciary to determine its appropriateness  
27 and report its findings and recommendations to the governor, the legis-  
28 lature and the judiciary.

29 Sec. 39.23.070. STUDIES; REPORTS. The commission may request

1 reports or studies from any state department or agency concerning com-  
2 pensation of the governor, lieutenant governor, the members of the legis-  
3 lature or of the judiciary. A state department or agency from which that  
4 report or study is requested shall furnish it within a period of time  
5 prescribed by the commission.

6 Sec. 39.23.080. RECOMMENDATIONS. (a) Before December 1, 1976, and  
7 every two years thereafter, the commission shall submit its proposed  
8 findings and recommendations to the governor, the members of the legisla-  
9 ture and of the judiciary and make them public.

10 (b) The commission shall hold a public hearing or hearings on its  
11 findings and recommendations after making them public and before sub-  
12 mitting a final report of its findings and recommendations to the legis-  
13 lature under (c) of this section.

14 (c) The commission shall make a final report of its findings and  
15 recommendations as to the rate and form of compensation for the governor,  
16 lieutenant governor, members of the legislature and of the judiciary  
17 during the first 10 days of the first regular session of a legislature.  
18 The recommendations shall become effective 45 days after presentation to  
19 the legislature or at the end of a session, whichever is earlier, unless  
20 disapproved by a resolution concurred in by a majority of the members  
21 of each house.

22 (d) A commission member who does not concur in the proposed or  
23 final recommendations may attach written objections to the commission's  
24 report of its findings and recommendations.

25 Sec. 39.23.090. DEFINITIONS. In this chapter, "members of the  
26 judiciary" includes the justices of the supreme court and judges of the  
27 superior and district courts.

28 \* Sec. 2. AS 22.05.140(a) is amended to read:

29 (a) The chief justice and each associate justice shall receive

1 annual [\$44,000 ANNUALLY AS] compensation prescribed in accordance with  
2 AS 39.23. The compensation is payable monthly in 12 equal installments.  
3 Compensation of the chief justice or of an associate justice shall not  
4 be diminished during his term of office, unless by general law applying  
5 to all salaried officers of the state.

6 \* Sec. 3. AS 22.10.190(a) is amended to read:

7 (a) Each superior court judge shall receive annual [\$40,000 AN-  
8 NNUALLY, AS] compensation prescribed in accordance with AS 39.23, payable  
9 monthly in 12 equal installments. The compensation of a judge shall not  
10 be diminished during his term of office, unless by general law applying  
11 to all salaried officers of the state.

12 \* Sec. 4. AS 22.15.220(a) is amended to read:

13 (a) Each district judge shall receive annual [\$33,500 ANNUALLY AS]  
14 compensation prescribed in accordance with AS 39.23, payable monthly in  
15 12 equal installments. The compensation of a judge shall not be dimi-  
16 nished during his term of office, unless by general law applying to all  
17 sal ided officers of the state.

18 \* Sec. 5. AS 24.15.010 is amended to read:

19 Sec. 24.15.010. LEGISLATIVE PER DIEM. The rate of per diem  
20 instead of subsistence for each member of the legislature is a rate pre-  
21 scribed in accordance with AS 39.23 [\$35.00] for each day of a legisla-  
22 tive session. The per diem is also payable for those days of necessary  
23 travel to and from sessions.

24 \* Sec. 6. AS 24.15.020 is amended to read:

25 Sec. 24.15.020. ANNUAL LEGISLATIVE SALARIES. The annual salary for  
26 each member of the legislature is prescribed in accordance with AS 39.23  
27 [\$9,000] to be paid in approximately equal monthly installments [PAY-  
28 MENTS]. The president of the senate and speaker of the house of repre-  
29 sentatives are each entitled to an additional sum prescribed in accor-

1 dance with AS 39.23 [\$500] a year during tenure of office.

2 \* Sec. 7. AS 24.15.030 is amended to read:

3 Sec. 24.15.030. ADDITIONAL ALLOWANCES. In addition, each member  
4 of the legislature is entitled to an annual allowance prescribed in  
5 accordance with AS 39.23 [OF \$4,000] for postage, stationery, stenogra-  
6 phic services and other expenses.

7 \* Sec. 8. AS 39.20.010 is amended to read:

8 Sec. 39.20.010. ANNUAL SALARY OF GOVERNOR. The annual salary of  
9 the governor is prescribed in accordance with AS 39.23 [\$50,000]. The  
10 salary shall be paid in equal monthly installments.

11 \* Sec. 9. AS 39.20.030 is amended to read:

12 Sec. 39.20.030. ANNUAL SALARY OF LIEUTENANT GOVERNOR. The annual  
13 salary of the lieutenant governor is prescribed in accordance with  
14 AS 39.23 [\$44,000]. The salary shall be paid in equal monthly install-  
15 ments.

16 \* Sec. 10. The first appointments to the commission shall be made within  
17 60 days after the effective date of sec. 1 of this Act.

18 \* Sec. 11. Sections 1 and 10 of this Act take effect immediately in  
19 accordance with AS 01.10.070(c). Sections 2 - 9 of this Act take effect on  
20 the effective date of the first recommendations submitted to the legislature  
21 under AS 39.23.080(c).  
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The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 203

Title: Alaska Salary Commission

Requested by: House Finance

Date: 4/19/75

Return Date Requested:

Agency: Legislative Finance

Program:

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Legislative Finance Division

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES	.					
200 TRAVEL	-	1.8	5.0	1.8	5.0	1.8
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-	1.8	5.0	1.8	5.0	1.8

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-	1.8	5.0	1.8	5.0	1.8
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The expense for this bill would be travel and per diem for the five Commission members, the Director, and a secretary from Legislative Finance. The bill requires the Commission to meet at least twice before submitting its findings to the legislature and it also provides for a public hearing or hearings on its recommendations.

IV. ATTACHMENTS

V. DATE: 4/19/75

PREPARED BY: [Signature]

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

The Legislature of the State of Alaska  
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. HB 203

Title: Alaska Salary Commission

Requested by: \_\_\_\_\_ Date: April 18, 1975

Return Date Requested: \_\_\_\_\_

Agency: \_\_\_\_\_ Program: \_\_\_\_\_

II. FISCAL DETAIL

Budget Request Unit(s) Affected: \_\_\_\_\_

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL		7,700		8,470		9,320
300 CONTRACTUAL		1,700		1,870		2,060
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		9,400		10,340		11,380

B. FUNDING: (Thousands of dollars)

GENERAL FUND		9,400		10,340		11,380
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	0 / 0	/	0 / 0	/	0 / 0
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assume two meetings = 5 days @ \$50. per day x 5 members = \$1,250.

Transportation 1,500.

Four Public hearings, one day each, per diem \$250 x 8 = 2,000.

Transportation 2,000.

Rental of Facilities 200.

Publishing report of recommendations including technical illustration 1,500.

Travel & Per Diem for Director of Legislative Finance to serve as secretary 950.

Escalate costs 10% for inflation.

IV. ATTACHMENTS

V. DATE: April 18, 1975

PREPARED BY: *Janet B. Green*

Janet B. Green, Budget Analyst

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith  
Signature of Camera Operator

11/31/90  
Date

# COMMITTEE REPORT

4/2/75

HOUSE

Mr. Speaker:

Date April 5, 1975

The Committee on FINANCE has had HB 208

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HB 208 AND THAT

Finance  
CS FOR HB 208 DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

# MEMORANDUM

LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

POUCH Y — STATE CAPITOL  
JUNEAU, ALASKA 99811

TO:

*Felt*

DATE:

*Apr 9, 1975*

FROM:

*Bill Deemer*

SUBJECT:

*Fin CS for HB 205*

*The sites in the section added (i.e. 7, 8 & 43.20 (196)) are  
not in USCS presently because they relate to current changes  
because the committee needs the bill file so the today I have  
not been able to check the sites*

# MEMORANDUM

TO:

R. D. Stevenson  
Special Assistant  
Department of Revenue

DATE : March 10, 1975

FROM:

Frederick P. Boetsch  
Deputy Commissioner for Taxation  
Department of Revenue

SUBJECT: HB 208

I have reviewed HB 208 which eliminates Foreign Tax credits from reference in the Alaska Net Income Tax Act, limits the application of Investment Credit to \$100,000 of equipment purchased and placed in use each year, deletes the tax shelter provided for Domestic International Sales Corporations, and eliminates percentage depletion as a deduction for income tax purposes.

The Foreign Tax Credit is allowed by the Federal Government to offset duplicate taxation on the same income. This is due to the fact that the Federal Government taxes world-wide income of domestic corporations. However, when applied to the state income tax return, the credit amounts to a double reduction of state taxes. Any corporation which reports to us on a world-wide basis apportions its income to Alaska using the three factor formula (Sales, Property, and Payroll). This means that Alaska gets a share of the income related to the corporation's activities in the state. Alaska is not taxing the income earned in a foreign country - only the income earned in Alaska. Therefore, the credit is not appropriate since it bears no relation to the income taxed by Alaska. We have issued an administrative ruling to this effect but believe that a clear expression of this policy in the statutes is necessary to avoid confusion and possible litigation.

The investment credit is a tool used by the Federal Government to stimulate the purchase of equipment during a period of economic slack. It is doubtful that such stimulation is needed in our state which is currently experiencing a boom. It is apparent that the state will lose a large number of tax dollars if the credit is continued for state tax purposes.

The attached schedule indicates that we could lose almost \$20 million between now and 1980. Almost 3/4 of these benefits would go to large international firms doing business in our own state. Although this would be a loss to the Treasury and, therefore, to Alaskans, it would not increase investment by these corporations in our state. In short, we would be giving away \$15 million dollars. On the other hand, the bill provides that the small businessman would continue to receive the benefits of the credit.

Our projections are based on a normal growth rate consistent with our most recent projections of corporate tax collections exclusive of the pipeline and other effects; the investment credit directly related to equipment used in the construction of the pipeline and the line and related facilities themselves; and Alaska's share of other oil companies on a world-wide basis, but of which Alaska would receive an apportionable share. The normal investment credit rate of 16.8263% was derived from

statistics provided by the Internal Revenue Service and represents an average investment credit in relation to the net taxes paid.

The next provision seeks to disallow the filing of a return as a Domestic International Sales Corporation under Internal Revenue Code Section 991 for the purposes of meeting the Alaska Net Income Tax Act requirement. This is a provision that was enacted by Congress in 1971 to stimulate exports. Basically, it allows companies who have export sales to form a subsidiary corporation for the purpose of handling the exports. This subsidiary corporation is not subject to direct corporate taxation. Instead, 50% of the profits are taxed directly to the parent corporation and the other 50% are deferred until such time as actually distributed to the parent corporation or until such time as the parent disposes of its stock in the DISC or the election to be treated as a DISC is revoked. The idea that Congress had in mind was that this would allow us to export goods on a more competitive basis and help the national balance of payments situation.

We do not think that such an incentive is either necessary nor desirable in Alaska. There is a great deal of interest in exporting all our natural resources to foreign countries at the present time and a tax break does not seem to be necessary in order to continue or spur on the export industries. It could mean, however, that Alaska resources could be exported through the vehicle of a DISC without any income tax being paid on such exports. The DISC itself as indicated would be non-taxable. Although the parent corporation would be deemed to have received a dividend equal to 50% of the income during the tax year it is possible that the parent might be a corporation not doing business in Alaska and therefore could not be taxed on the deemed distribution. Although it is possible we could assert jurisdiction on the basis of the combination provisions of the Multistate Tax Compact we could wind up in court on the issue. Since this provision in the Internal Revenue Code does not have any advantage for Alaska and does not seem to be in the best public interest of Alaskans, we think that the easiest, simplest and most straight forward way to solve this problem would be to eliminate the possibility by deleting that Internal Revenue Code provision from our statutes.

I am unable to predict the effects on Treasury since we do not have any historical background on these corporations.

The percentage depletion allowed by the Internal Revenue Code is also eliminated. While there is great controversy raging in Congress on whether this allowance should continue for oil and gas (a bill to eliminate it recently passed the House), there really is no such question in Alaska. Industry is eager to develop our resources and continue exploration here. What we are doing, in effect, by continuing to allow percentage depletion on Alaska Income Tax returns is helping to subsidize exploration in other parts of the world. The revenue losses are substantial as is indicated by the attached schedule.

This Bill, then would eliminate many of the tax loopholes or potential loopholes which are presently on our statutes. These loopholes represent poor tax policy from Alaska's viewpoint and cause a considerable drain on the State Treasury. This drain will grow much larger unless we plug it now.

HOUSE BILL 208  
 POTENTIAL REVENUE EFFECTS  
 (\$000 Omitted)

Provision	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>
Elimination of Foreign Tax Credit	917	1,001	1,433	1,825	1,889
Limitation on Investment Credit	2,403	2,187	6,552	4,286	4,408
Elimination of Percentage Depletion	<u>3,000</u>	<u>3,437</u>	<u>15,038</u>	<u>17,072</u>	<u>18,352</u>
Total Potential Revenue Effect	<u>6,320</u>	<u>6,625</u>	<u>23,023</u>	<u>23,183</u>	<u>24,649</u>

Note: Effect of Domestic International Sales Corporations not included since data are not available as to the number or extent of activity of potential DISC's. Theoretically, all exports from the State could qualify for this tax shelter.

A M E N D M E N T

OFFERED IN THE HOUSE

BY:

TO: HOUSE BILL NO. 208

PAGE 1, BETWEEN LINES 28 - 29

Insert the following:

(e) For purposes of this chapter, the taxpayer may not apply for a refund of 1974 individual income taxes under Internal Revenue Code sec. 6428 (26 U.S.C. sec. 6428).

(f) For purposes of calculating the income tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the credit for personal exemptions under Internal Revenue Code sec. 42 (26 U.S.C. sec. 42).

(g) For purposes of calculating the income tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the credit for earned income under Internal Revenue Code sec. 43 (26 U.S.C. sec. 43).

(h) For purposes of calculating the tax payable under this chapter, the taxpayer may not apply as a credit against his tax liability the credit for purchase of new principal residence under Internal Revenue Code sec. 44 (26 U.S.C. sec. 44).

Introduced: 2/26/75  
Referred: Commerce and  
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 208

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska net income tax deductions  
7 and credits; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 43.20 is amended by adding a new section to read:

10 Sec. 43.20.036. FEDERAL TAX DEDUCTIONS AND CREDITS. (a) For  
11 purposes of calculating the income tax payable under this chapter,  
12 the taxpayer may not apply as a credit against his tax liability the  
13 foreign tax credit allowed as to federal taxes under Internal Revenue  
14 Code sec. 33 (26 U.S.C. sec. 33).

15 (b) For purposes of calculating the income tax payable under  
16 this chapter, the taxpayer may apply as a credit against his tax liability  
17 the job development investment credit allowed as to federal taxes  
18 under Internal Revenue Code sec. 50 upon only the first \$100,000 of  
19 qualified investment put into use for each taxable year (26 U.S.C.  
20 sec. 50).

21 (c) For purposes of calculating the income tax payable under  
22 this chapter, the taxpayer may not apply as an exemption from his tax  
23 liability the tax exemption for domestic international sales corporation  
24 under Internal Revenue Code sec. 991 (26 U.S.C. sec. 991).

25 (d) For purposes of calculating the income tax payable under  
26 this chapter, the taxpayer may not apply as a deduction from his tax  
27 liability the deduction for depletion under Internal Revenue Code sec.  
28 613 (26 U.S.C. sec. 613).

29 \* Sec. 2. This Act is retroactive to January 1, 1975, and relates only

1 to income earned and received after December 31, 1974.

2 \* Sec. 3 This Act takes effect immediately in accordance with AS 01.-  
3 10.070(c).

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